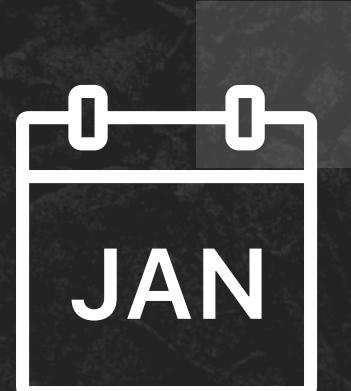




SMASH PROPERTY



JANUARY PROPERTY MARKET UPDATE



BIG PICTURE

Australian property markets closed out 2025 with strong headline growth, but conditions heading into 2026 are increasingly discipline-driven, finance-constrained, and cash-flow sensitive.

Growth remains uneven. Affordable markets and quality assets continue to outperform, while higher-priced segments and average stock are slowing.

The cycle is still active — but in 2026, outcomes are driven by how you buy, how you finance, and how well your portfolio holds together financially.

This is no longer a “buy anything and win” market.

NATIONAL OVERVIEW

Australian dwelling values continued to rise into the end of 2025, with national values up +0.7% in December, equivalent to roughly +\$5,400 on the median Australian home.

For the full year, national dwelling values increased +8.6%, translating to approximately +\$62,000 of value added to the median property. While this is a strong headline result, the underlying story is becoming more segmented.

Regional markets again outperformed:

- Combined Regionals: +9.7%
- Combined Capitals: +8.2%

Investor outcomes are increasingly determined by entry price, asset quality, and financial structure, not broad market averages.

CAPITAL CITY PERFORMANCE



City	Month %	Month \$	Quarter %	Annual %	Median Value
Perth	+0.9%	+\$7k	2.6%	16.7%	\$813k
Darwin	+0.8%	+\$5k	2.4%	18.9%	\$576k
Brisbane	+0.7%	+\$7k	2.0%	8.6%	\$1.01m
Adelaide	+0.6%	+\$6k	1.8%	13.1%	\$783k
Canberra	+0.4%	+\$3k	1.1%	4.2%	\$892k
Hobart	+0.3%	+\$2k	0.9%	4.7%	\$703k
Sydney	-0.1%	-\$1k	0.3%	7.1%	\$1.27m
Melbourne	-0.1%	-\$1k	0.4%	4.8%	\$823k



WHAT'S DRIVING IT

Market Conditions: What's Changed on the Ground

As the cycle matures, both buying conditions and portfolio pressure points are shifting:

- Days on market are lengthening in parts of Sydney, Melbourne and select regional pockets
- Vendor expectations are softening in price-sensitive segments
- Finance clauses and longer settlements are re-emerging
- Valuation risk is increasing for poorly selected assets

This is not a weak market — but it is no longer forgiving of poor execution.

WHAT'S DRIVING IT

Borrowing Capacity Is Now a Strategic Asset

In 2026, borrowing capacity must be treated as a finite resource, not a given.

Key realities:

- Each purchase directly affects the next
- Poor cash-flow assets reduce future serviceability
- Equity alone does not guarantee funding
- Lenders remain conservative on rental shading and expenses
- Even if rates fall, serviceability buffers are unlikely to fall 1-for-1

From a finance and accounting perspective, portfolios stall when serviceability is consumed faster than value is created.

WHAT'S DRIVING IT

Holding Costs, Cash Flow & Tax Reality

Cash flow is now a first-order risk variable, not a secondary consideration.

Important clarifications:

- Tax deductions are not a strategy — they do not offset sustained cash losses
- Depreciation improves after-tax outcomes but does not fix poor asset selection
- Negative gearing becomes less effective as rates remain higher for longer

In late-cycle conditions, financial stability matters more than maximising deductions.

WHAT'S DRIVING IT

Liquidity: The Silent Risk Factor

One of the most common causes of portfolio failure is insufficient liquidity, not falling prices.

Experienced investors maintain buffers to:

- Absorb interest-rate changes
- Fund maintenance and unexpected costs
- Avoid forced sales or distressed refinancing

Liquidity provides time and optionality — both critical in late-cycle markets.

