

Intelligent Investment

Apartment vacancy, rent and price outlook

REPORT

Demand, supply,
vacancy, prices and
rents for Australian
apartments

CBRE RESEARCH
SEPTEMBER 2026



Apartment Outlook

Investment outlook



CBRE estimate that investment returns for apartments in Sydney, Melbourne and Perth are likely to outpace historic rates. In other cities, investment returns are likely to be more modest relative to history.

We see apartment values as attractive, reflecting the recent impact of changes to negative gearing, capital gains tax and high/near-peak interest rates. Falling supply is also likely to see acceleration of rent growth.

CBRE expect median rents to grow by 26% between 2026-2031, across 53 precincts in Australian capital cities.

CBRE expect median apartment prices to grow by 20% between 2026 and 2030. We expect the strongest growth to be in 2028 and 2029.

Construction and capital value



Historically, capital values have grown at 3x construction cost growth. This unlocks land and encourages supply. In the last 5 years, values have not kept pace with construction costs. This disparity is currently at 30%, up another 10% over the past 6 mths

In our view, capital values for residential projects will accelerate significantly higher as supply falls until there is a healthy ecosystem for developers.

Our analysis indicates newly built two-bedroom apartments trade at a 30% price premium to older vintages.

Newly built apartments also have a rent premium. In Sydney, newer build apartments exhibit ~20%-35% rent premium to older vintages in same suburb. In Melbourne, the rent premium varies between 0%-20%.

Demand to rent



We see c\$1,000bn of additional income in the system to support mortgage, rents and other living expenses.

Over the next 10 years, demand for housing is expected to benefit from the triple boost of rising population (+4.2m), rising jobs (+2.9m) and rising income (+\$38k).

Monthly rents are 30-40% cheaper than alternate buy options at current prices.

By 2031, 82% of 2-bed apartments are forecast to have rents exceeding \$800/week (39% exceeding \$1000/week).

We expect capital city vacancy will fall further to 1.1% by 2031 from 1.8% in 2026. Vacancy will be around half of the previous decade average of 2.5%.

Supply



CBRE forecast the future supply of apartments is likely to hover around 55,000 pa over 2026-31. Australia's forecast population growth requires apartment supply of ~75,000 pa to avoid further falls in vacancy.

Sydney: Apartment delivery to average 11,000 pa over 2026-31, well below 27,000 pa demand for total housing stock. Vacancy rate is set to fall from 2.0% to 1.1%.

Melbourne: Apartment delivery to average 7,500 pa over 2026-31, nearly 33% below Sydney. Demand for housing stock (apartments and communities) is likely to average 41,000 pa over the next 5 years. This should continue to drive down city-wide vacancy from 1.9% to 1.5%.

Brisbane: Apartment delivery to average 4,900 pa over 2026-31. Demand for housing stock (apartments and communities) is likely to average 13,400 pa which will drive down city-wide vacancy from 1.0% to 0.7%.

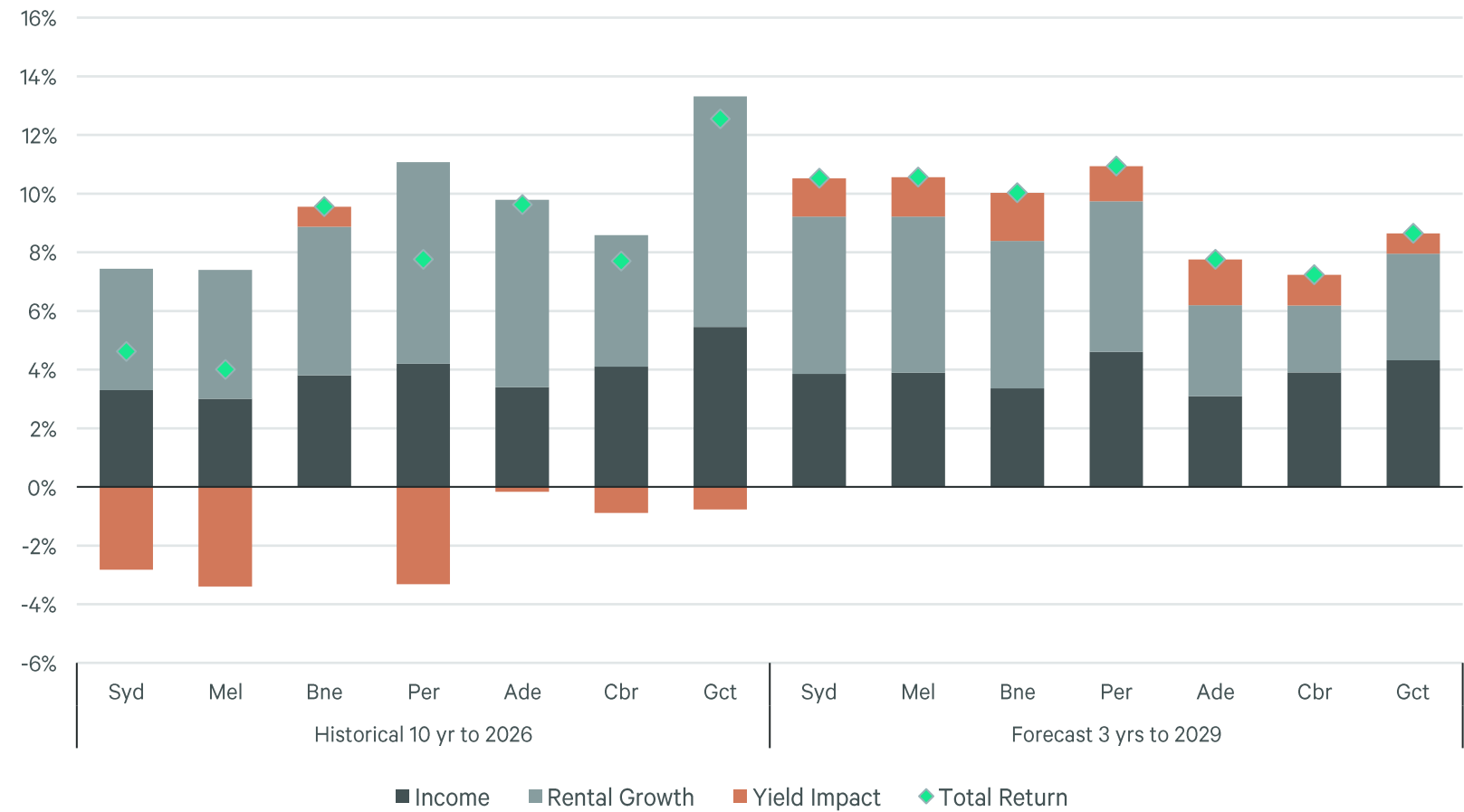
Investment returns

CBRE estimate that investment returns for apartments in Sydney, Melbourne and Perth are likely to outpace historic rates. In other cities, investment returns are likely to be more modest relative to history.

We see apartment values as attractive, reflecting impact of changes to negative gearing, capital gains tax and near-peak interest rates. Falling supply is also likely to see acceleration of rent growth.



Figure 1: Apartment investment returns per annum



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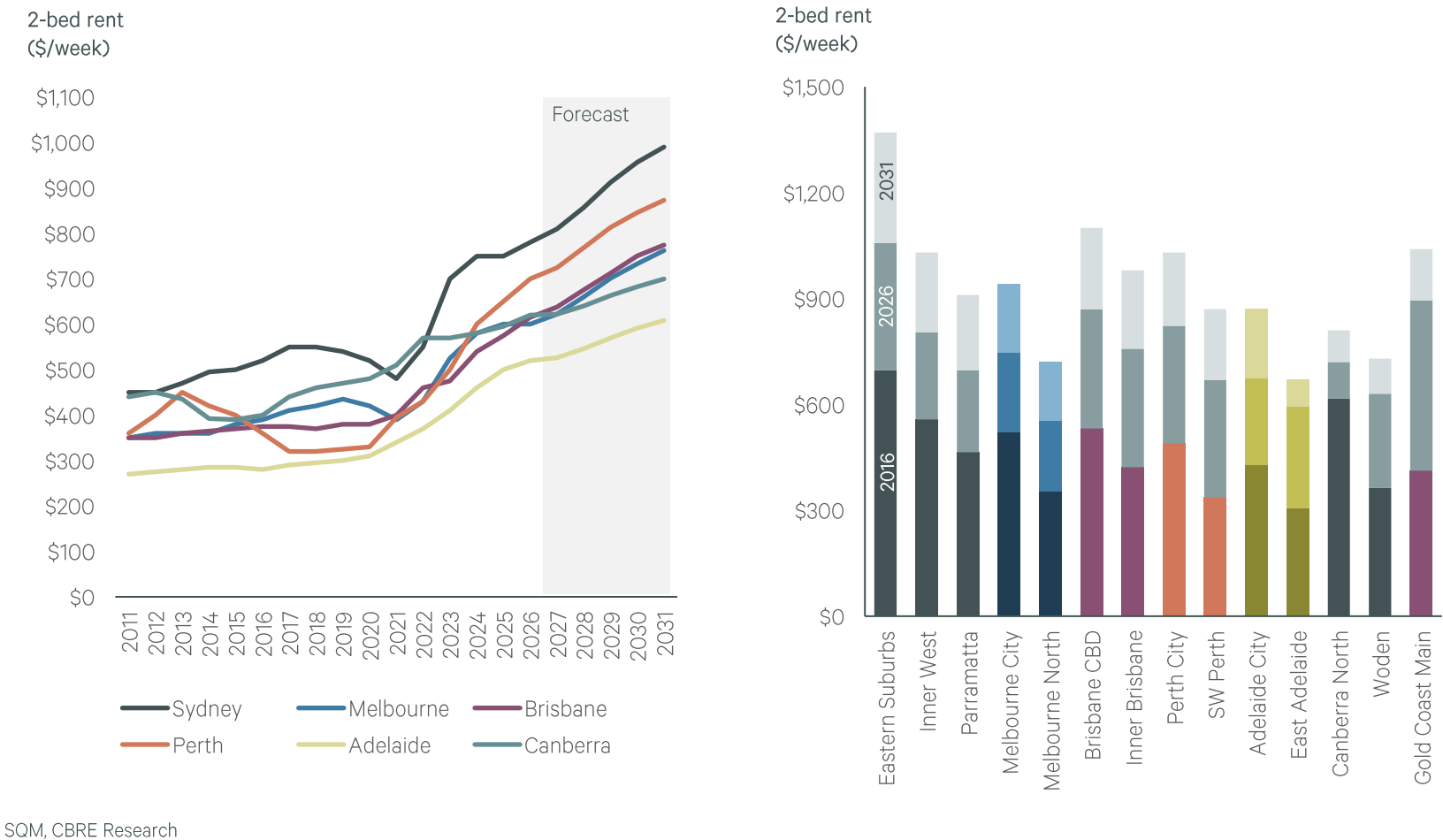
Rent Outlook

CBRE expect median rents to grow by +26% between 2026-2031, across 53 precincts in Australian capital cities. This follows the 64% growth over the previous decade.

Rents are likely to grow at +4% in 2026 and accelerate again through 2027-2028 from tightening vacancy and higher outgoings.



Figure 2: Apartment rents (2 bed) across Australian cities and select precincts



Vacancy Outlook

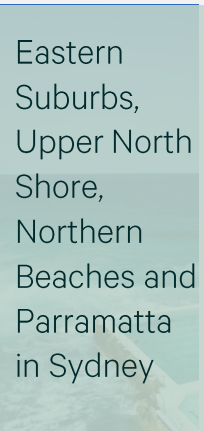
CBRE forecast that Capital City vacancy will fall to 1.1% by 2031 from 1.8% in 2026. By the late 2020s, we forecast apartment vacancy will be at half of the previous decade average of 2.5%.

A balanced market for apartment rentals would typically see vacancy around 4-5%. For most markets, vacancy has remained below 4% during the previous decade, except for the 2020/21 lock-down periods.

We forecast the annual absorption rate of house and apartments is c170k-200k pa.

