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ROY MORGAN

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# ‘Mortgage stress’ at record lows during the 2021 lockdowns in NSW, Victoria and the ACT

**New research from Roy Morgan shows an estimated 584,000 mortgage holders (15.8%) were ‘At Risk’ of ‘mortgage stress’ in the three months to September 2021. This period encompassed the recent lockdowns in NSW, Victoria and the ACT which finally ended during the month of October.**

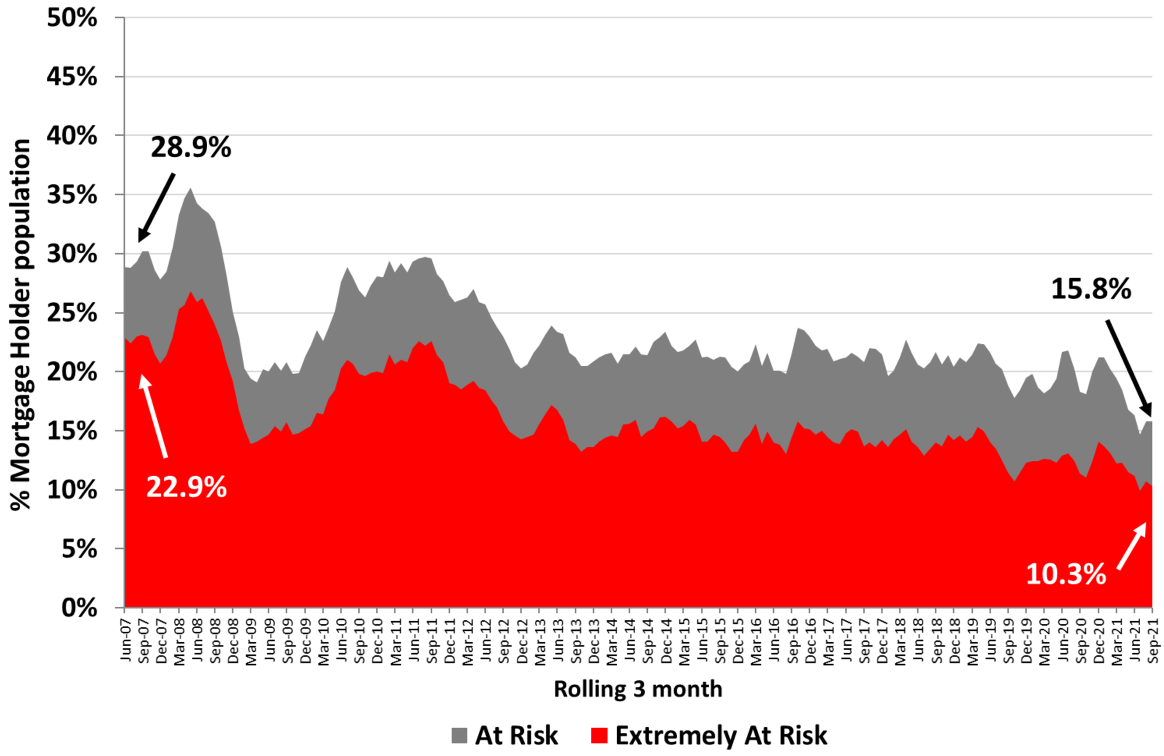
‘Mortgage stress’ dropped to record lows during this period with fewer than 600,000 mortgage holders considered ‘At Risk’ for the first time. The level of mortgage stress is down on a year ago during Victoria’s long second lockdown when an estimated 668,000 mortgage holders (18.3%) were considered ‘At Risk’.

The low rate of ‘At Risk’ mortgages during this period continues the trends seen during the pandemic in which record low interest rates, record levels of Government financial support, and considerable measures taken by banks and financial institutions to support borrowers in financial distress have combined to lower ‘mortgage stress’ to record lows.

Although the level of financial support provided by Governments, banks and financial institutions is not at the same level as that provided during the nation-wide lockdowns of 2020 it is measured in the tens of billions of dollars.

Since June 2021 Services Australia has paid out over $11.9 billion to Australians as part of the ‘COVID-19 Disaster Payment’ and data released by APRA (Australian Prudential Regulation Authority) shows that as of September 30, 2021, mortgages to the value of $11.5 billion were deferred during the most recent lockdowns.