WHAT'S DRIVING IT

Market Segmentation: Where Growth Is Occurring

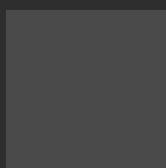
Late-2025 growth has been concentrated in:

- Lower and lower-middle price brackets
- Affordable detached housing
- Scarce, well-located units
- Regional centres with genuine employment depth

In simple terms, these assets:

- Have deeper resale markets
- Carry lower holding costs
- Are easier to refinance and exit

This segmentation explains why headline averages can mislead — outcomes are increasingly asset-specific.



HOUSES VS UNITS

Units are viable in 2026 — but selection is critical across all disciplines.

What works

- Established, low-rise apartments
- Reasonable strata and insurance costs
- Strong owner-occupier demand
- Long-term rental appeal

What raises red flags

- High-density investor towers
- Rising strata and insurance expenses
- Lender sensitivity to building concentration and unit size

2026 OUTLOOK

Australia's housing market remains in a late-expansion phase.

Structural undersupply, low forced-selling risk and inflation support reduce the likelihood of a national downturn.

However, this phase:

- Punishes poor asset selection faster
- Rewards conservative assumptions
- Exposes fragile portfolios over time
- Increases the cost of mistakes

The biggest risk in 2026 is complacency, not collapse.

HOW TO APPROACH 2026

Seasoned investors are increasingly:

- Prioritising portfolio resilience over speed
- Negotiating harder and walking away more often
- Stress-testing rates, rents and expenses conservatively
- Maintaining larger cash buffers
- Being selective about structure and sequencing
- Buying fewer assets — but better ones

Growth still matters — but survivability matters more.



WHERE TO FOCUS – UNDER \$600K

Location	State	Price	Yield	Trend	Strategy	SPI View
Southern Logan Corridor	QLD	\$480k - \$600k	4.0–5.0%	Rising	Growth / Balanced	One of the last affordable SEQ corridors with deep rental demand and strong lender acceptance. Benefits from Brisbane-Gold Coast economic gravity. Must be selective around flood exposure, street quality and asset type.
Geelong	VIC	\$300k - \$580k	4.0-4.8%	Stable-Rising	Balanced	Long-term Melbourne spillover with diverse employment and solid rental demand. Units and townhouse offer better
Regional Victoria	VIC	\$420 - \$600k	4.00-5.5%	Stable	Balanced	Focus on established regional cities like Ballarat, Bendigo, Shepparton, Wodonga, Traralgon. These markets offer diversified employment, strong owner occupier demand and reliable rental depth.



WHERE TO FOCUS - OVER \$600K

Location	State	Price	Yield	Trend	Strategy	SPI View
Melbourne (Outer & Middle Ring)	VIC	\$600k - \$800k	3.5% - 4.5%	Stable-Rising	Growth	Melbourne remains one of the deepest and most liquid markets. Focus on outer and middle-ring suburbs with strong employment access and owner occupier demand such as Werribee, Frankston and Dandenong. Houses preferred where possible, with an emphasis on established stock rather than new estates or investor-heavy units.
Brisbane (Established Suburbs)	QLD	\$650 – \$850k	3.5% - 4.3%	Stable-Rising	Growth	Brisbane continues to benefit from affordability pressure, population growth and tight rental conditions. Established middle-ring suburbs with access to health, education and transport infrastructure offer better late-cycle resilience than fringe or lifestyle-driven areas. Houses preferred; older low-rise units only where house price exceeds budget.

NICK'S TAKE

As we move into 2026, this market is no longer about chasing the hottest location. The opportunity is still there - but the margin for error is thinner.

What's changed is that how you buy now matters more than where you buy. Asset quality, cash flow, borrowing capacity and liquidity are doing the heavy lifting, not just headline market growth.

For investors with smaller budgets, this means being realistic and disciplined - favoring durable regional cities or well-selected, established units where houses are no longer accessible. For larger budgets, the logic narrows rather than expands. Melbourne and Brisbane stand out not because they're exciting, but because they're hard to break late-cycle.

The biggest risk I see right now isn't a market crash - it's investors quietly overextending, stacking poor assets or running out of flexibility when conditions stay tighter for longer.

This year will see the winners with portfolios they can hold, adapt and keep moving regardless of conditions.

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