Some of the markets where we expect to see the sharpest falls in vacancy include suburbs in:

Eastern Suburbs, Upper North Shore, Northern Beaches and Parramatta in Sydney



Brisbane's CBD/Inner South and South East



Melbourne's North and East

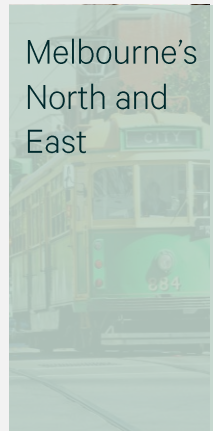
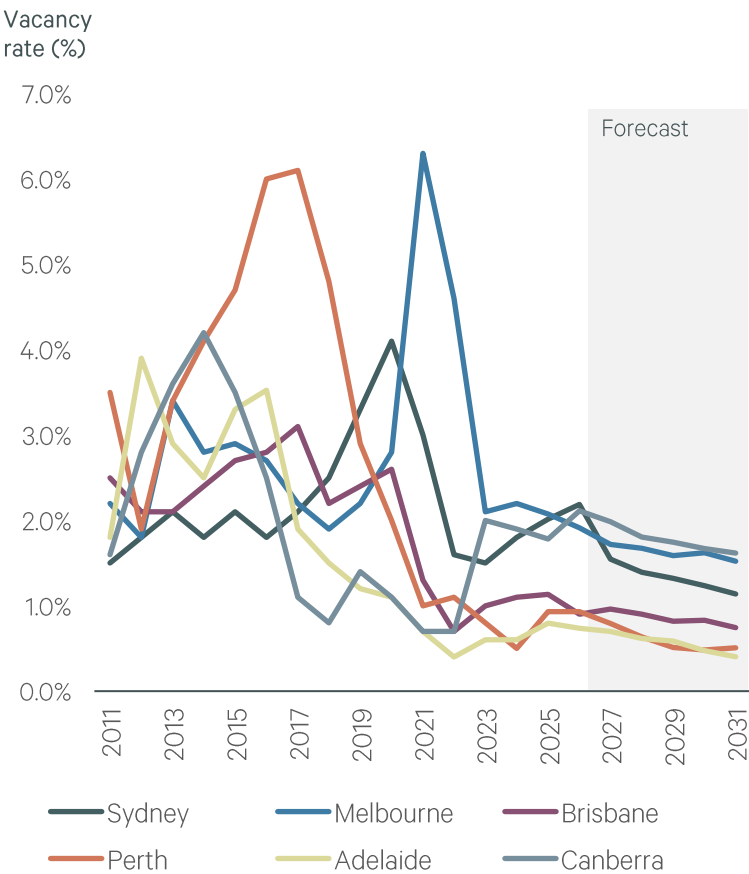
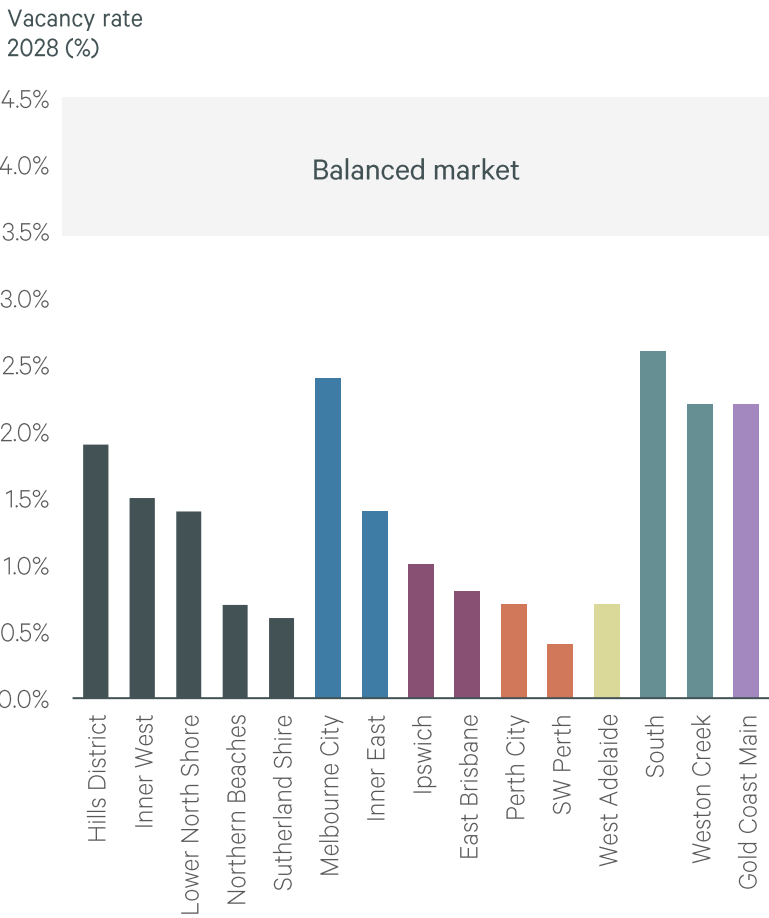


Figure 3: Vacancy outlook across Australian cities and select precincts



CBRE Research, SQM

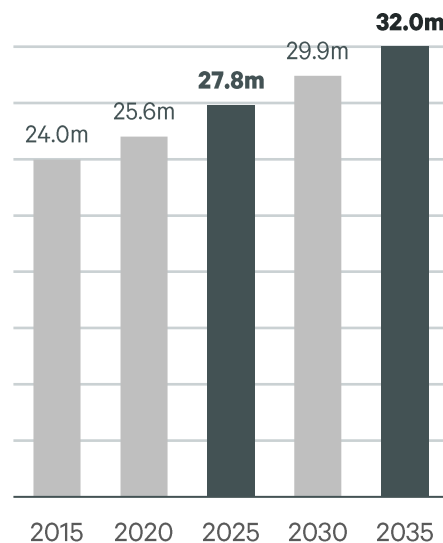


Demand “triple boost”

The demand for housing is expected to benefit from the triple boost of rising population, rising jobs and rising income. Collectively, this wealth effect will add ~\$1,000bn of income over the next decade (vs \$620bn in previous decade). A significant portion is likely to be directed towards housing & living. The average Australian spends 13%-20% of income on either rent or mortgage servicing.

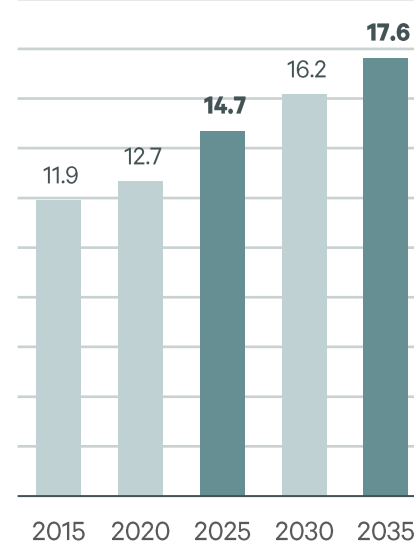


Figure 4: Triple boost of population, jobs and income



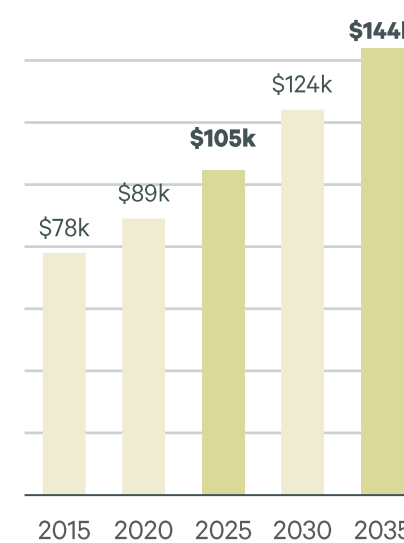
Population growth

Immigration is likely to contribute to two thirds of Australia's population growth, with total population rising from 27.6m in 2025 to 32.0m by 2035.



Jobs, jobs, jobs

The employment market has been particularly robust, adding 2.0m workers over past 5 years. We see employment growing to 17.6m by 2035.



Rising income & wealth

We see average annual income increasing from \$105,000 pa currently to \$144,000 pa by 2035.

ABS, CBRE Research

Demand: Rent vs Own

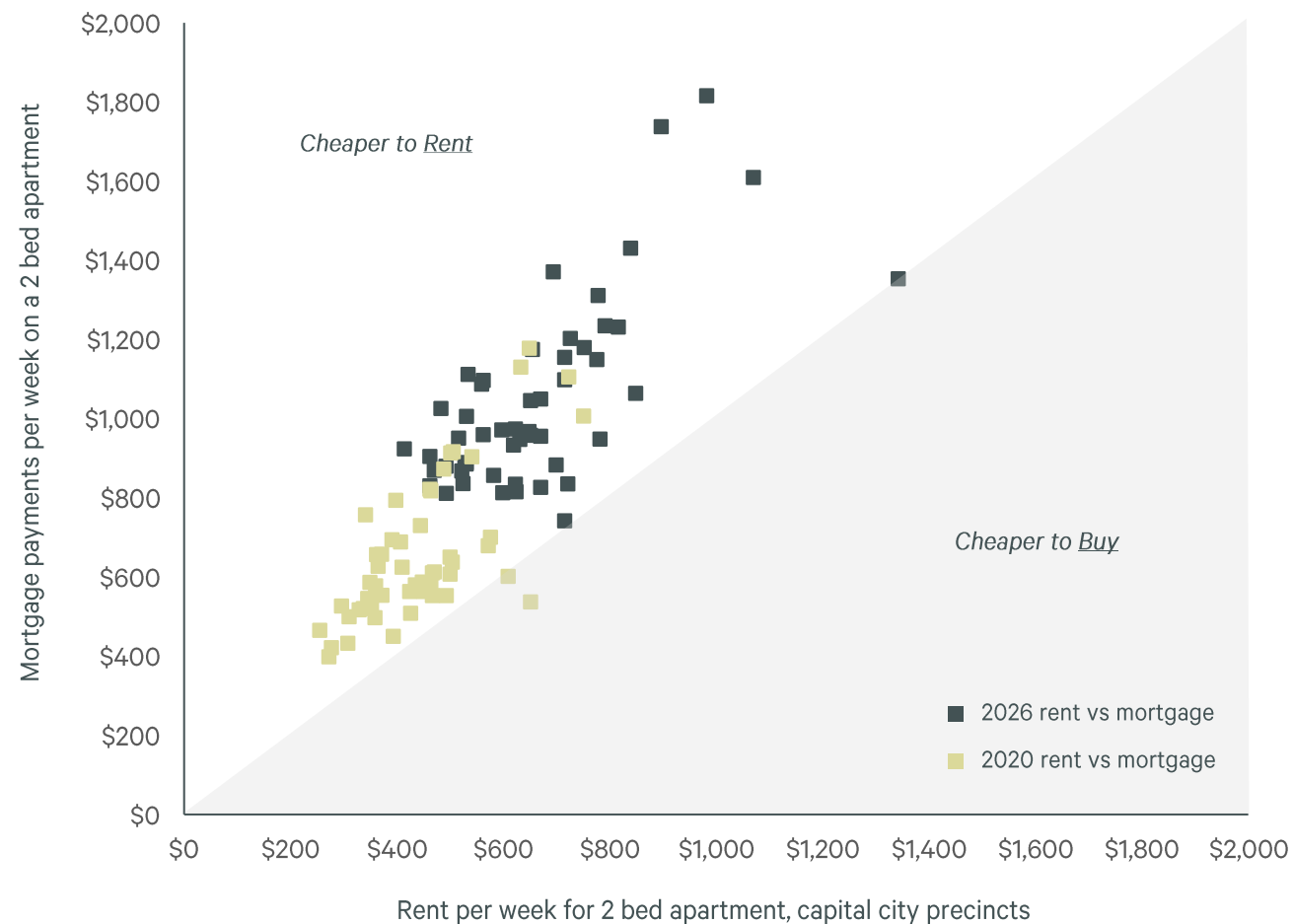
At present, monthly rent payments are 30-40% cheaper than alternate Buy options across half of precincts in Australian capital cities. After accounting for on-costs such as municipal rates and strata fees, it is cheaper to rent in all precincts across Australia.

We looked at weekly average rent for apartments and compared it with mortgage repayments, assuming current capital values and 10% deposit.

Is this just because of the spike in mortgage rates? We don't think so. Looking back at 2020, monthly rental costs were 30% lower than monthly mortgage repayments. The RBA's cash rate was 0.10% between November 2020 and April 2022, compared to 4.60% currently (September 2026).



Figure 5: Weekly payments for rent vs buy options across Australian precincts



Note: We have assumed Owner pays \$9,000 per annum in on-costs, including Municipal rates, Strata fees, Water rates and Insurance.

