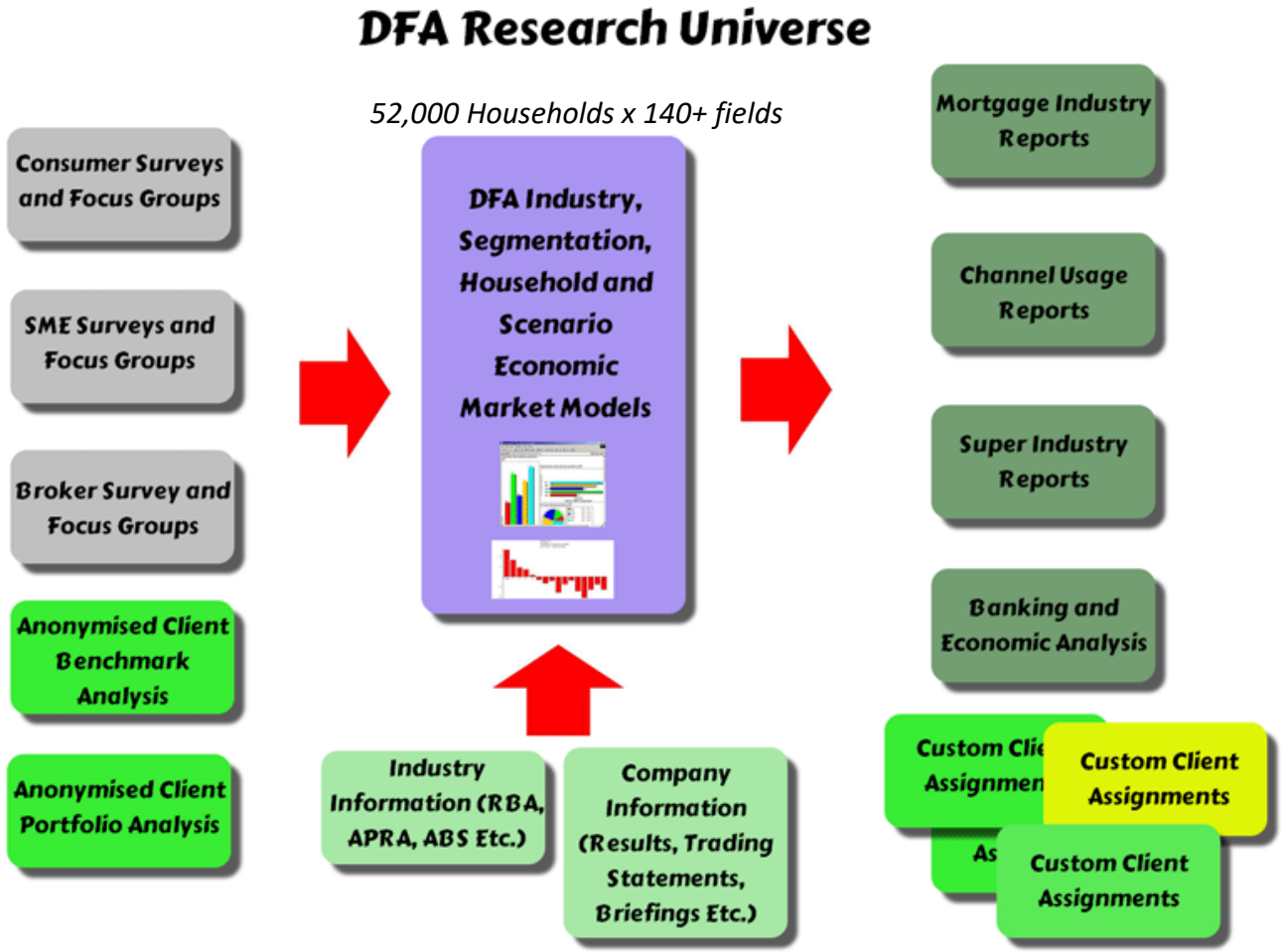
DFA
Mortgage And
Rental Stress
Digital Finance Analytics
May 2020

The Digital Finance Analytics Core Market Model



- We run rolling weekly household phone surveys as part of an omnibus.
- We get data back each Tuesday and incorporate findings into our core market model.

