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Over 300,000 mortgage holders have no real equity in their homes

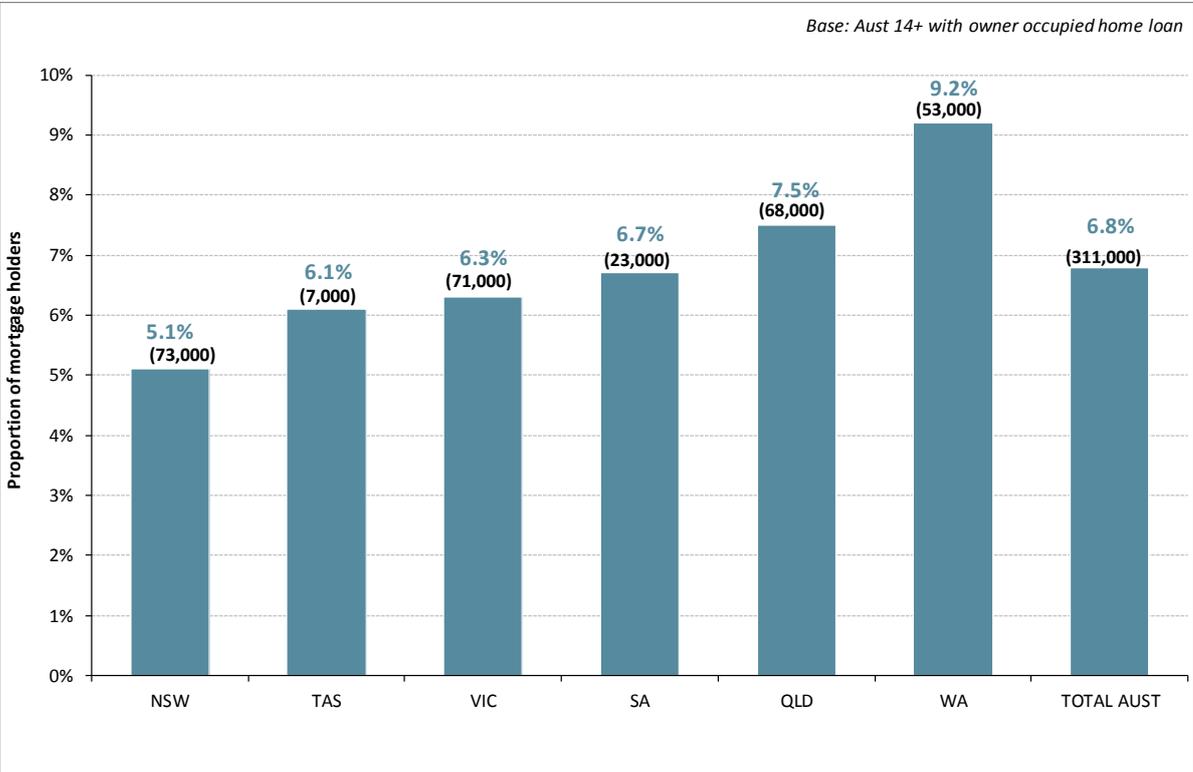
Overall some 6.8% (311,000) of mortgage holders in Australia have been identified as having little or no real equity in their home. This is based on the fact that the value of their home is only equal to or less than the amount they still owe, placing them at considerable risk if they have to sell or prices decline. This is one of the findings from the latest Roy Morgan 'State of the Nation-Spotlight on Finance Risk' report. The data in this report is from Roy Morgan's Single Source survey of more than 500,000 interviews conducted over the last decade.

Apart from the ability to keep up with mortgage repayments, 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.

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 9.2% (53,000) of mortgage customers' home values are less than or only equal to the amount owed.

Value of home is less or equal to amount owing



Source: Roy Morgan Research Single Source; 12 months to June 2016 (n=50,712 Australians, including 11,212 mortgage holders)

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NSW has the lowest proportion of mortgage holders with little or no equity in their home, with only 5.1% (73,000). This is most likely as a result of home prices increasing faster than in other states, increasing the chance that the value of borrowers' homes will outpace the amount owing on their mortgage. Tasmania is the second-best performer with 6.1% (7,000) of mortgage holders facing equity risk, followed by Victoria with 6.3% (71,000), SA with 6.7% (23,000) and Qld with 7.5% (68,000).

Lower-value homes face more equity risk

The mortgage holders with little or no equity in their homes have much lower average house values (\$478,000) compared to all mortgage holders (\$674,000).

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



Source: Roy Morgan Research Single Source; 12 months to June 2016 (n=50,712 Australians, including 11,212 mortgage holders)

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 \$843,000, compared to the much lower average of \$573,000 for mortgage holders where the value of their home is less or equal to the amount they owe. In Victoria the figures are \$667,000 for the average home value with a mortgage, well above the \$478,000 for mortgage holders with no equity in their home.

Norman Morris, Industry Communications Director, Roy Morgan Research says:

“With over 300,000 home borrowers having no real equity in their homes, this represents a considerable risk, particularly if home values fall or households are hit by unemployment. In addition if home-loan rates rise, the problem would be likely to worsen as repayments would increase and home prices decline, with the potential to lower equity even further. Lower interest rates on the other hand have the potential to increase home equity through increased home values and by giving borrowers the opportunity to pay down the principle at a faster rate.

“The mining boom and associated increase in housing demand and house prices in WA, followed by the slowdown in the mining sector in WA, is seeing 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.

“There are indications that borrowers in lower-value homes are 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, speculation is emerging that the recent rapid growth in house prices must soon come to an end and when it does, so will the growth in home equity.

“This data is drawn from the Roy Morgan Single Source survey of 500,000 interviews over the last decade (over 50,000 people pa) and covers only a fraction of the finance information that is available. Over the last 12 months alone we have interviewed more than ten thousand owner-occupied mortgage holders, 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”.

For comments or more information please contact:**Norman Morris**

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About Roy Morgan Research Consumer Single Source

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Roy Morgan Single Source is based on over 50,000 interviews each year and has been designed and engineered to represent the ideal source model. It provides an integrated understanding of consumers; what they are like, what they consume, what they buy, what they think, what they want, what they watch, read and listen to. The overriding benefit of Roy Morgan Single Source is the strategic insights it offers in the ability to link many aspects. Not only can an organization's profitable customers be delineated by what they think, do, watch, but so can non customers. Hence brand positioning, product differentiation, merchandising, efficient media planning, market expansion and line extension opportunities can all be considered in the light of the correct understanding of the marketplace.

About Roy Morgan Research

Roy Morgan Research is the largest independent Australian research company, with offices in each state of Australia, as well as in Indonesia, the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan Research 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
7,500	±1.1	±1.0	±0.7	±0.5
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

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