



January 2026

## Monthly Market Focus

A monthly snapshot of how we see the property markets across the country together with relevant research and economic news. We also highlight recent transactions, product innovation and industry insights.

**Thinktank.**

# Economic Outlook

The Reserve Bank of Australia (RBA) conducted its final meeting of 2025 on November 8 and 9, maintaining the Cash Rate at 3.60%, as widely anticipated. The next meeting is scheduled for early February, with 2026 forecasts varying from some expecting rate increases to a minority predicting stability.

The recent November CPI data released by the ABS was promising, showing lower-than-expected inflation; however, attention now turns to the December data, due in late January, ahead of the RBA's upcoming meeting.

On the international front, the Federal Reserve Bank (FOMC) in the United States is expected to continue lowering rates, while the Bank of Canada (BoC) is likely to hold steady at a low 2.25%. Currently, US 10 year Government Bond yields remain relatively unchanged at 4.13%, whereas Australian 10 year bond yields have edged up slightly to 4.76%.

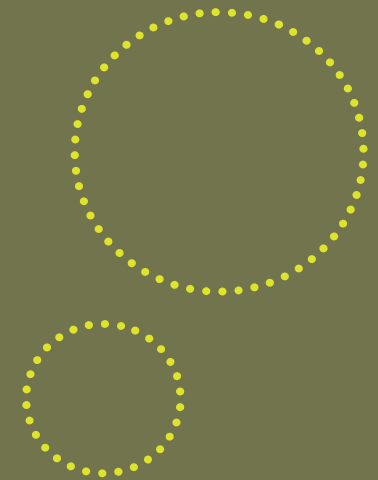
The Australian dollar, after stabilizing from a previous decline near 0.69, has risen again from below 0.65 to 0.6766, marking its highest level since October 2024.

The Westpac-MI Consumer Sentiment Index fell 9% in December from 103.8, its first positive read in nearly four years, to a negative 94.5 with the main driver being a negative mortgage rate expectation by consumers.

The Westpac Melbourne Institute Leading Index for November issued in mid-December also fell to +0.16% from +0.32% in October largely on consumer concerns.

The Australian Industry Group (AiG) Industry Index did not issue for December but for November fell slightly by -0.6 points to -12.5.

The Manufacturing PMI rose +3.6 points but remained negative at -18.0 points while the Construction PCI fell -10.3 points to -18.7 leaving all three indices in negative territory.



# Cotality Data

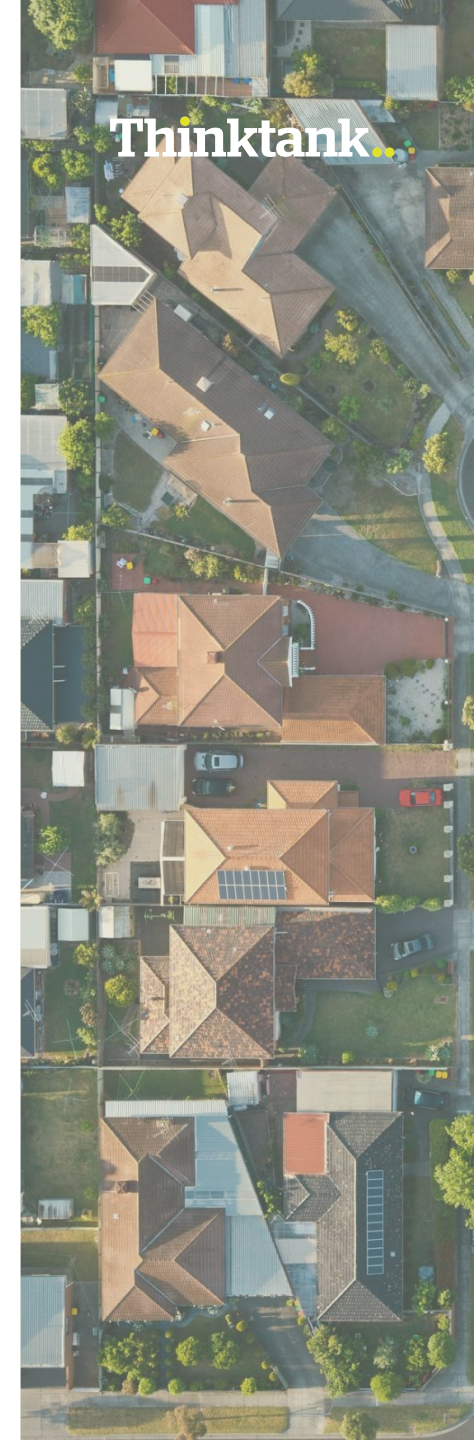
Cotality (previously CoreLogic) reported dwelling prices for December, showing another positive national result, though the 0.7% monthly increase was slightly lower than November's figures, with a 2.9% rise for the quarter.