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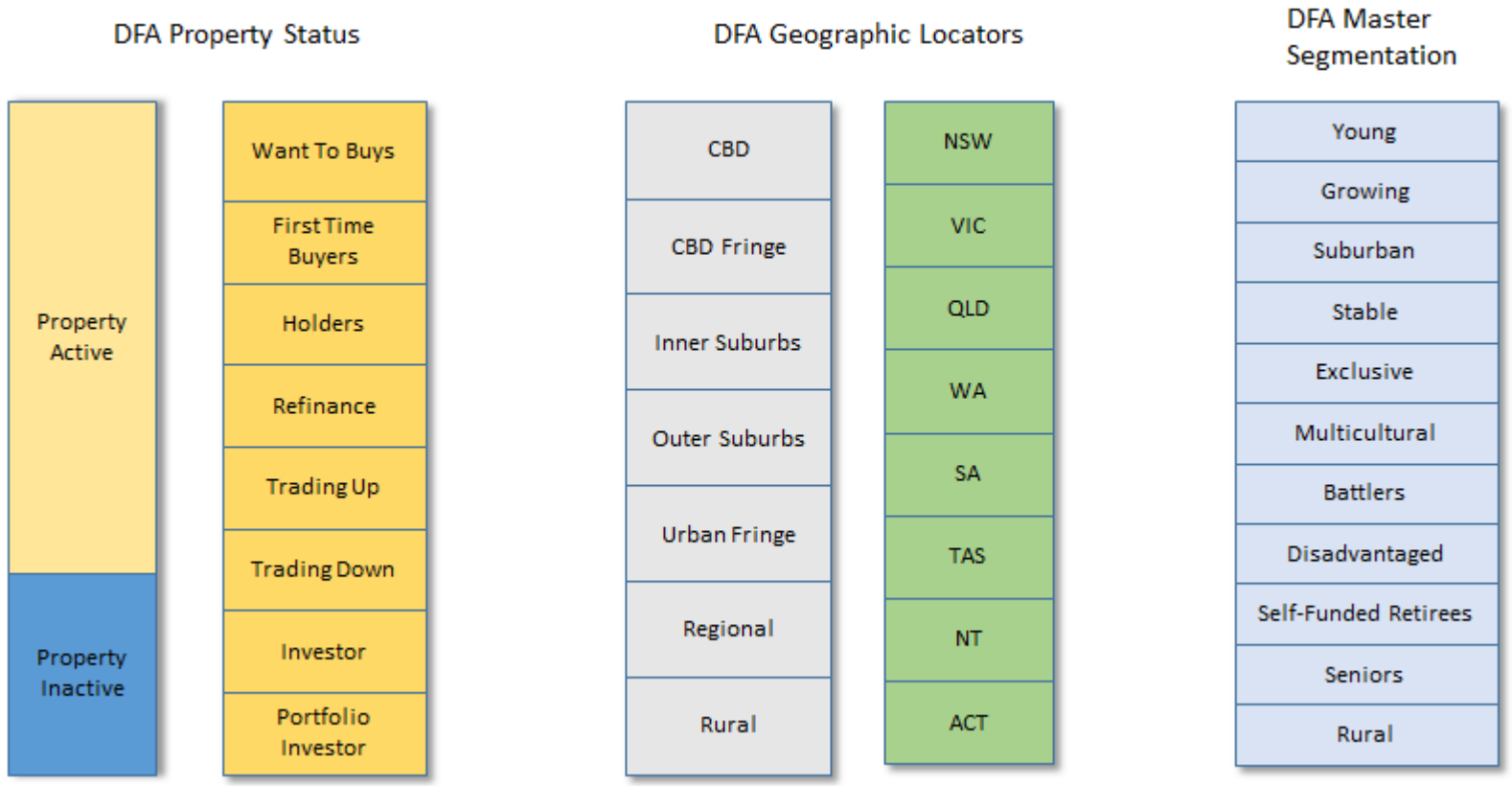
We Overlay The DFA Household Segmentation



- We can slice and dice the data across multiple dimensions.

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Mortgage and Rental Stress

- Defined in cash flow terms
- Money In – gross income including salary, pensions, interest, dividends, other sources
- Money Out – tax, mortgage repayments, or rents, other housing costs, food, childcare, school fees, other non-discretionary spending, and discretionary spending

- Many have assets, or investments but if cash flow is close to or at zero = households are in stress
- If 10% below, or more then severe stress

- Mitigations, include cutting back on spending, drawing down on deposits, putting more on credit cards or other credit (even pay day loans)

- Our research suggests that STRESS leads to forced sale, or default, but over the path of 2-3 years. Case study Mandurah, WA.

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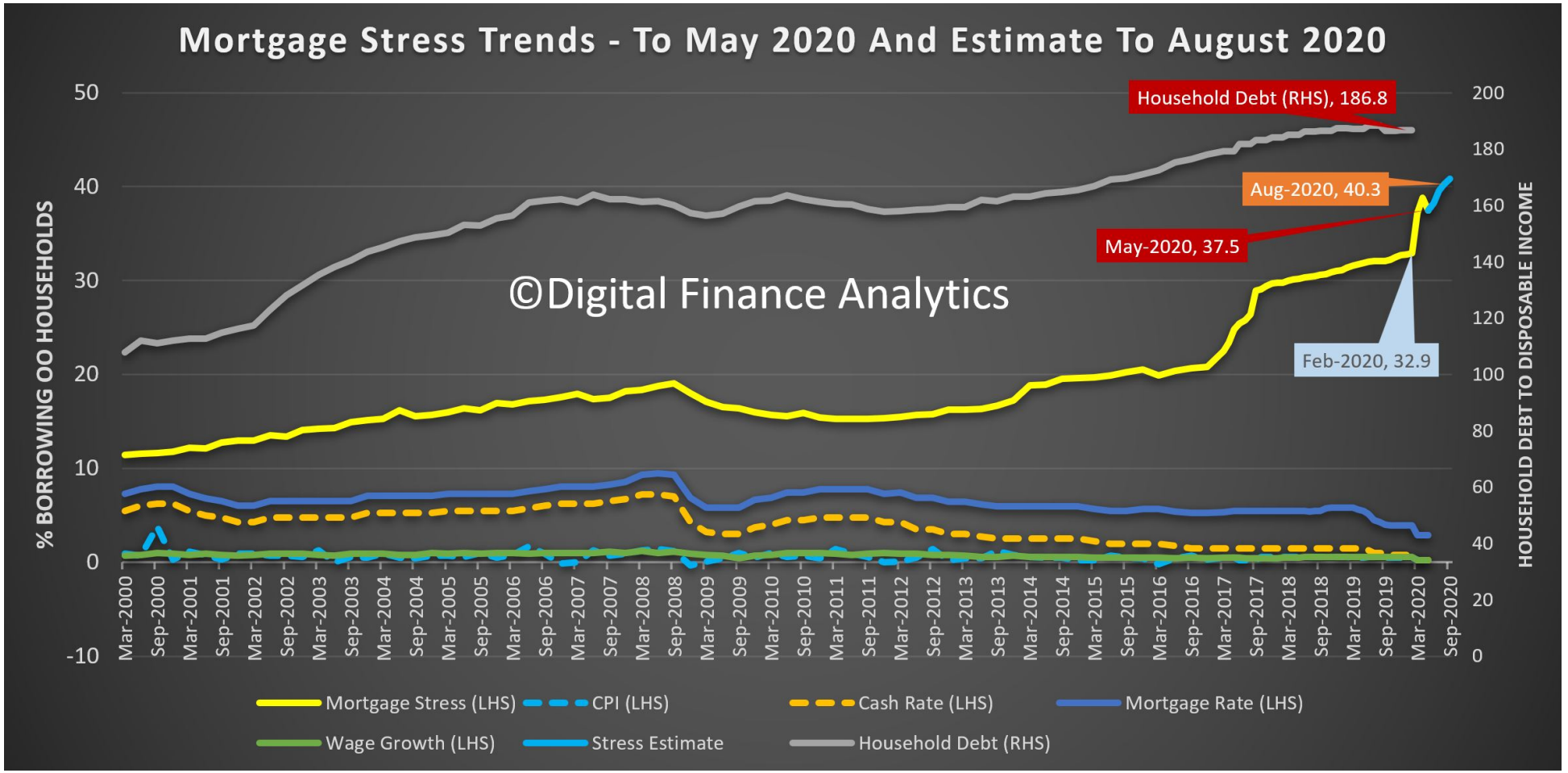
Mortgage Stress Eased Slightly In May



