R.W.C

EST 2001

INSIDE THE HOUSING CYCLE:

THE BEHAVIOURAL SIGNALS SHAPING AUSTRALIA'S HOUSING OUTLOOK

KEY TAKEOUTS

1 NOT ONE MARKET, BUT MANY

Brisbane +17.4%, Sydney +0.3%, Melbourne −0.9%. An alpha market, not a beta one: returns come from selection, not exposure.

2 DEMAND FALLS BUT DISTRESS IS LIMITED

Bidders down to ~1.7–2.5 per auction from 3–4, yet days on market are tightening and discounting stays near 3% — orderly price discovery, not forced selling.

3 BUYERS ARE DISCERNING; VENDORS WILL RESET

Correctly-priced stock clears fast; over-priced stock passes in. As seller expectations catch down over 2–3 quarters, clearance firms do not need a rate cut.

4 MELBOURNE IS THE VALUE PLAY

Lowest entry ($810k), highest yield (3.9% dwellings, 5.1% units), resilient unit values.

5 SYDNEY'S DEPTH IS REAL

Its inner ring — North Sydney & Hornsby, Inner West, Inner South West — is the strongest-clearing cluster in the country and the deepest, most liquid entry point.

6 THE RETURN SHIFTS TO INCOME

Rents are rising 5–7% in every capital at once, detached from the price correction — the housing shortage has not eased.

7 THE CORRECTION IS A REPRICING, NOT A DOWNTURN

In-house forecasts: Sydney and Melbourne near flat over 12 months, Brisbane cooling to still-positive mid-single digits, with 4–6% rent growth carrying total return.

8 SUPPLY WILL TIGHTEN, SHORTENING THE CORRECTION

New listings, appraisals and authorities are all falling; with little forced stock hitting the market, price discovery completes quickly and the downturn stays shallow and brief.

SUMMARY

Australian housing is no longer moving as one national market. Prices are falling in Sydney and Melbourne, and Brisbane is cooling from a high base — but demand is easing without distress, buyers can still transact easily, and rents are rising 5–7% across every capital city. The gap between cities, and between overpriced and fairly priced homes within each one, is now wide enough that returns will come from picking the right properties, not simply being in the market. The correction will be sharp but brief, and hardest in Sydney and Melbourne. Because so little stock is up for sale, it should also pass faster than most expect.

EXECUTIVE SUMMARY

Australia's housing market has entered a more fragmented phase. Public price benchmarks still show strong year-over-year gains in several cities, but the latest public releases also show a clear loss of momentum: the ABS reported that the number of new dwelling loan commitments fell 6.2% quarter over quarter in March 2026, while Reuters' coverage of the June 2026 Cotality release reported a 0.4% national monthly decline in dwelling values, with Sydney down 1.2% and Melbourne down 1.0% in June. Domain's March 2026 House Price Report had already described a market in which price growth was becoming uneven, with Sydney and Melbourne showing the clearest signs of strain while Brisbane remained stronger.

The three largest eastern-seaboard markets are now at genuinely different points in the cycle, and a single national number conceals more than it reveals. Brisbane ended June 2026 with dwelling values up 17.4% year on year; over the same period, Sydney was essentially flat (+0.3%) and Melbourne modestly negative (−0.9%).

Ray White's in-house data sits upstream of the conventional housing indicators. Public price indices, lending approvals, and settlement-based statistics mostly describe the market after transactions have been agreed or financed. Ray White's measures of inspection attendance, registered bidders, active bidders, appraisals, listing authorities, and auction conversion observe the market earlier in the decision chain, when buyer intent and seller response are still forming.

By blending external benchmarks with Ray White's proprietary behavioural series, we are able to identify market turning points sooner. On this basis, Sydney and Melbourne appear to be further into a demand-cooling phase, Brisbane still has the strongest medium-term demand profile but weaker short-term auction conversion than its annual price growth would imply, and the Gold Coast looks soft on auction-side metrics despite improved days on market. In other words, the market is no longer well described by a single national cycle; it is being sorted by affordability, liquidity, and the depth of marginal buyer competition.