Cotality, CBRE Research

National Apartment Supply

Who?

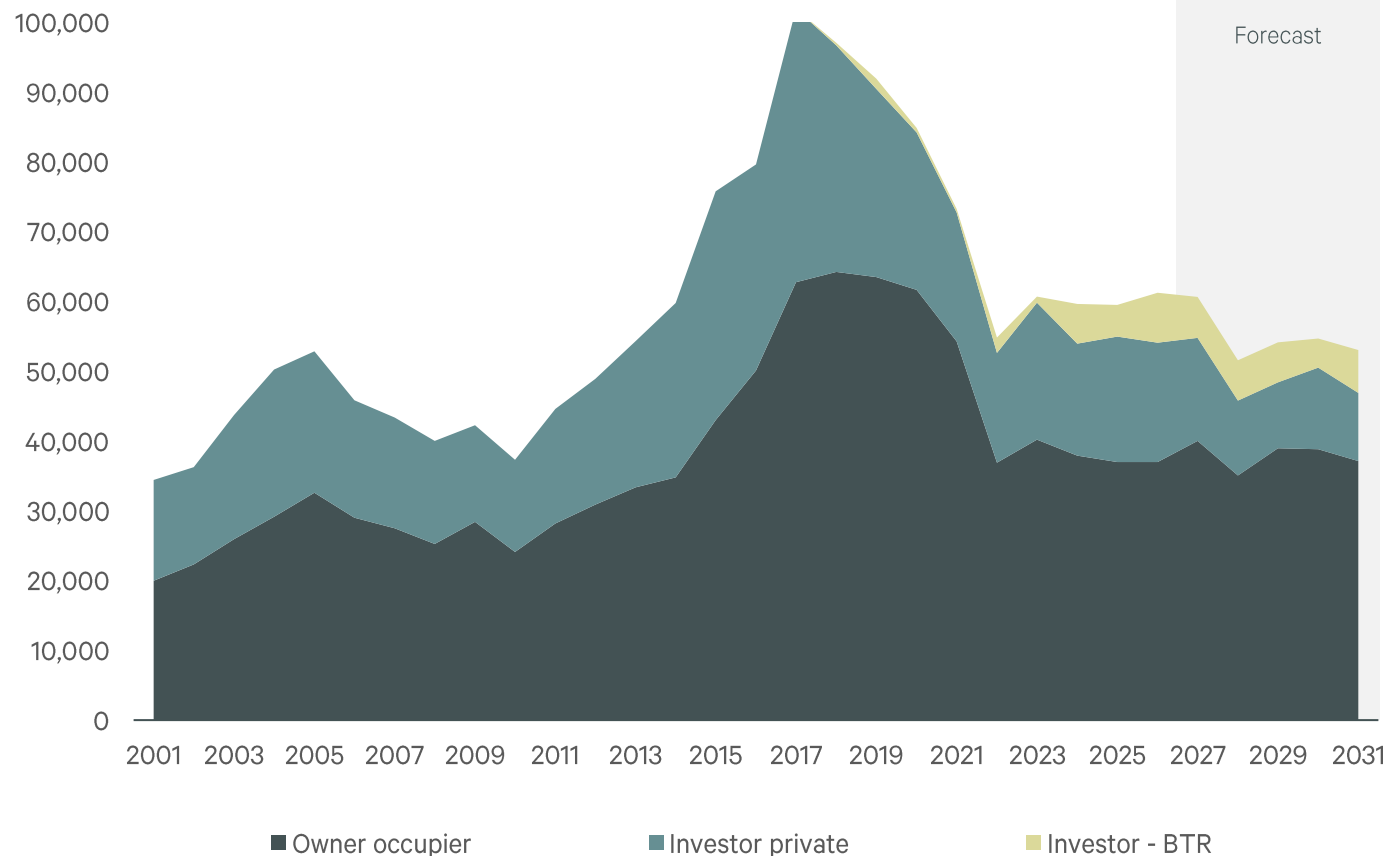
Over the previous 25 years, owner occupiers have comprised 64% of purchasers of new apartment stock. Owner occupiers have been more prevalent purchasers post APRA's (financial regulator) intervention in the home lending market during 2017.

Our long-term forecasts assume that owner occupiers will comprise 70% of new supply purchase. Of the investor market, we see a growing share moving across to institutional build-to-rent (BTR) sector.

For next five years, we see institutional BTR comprising ~10% of new apartment supply.



Figure 6: Apartment supply type by owner



ABS, Cordell, CBRE Research

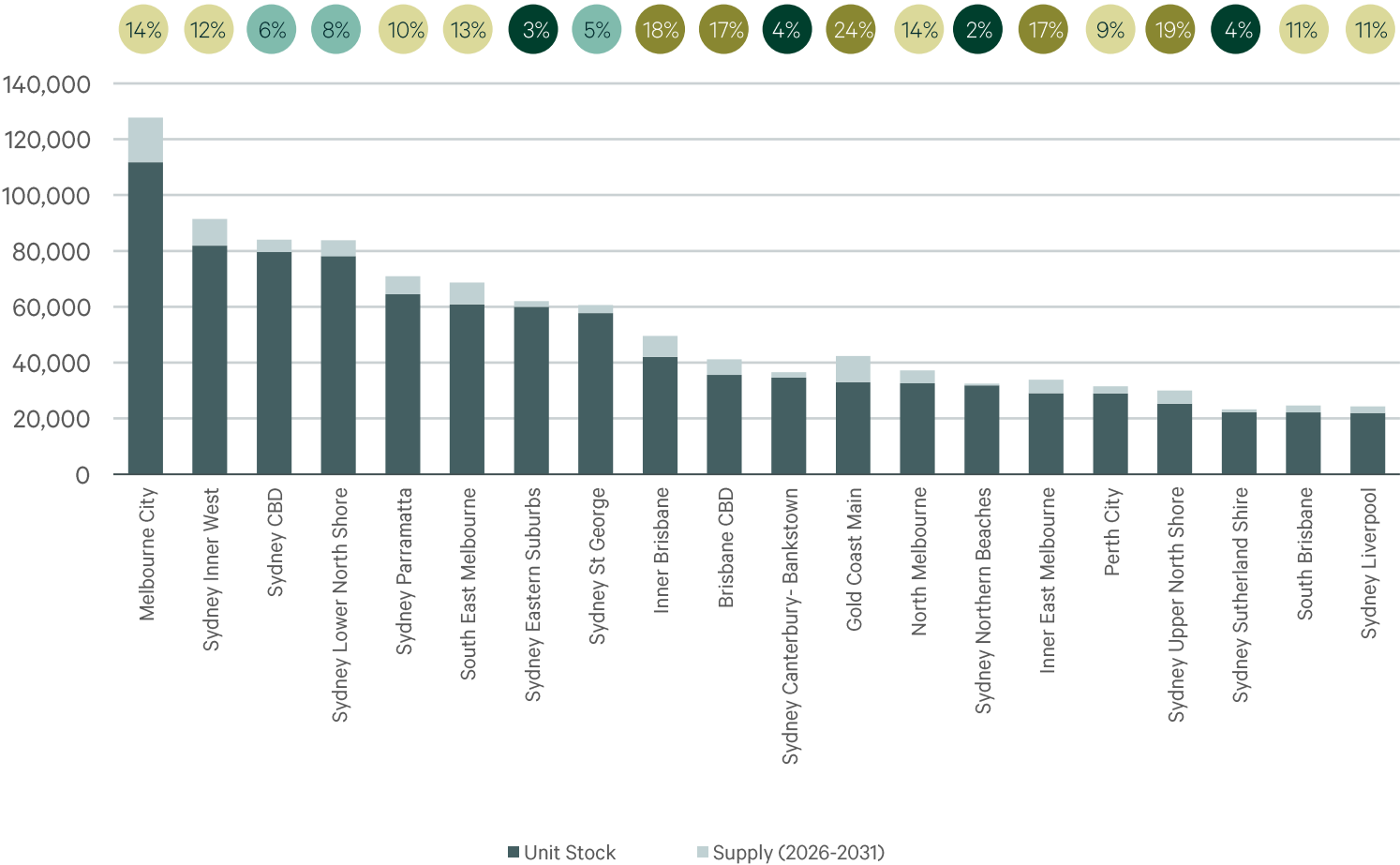
National Apartment Supply

Where?

In Brisbane, Melbourne and Perth, apartment supply is focused on CBD and inner-city locations. For Sydney, apartment supply is more evenly distributed but there is growing new supply in Upper North Shore.



Figure 7: Apartment supply as share of existing stock, 20 largest markets



CBRE Research



Rents & Vacancy

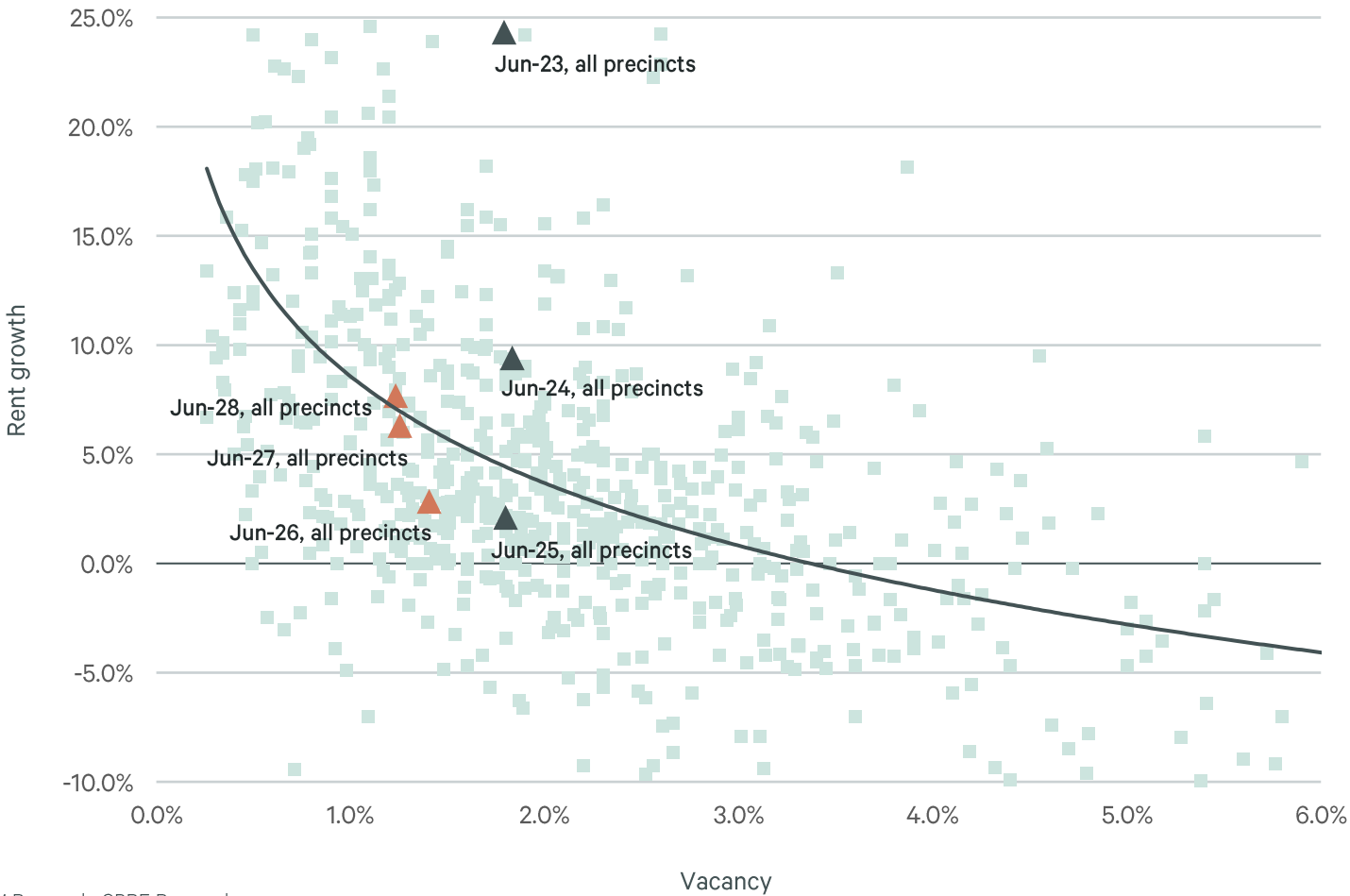
Logarithmic

Apartment rents and vacancy move in tandem, with lower vacancy spurring rent growth and vice versa. The relationship can be considered linear when vacancy ranges 3%-5%. However, when vacancy falls below 1.5%, rents start to exhibit more pronounced logarithmic growth.