- At 37.5%, was down from 38%+ last month. But still more than 1.4 million households impacted.
- What changed:

- JobKeeper
- Some returning workers
- Payment postponement
- Refinance to lower rate
- Switch to IO

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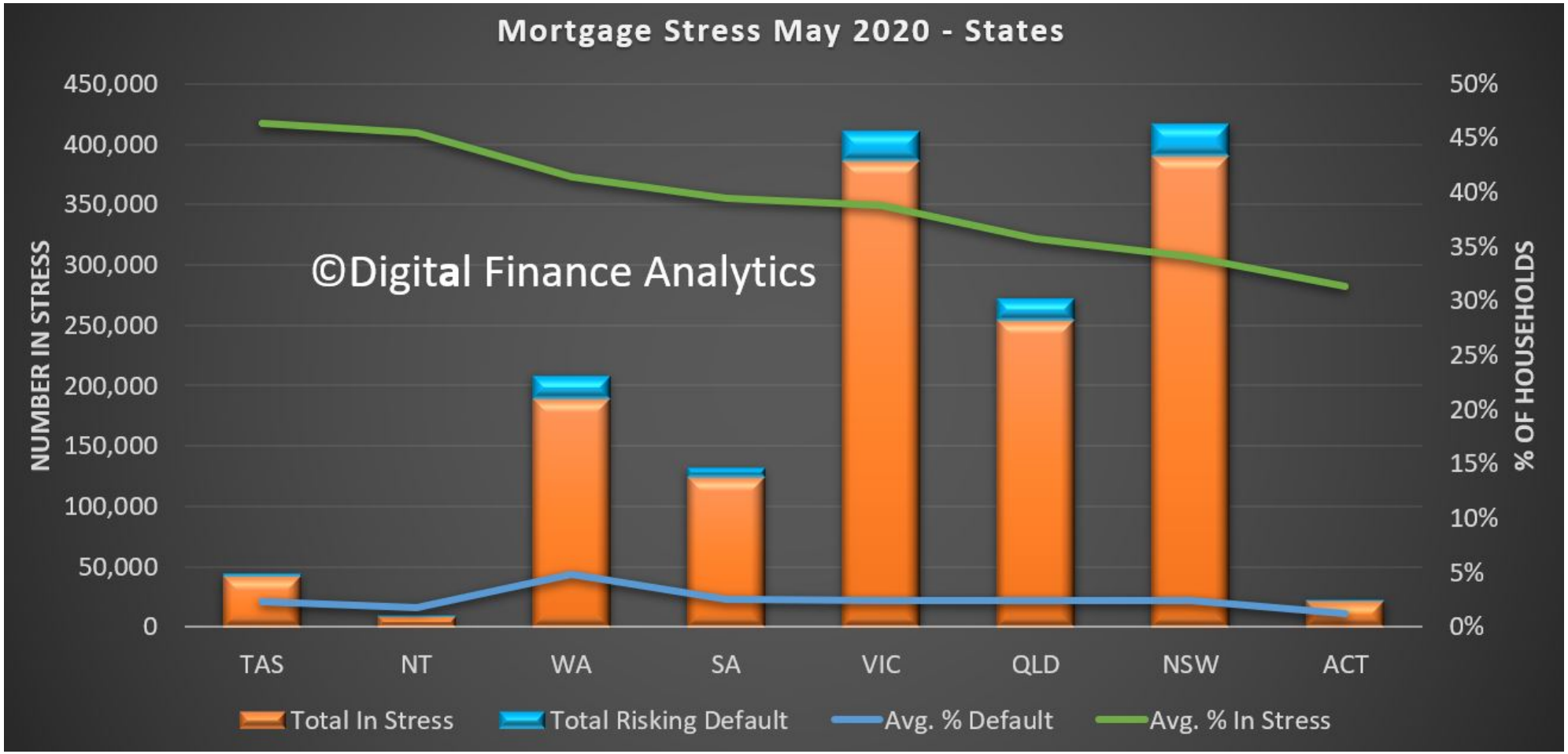
Tasmania Leads The States In Percentage Terms