The Ray White behavioural data, inspection attendance, registered and active bidders, auction conversion and appraisals tell a consistent story. Demand has cooled, but it has cooled in an orderly way. Active bidders have eased to roughly 1.7–2.5 per auction from 3–4 a year ago, and open-home attendance has normalised to about two per inspection. Yet days on market have tightened, not lengthened, in every tracked market — most sharply in Brisbane and the Gold Coast, where houses now sell around two weeks faster than three years ago. Falling competitive tension alongside faster selling times is the signature of a functioning price adjustment, not a disorderly one.

Based on Ray White data and its correlation to external pricing indices, we found that active bidders appear to be the cleanest leading indicator of subsequent price momentum. There is a 0.65 correlation between current-quarter active bidders and next-quarter home value growth.

FIVE KEY TAKEAWAYS

- **Liquidity is thinning,** but distress is not rising. Sales volumes are down sharply year on year, yet vendor discounting remains contained (dwelling discounts of roughly 3% in Sydney and Melbourne, under 3% in Brisbane) and time on market is falling. The market is clearing less volume at prices vendors will accept — a liquidity reset, not a solvency event.
- **It is a two-speed market,** and the gap is investable. Brisbane's +17% and Melbourne's −1% annual outcomes sit inside the same national dataset. Dispersion of this width is unusual and creates relative-value opportunities that a beta allocation to "Australian housing" cannot capture.
- **Buyers are more discerning,** which favours disciplined vendors. Correctly-priced stock still clears quickly; over-priced stock is passed in or withdrawn. As vendor expectations reset over the next two to three quarters — the lagging variable in every housing cycle — we expect clearance to firm without needing a fall in mortgage rates to rescue it.
- **Melbourne is the value play.** It carries the lowest entry price of the three majors ($810k dwelling median), the highest gross yield (3.9% dwellings, 5.1% units), firm clearance, and tightening days on market. Its price weakness is concentrated in houses; unit values are proving materially more resilient.
- **The rental thesis is the cleanest trade in the pack.** Rents are rising 5–7% annually in every capital simultaneously, entirely detached from the price correction. With vacancy tight and set to tighten further as investor sentiment absorbs shifting negative-gearing expectations, the income leg of total return is strengthening precisely as the capital leg pauses.

Our base case is that the current correction is shallow and temporary. The demand-versus-supply fundamentals that drove the post-pandemic cycle have not reversed; what has changed is affordability at the current cash rate and a normalisation of the frantic bidding of 2023–24. Forecasts built from the in-house momentum data (Section 6) point to Sydney and Melbourne stabilising close to flat over the next twelve months and Brisbane settling into a still-positive mid-single-digit pace, with rental growth underpinning total returns throughout.

AUSTRALIA'S HOUSING MARKET IS NO LONGER SYNCHRONISED

For most of the post-pandemic period, Australian capital-city housing behaved like a single asset with a common beta: values rose more or less together, and an allocator's main decision was timing, not selection. That regime has ended. The clearest way to see it is to place the three major eastern markets side by side using the Cotality dwelling series and the Ray White auction and days-on-market data.

Table 1: City market state, dwellings, as at June 2026

City	Median price	Housing value YoY	HVI Q2 (QoQ)	Median rent	Gross yield	4-week clearance	House DOM
Sydney	*$1.19m*	*+0.3%*	*−3.2%*	*$780 pw*	*3.41%*	*53.5%*	*27 days*
Melbourne	*$810k*	*−0.9%*	*−2.6%*	*$595 pw*	*3.82%*	*56.6%*	*28 days*
Brisbane	*$1.03m*	*+17.4%*	*+1.3%*	*$685 pw*	*3.46%*	*41.2%*	*25 days*

Source: Ray White, Cotality

Three points follow. First, the annual outcomes span eighteen percentage points from Melbourne's −0.9% to Brisbane's +17.4% inside one national market. Second, the near-term momentum has partially converged: every quarter all three have cooled, with Sydney and Melbourne now mildly negative and Brisbane's blistering pace easing toward the low single digits. Third, liquidity signals do not back the media headlines around a distress narrative. Days on market are the tightest they have been in the three-year window in Brisbane and the Gold Coast, and Sydney and Melbourne are steady in the high-20s. A market shedding value in disorder does not sell faster. Suggesting liquidity remains ample.