60% of capital city precincts currently have a vacancy rate below 1.5%. By 2027, nearly 90% of precincts will have a vacancy rate below 1.5%, in our forecasts. This should provide a backdrop for robust rent growth.



Figure 8: Current rent growth is below implied run-rate



SQM Research, CBRE Research

Construction Costs Rising

Over the past 25 years, median apartment values in Australia have grown by a cumulative 320%, compared to inflation 113% and construction cost growth of 133%. In turn, this has provided an encouraging environment for developers.

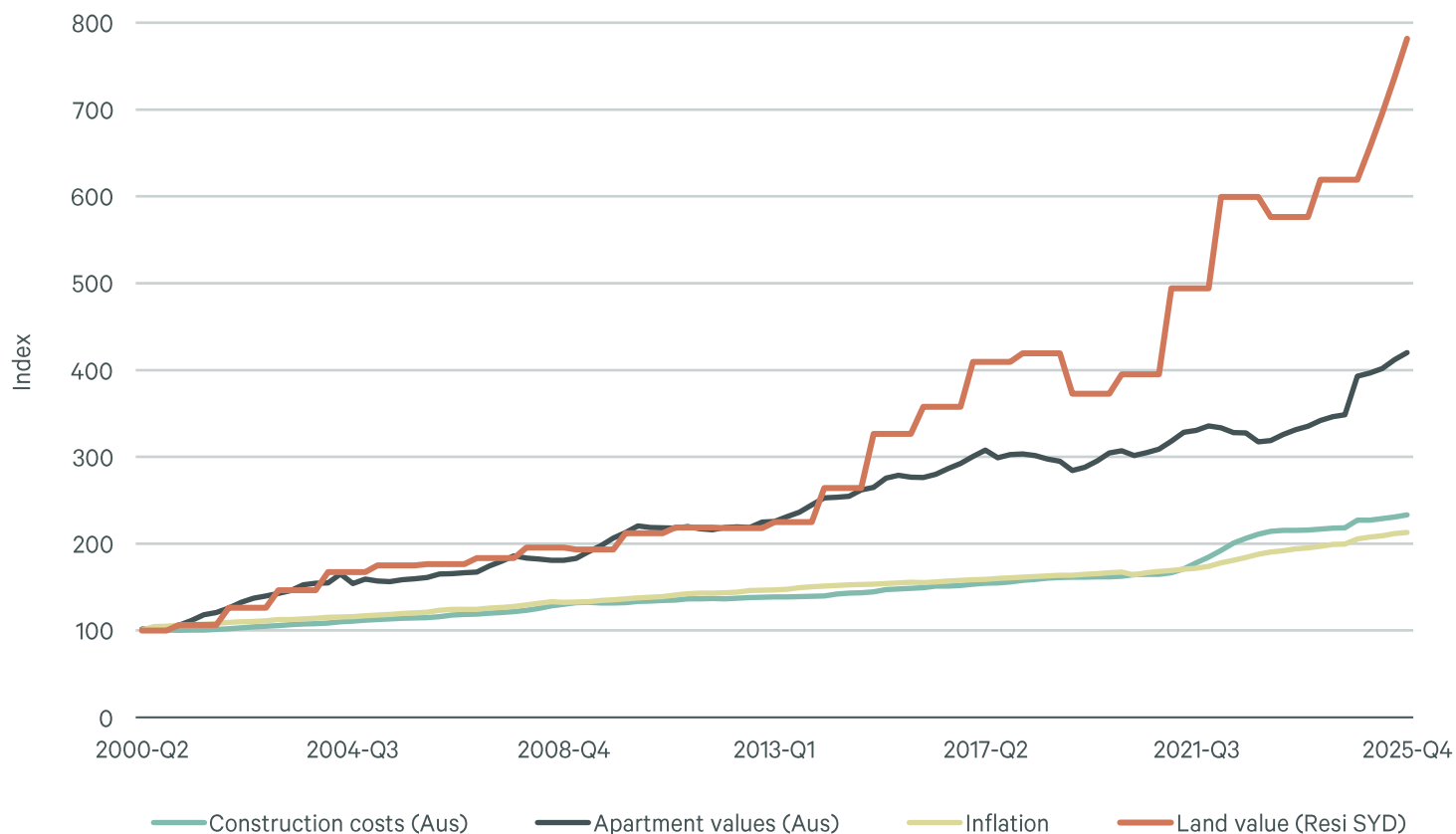
Land values have accelerated at an even faster pace of +680%, with limited stock in desirable locations - inner-city regions and access to amenities/transport infrastructure.

Construction costs for residential have increased by 48% over June 2020-Jun 2026, well in excess of growth in inflation. Tight labour markets, particularly in Brisbane, may keep upward pressure on the cost to build new supply.

The stricter energy requirements and liveable housing standards will also impact the cost of new builds over the year to come.

The relationship between construction costs and apartment capital values has broken-down. This has hampered supply.

Figure 9: Apartment values vs construction costs. Last 25 years



ABS, REIA, CBRE Research

Values to Reflect Replacement Cost

In the last 5 years, values have not kept pace with construction costs. This disparity is currently at 30%, up another 10% over the past 6 mths

It underlines the challenges facing developers and we're expecting the discount to narrow (through price gains).

We expect apartment values to accelerate from 2027 as consumers adapt to higher income, low supply and wave of buying from recent migrants.

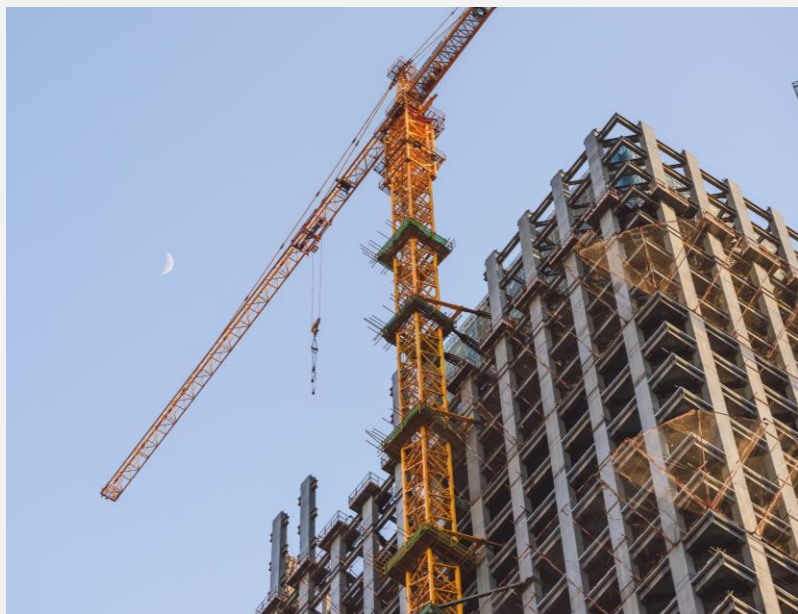
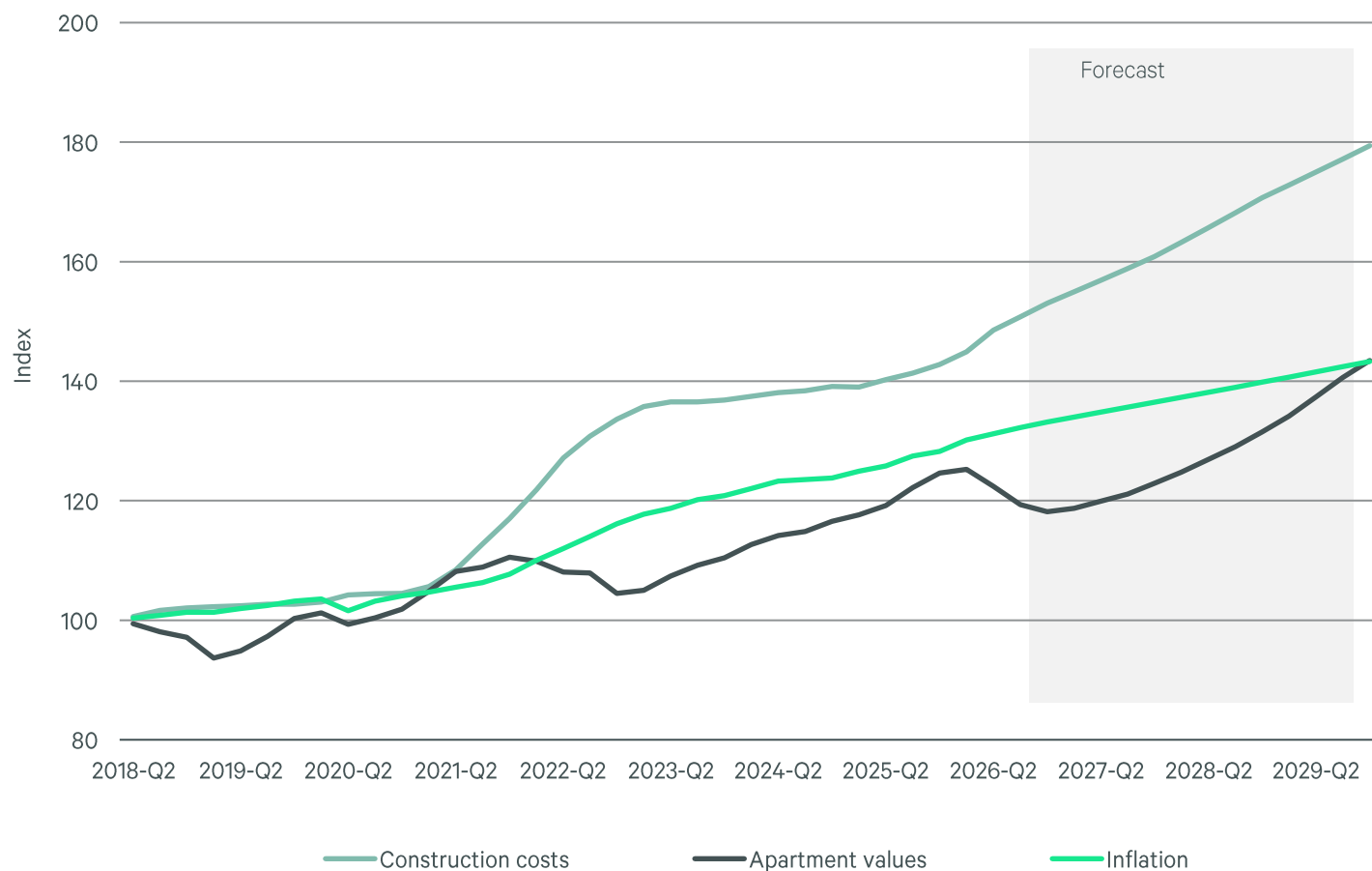


Figure 10: Apartment values vs construction costs. Last 5 years and forecast



ABS, REIA, CBRE Research

Price Outlook

20%

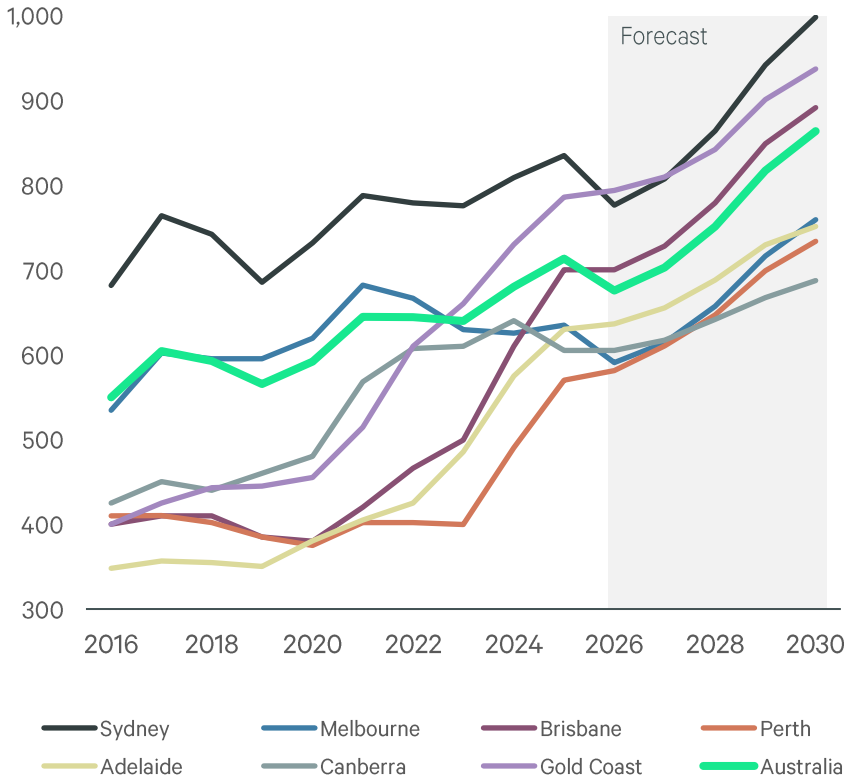
National apartment price growth to 2030.