**Mortgage Stress – Owner-Occupied Mortgage-Holders**



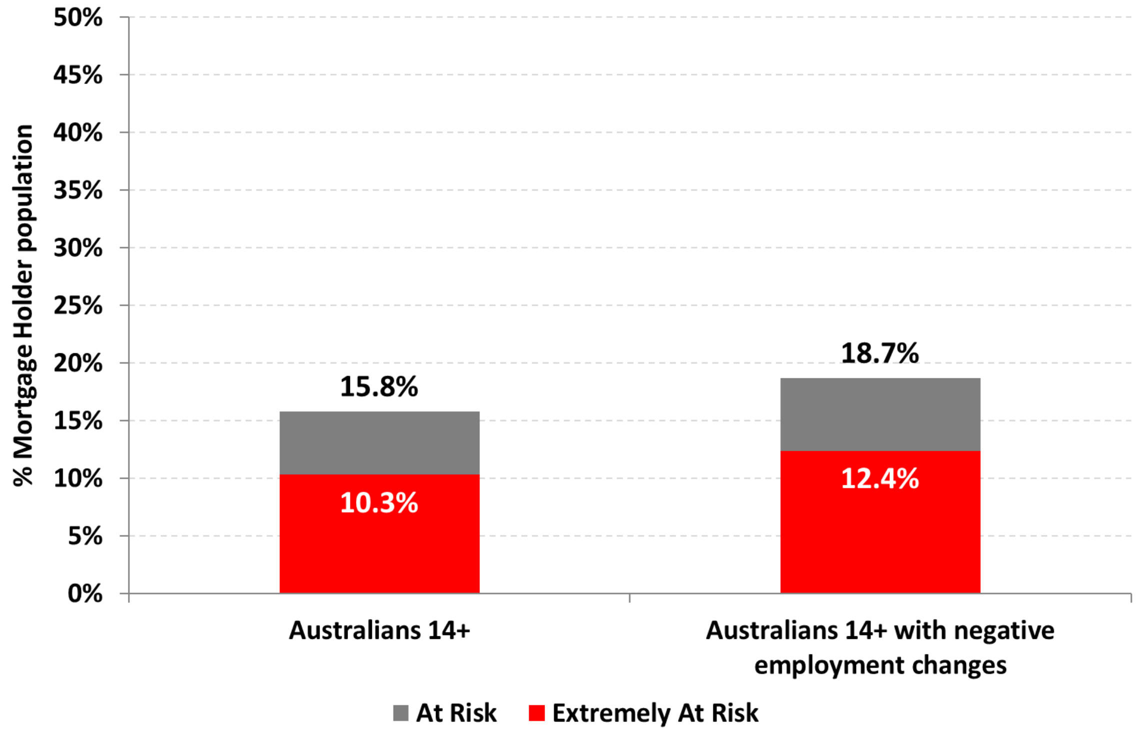

**Source**: Roy Morgan Single Source (Australia), average interviews per 3 month period April 2007 – September 2021, n=2,675.
**Base**: Australians 14+ with owner occupied home loan.

Roy Morgan has also tracked the impact of COVID-19 on the employment situations of Australians. In May 2020, 11.2 million working Australians (72%) reported a change to their employment circumstances because of COVID-19, and in September 2021, during the recent lockdowns in Melbourne and Sydney there were still over 11 million reporting their employment situation had changed – see more detail here.

Many of these employment changes are negative and include having *'work hours reduced', 'not having any work offered', 'have been stood down for a period of time', 'business has slowed or stopped completely', 'had pay reduced for the same number of work hours'* or being *'made redundant'.*

For Australians with negative employment changes due to COVID-19 mortgage stress is higher with 18.7% now in 'mortgage stress' – almost 3% points higher than for all mortgage holders. In addition, around one-in-eight, 12.4%, are 'extremely at risk'.

**Mortgage Risk for those with negative employment changes due to COVID-19**




**Source**: Roy Morgan Single Source (Australia), March – May 2021, n=2,642. **Base**: Australians 14+ with owner occupied home loan.

### How are mortgage holders considered 'At Risk' or 'Extremely At Risk' determined?

Roy Morgan considers the risk of 'mortgage stress' among Mortgage holders in two ways:

Mortgage holders are considered 'At Risk'[1] if their mortgage repayments are greater than a certain percentage of household income – depending on income and spending.

Mortgage holders are considered 'Extremely at Risk'[2] if even the 'interest only' is over a certain proportion of household income.

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[1] "At Risk" is based on those paying more than a certain proportion of their after-tax household income (25% to 45% depending on income and spending) into their home loan, based on the appropriate Standard Variable Rate reported by the RBA and the amount they initially borrowed.

[2] "Extremely at Risk" is also based on those paying more than a certain proportion of their after-tax household income into their home loan, based on the Standard Variable Rate set by the RBA and the amount now outstanding on their home loan.

**A near record low of only 15.8% of mortgage holders were 'At Risk' in September 2021 as mortgage stress plummeted during 2021**

In the three months to September 2021, only 15.8% of mortgage holders were 'At Risk' (584,000) which is down significantly on a year ago during Victoria's long second lockdown. In the three months to September 2020 there were 668,000 (18.3%) mortgage holders 'At Risk' – the low point for 2020.

The number of mortgage holders 'At Risk' increased from the low point a year ago as financial support was gradually withdrawn and peaked at above 800,000 over the summer months when the Northern Beaches area of Sydney was placed into a three-week lockdown and there was concern the whole city would be placed into an extended lockdown.