WHY THE DIVERGENCE IS STRUCTURAL, NOT NOISE

The dispersion is driven by affordability and relative value, not by any single city's idiosyncratic shock. Sydney entered this phase as the most expensive market by a wide margin, so it is the most exposed to the affordability ceiling at the current cash rate; its high tier is leading the repricing. Melbourne sits at the most attractive entry price and yield of the three, which is cushioning its correction even as headline values dip. Brisbane spent the cycle closing a historic valuation gap to Sydney and Melbourne and retains the strongest in-migration and rental fundamentals, so it is decelerating from strength rather than rolling over. These are durable, structural differences — which is precisely why we expect the two-speed pattern to persist through 2026 rather than mean-revert to a single national trend.

INVESTOR DEMAND IS COOLING, AND OWNER OCCUPIER DEMAND REMAINS STRONG, WHICH IS WHY DISTRESS IS NOT RISING

There is an important distinction in the market between softer demand and forced selling. They look similar in a headline price print and are completely different for an investor. Our in-house behavioural data lets us observe the market earlier in the decision chain than any settlement based index at the inspection, the registration, and the bid, before finance and settlement make a transaction visible in public statistics.

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Table 2: Auction depth and engagement, June 2026 vs a year earlier

Metric	Sydney	Melbourne	Brisbane	Gold Coast	Direction
4 week clearance rate	*53.5%*	*56.6%*	*41.2%*	*31.9%*	*eased*
Active bidders/auction	*1.78*	*1.78*	*2.45*	*1.74*	↓ *from 3–4*
Attendees per open home	*1.95*	*1.94*	*2.05*	*2.20*	*~2, normalised*
House days on market	*27*	*28*	*25*	*32*	↓ *tightening*
Vendor discount (dwelling)	*−3.3%*	*−3.1%*	*−2.7%*	*n/a*	*contained*

Source: Ray White

Read together, these lines describe cooling engagement. Bidder depth has roughly halved, which removes the frantic overbidding of 2021–23 and takes the top off price growth. But attendance has merely normalised to around two per inspection; buyers are still showing up and selling times are falling. Critically, vendor discounting remains shallow. In a distressed market, discounts widen and days on market blow out together; here they are moving in opposite directions. This represents a modest reset in vendor expectations rather than a wave of motivated sellers.

Corrections driven by demand normalisation tend to be shallow and self-limiting because the moment price meets buyers who never left, transactions resume. Corrections driven by forced supply tend to overshoot. Our data shows this is firmly in the first category: engagement is down but present, liquidity is fast, and distress metrics are quiet.

DISCERNING BUYERS, AND THE VENDOR RESET AHEAD

The behavioural data point to a buyer who is present but selective. With fewer competing bidders, the marginal purchaser now sets price, and that purchaser is rewarding two things: realistic pricing and quality. The clearest evidence is the coexistence of low clearance with fast selling times. If buyers had withdrawn, nothing would sell and days on market would lengthen. Instead, correctly priced homes clear quickly while ambitiously priced homes pass in. This is why clearance can sit in the low 50s (or, in Brisbane, the low-40s) even as median days on market fall.

This sets up the most predictable dynamic in any housing cycle: vendors are resetting. Sellers react to recent peak prices and lag the market by two to three quarters before adjusting. We are early in that adjustment now. As asking-price expectations converge toward what the thinner pool of active bidders will pay, clearance rates should firm without requiring any fall in mortgage rates to do the work. In the near term, this will drive pricing and liquidity dynamics across most Australian cities.

HOUSES VERSUS UNITS: A WIDENING DIVERGENCE

Selectivity is also visible in what buyers are choosing. Across the majors, units screen as the cleaner income asset: lower entry prices and materially higher yields than houses. The gap is widest in Sydney, where the median house commands an 83% premium to the median unit and unit gross yields run about 1.4 points higher; Melbourne shows a similar 1.7-point unit yield premium.

Table 3: House vs unit, medians and gross yields, June 2026

City	House median	Unit median	House premium	House yield	Unit yield	Unit yield premium
Sydney	*$1.55m*	*$850k*	*+83.5%*	*2.84%*	*4.28%*	*+1.44 ppt*
Melbourne	*$911k*	*$630k*	*+45%*	*3.36%*	*5.06%*	*+1.70 ppt*
Brisbane	*$1.15m*	*$834k*	*+38.0%*	*3.13%*	*3.90%*	*+0.77 ppt*

Source: Cotality

For a living-sector allocator, this is a useful steer: the affordability squeeze is pushing marginal demand toward more affordable, higher-yielding stock, and unit-led product is where the current environment is most forgiving. Melbourne units have the lowest entry, highest yield, and the most resilient values of any house/unit segment are the sharpest expression of that idea.