CBRE expect median apartment prices to grow by 20% between 2025 and 2030. We expect the strongest growth to be in 2028 and 2029. Our forecasts take the demand-supply imbalance into account, as well as vacancy rates, rent growth rates, income growth, unemployment and affordability.

We're most optimistic around Brisbane and Perth markets, followed by Sydney and Melbourne.

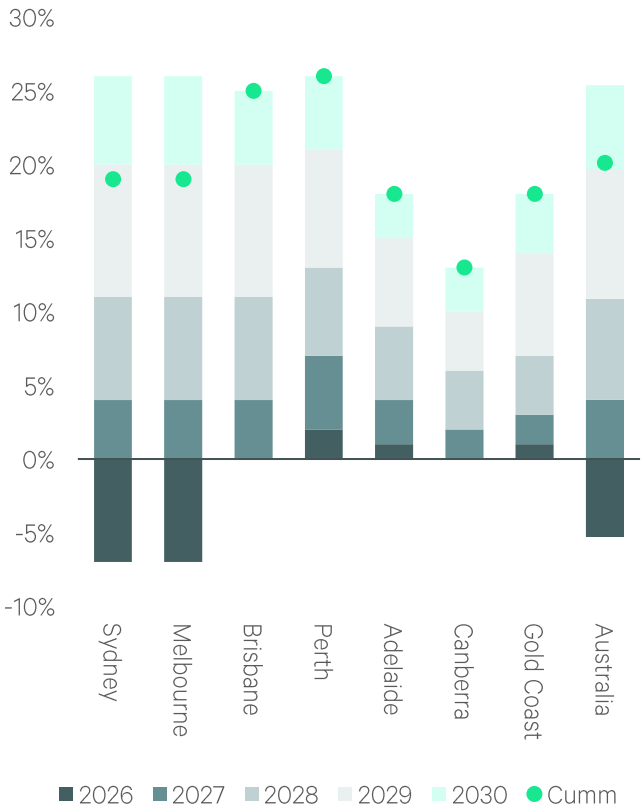
Historically, data shows an equal probability in terms of whether the market moves at a pedestrian low single digit annual rate or robust high single- or double-digit move.

Figure 11: Apartment prices (\$000s), historic and forecast



CBRE Research, Cotality, REIA, SQM Research

Apartment price forecast 2026-2030

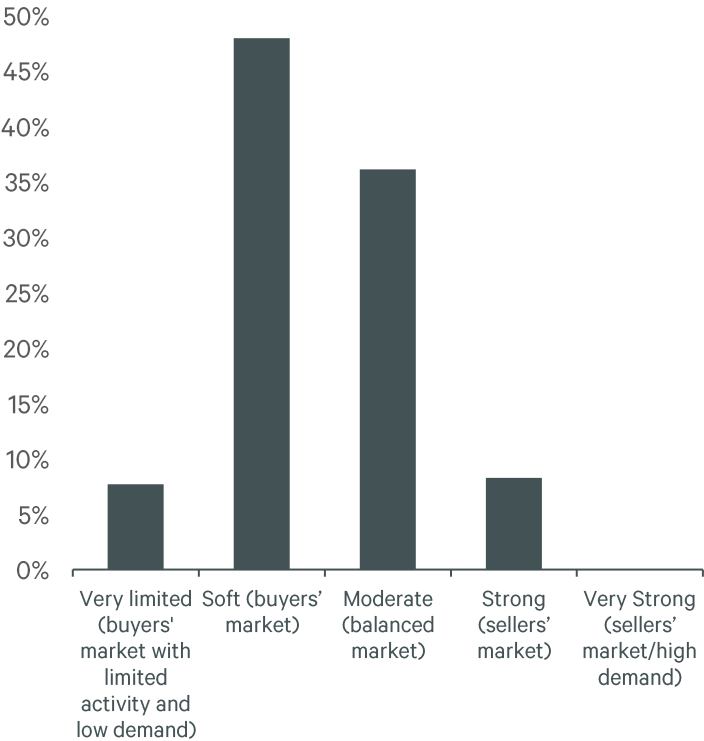


Demand disappointing in 2H 2026

CBRE’s Q3 2026 Residential Valuer Insights revealed that 56% of Valuers saw demand as Soft/ Very limited in their local market. Changes to CGT, negative gearing and prospect of higher interest rates were weighing on sentiment.

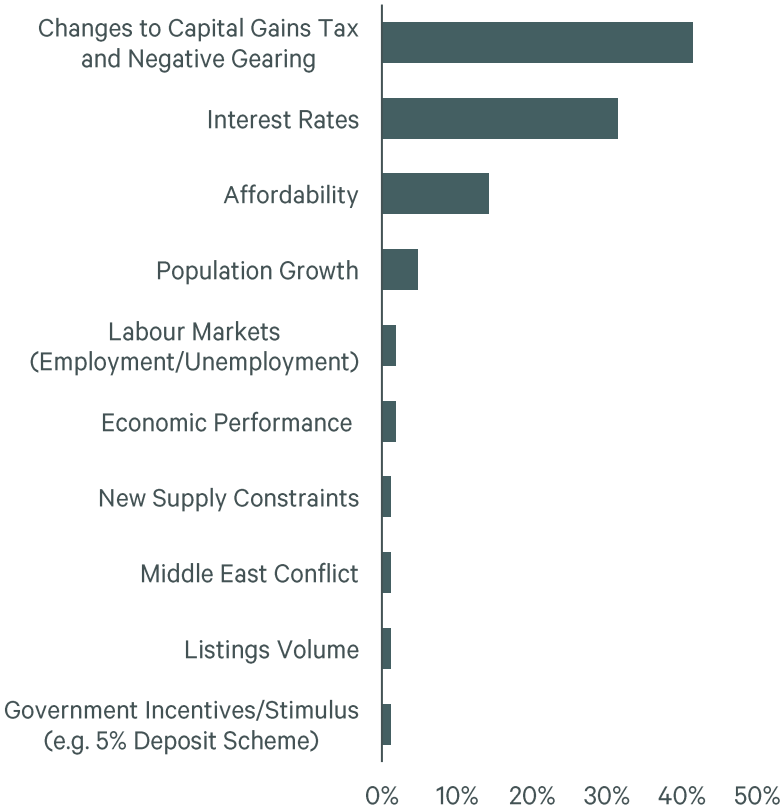


Figure 12: Demand in local markets as at Q3 2026



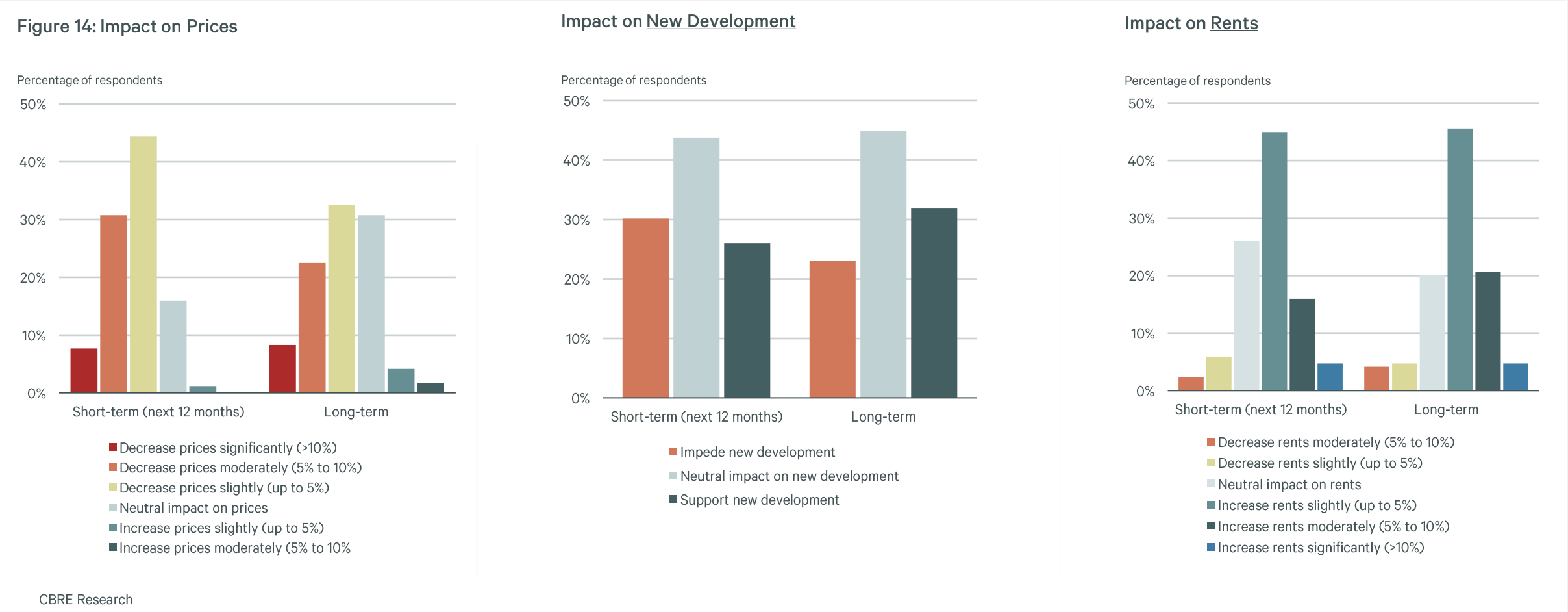
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Figure 13: Biggest influence on residential market performance in the next 12 months, Australia wide.



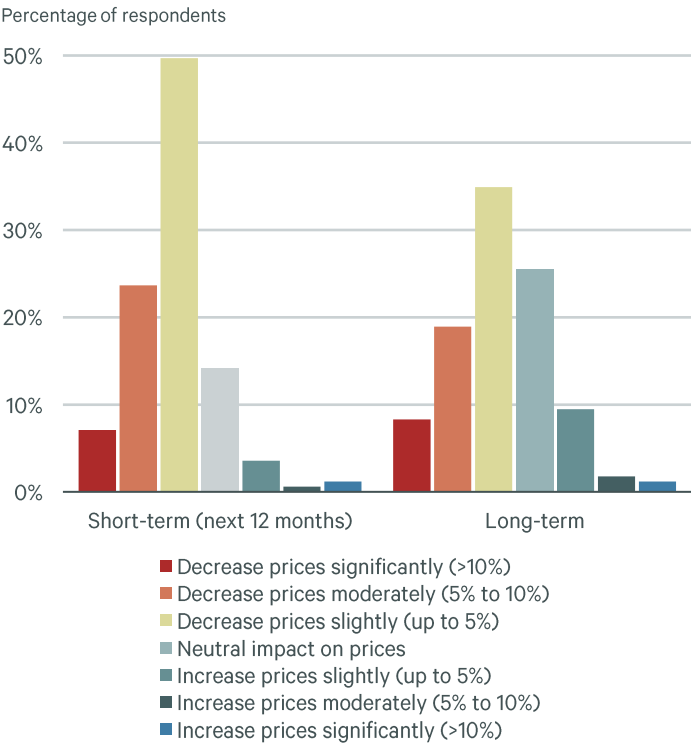
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Capital Gains Tax – CBRE Valuer survey