Sydney and Melbourne experienced slight monthly declines of 0.1%, yet both cities posted quarterly gains of 0.8%. Melbourne ranks fifth in median home value among major capital cities, with a 4.8% annual increase, while the other four cities saw higher growth in 2025.

For the month, Sydney house prices fell by 0.3%, and Melbourne houses decreased by 0.1%. In Sydney, unit prices rose by 0.3%, whereas Melbourne units declined by 0.1%, mirroring the housing trend. Adelaide, Perth, and Brisbane performed well again this month, with increases in both houses and units across the month, quarter, and year.

Nationally, dwelling prices grew by 8.6% over the year.

Index results as at 31 <sup>st</sup> December 2025	Change in dwelling values				
	Month	Quarter	Annual	Total return	Median value
Sydney	-0.1%	0.8%	5.8%	9.0%	\$1,280,613
Melbourne	-0.1%	0.8%	4.8%	8.5%	\$827,117
Brisbane	1.6%	5.6%	14.5%	18.3%	\$1,036,323
Adelaide	1.9%	5.1%	8.8%	12.7%	\$902,249
Perth	1.9%	7.6%	15.9%	20.7%	\$940,635
Hobart	0.9%	3.6%	6.8%	11.3%	\$720,341
Darwin	1.6%	5.4%	18.9%	26.9%	\$586,912
Canberra	0.2%	2.2%	4.9%	9.2%	\$893,907
Combined capitals	0.5%	2.7%	8.2%	11.8%	\$991,331
Combined regional	1.0%	3.5%	9.7%	14.7%	\$734,351
National	0.7%	2.9%	8.6%	12.4%	\$901,257



# Ratings and Trends

We continue to reflect this month's ongoing improvement in most residential markets in almost all areas despite the general view that interest rates will not fall again in 2025 or early 2026. Herron Todd White (HTW) have issued their October Month in Review including an update on the industrial sector and reported a shortage in all five capitals except Sydney which is balanced.

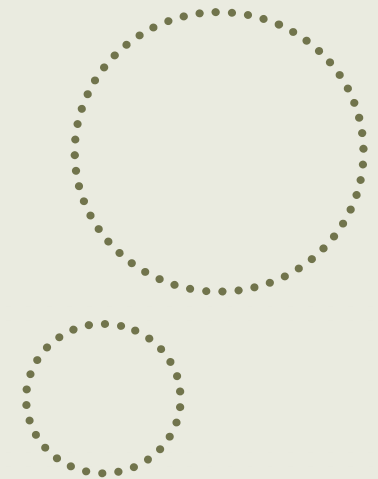
Only Perth was showing steady growth and at its peak with the rest starting to decline. For houses and units despite reporting shortages of supply for almost all capitals it again rated Melbourne as starting to decline or at the bottom of the market in residential houses and units.

Amongst smaller capitals though they continue to be better rated with Brisbane being strongest and Adelaide and Perth both approaching their peaks and this is likely to continue. We have also reflected these comments in our ratings and trends below which are largely unchanged despite the change in view on interest rates.

Overall Ratings: 7 ratings are Good, 15 are Fair, 3 remain Strong of which 2 are in Perth and 1 in Brisbane. None are weak reflecting the stable investment environment. Trends show 10 Improving and none deteriorating.

▶ Stable ▲ Improving  
 ▼ Deteriorating ● Steady

	Sydney	Melbourne	Adelaide	Brisbane	Perth
Residential Homes	Good ▶	Fair ▶	Good ▲	Good ▲	Strong ▲
Residential Units	Fair ▶	Fair ▶	Good ▲	Strong ▲	Good ▲
Office	Fair ▶	Fair ▶	Fair ▶	Fair ▶	Fair ▶
Retail	Fair ▶	Fair ▶	Fair ▶	Fair ▶	Fair ▲
Industrial	Fair ▶	Fair ▶	Good ▶	Good ▶	Strong ▲



As we look back at 2025, we are taking a somewhat broader view of the economy as well as the various property sectors that are included in our Monthly Market Focus. This is somewhat more in line with our former Quarterly Market Update.