THE RENTAL THESIS: TIGHT NOW, TIGHTER AHEAD

If the investor capital story is one of a pause and selectivity, the income story is one of acceleration; both are unfolding at the same time. Our internal data shows that while dwelling values fell over the June quarter in Sydney and Melbourne, rents rose in every capital and are running at 5–7% annualised. Rental growth of this breadth, occurring precisely as prices soften, is unusual, and it is the clearest evidence that the ongoing, structural housing shortage has not eased.

Table 4: Rental momentum vs price momentum, dwellings, annualised

City	Rent YoY	Rent 3-mo (ann.)	House Value 3-mo (ann.)	Gross yield	Yield 6 months ago
Sydney	*+5.9%*	*+6.3%*	*−12.3%*	*3.25%*	*2.98%*
Melbourne	*+4.9%*	*+5.5%*	*−10.0%*	*3.91%*	*3.59%*
Brisbane	*+6.4%*	*+6.8%*	*+5.3%*	*3.30%*	*3.36%*

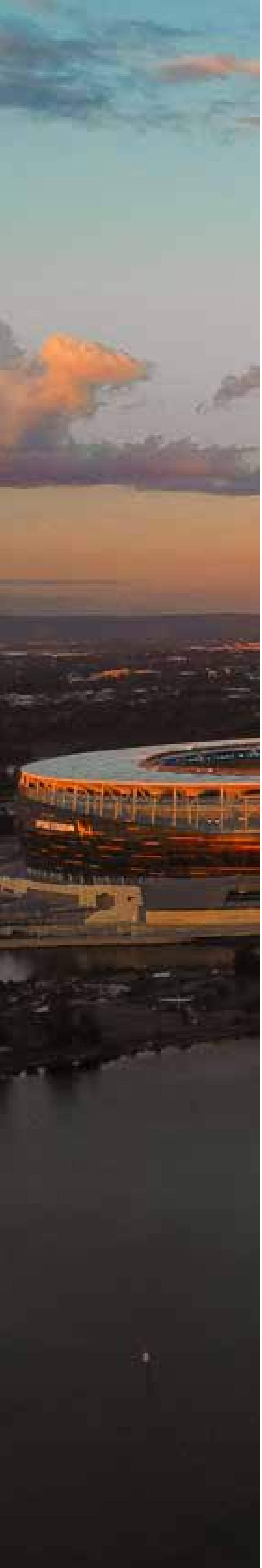
Source: RW Capital Research

Two mechanics are worth drawing out. In Sydney and Melbourne, yields are rising as prices are easing, which lifts the running yield on new capital deployed today versus six months ago. In Brisbane, the more telling signal is that yields have compressed slightly even as rents rose 6.4%, because values rose faster, indicating a demand-led rental market, not a distressed one.

POLICY SENTIMENT IS IMPACTING BUYER BEHAVIOUR

Beyond the current tightness, rental supply is anticipated to tighten further as the volume of new rental stock entering the market falls. Shifts in negative gearing policies weigh on investor sentiment at the margin, as private investors supply more than 90% of rental stock. Early indications are being borne out in the data, investor loans are down as much as 28% since the May Budget, according to bank reports. Any policy change that dampens investor participation reduces the pipeline of rental supply into an already tight market, which is supportive of rents and therefore of income returns. From an investor's perspective, this points to rising income returns that are structurally underpinned, providing a tailwind to both private and institutional rental stock owners.

Despite volatility and cycle shifts, residential total returns remain defensive as the income side strengthens as capital growth pauses. Rents are up 5–7%, yields are re-rating higher on new capital, and a supply pipeline that policy is more likely to constrain than expand. Investors deploying now buy a higher entry yield than was available through 2024–25 and retain full exposure to the eventual capital recovery.



