INVESTOR REPORT

july property market update.

A SMASH PROPERTY RESOURCE
MONTHLY REPORT // JULY 2026

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THE BIG PICTURE

national market snapshot.

Australia's national Home Value Index fell -0.4% in June — and the index now confirms values peaked in March. But six of the eight capitals actually rose. The national fall is almost entirely Sydney, Melbourne and Canberra, which carry the most index weight and drag the headline negative while the other five capitals keep growing.

- **National home value growth: -0.4% (peaked March)**
- **Annual Change: +7.3% (6 of 8 capitals still rose)**
- **National median value: $937,722**
- **Combined capitals: -0.6% (quarter -1.3%)**
- **Combined regionals: +0.3%**

This is a two-city decline sitting inside a still-growing national picture — not a broad-based crash. Momentum has clearly come out of the market. But "the market is falling" really means the two biggest, most expensive markets are falling — and that's exactly where buyer leverage has shifted.

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capital city performance.

How the eight capital markets stacked up over the past month and year. Median values rounded.

	MONTHLY %	ANNUAL %	MEDIAN	MONTHLY $
Darwin	+1.4%	+19.8%	$638,187	+$9k
Perth	+0.7%	+23.9%	$1,046,551	+$7k
Hobart	+0.6%	+9.3%	$752,760	+$4k
Brisbane	+0.3%	+17.4%	$1,118,306	+$3k
Adelaide	0.0%	+11.6%	$945,868	$0
Canberra	-0.6%	+2.9%	$885,254	-$5k
Melbourne	-1.0%	-0.9%	$808,486	-$8k
Sydney	-1.2%	+0.3%	$1,265,608	-$15k

Biggest mover: Darwin (+1.4%) & Perth (+0.7%)
Weakest performer: Sydney (-1.2%)

These numbers only tell half the story. Perth values are up 89.6% over five years; Melbourne just +1.2%. Same country, opposite cycles. And underneath every capital, the cheapest quarter of homes is outperforming the most expensive quarter — the borrowing-capacity funnel showing up in the data.

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the breakdown.

The headline blends two markets moving in opposite directions. Over the June quarter Sydney's index fell but that splits into the top 25% falling with the lower 25% rising.

	LOWEST 25%	MIDDLE 50%	TOP 25%	SPREAD
Sydney	+0.4%	+1.0%	-3.6%	4.0%
Melbourne	-0.2%	-1.5%	-3.7%	3.5%
Brisbane	+4.8%	+3.9%	+2.2%	2.6%
Adelaide	+3.6%	+3.0%	+2.2%	1.4%
Perth	+6.4%	+5.1%	+3.8%	2.6%
Hobart	+3.6%	+2.9%	+1.2%	2.4%
Darwin	+6.3%	+5.2%	+4.6%	1.7%
Canberra	-0.3%	-0.2%	-1.1%	0.8%

Quarterly change, 3 months to May - the latest data from Cotality.

In every capital city the cheapest quarter is outperforming the top. Prestige vendors are wearing the correction; first-rung buyers just caught a break. "The market is crashing" headline is a top quartlie story,

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rental market overview

Gross rental yields, annual rent growth (houses & units) and yield direction by capital city. Sorted high-to-low yield.

	GROSS YIELD	HOUSE RENT YoY	UNIT RENT YoY	MOVEMENT
Darwin	6.1%	10.8%	9.0%	↑
Hobart	4.4%	9.1%	7.6%	↑
Canberra	4.2%	3.9%	1.7%	↑
Melbourne	3.9%	4.9%	4.8%	→
Perth	3.7%	6.6%	6.6%	↑
Adelaide	3.5%	4.9%	4.3%	↑
Brisbane	3.3%	7.9%	5.8%	→
Sydney	3.3%	6.6%	4.7%	↑

Highest yield: Darwin (6.1%)
Lowest yield: Sydney (3.3%)

Yields keep repairing — but note the driver. Six of eight capitals saw yields lift; Melbourne and Brisbane held flat. Rents aren't accelerating anymore (annual growth held at +5.9%, vacancy up to 1.6%) — what's lifting yields is the denominator: values falling faster than rents. Combined capital yields 3.5%. With new investor rates ~6.4%, a positively geared deal still takes hunting.

WHAT'S ACTUALLY CHANGING

the borrowing capacity squeeze.

This is the most important shift for investors right now — and it's not one thing, it's three forces stacking on top of each other to compress borrowing capacity:

1. Rates: watch the assessment rate, not 6.4%.
New investor variable rates sit ~6.4%, but lenders assess you at that rate PLUS APRA's 3% buffer — about 9.4%. That buffer, not the sticker rate, is the single biggest driver of how much you can borrow.