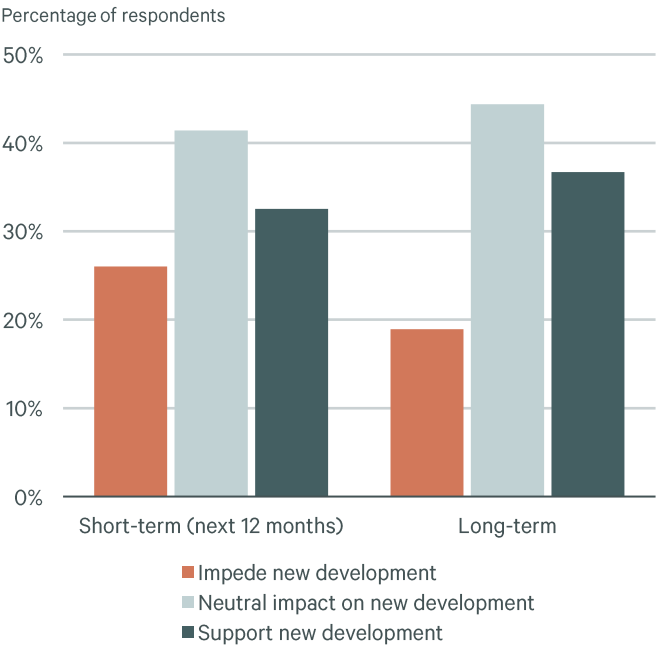
Negative gearing changes – CBRE Valuer survey

Figure 15: Impact on Prices

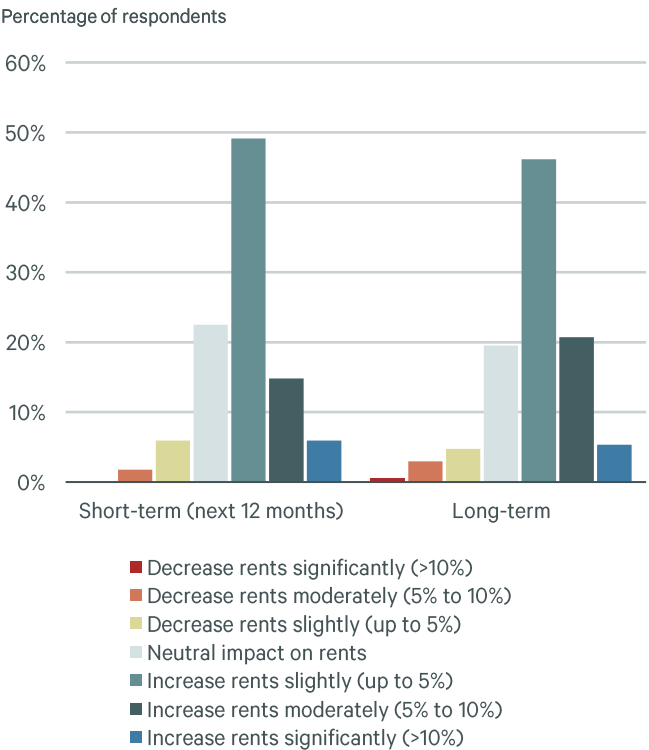


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Impact on New Development



Impact on Rents



New Build Premium – Rent

High construction costs and better amenities have put upward pressure on rents for new builds. These higher rents assist in meeting the return hurdles for apartment new builds.

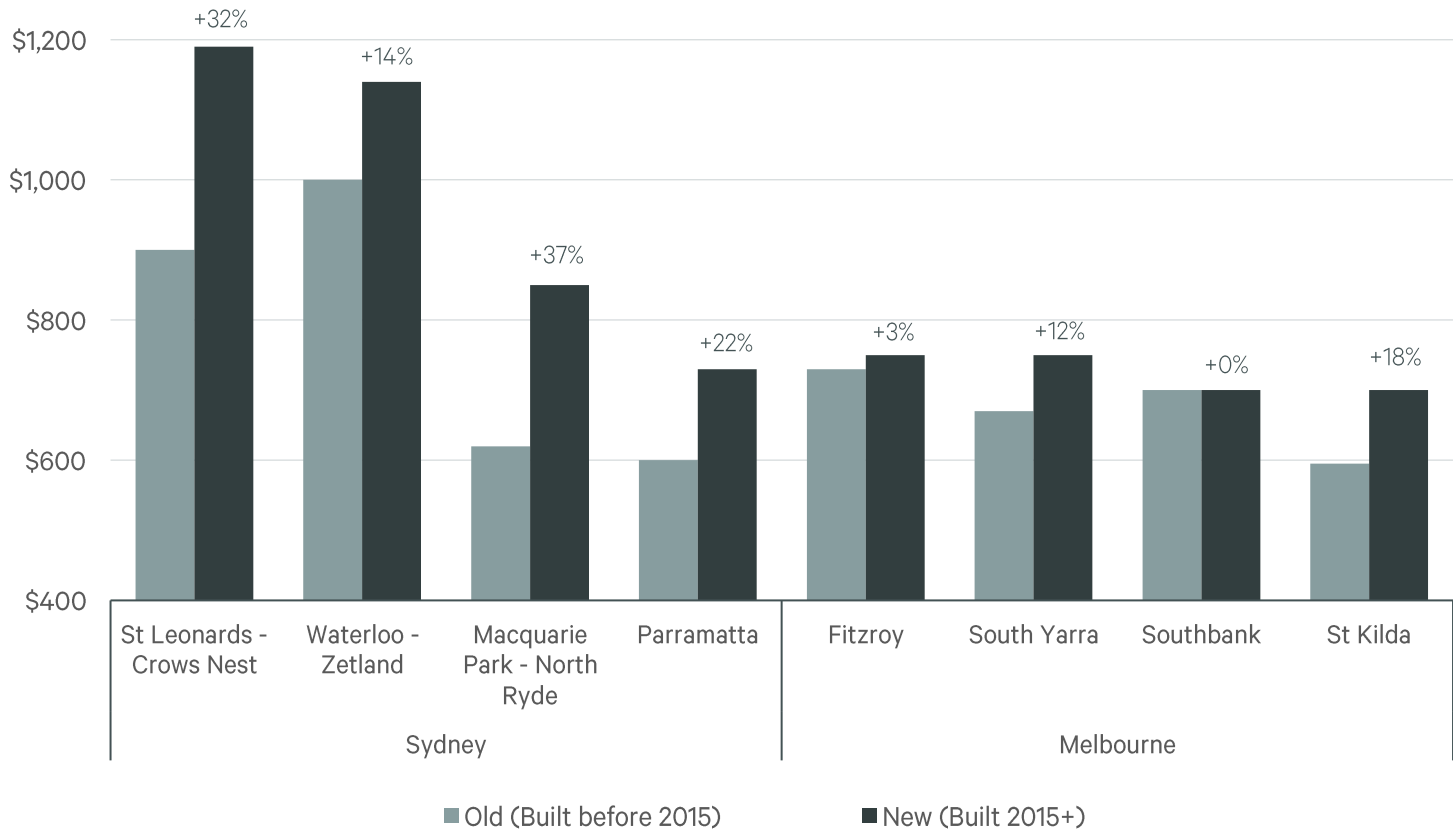
We examined ~3,000 apartments across a selection of suburbs which have both recent and older vintage apartments.

- Sydney: Apartments of recent vintage (post 2015) have rents which are ~20%-35% higher than those of older vintage.
- Melbourne: Apartments of recent vintage have rents which are ~0%-20% higher than those of older vintage.

Sydney's higher average rents allow for greater spread between the vintages. The industry needs these spreads to keep increasing as high construction costs put pressure on IRR.

Figure 16: Rent premium for newer stock in same suburb

\$/week (2-bedroom apartment)



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New Build Premium - Buy

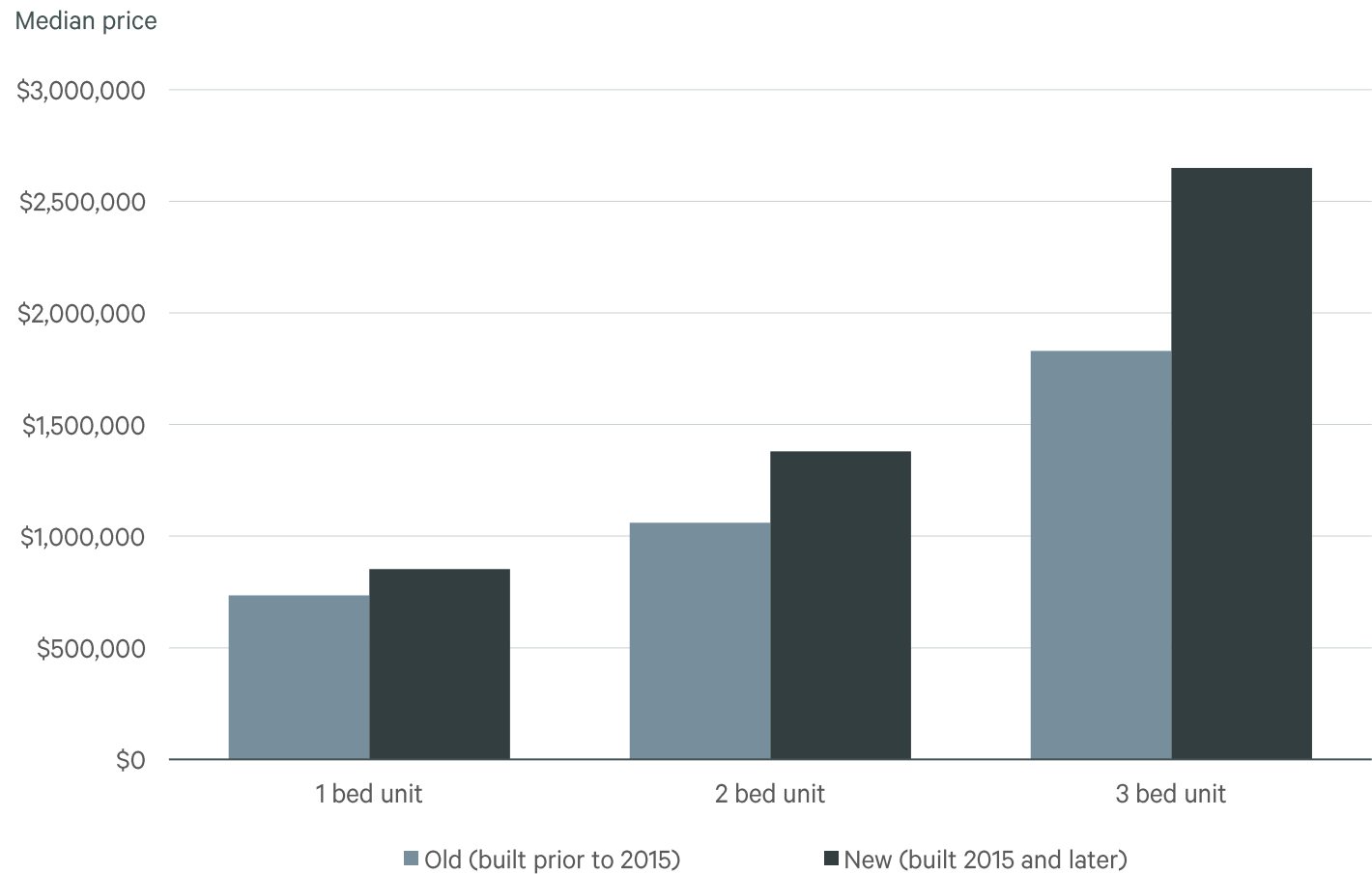
Newly built apartments are also commanding a premium selling price to those of older vintage.

Our analysis indicates that a newly built one-bedroom apartment typically trades at 16% premium to older vintage cohort. Newly built two-bedroom apartments are at 30% price premium to older vintages. And the premium increases to 45% for newly built three-bedroom apartments. This data excludes unsettled off-the-plan sales, where even higher premiums are often evident.

In our view, the premiums are justified by changing consumer expectations around amenities that typically come with newer builds. These include features like building security, lift access, flooring to rooftop gardens, coworking space, entertainment areas, and gymnasiums.