FORECASTS FROM THE IN-HOUSE DATA

The forecasts below are built directly from the momentum structure of Cotality and our in-house demand data. Using regression analysis, we analysed each city's recent price trajectory into a near-term forecast (the trailing six-month annualised pace, which captures where momentum actually is) and a recovery period (anchored to rent-supported fundamentals, reflecting our view that the correction is shallow and mean-reverting). We then blend them into a twelve-month central estimate. Rents are projected off their current run-rate.

Table 5: Central 12-month forecasts (to mid-2027), dwellings

City	Home value: next 12 mths	Rent: next 12 months	Implied yield trend	Characterisation
Sydney	*−1% to +1%*	*4% to +5%*	*Rising*	*Stabilising*
Melbourne	*−1% to +2%*	*4% to +5%*	*Rising*	*Value re-rating*
Brisbane	*+3% to +6%*	*5% to +6%*	*Flat/firm*	*Cooling to trend*

Source: Cotality, Ray White

The forecasts point to Sydney and Melbourne stabilising with flat growth. The current double-digit annualised pace of decline is a near term overshoot that we expect to fade as vendor expectations reset and rent-supported valuations reassert. Brisbane cools to a still positive single digit pace, a healthier and more sustainable rate than the +17% of the past year. In all three, rental growth of 4–6% carries total return through the softest part of the capital cycle. The central message for an investor is that the pricing downside is shallow and time-limited, while the income is real and improving now, supported by strong, structural fundamentals.

What could impact the forecasts?

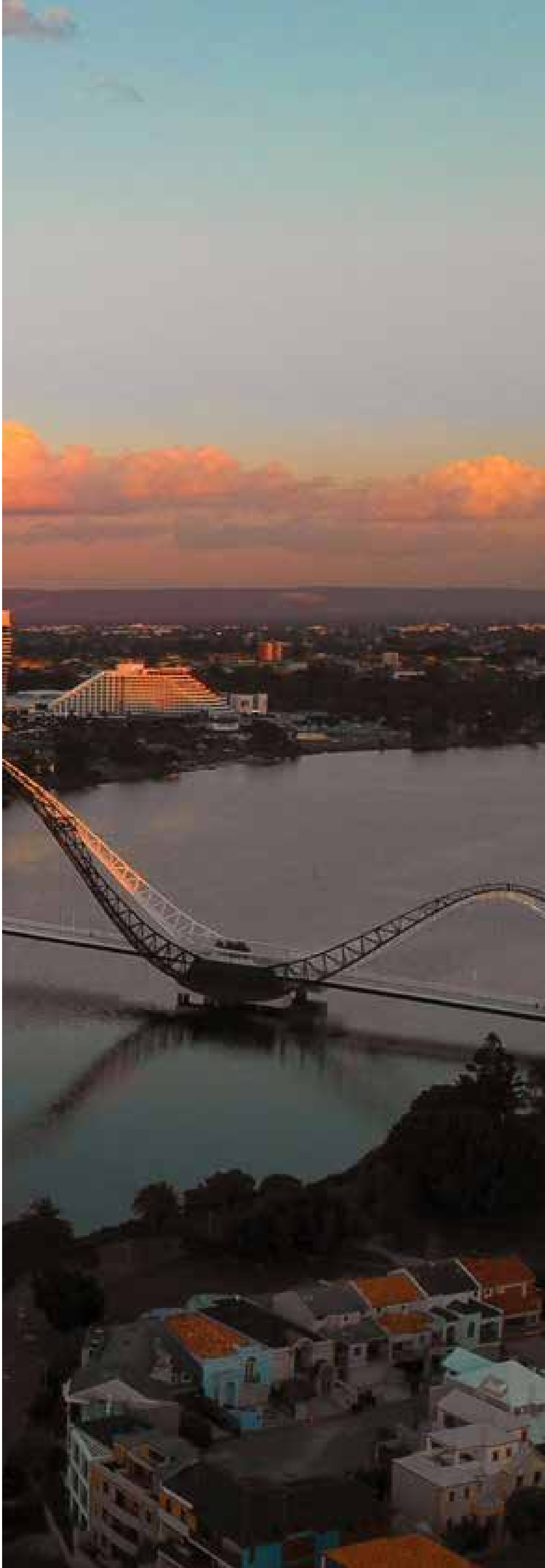
- **Upside:** an earlier than expected vendor reset pushes clearance rates higher, or any easing in the cash rate re-rates the interest rate sensitive Sydney/Melbourne high tier quickly, given how tight rental fundamentals already are.
- **Downside:** a further hike in mortgage rates would extend the correction, particularly in Sydney; and a sharp rise in forced supply would move this from a liquidity reset toward a genuine price event. Neither is visible in the market at the time of writing.