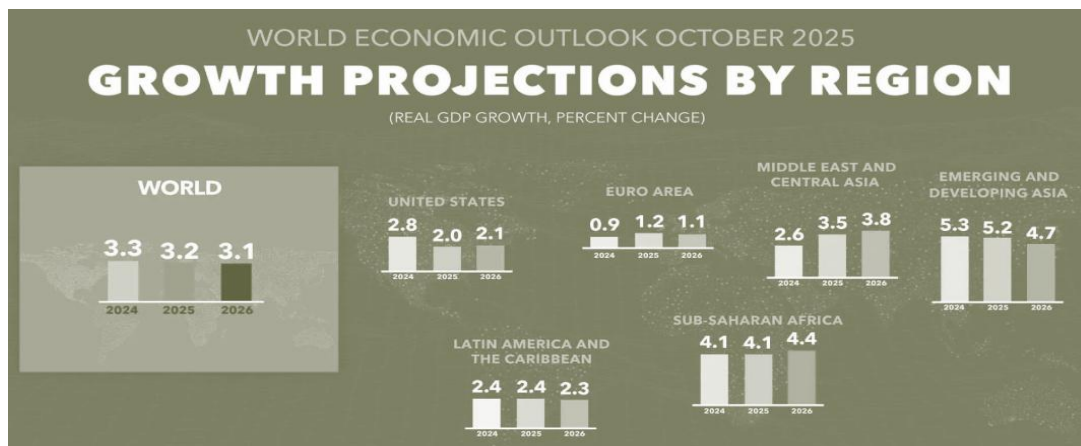
## Global Economy, Research, and Forecast

Two of the most frequently cited sources for global economic research are the International Monetary Fund (IMF) and the World Bank. The IMF releases its research quarterly, offering comprehensive analysis of diverse economic data worldwide, including forecasts based on information from various government agencies. The World Bank publishes its major reports biannually and supplements them with monthly updates.

The International Monetary Fund is set to release its World Economic Outlook later this month. The previous edition, published in October 2025 and titled “Global Economy in Flux, Prospects Remain Dim,” presented a cautious view, highlighting a slowdown in global growth and persistent downside risks. The IMF projected global growth to decrease from 3.3% in 2024 to 3.2% in 2025, and further to 3.1% in 2026.

In June 2025, the World Bank released its comprehensive Global Economic Prospects report titled “Global Economy Faces Trade-Related Headwinds.” The report projected that economic growth would slow to 2.3% in 2025, reflecting a downturn in most economies compared to the previous year.

This forecast was notably lower than the IMF figures mentioned earlier. Although the latest World Bank monthly update offered a somewhat more optimistic view, it remained pessimistic overall. Their updated outlook for 2026, scheduled for release in January, will be closely observed.



## Monetary Policy and Interest Rates

Central banks worldwide implement various monetary policies tailored to the specific circumstances their countries face. These institutions often adopt different approaches to similar situations, which can create confusion when responses differ from expectations. The degree of independence a central bank maintains, as well as the political pressures it experiences, vary significantly across countries and administrations.

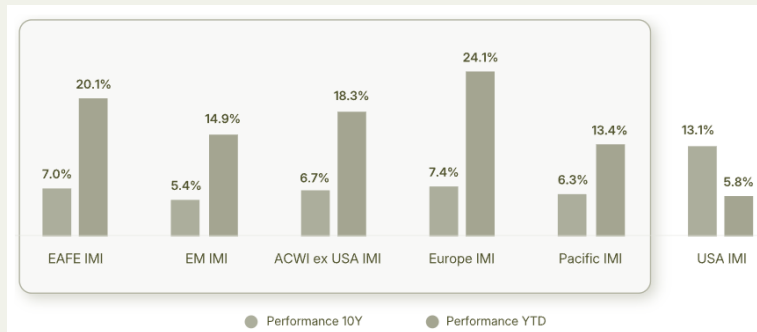
A notable example is the current dynamic in the United States between President Trump and Jerome Powell, Chairman of the US Federal Reserve. Despite having appointed Chairman Powell, President Trump has been highly critical of his actions. In contrast, the Reserve Bank of Australia (RBA) and the Australian Federal Government maintain a more reserved relationship, with each avoiding criticism of the other. The RBA typically refrains from commenting on the government's fiscal policies, while government officials, such as the Treasurer, avoid negative remarks about monetary policy.