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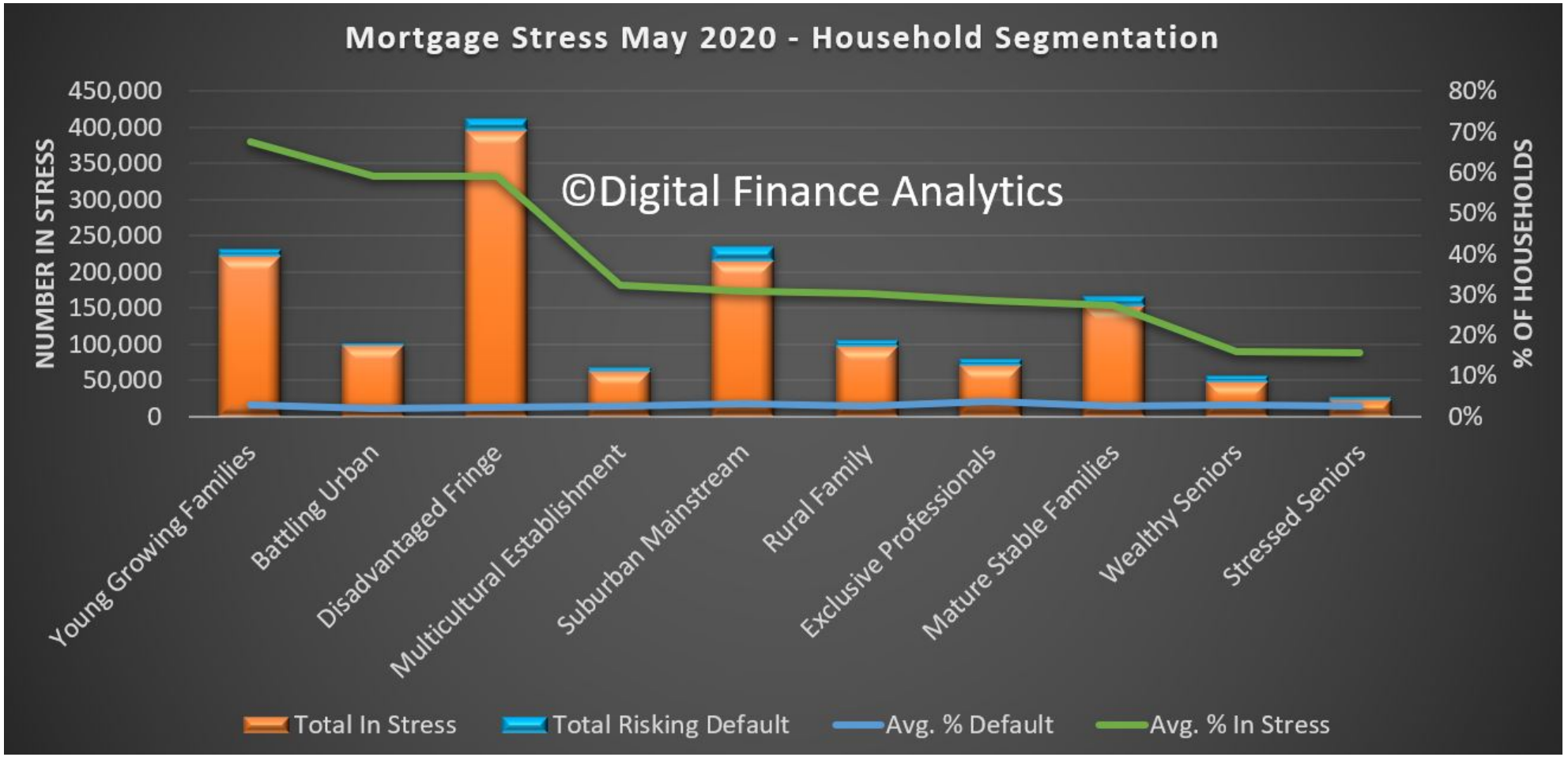
Young Growing Families Are Most Stressed But…