WHY IS ASSET AND LOCATION SELECTION MORE IMPORTANT THAN EVER FOR GENERATING POSITIVE RETURNS?

When Australian housing traded as a synchronised, single beta, your investment edge came from timing entry and leverage. That trade is over. The evidence indicates that returns are now dispersed across cities, across house and unit segments, across price tiers, and between the income and capital components of the total return. Each of those factors is a place to add value through selection, an alpha based approach.

INSIDE THE CITIES: THE SUB-MARKET MAP

Drilling down further, we also looked at the regions within cities, auction depth and Sydney's premium and inner-ring sub-markets lead the entire national field. North Sydney & Hornsby (72.7%), Inner West (71.4%) and Inner South West (69.0%) are the strongest large-sample markets anywhere in the pack, and Inner South West carries the deepest bidding of any Sydney SA4 (3.46 registered bidders). At the other end, Sydney's outer and western fringe — Blacktown, Parramatta, Baulkham Hills — sits in the low-30s alongside Brisbane – North and the Gold Coast. The intra-Sydney spread of nearly forty clearance points is itself the alpha argument in miniature: a single "Sydney" exposure blends the country's best-converting sub-markets with some of its weakest. Melbourne's sub-markets remain broadly firm through the middle of the table, confirming the city transacts well even where headline values are soft.



AUCTION DEPTH AND CONVERSION

Table A: Auction depth & conversion by SA4, current with 1Y / 3Y change

SA4 sub-market	Auctions	Clearance	Clr 1Y	Clr 3Y	Reg. bid	Active bid	Att/OFI
Mornington Peninsula	13	75.0%	−25.0	−25.0	3.00	2.50	2.30
Sydney – North Sydney & Hornsby	145	72.7%	+3.5	−0.8	3.17	2.34	2.75
Sydney – Inner West	36	71.4%	−8.6	−3.6	3.14	1.92	2.39
Sydney – Inner South West	75	69.0%	−9.8	−6.9	3.46	2.37	2.14
Melbourne – Outer East	56	64.7%	−9.1	−14.8	2.85	1.97	3.09
Sydney – Ryde	39	63.6%	−19.7	−36.4	3.40	2.10	2.45
Sydney – Eastern Suburbs	92	62.5%	−4.2	−17.5	2.83	2.00	1.31
Sydney – Sutherland	26	62.5%	−37.5	−12.5	1.88	1.25	3.16
Melbourne – Inner	27	62.5%	+15.4	−20.8	1.94	1.69	2.08
Sydney – City & Inner South	74	61.1%	−18.2	−6.9	2.61	1.78	1.87
Melbourne – Inner South	71	60.7%	−12.2	−15.8	1.92	1.62	2.70
Melbourne – North East	112	57.3%	−18.0	−8.9	1.94	1.74	1.96
Melbourne – West	142	56.0%	−19.0	+15.1	2.06	1.60	1.27
Melbourne – North West	109	54.5%	−37.3	−16.9	2.07	1.85	1.45
Melbourne – Inner East	47	52.4%	−23.6	−14.3	2.00	1.90	2.12
Melbourne – South East	104	50.7%	−20.3	−38.1	2.02	1.98	2.14
Brisbane Inner City	80	47.6%	−18.2	−29.5	3.31	2.48	2.27
Sydney – Outer West & Blue Mtns	13	44.4%	−22.2	−11.1	2.44	1.44	1.72
Sydney – South West	37	42.9%	−45.6	−11.3	2.81	1.90	1.41
Brisbane – South	76	37.3%	−37.7	−33.4	4.00	3.16	2.69
Sydney – Parramatta	31	34.8%	−26.5	−25.2	2.26	1.39	1.66
Sydney – Baulkham Hills & Hawkesbury	25	33.3%	−16.7	−59.5	1.80	1.20	1.84
Sydney – Blacktown	44	33.3%	−52.1	−51.8	2.27	1.50	1.45
Gold Coast	82	31.9%	−45.9	−25.2	2.40	1.74	2.21
Brisbane – North	19	27.3%	−45.5	−28.3	3.27	1.64	2.40
Sydney – Northern Beaches	23	16.7%	−83.3	−63.3	1.00	0.83	2.81

Source: Ray White

THE VENDOR GAP: WHERE THE RESET TRADE IS CLEANEST

Where bidder depth is high, but clearance is low, the constraint is vendor price expectation, which resolves with time. Where both are low, the constraint is demand, which does not.