At present, interest rates set by central banks differ considerably. Australia's Cash Rate stands at 3.60%, which aligns with global trends. For comparison, the Bank of Canada has maintained its rate at 2.25% since its December 10 meeting and is expected to hold steady at its next meeting on January 28. Meanwhile, the US Federal Reserve's Federal Open Market Committee (FOMC) reduced the federal funds rate by 0.25% on December 10, setting it within a band of 3.50% to 3.75%. The FOMC is scheduled to meet again on January 27 and 28.

Both the upcoming US Federal Reserve meetings and the next RBA session will occur before the release of Australia's Consumer Price Index (CPI) data on January 28, which will report December's inflation figures. These events are likely to influence the RBA's decision-making process, making it challenging to predict the exact outcome. While maintaining the current rate is the most widely anticipated decision, an unexpected rise in December's inflation could prompt a different response.

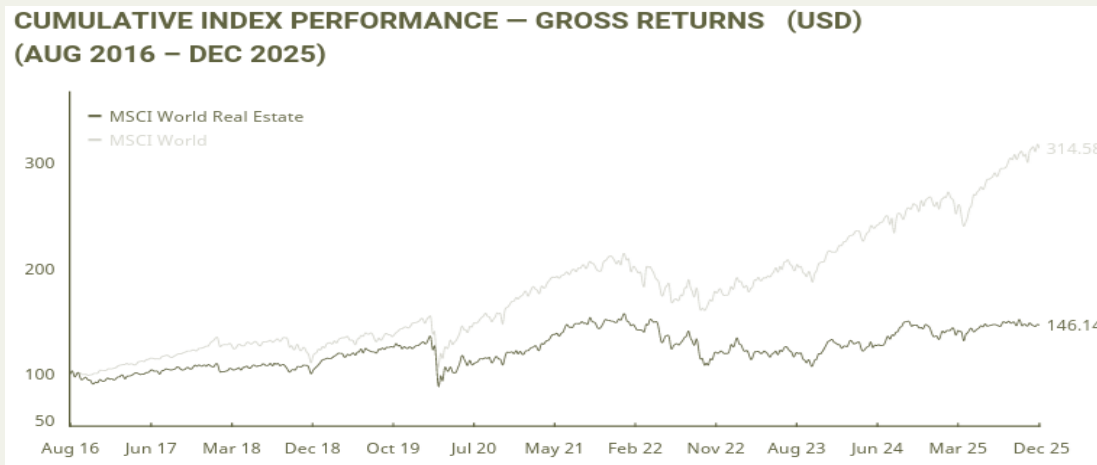
## Equity Markets

The major equity markets around the world have reacted much more positively this year than expected following US President Donald Trump's announcement of sweeping tariffs on most of the USA's trading partners. The chart below from MSCI (formerly Morgan Stanley Capital International) compares a variety of Investible Market Indices (IMI) for their performance YTD to December 2025. All have outperformed the USA which is surprising and indeed the level of returns is higher than we would have expected.



Here in Australia the chart on the right-hand side shows the good recovery of the ASX 200 since April 2025. This is in line with the cuts in interest rates delivered by the RBA and expectations of more to come in 2026 which now look much less likely. Where we go from here is uncertain but in the United States major indices are hitting record highs even amidst a high degree of political turmoil.

## Global Property Markets



The chart above, once again from MSCI, shows the marked difference between global equity markets performance in recent years and that of world real estate. Growth of less than 50% over the past ten years compares to three times growth in the same period for the value of non-real estate entities. Annual performance over the past three year emphasises the wide variance in returns each year.

