



The Week In Real Estate

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Land Costs Rising Faster

Land prices are continuing to rise at about three times the rate of CPI. In the September quarter land prices grew by 10%, according to the HIA-Cotality Residential Land report.

It says land prices have risen at three times the rate of construction costs in the past 25 years, adding substantially to the cost of building a new home.

Adding to the costs are government fees and taxes, with the extra costs ultimately borne by new home buyers.

In the past 12 months, residential land lot prices in Brisbane and Perth have risen by 18% and 21% respectively, while in Adelaide land lot prices are up by 40%.

HIA Chief Economist Tim Reardon says that as land and building costs continue to rise, alongside new taxes, it is becoming harder for developers to deliver new housing projects.

“The shortage of shovel-ready land is central to solving the affordability challenge,” he says.

Rental Surge

Rental growth is continuing to outpace wage growth, pushing affordability to record lows. Nationally, rents are up by 5.4% in the 12 months to January and by 43.9% in the past 5 years.

The regional markets have recorded stronger rental growth in the past 12 months with the combined regionals up by 6.1% compared to the combined capital cities which are up by 5.1%.

In the past 12 months, Regional Western Australia had the highest growth in rents, followed by Regional Tasmania and Regional South Australia. Darwin had the highest rental increase in the capital city market, followed by Hobart and Brisbane

Cotality Research Director Tim Lawless says rents have surged almost three times faster than wages over the past five years.

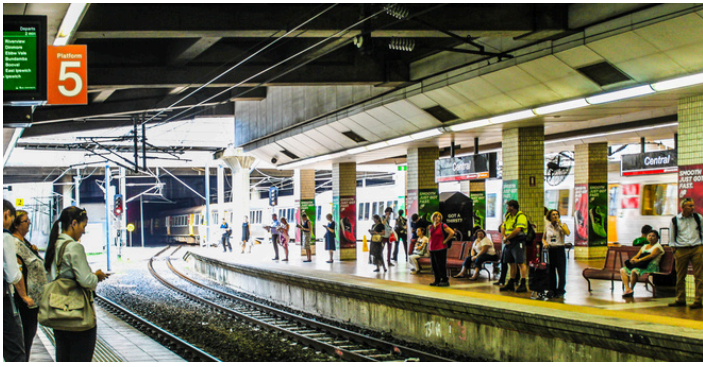
“Before the pandemic, renters in many parts of Australia were seeing wages grow a little ahead of rents or at least keep pace. Since 2020, a combination of tight vacancy rates, smaller household sizes and sluggish new housing supply has pushed the market into a very different phase, one where rents are clearly in the driver’s seat.”



Quote Of The Week

“Greater predictability around construction pricing is encouraging more buyers to explore new builds again.”

REA Group senior economist Anne Flaherty



Record Infrastructure Spend

One of the biggest factors influencing property markets is infrastructure spending and new data shows how much is being pumped into mega projects throughout Australia.

There is \$415 billion worth of definite projects in the pipeline and a further \$160 billion in planning.

According to the Deloitte Access Economics report, Australia is working through a record pipeline of public infrastructure projects with 13 taxpayer-funded projects valued at \$10 billion or more, the costs of which have already blown out by \$130 million.

The biggest projects under construction include the Inland Rail, a freight route between Melbourne and Brisbane (\$31.4 billion), CopperString 2032 - a transmission line connecting Mount Isa to the national energy grid (\$14 billion) and Brisbane's Cross River Rail project (\$19.04 billion).

Deloitte Access Economics Director Sheraan Underwood says big projects often have substantial cost overruns and the scale of these projects is such that even small percentage changes can result in large dollar impacts.



Finance Savvy Owners

Australia's homeowners are financially savvy with about two-thirds of mortgage holders revealing they got ahead by keeping their mortgage repayments at a higher level following interest rate cuts in 2025.

A survey by Mortgage Choice shows many borrowers are proactively managing their mortgages. Only about a quarter of those surveyed lowered their repayments to free up cash when rates dropped. The majority of respondents say they will be able to manage if the variable rate increases by 25 basis points and 35% say they can do so without changing their spending.

Mortgage Choice broker Kelly Carter says that as banks assess borrowers on an interest rate 3% higher than what is being offered, many owners can manage fluctuations in the market.

Australian Bureau of Statistics data shows homebuying activity has surged in the first quarter of 2026 with a record increase in the value of first homebuyer loans written after the 5% Deposit Scheme was expanded late last year. The average size of a first-home buyer's mortgage is up by 8.5%.



New Home Demand Hits High

Despite rising construction and land costs, buyer demand for new housing has hit its highest level in four years. Data from REA Group shows that searches for new homes are highest in Queensland, which accounted for 31% of all new home searches in January. New South Wales is next, 20% and then Victoria at 18%. Buyers are particularly attracted to house and land packages with 80% of searches in the second half of 2025 for house-and-land, 13% for new units and 7% for land-only. REA Group senior economist Anne Flaherty says that new home demand is picking up after several very difficult years for the construction industry.

"We are seeing more prospective buyers return to the market as cost pressures ease and policy support for first-home buyers expands," she says. Interest in new housing last peaked in 2020, when the Federal Government's HomeBuilder program led to a surge in building contracts and project launches. Flaherty says while building costs remain elevated, the rate of increase has slowed and is now closer to long-run averages. "Greater predictability around construction pricing is encouraging more buyers to explore new builds again," she says.