After peaking in the three months to January 2021 the number of mortgage holders considered 'At Risk' has dropped consistently during 2021 as strong employment growth led to a record number of over 13 million Australians employed for the first time in mid-2021. This compares to total employment of under 12 million in March/April 2020 at the start of the pandemic.

**Almost two-thirds of 'At Risk' mortgage holders are considered 'Extremely At Risk'**

Of the mortgage holders considered 'At Risk' in the three months to September 2021 (584,000), almost two-thirds, 357,000 or 10.3% of all mortgage holders, were considered 'Extremely at Risk'. This is down from 388,000 (11.3%) mortgage holders 'Extremely at Risk' a year ago in the three months to September 2020.

The trend of mortgage holders considered 'Extremely at Risk' has followed a similar trend to the larger group considered 'At Risk' since the pandemic began. There was an initial spike in mortgage holders considered 'Extremely at Risk' during the early period of the pandemic before extensive Government support and mortgage holidays for those in financial distress kicked in to support the economy.

The number of mortgage holders considered 'Extremely at Risk' increased towards the end of 2020 as financial support to the economy was withdrawn and peaked at 526,000 (13.7%) in the three months to January 2021. The strong employment growth during the first half of 2021, record low interest rates and significant financial support from Government and banks during the recent lockdowns have all contributed to lowering the number of mortgage holders considered 'Extremely at Risk' to record lows.

These are the latest findings from Roy Morgan's Single Source Survey, based on in-depth interviews conducted with over 50,000 Australians each year including over 10,000 owner-occupied mortgage-holders.

**Michele Levine, Chief Executive Roy Morgan, says mortgage stress has dropped to record lows in the three months to September 2021 as record low interest rates and tens of billions of dollars of support from Government and financial companies cushion the impact of lockdowns:**

> *"The latest Roy Morgan data into the Australian housing market shows mortgage stress was at record lows in the three months to September 2021 as a range of factors lessened the pressure on mortgage holders despite the renewed lockdowns in NSW, Victoria and the ACT.*
>
> *"The recent lockdowns, caused by a widespread outbreak of the Delta variant which began in Sydney in June, led to another round of extensive financial support. The Federal Government's 'COVID-19 Disaster Payments' have delivered over $11.9 billion to Australians in financial distress since June while APRA's figures to September 30, 2021 show mortgages to the value of $11.5 billion have been deferred during the recent lockdowns.*
>
> *"This support, combined with strong employment growth during the first half of 2021, means that in the three months to September 2021 there were 584,000 mortgage holders considered 'At Risk' (15.8% of all mortgage holders) and 357,000 considered 'Extremely at Risk' (10.3% of mortgage holders). Both of these measures reached record lows during the recent lockdowns.*
>
> *"The end of the lockdowns in recent weeks signals we are now moving into a 'COVID-normal' period during which a highly vaccinated population will be protected against the spread over the virus even as it circulates in the community.*

*"The move into 'COVID-normal' has already happened in NSW and Victoria, but other States such as Queensland, South Australia and Tasmania are only set to reach 'COVID-normal' in the next few weeks as they relax their domestic borders. Western Australia is even further behind with no commitment to relax its domestic border controls until next year.*

*"This new period of 'COVID-normal' should mean no more lockdowns, but that also means there will be no more emergency support from Federal and State Governments and a big reduction in the financial support and mortgage deferrals provided by banks and financial institutions.*

*"In addition to the reduction in financial support there is also the prospect of rising inflation to deal with. The latest Roy Morgan Inflation Expectations for October show Australians expect inflation of 4.8% annually over the next two years – the highest for seven years since November 2014.*

*"The threat of rising inflation poses a direct threat to the period of record low interest rates we are currently experiencing. The RBA lowered interest rates to a record low of only 0.1% in November 2020 and they have been there ever since.*

*"Although the RBA suggests there is no immediate prospect of raising the official interest rate many economic commentators are suggesting this will change in 2022 as inflation starts to rise. We have already seen inflation of over 6% per annum recorded in the United States – more than double the comparable rate of 3.0% reported by the ABS for the year to September 2021.*

*"If Australian inflation does increase substantially that will put upward pressure on interest rates that will in turn lead to a higher level of 'mortgage stress' than we are currently seeing."*

To understand more about mortgages in the full context of household finances and the uncertainties caused by the COVID-19 coronavirus, ask Roy Morgan.

**To learn more about Roy Morgan's mortgage 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 Australia's largest independent Australian research company, with offices in each state, as well as in the U.S. and U.K. A full-service research organisation, Roy Morgan has over 75 years' experience 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 |
| 20,000 | ±0.7 | ±0.6 | ±0.4 | ±0.3 |
| 50,000 | ±0.4 | ±0.4 | ±0.3 | ±0.2 |

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