Year	MSCI World Real Estate	MSCI World
2025	7.42	21.60
2024	2.99	19.19
2023	10.96	24.42

## Australian Property Markets

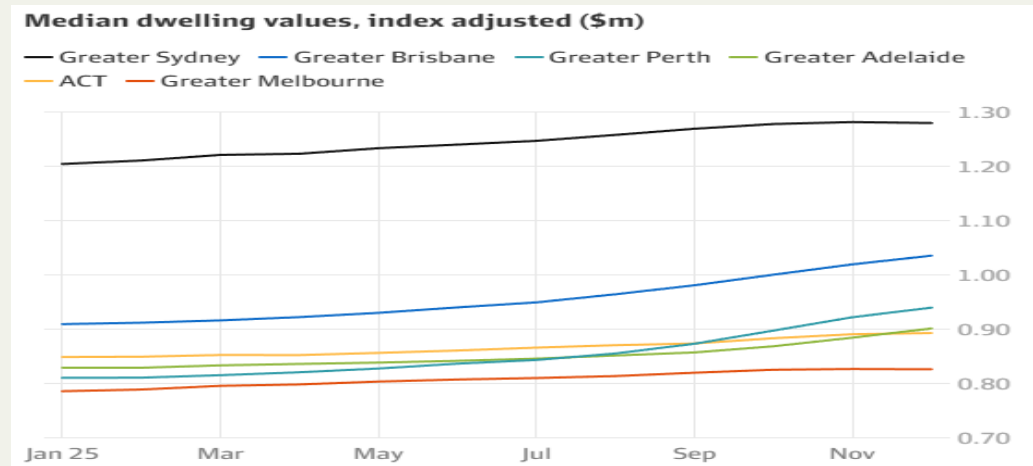
In 2025, the Australian property market demonstrated resilience in the residential sector, supported by favorable interest rate reductions early in the year and robust demand across most capital cities, with the exception of Melbourne. Conversely, the commercial property market remained subdued, characterized by excess supply and only moderate demand across most segments.

Looking ahead to 2026, residential growth is expected to decelerate, and should interest rates rise, a decline in property values may occur. Commercial property prospects appear more promising, with reasonable price increases anticipated in select locations within various capital cities.

## Residential Sector

Both houses and units have experienced positive performance nationwide, although houses have generally outperformed units. Smaller capital cities have notably delivered stronger annual housing returns compared to Sydney and Melbourne. According to data from Cotality (formerly CoreLogic), the median dwelling values for major capitals in 2025 highlight Melbourne's stagnation, ending the year with a median value of \$827,117.

Recent forecasts cited by leading economists in the Australian Financial Review suggest that home price growth in Sydney and Melbourne could slow markedly to just under 2% this year.



## Australian Property Markets

### Commercial – Office

Considerable new research on the office market is expected with the upcoming release of the semi-annual Property Council of Australia Office Market Report, scheduled for late January. In anticipation of this influx of data, Herron Todd White have focused on the office sector in their monthly commercial research, providing valuable insights into what can be expected later this month.

The office market has remained subdued across the country, with some capitals, such as Melbourne, described by HTW as being at the bottom of the market due to an oversupply of available properties and declining rental rates. These observations are consistent with trends seen in many major office markets.

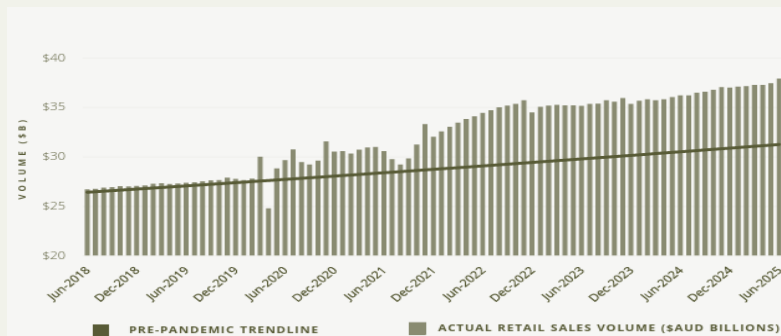
The summary provided by HTW is particularly descriptive: “The Australian CBD office market in 2025 has shifted from sharp volatility to a more stabilizing—though still challenged—phase.” While an overall improvement is anticipated, they note a clear division between prime and secondary stock. Tenants are increasingly upgrading to well-located, higher-quality buildings with strong ESG credentials, whereas older and peripheral assets continue to lag behind.

## Australian Property Markets

### Commercial – Retail

Colliers, in their recent fourth-quarter research on the retail sector nationwide, highlighted key drivers of the market's performance: "Strong population growth and limited retail supply are driving Australia's robust retail trade, with rising tourism and strengthening economic conditions further bolstering retail spend nationally."