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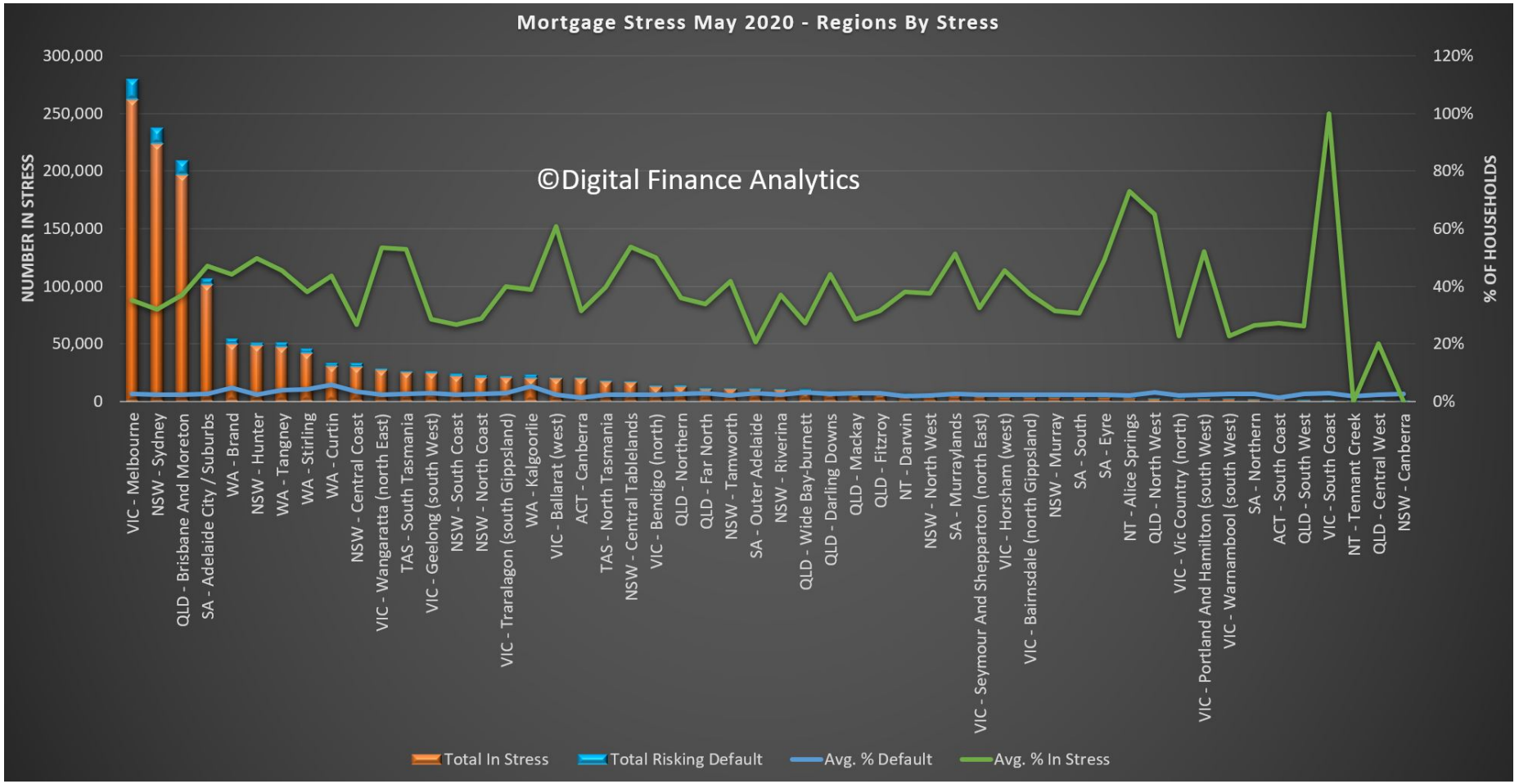
Stress Is Widespread Across The Regions



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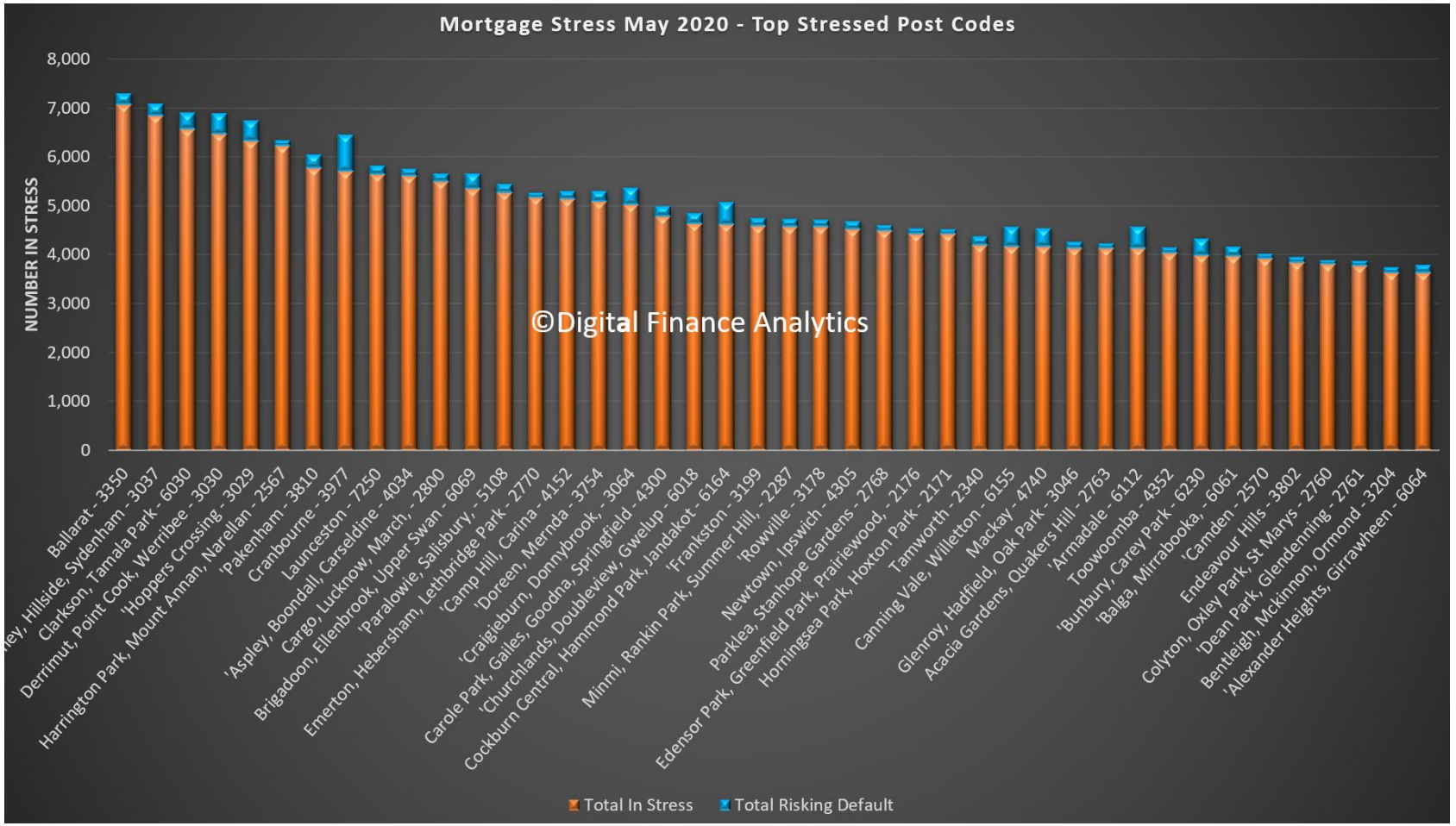
Top Stressed Post Codes Nationally



