



Sean McGargill | Mortgage Broker
M: 0417 881 109
E: sean@privateclients.com.au

Market Essentials – July 2026

National Overview

Australia's housing market has moved firmly into a **two-speed correction phase** after a strong 2025. The National Home Value Index was flat in May 2026, with dwelling values down 0.1% across the combined capitals over the month, while the national annual growth rate sits at 8.8%. The following month's reading turned negative, with the national index falling 0.4% in June — the steepest monthly decline in three and a half years.

Key national trends:

- Sydney and Melbourne are five consecutive months into decline, sitting 2.1% and 2.9% below their November 2025 peaks respectively.
 - Perth, Brisbane, Adelaide, Hobart and Darwin continue posting gains, though at a slower pace than earlier in the cycle.
 - Rental markets remain tight, with vacancy rates near record lows of 1.5% and annual rent growth running at 5.9%.
 - Federal Budget changes will limit negative gearing to new builds from 1 July 2027 and replace the 50% CGT discount with an indexed cost-base approach, reshaping investor calculus in established-property markets.
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State-by-State Update

New South Wales

- Sydney values fell 0.9% in May, now 2.1% below the November 2025 peak
- Median dwelling value: \$1,295,387
- Estimated sales volumes down 17% year-on-year
- Regional NSW remains comparatively resilient on affordability and lifestyle demand
- *Outlook: subdued near-term, improvement likely once rates ease*

Victoria

- Melbourne fell 0.8% in May, sitting 2.9% below its March 2022 peak
- Still up 2.0% year-on-year despite the monthly decline
- Sydney buyers now need \$70,000 more in annual household income than Melbourne buyers
- Highlights Melbourne's relative affordability advantage
- *Outlook: gradual recovery; among the better long-term value plays*

Queensland

- Brisbane up 19.7% annually, sitting at a fresh record high
- Unit values outperforming houses (21.8% vs 18.6% annual growth)
- Growth driven by affordability and strong rental demand
- *Outlook: continued growth, moderating from recent highs*

Western Australia

- Perth values rose 1.5% in May, up 26.0% over the year — a fresh record high
- Strongest-performing capital in the country
- Gap between Perth and Melbourne's annual growth now 24 percentage points — the widest of this cycle
- *Outlook: still the standout performer, though momentum expected to moderate*

South Australia

- Adelaide up 11.4% over the year
- Median dwelling value: \$937,021
- Growth remains steady and less volatile than the larger capitals
- *Outlook: sustainable, consistent performer*

Tasmania

- Hobart rose 0.9% in May, up 9.3% annually
- Still 1.4% below its March 2022 record high
- *Outlook: balanced market, low-to-moderate growth*

Northern Territory

- Darwin rose 1.5% in May, up 19.6% annually — a fresh record high
- Smaller market size means greater volatility
- *Outlook: positive but cyclical*

Australian Capital Territory

- Canberra fell 0.2% in May but is up 4.3% annually
- Median dwelling value: \$898,242

- *Outlook: steady, government-employment-backed stability rather than strong capital growth*
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Key Takeaways

1. **This is a reset, not a crash** — the correction is concentrated in Sydney and Melbourne.
2. **The two-speed market is entrenched** — Perth, Brisbane, Adelaide and Darwin continue outperforming on affordability and supply shortages.
3. **Policy is now a live variable** — Budget-driven negative gearing and CGT changes are reshaping investor demand for established homes ahead of the 1 July 2027 start date.
4. **Rental tightness persists** even as capital growth cools, keeping yields attractive in slower-growth cities.
5. **Selectivity will define returns from here** — quality assets in supply-constrained, high-migration markets should keep outperforming.