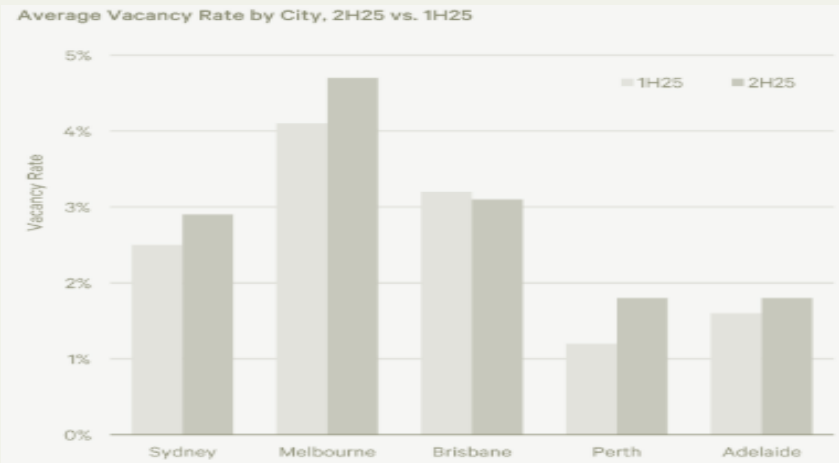
The Colliers chart below shows the improvement above trendline and supports their forecast for that to continue. Foot traffic and visitation is always an important factor for retail, and the chart below shows what has happened in recent years and highlighting Melbourne's difficulties and the success of Perth.



In their November Month in Review, HTW analyzed the retail sector and identified an oversupply in all major capitals except Brisbane, which was the sole market experiencing growth. While some indicators appeared negative, HTW concluded their report on a positive note. They stated, "The consistent investor interest over recent years, although not as intense as during the prior low interest rate period, indicates a fundamental confidence in retail property values and market fundamentals despite wider economic difficulties."

## Australian Property Markets

### Commercial – Industrial

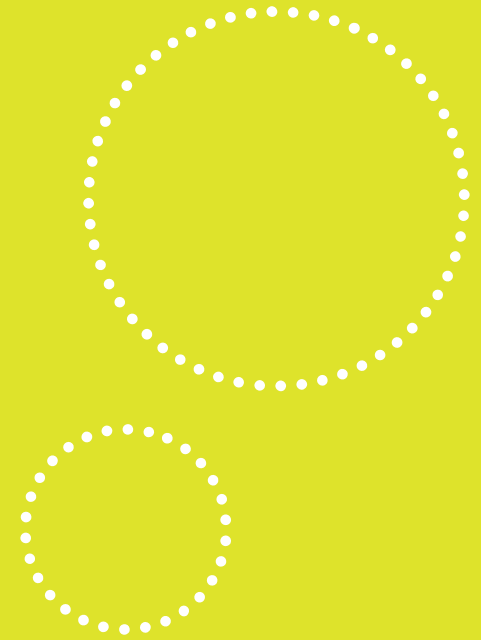


CBRE recently issued its 2nd half '25 Industrial Vacancy Report with the chart shown below and the following comments; "Australia's average industrial & logistics vacancy rate continued its steady climb in the second half of 2025 to 3.2% but remains one of the lowest rates globally."

HTW in its November update said the following; "Right now, the industrial sector remains the strongest performer out of the three main commercial asset classes, with demand continuing to outpace available supply. Both metropolitan and regional markets are holding up relatively well despite broader economic challenges."

## Summary

Reflecting on 2025, we observed several shifts across the markets we monitor, largely influenced by evolving consumer sentiment driven by changing interest rate expectations. As we enter 2026, these conditions remain consistent, with much hinging on developments anticipated in the coming weeks through late January and early February, both domestically in Australia and internationally. It is clear that an eventful year lies ahead.



## Sources

Sources: ABS, ACCI, AiG, ABS, AFR, ANZ Research, ATO, CBA, CBRE, Colliers International, CoreLogic, Cushman & Wakefield, HTW, IMF, MSCI, JLL, Knight Frank, OECD, PCA, Preston Rowe Patterson, RBA, RLB, Savills Research, Westpac Economics, World Bank, RLB Crane Index

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