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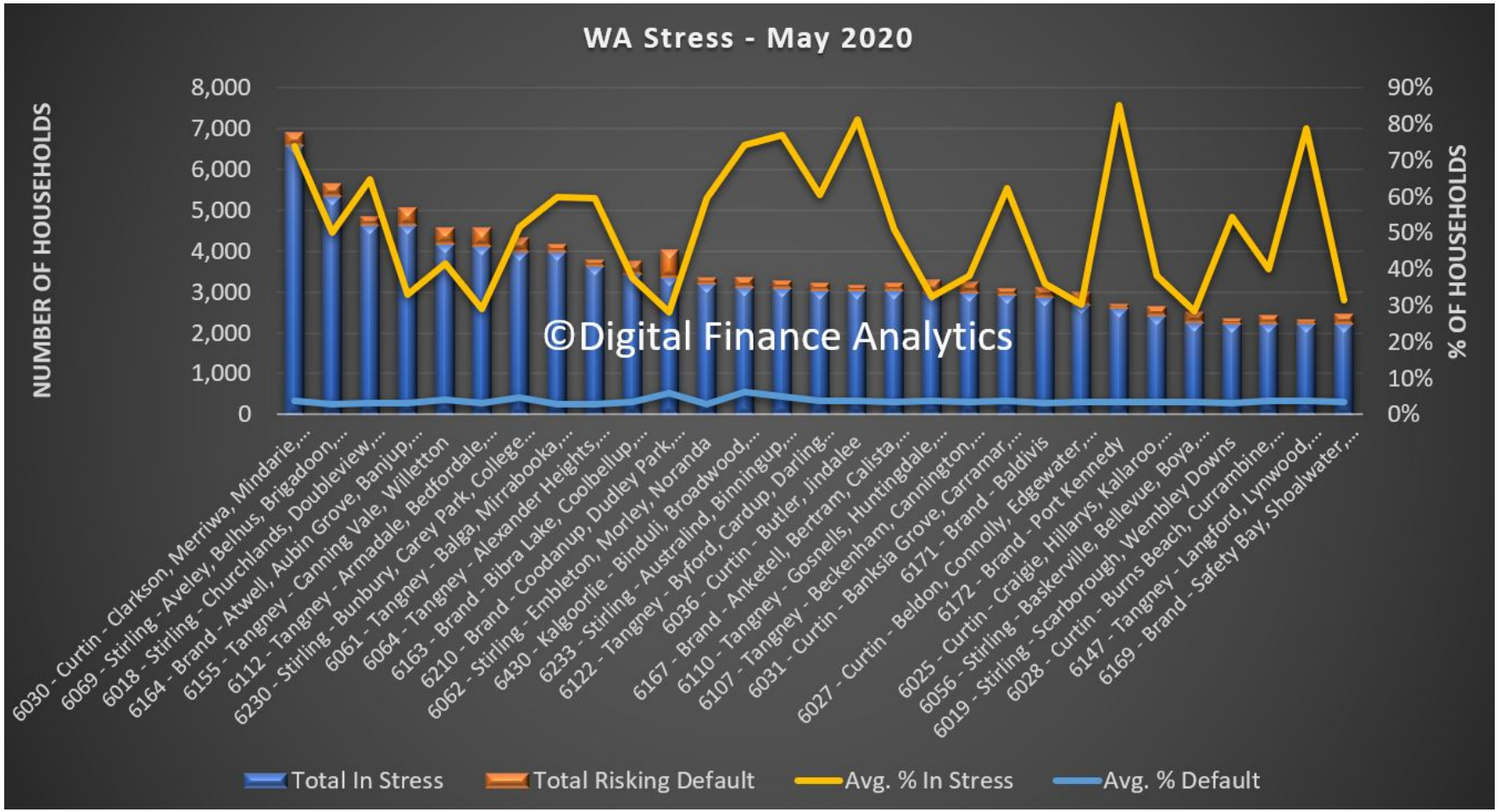
WA Top Post Codes



