Article No. 7764
Available on www.roymorgan.com
Link to Roy Morgan Profiles

ROY MORGAN

FOR IMMEDIATE RELEASE

Monday, 15 October 2018

386,000 mortgage holders have no real equity in their homes

New research from Roy Morgan shows that 8.9% (386,000) of mortgage holders in Australia have been identified as having little or no real equity in their home, an increase from 8.0% (345,000) twelve months ago. This is based on the fact that the value of their home is only equal to or less than the amount they still owe, placing them at considerable risk if they have to sell while prices are trending down. If house prices fall further over the next year, the number of mortgage holders with no real equity will most likely increase.

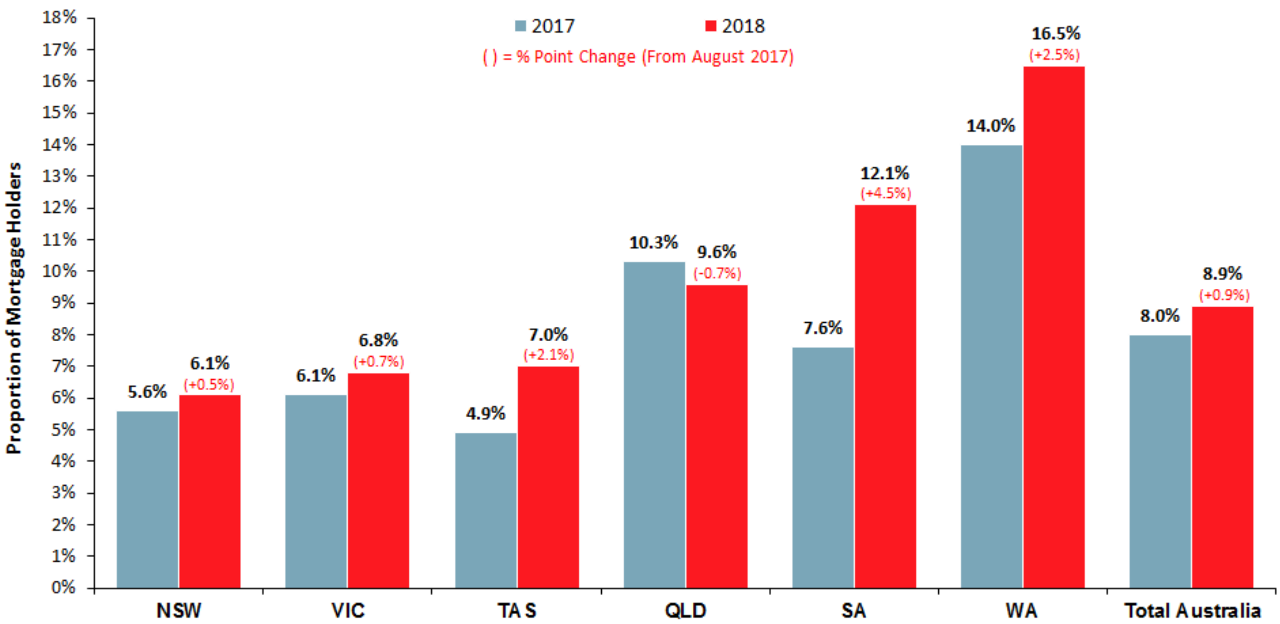
These are the latest findings from Roy Morgan's Single Source Survey which is based on in-depth personal interviews conducted face-to-face with over 50,000 Australians per annum in their own homes, including more than 10,000 with owner occupied mortgage holders.

Apart from the ability to keep up with mortgage repayments, (i.e. mortgage stress), another critical factor in assessing financial risk for mortgage holders is to compare the value of their property with the amount outstanding on their loan. The purpose of this is to establish the level of equity (if any) they have, as this is a major component of most households' financial position and potential risk.

Mortgage holders in WA most at risk

On average, the value of properties in Australia subject to a mortgage is well in excess of the amount outstanding but there are problem areas. The state at highest risk is WA where 16.5% (90,000) of mortgage customers' have no real equity in their home.