Table B: Vendor-gap screen: deep bidding vs weak conversion

SA4 sub-market	Active bidders	Clearance	Read
Brisbane – South	*3.16*	*37.3%*	*Strongest reset-and-recover candidate*
Sydney – South West	*1.90*	*42.9%*	*Deep bidding, clearance reset — vendor gap*
Brisbane Inner City	*2.48*	*47.6%*	*Demand intact; modest reset firms clearance*
Sydney – Parramatta	*1.39*	*34.8%*	*Moderate depth; part price, part demand*
Brisbane – North	*1.64*	*27.3%*	*Demand shortfall — not a vendor-gap play*
Sydney – Northern Beaches	*0.83*	*16.7%*	*Demand shortfall — not a vendor-gap play*

Source: Ray White

Sydney – South West stands out as a genuine vendor-gap market: bidding depth is healthy (1.90 active bidders, above several firmer-clearing Sydney sub-markets) yet clearance has reset to 42.9%, its 1Y clearance down more than 45 points, a classic case of buyers present, but vendors still anchored to peak pricing. Brisbane – South remains the single cleanest example in the pack. At the other end, Sydney – Northern Beaches screens as a genuine demand shortfall rather than a pricing standoff: sub-1.0 active bidders and 16.7% clearance are weak on both axes, so it would not respond to a vendor reset alone. As always, the contrast between the two is the point — same city, opposite prescriptions.

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LIQUIDITY: DAYS ON MARKET BY SUB-MARKET

Table C: Days on market by SA4, house & unit, with 1Y / 3Y change (days)

SA4 sub-market	House DOM	H 1Y	H 3Y	Unit DOM	U 1Y	U 3Y
Brisbane – North	23	−2	−16	20	−2	−12
Brisbane – South	24	−2	−4	21	−2	−10
Sydney – City & Inner South	25	+1	0	30	−1	−1
Sydney – Sutherland	25	−1	−4	23	−2	−7
Melbourne – Inner	25	0	−1	31	−6	−5
Melbourne – Inner South	25	0	−1	25	−3	−3
Sydney – Eastern Suburbs	26	0	+1	24	0	−2
Melbourne – Inner East	26	0	0	29	−1	−1
Sydney – Inner South West	27	+1	+1	27	−2	−11
Sydney – Parramatta	27	0	−1	39	−2	−8
Brisbane Inner City	27	−2	−5	23	−4	−12
Sydney – Inner West	28	0	0	29	−2	−5
Sydney – Northern Beaches	28	0	0	23	0	−1
Sydney – South West	28	−2	−2	35	−1	−15
Sydney – North Sydney & Hornsby	28	+2	+3	28	0	−1
Melbourne – North East	29	0	0	28	−2	−4
Melbourne – North West	29	−1	−3	29	−5	−6
Sydney – Ryde	29	+2	+3	33	−1	−8
Melbourne – South East	30	−2	−1	30	−4	−5
Gold Coast	32	−4	−13	34	−5	−10
Sydney – Baulkham Hills & Hawkesbury	34	−2	+4	42	+3	+7
Melbourne – West	36	−5	−6	36	−7	−12

Source: Neoval, Ray White

Across all four cities the liquidity picture remains positive: the large majority of sub-markets show flat-to-faster selling times over both horizons, with only a handful of outer-ring exceptions (Sydney – Baulkham Hills, Sydney – Ryde and North Sydney & Hornsby drifting up a couple of days). Sydney's fastest sub-markets are again its premium inner ring — City & Inner South and Sutherland at 25 days — while the slower readings sit on the fringe, mirroring the clearance table. The three-year compression remains pronounced where it matters for the value thesis: Melbourne – West houses are five days faster and its units twelve days faster over three years, and Sydney – South West units have compressed fifteen days. Falling clearance alongside steady-to-faster selling times is, at the sub-city level as at the city level, a clear sign of price discovery rather than forced selling.