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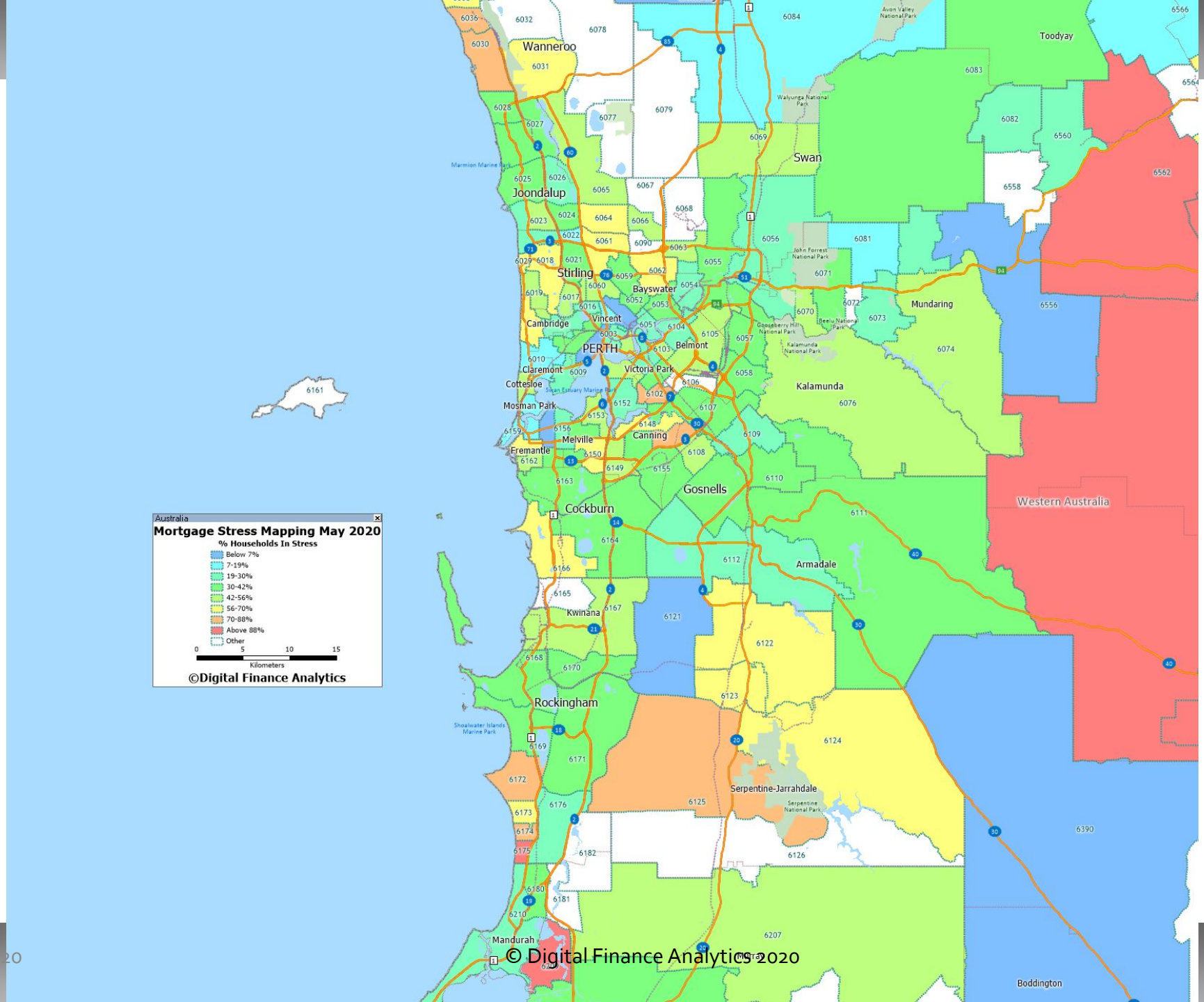

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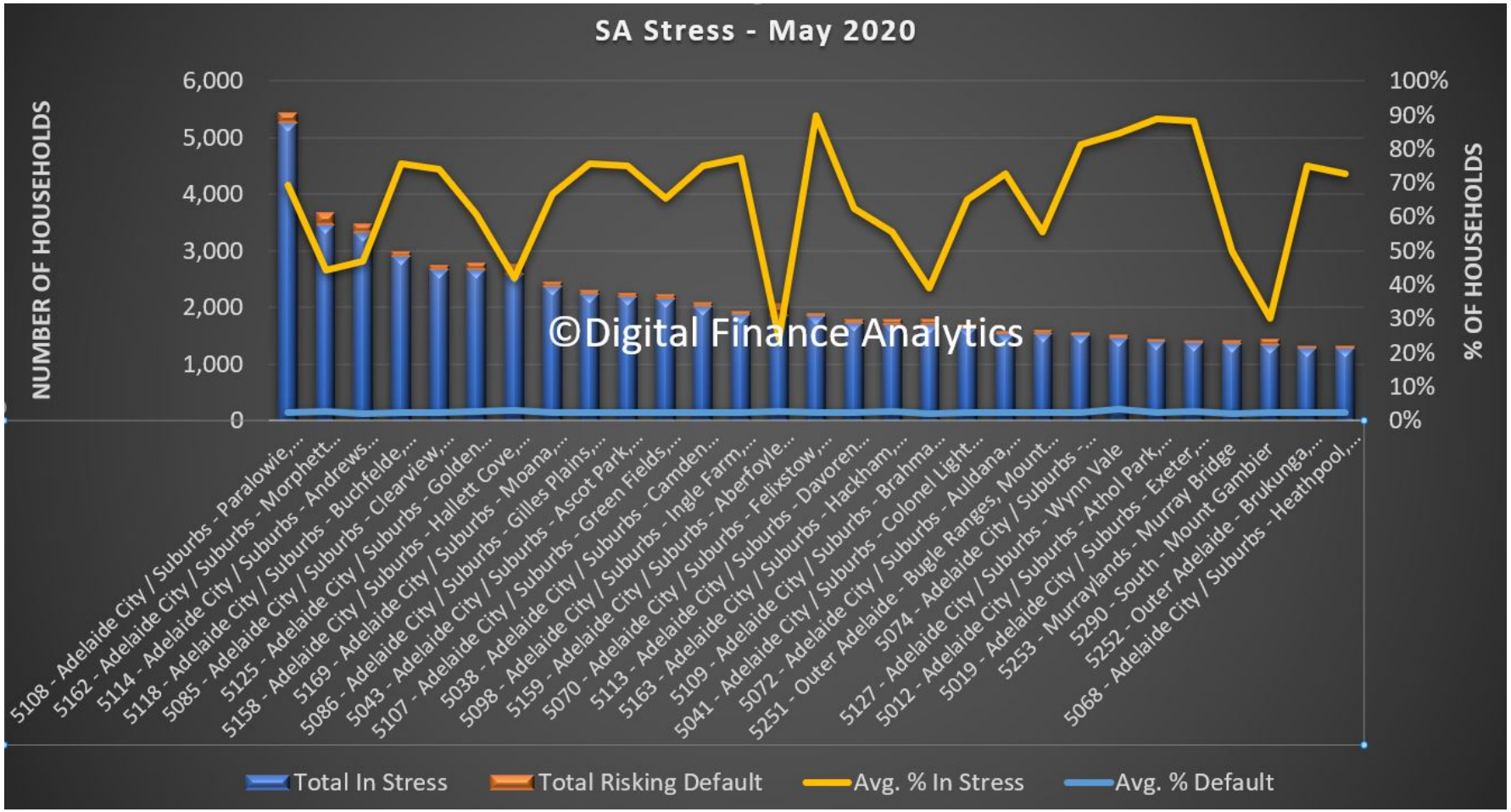
SA Post Codes