2. Neg gearing + CGT: a 2027 issue, not a today one.
From 1 July 2027, negative gearing on established resi is limited to new builds, and the 50% CGT discount becomes indexation plus a 30% floor. Anything you already own is grandfathered. It's a forward risk to investor demand — not a change to how you're assessed today.

3. SMSF residential borrowing closes (~Aug 2026).
New residential borrowing inside an SMSF ends around August 2026; commercial borrowing survives and existing deals are grandfathered. Rental shading and neg-gearing add-backs haven't changed — today's squeeze is the buffer plus higher rates.

The buffer plus higher rates are compressing borrowing capacity right now. Investors who could borrow $X a year ago can borrow meaningfully less — which is exactly why the affordable end of every capital is outperforming the top end. Money is forced down-market into whatever still fits serviceability.

WHAT'S ACTUALLY CHANGING

the fundamentals.

Right now is about repositioning your focus onto the fundamentals of property investing.

1. Engineer cashflow - it barely exists off the shelf.

Engineering cashlfow means adding income to a property rather than hoping to find it - a granny flat, a dual occ converison, 2-4 dwellings on one title, or simply a bigger deposit so the loan is smaller. Only roughly 28 of 246 capital city suburbs are cashflow positive as-is; this is why we say you create it, you don't buy it.

- Granny flat / dual occ: the valuation uplift often lags behind buld cost and not every lender counts the second rent.
- "2-4 dwellings on one title": several lenders treat this as commercial which means you'll need a bigger deposit, pay a higher rate and have a shorter loan term.
- SMSF commercial: doable but you have few lender options, 7%+ rates and generally 20%+ deposits

2. Commercial - the segment the reforms left alone.

From 1 July 2027, negative gearing on established resi is limited to new builds, and the 50% CGT discount becomes indexation plus a 30% floor. Anything you already own is grandfathered. It's a forward risk to investor demand — not a change to how you're assessed today.

WHAT'S ACTUALLY CHANGING

the reform-proof engine.

The rule book was just slightly amended and so our strategy and focus needs a slight amendment too.

1. Get your structure right at purchase
Own name or joint names for growth residential assets, this keeps CGT indexed for inflation. A Company for commercial or an existing positive cashflow asset or portfolio an SMSF will almost always win when it comes to capital gains - choose this wisely as moving later will cost stamp duty plus CGT.

2. Run the engine - with one hard caveaet
This is the most important of all - buy below comparable sale value, force the equity uplift, refinance, don't sell (no CGT) then recycle the equity into other assets.

An honest caution: If you are already stretched with thin buffers, high LVR's or interest only rolling into P&I - this is a market to de-risk your portfolio, not add to. Rising assessment rates and a softening top end punish thin buffers hardest. Not every investor should be buying right now and that is fine, there will be more opportunity.

BUYING BY PRICE POINT

budget bands.

If your budget is under $500K…

Melbourne Units: Dandenong, Noble Park, Craigieburn, Albion & Surrounds and select **Frankston.** Affordable entry points, tight vacancy, stronger yields and major employment/infrastructure drivers.

Regional Options: Wangaratta, Yarrawonga & Select Warrnambool Units

Lower entry prices, strong rental demand & established regional economies

If your budget is under $700K…

House Markets: Hume, Casey, Wyndham corridor and Warrnambool (sub $600k). These areas offer affordable housing, strong tenant demand and major growth drivers including Western corridor investment, South East population growth, airport/logistics employment and Warrnambool's $396m Hospital redevelopment

BRINGING IT TOGETHER

final take.

I can see why new investors could be panicked by the situation. This month, the cycle officially turned. Sydney and Melbourne are now formally below their cyclical peaks. Combined capitals went negative for the first time. The RBA hiked again. The Federal Budget put a clock on negative gearing. And banks aren't waiting for 2027 — they're tightening serviceability right now. Yes, I'm sitting on more debt than most Australian households, so I'm feeling every basis point of this alongside you.

But here's what the news won't tell you. Rents are up +5.9% annually. Vacancy is at 1.5% — record-low territory. Yields are repairing for the first time in years. The Sydney and Melbourne corrections are creating entry points that didn't exist 12 months ago. Lower-quartile markets are outperforming everywhere except the ACT — because borrowing capacity is being forced down-market, and there's a long runway left in that trade.

The playbook is sharper now, not different. Stay anchored in numbers. Think counter-cyclical. Buy where fundamentals stack up AND credit can still reach — those are two filters now, not one.

Think cheaper, think cashflow, think where the money is being pushed. But don't skip the fundamentals — affordability without demand is just a cheap house in the wrong suburb.

This is the kind of market where good buyers do their best work.

READY TO TALK?

Book a clarity call — we'll map your next deal against the data above.

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