Figure 17: Price for 2-bed apartments in Sydney, by vintage

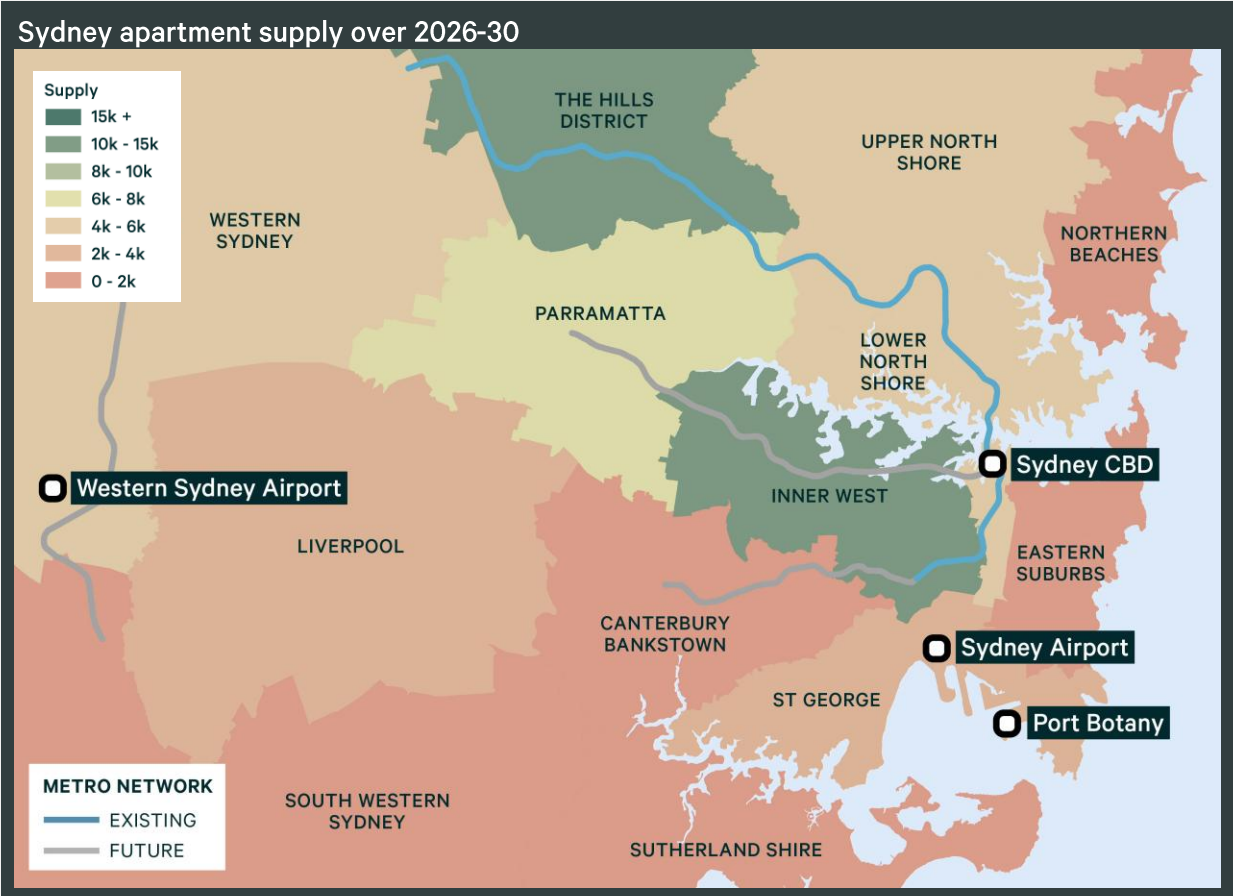
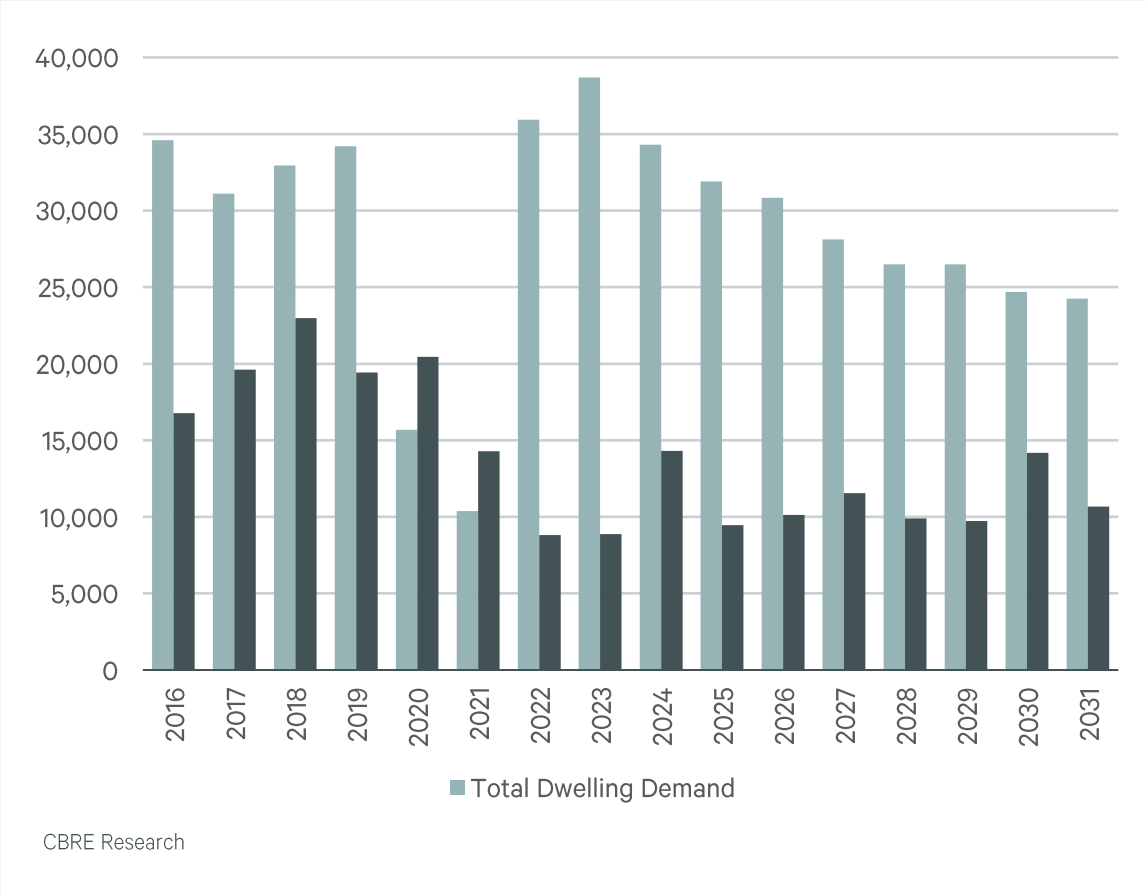


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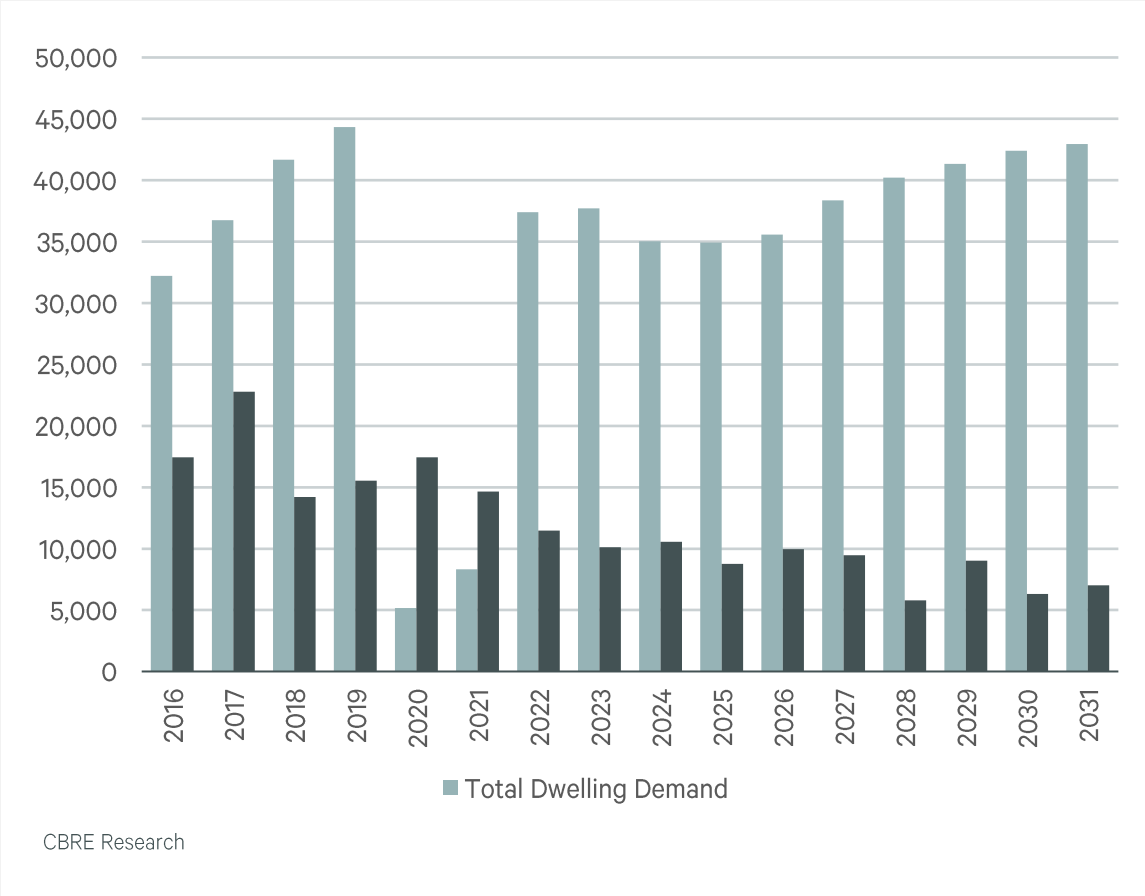
Sydney

CBRE estimate Sydney’s apartment delivery will average 11,000 pa over 2026-31. Demand for all housing stock (apartments and communities) is likely to average 27,000 pa over the same period. In the next five years, we see city-wide vacancy falling from 2.2% to 1.1%.