Value of home is less or equal to amount owing



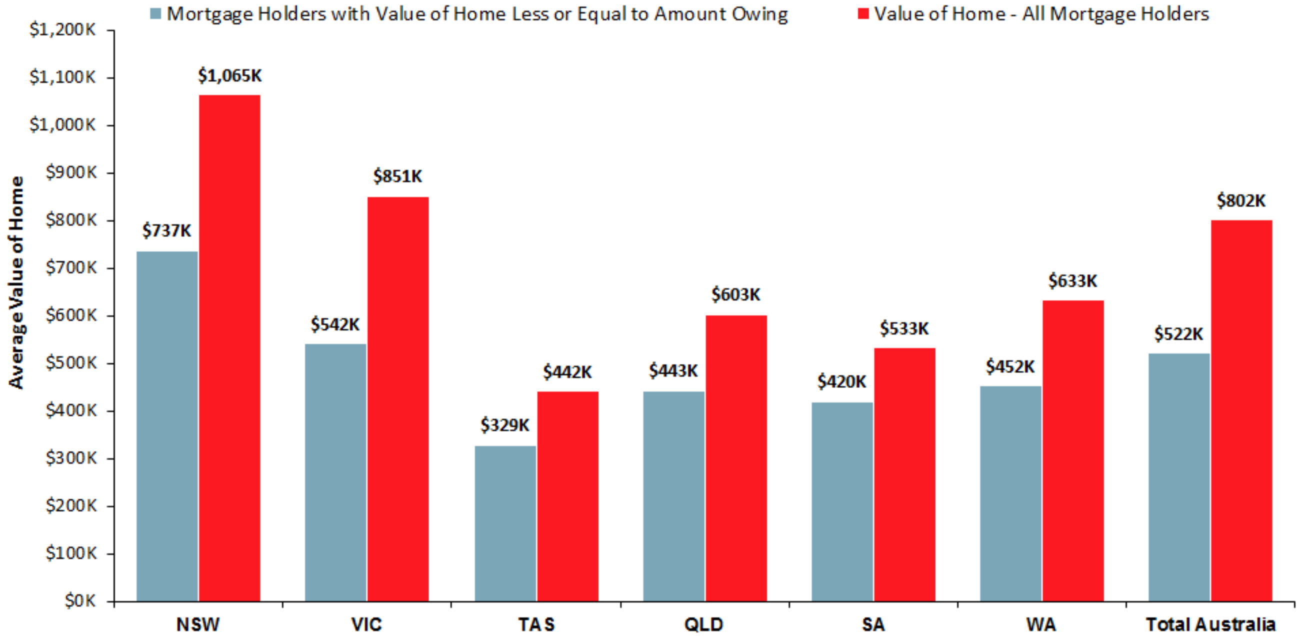
Source: *Roy Morgan Single Source (Australia). Australians 14+, 12 months to August 2017, n= 50,004 and 12 months to August 2018, n=50,182.* ***Base:*** *Australians 14+ with owner occupied home loan. 12 months to August 2017, n=10,251 and 12 months to August 2018, n=10,129.*

Over the last 12 months there has been an increase of 2.5% points in the proportion of mortgage holders in WA with little or no equity in their home. NSW has the lowest proportion of mortgage holders with little or no equity in their home, with only 6.1% (82,000). VIC is the second-best performer with 6.8% (71,000) of mortgage holders facing equity risk, followed by TAS with 7.0% (6,000), QLD with 9.6% (88,000) and SA with 12.1% (43,000). The strong performance in VIC and NSW is due mainly to the rapid rise in Sydney and Melbourne prices which has generally outpaced the amount owing on mortgages.

Lower-value homes face more equity risk

The mortgage holders with little or no equity in their homes have much lower average house values ($522,000) compared to all mortgage holders ($802,000).

Mortgage holders with home value less or equal to amount owing vs all mortgage holders



Source: *Roy Morgan Single Source (Australia). Australians 14+, 12 months to August 2018, n= 50,182.* ***Base:*** *Australians 14+ with owner occupied home loan. 12 months to August 2018, n=10,129.*

Across all states, the value of the homes overall with a mortgage is much higher than the value of homes owned by mortgage holders who have no real equity in their home. In NSW for example, the average value of homes with a mortgage is $1,065,000, compared to the much lower average of $737,000 for mortgage holders where the value of their home is less or equal to the amount they owe. In VIC the figures are $851,000 for the average home value with a mortgage, well above the $542,000 for mortgage holders with no equity in their home.

Norman Morris, Industry Communications Director, Roy Morgan says:

> *"Over the last 12 months there has been an increase from 345,000 to 386,000 in the number of home borrowers having no real equity in their homes, which represents a considerable risk, particularly if home values continue to fall or households are hit by unemployment. Other potential contributing factors to this increase in mortgage stress include borrowers maintaining debt for other purposes rather than paying off their loan and the use of interest only loans. If home-loan rates rise, the problem would be likely to worsen as repayments would increase and house prices decline, with the potential to lower equity even further.*
>
> *"The mining boom and associated increase in housing demand and house prices in WA, followed by the slowdown in the mining sector in WA, and a decrease in house prices continues to see it having the highest proportion of mortgage holders faced with little or no equity in their home. If house prices decline further in WA and unemployment increases then more mortgage holders will be facing a tough situation.*

"Borrowers in lower-value homes continue to be among the most likely to be faced with the problem of little or no equity in their homes. Higher-value properties with a mortgage appear to be facing a much less risky position because they are likely to have had their loan longer and may have had a far larger deposit, particularly if they have traded up.

"Although the majority of Australians with a mortgage have considerable equity in their home, the current trend is down in most areas and as a result there is likely to be an increase in the number of home loan borrowers with little or no real equity in their home.

"This data is drawn from the Roy Morgan Single Source survey which interviews over ten thousand owner-occupied mortgage holders per annum, enabling an in-depth understanding of their complete financial position, including the estimated value of their home. This database is unique and provides detailed insights for anyone involved or interested in this key segment of the Australian population".

To learn more about Roy Morgan's banking and finance data, call (+61) (3) 9224 5309 or email askroymorgan@roymorgan.com.

Please click on this link to the Roy Morgan Online Store.

About Roy Morgan

Roy Morgan is the largest independent Australian research company, with offices in each state of Australia, as well as in the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan has over 70 years' experience in collecting objective, independent information on consumers.

Margin of Error

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

Sample Size	**Percentage Estimate**			
	40%-60%	25% or 75%	10% or 90%	5% or 95%
5,000	±1.4	±1.2	±0.8	±0.6
10,000	±1.0	±0.9	±0.6	±0.4
20,000	±0.7	±0.6	±0.4	±0.3
50,000	±0.4	±0.4	±0.3	±0.2