INSIDE THE CITIES: THE SUB-MARKET MAP

Appraisals lead listings, and authorities are signed mandates, so together they preview supply. A market building unsold stock shows rising appraisals into weak conversion; a tightening market shows the reverse.

Table D: Supply pipeline: appraisals & authorities, 1Y change (selected SA4s)

SA4 sub-market	Appraisals	Appr 1Y	Auth 1Y	Signal
Sydney – North Sydney & Hornsby	*674*	*+21.2%*	*−65.7%*	*Building into strong demand*
Melbourne – North East	*575*	*+16.9%*	*−41.8%*	*Building into demand*
Sydney – Outer West & Blue Mtns	*355*	*+20.7%*	*−35.3%*	*Building into softer demand*
Sydney – Inner South West	*277*	*−21.5%*	*−21.4%*	*Pipeline thinning*
Brisbane Inner City	*835*	*−45.9%*	*−37.2%*	*Pipeline thinning*
Sydney – South West	*218*	*−56.5%*	*+5.4%*	*Pipeline thinning sharply*
Gold Coast	*1,479*	*−8.0%*	*−19.6%*	*Elevated stock, weak conversion*

Source: Ray White

At a city level all three majors show appraisals and authorities falling year on year (Sydney appraisals −24.8%, authorities −32.4%), pointing to less forward supply into the second half of 2026. Within the detail, the sub-markets with rising appraisals are concentrated in strong demand areas — Sydney's North Sydney & Hornsby (+21%, into 73% clearance) and Melbourne – North East (+17%, into 57%) — so the extra supply is meeting real buyers rather than accumulating. The clearest caution flags remain the Gold Coast and the weaker Sydney fringe, where softer conversion coincides with stock still arriving.

Sydney's premium inner ring is the strongest-converting cluster in the country — its depth and liquidity are real, not just a headline. Both Sydney and Brisbane are two markets in one, with inner strength and fringe softness sitting side by side — the clearest possible argument for selection over exposure. Liquidity holds across all four cities; the vast majority of sub-markets are selling flat-to-faster. And the supply pipeline is, on balance, tightening, with the little new supply that exists concentrated in the strongest-demand sub-markets. The return in this environment is earned at the sub-market, not the market and points to a shorter than expected price correction, before recovery begins in earnest.

MARKET DEPTH AND LIQUIDITY ARE THE ENABLING CONDITIONS THAT WILL ENHANCE LONG TERM RETURNS

Alpha is only available where investors can actually transact. This is where Sydney's and Melbourne's depth matters: they are the deepest, most liquid residential markets in the country, which means an institutional buyer can build and exit positions without moving the market against themselves. Brisbane offers the strongest fundamental demand but thinner conversion, so it rewards patience and pricing discipline. The Ray White demand data indicates that fast, tightening selling times alongside contained discounting proves that price discovery is working across all four markets, suggesting that liquidity will remain ample.

MARKET OPPORTUNITIES

SYDNEY

Sydney for depth and the rate-cut option: the deepest market, where the high tier is leading the correction and would lead any recovery; accumulate into the reset, underwrite to a rising rent.

BRISBANE

Brisbane for fundamental demand, underwritten with discipline: strongest medium-term demand and rent growth, but require realistic pricing given thinner auction conversion.

MELBOURNE

Melbourne unit-led, as the value entry: lowest price, highest yield, most resilient values, deep and liquid. The clearest risk-adjusted entry point in the pack.

THE RENTAL BOOK AS THE ANCHOR

Income growth is strengthening across all markets as capital pauses, with policy skewing rental supply tighter. Deploy for yield now; retain the capital-recovery option for free.

The correction visible in the June 2026 data is a repricing event rather than a downturn. It is shallow, orderly, and underwritten by rents and a housing shortage that has not gone away. The falling supply of stock for sale will shorten the price correction period, particularly in Brisbane and Sydney, as buyers remain liquid, but there is a mismatch with supply. For a long-horizon investor, a market that has stopped moving as one beta and started dispersing is not a market to avoid. It is the environment in which strategic market and stock selection will be rewarded.

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