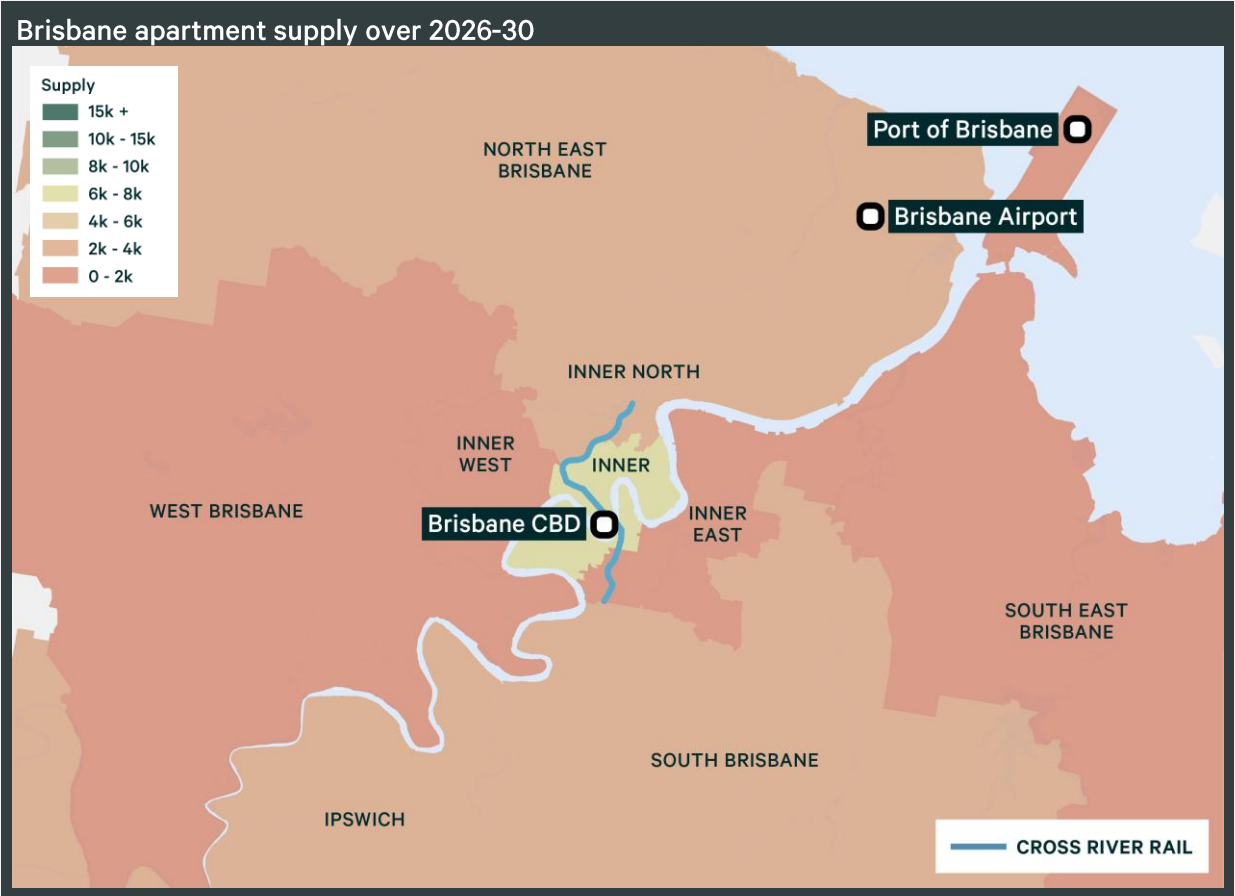
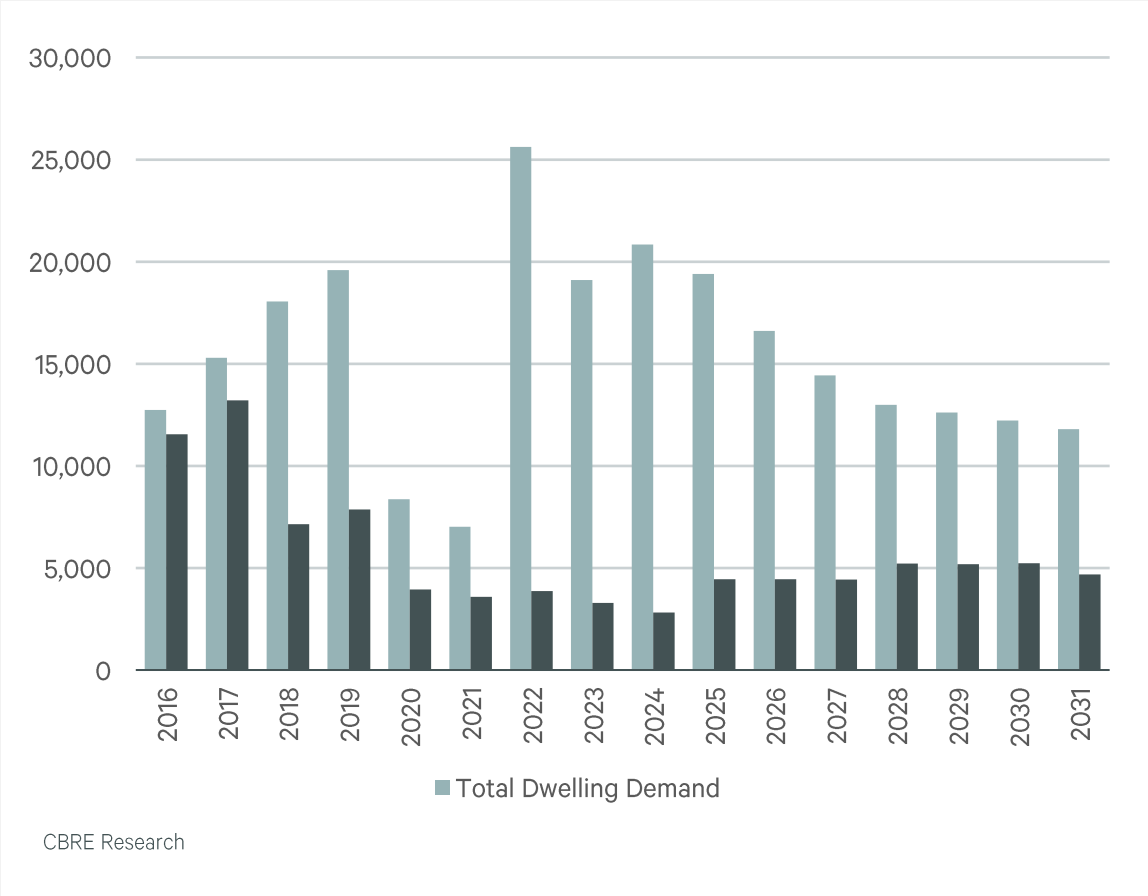
Melbourne

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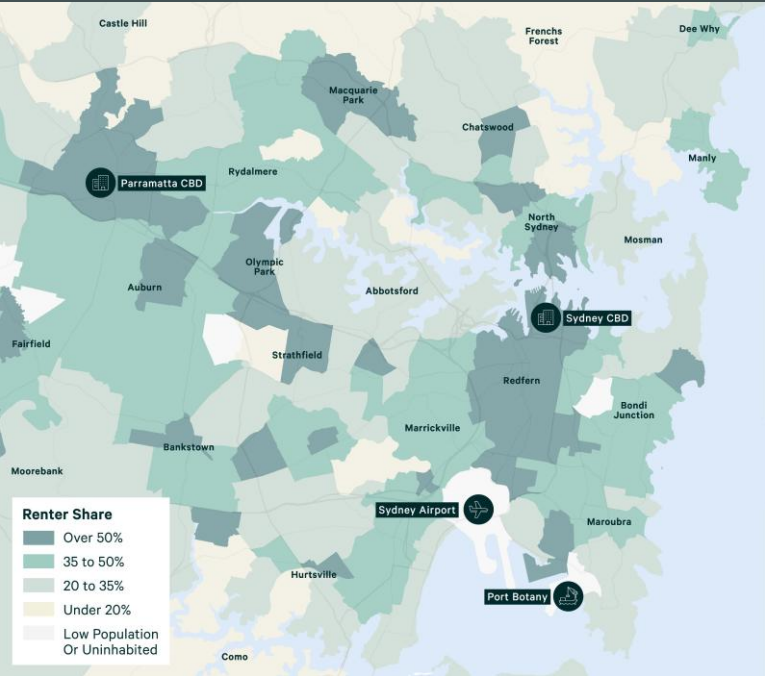
Brisbane

CBRE estimate Brisbane’s apartment delivery will average 4,900 pa over 2026-31. Demand for all housing stock (apartments and communities) is likely to average 13,400 pa over the same period. In the next five years, we see city-wide vacancy falling from around 1.0% to 0.7%.



Zeroing in on renter demand

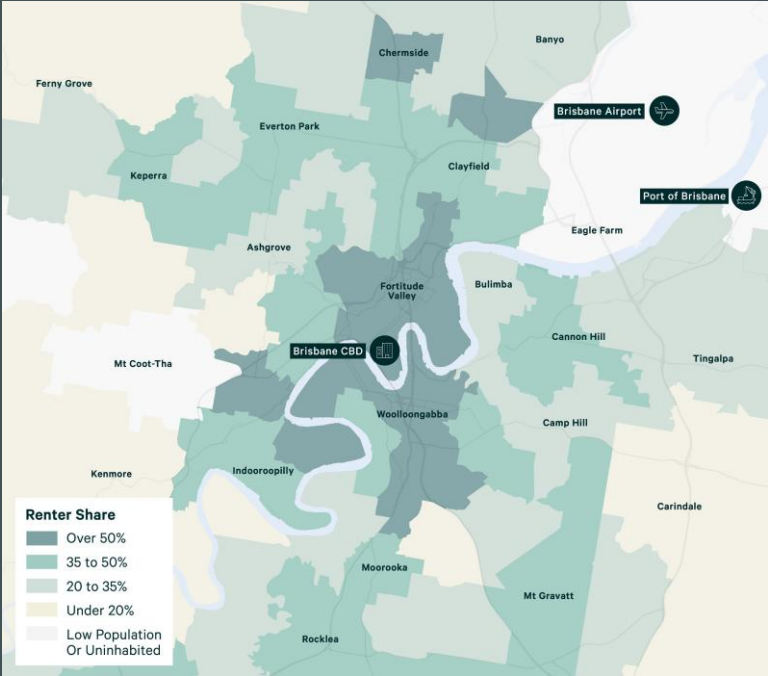
Sydney renter share heatmap



Melbourne renter share heatmap



Brisbane renter share heatmap

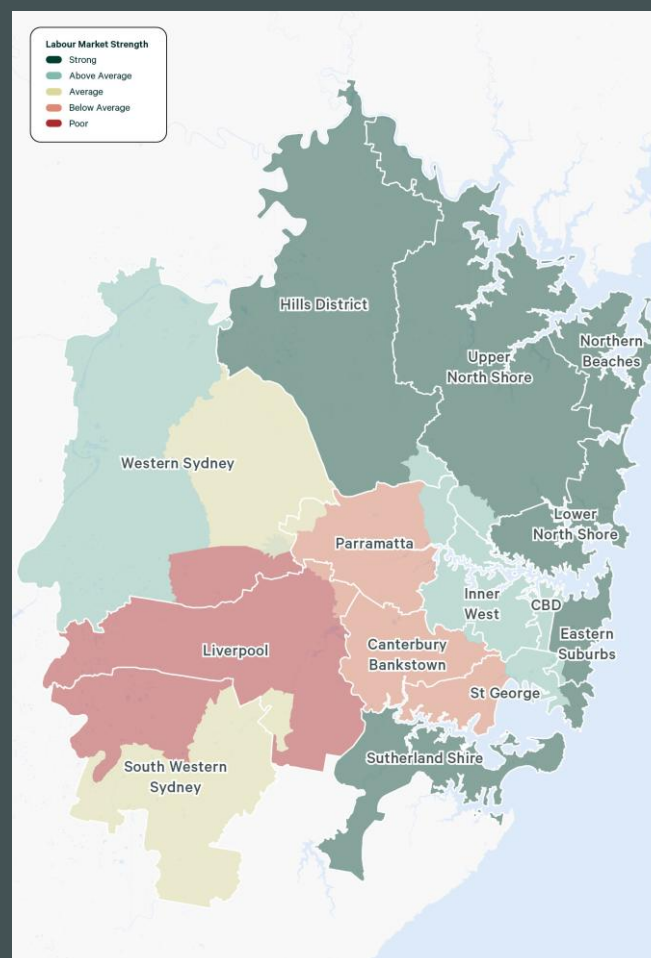


Zeroing in on buyer demand

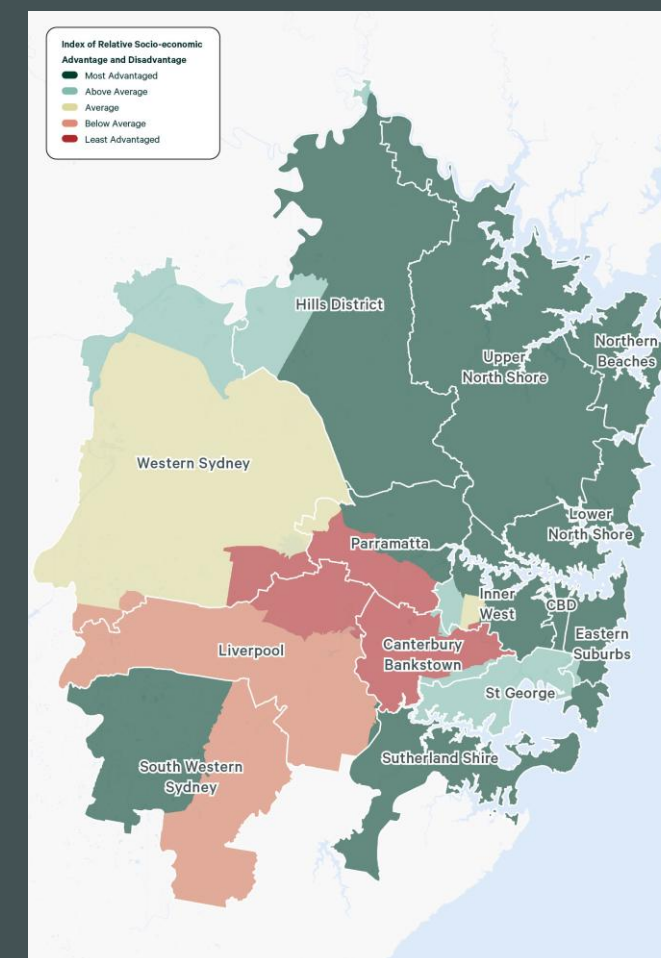
Labour market strength and socio-economic advantage can illustrate which precincts have higher residential values.

The SEIFA index combines census data such as income, education, employment, occupation, housing and family structure to summarise the socio-economic characteristics of an area.

Sydney Labour market strength



Sydney Socio-Economic Index



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