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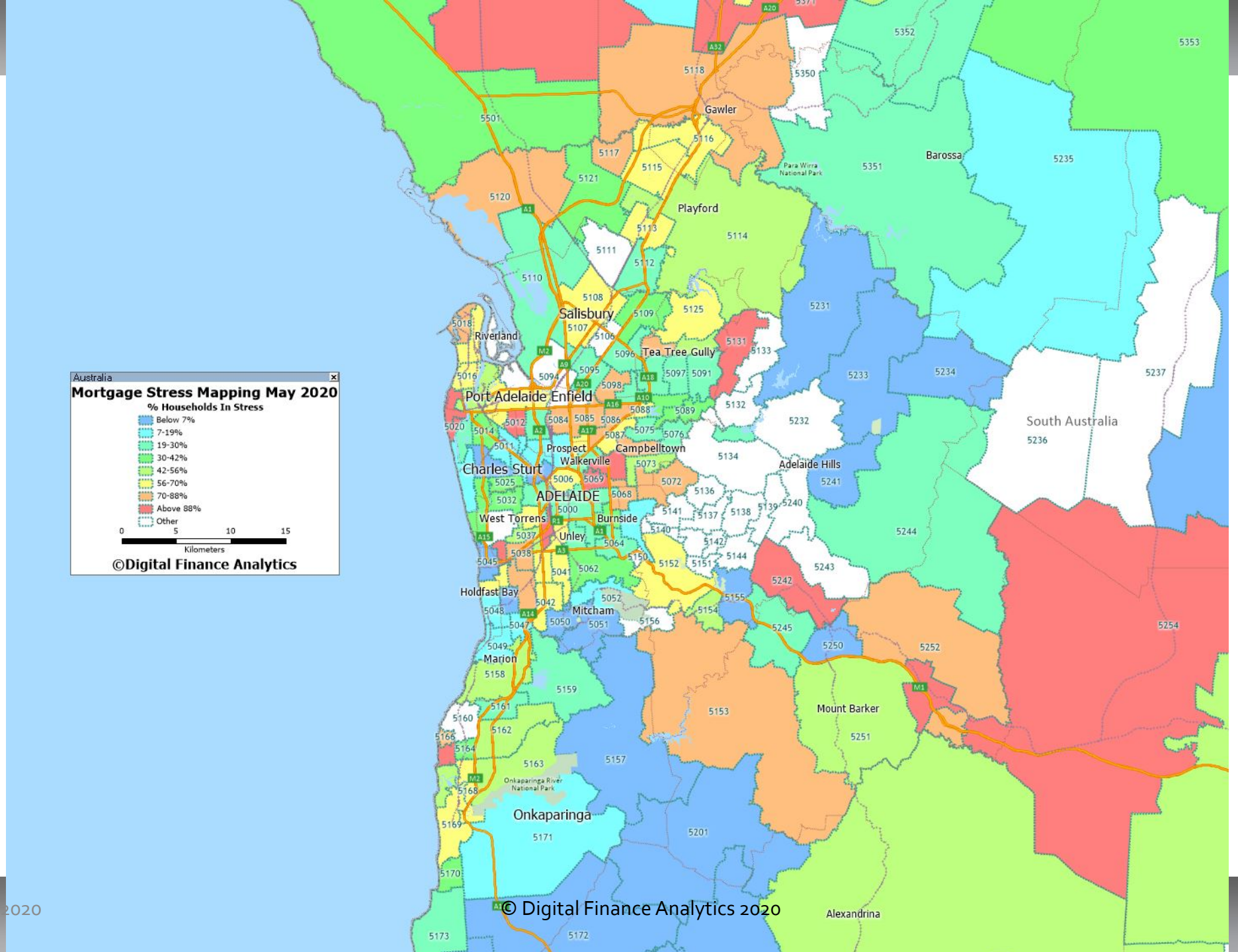

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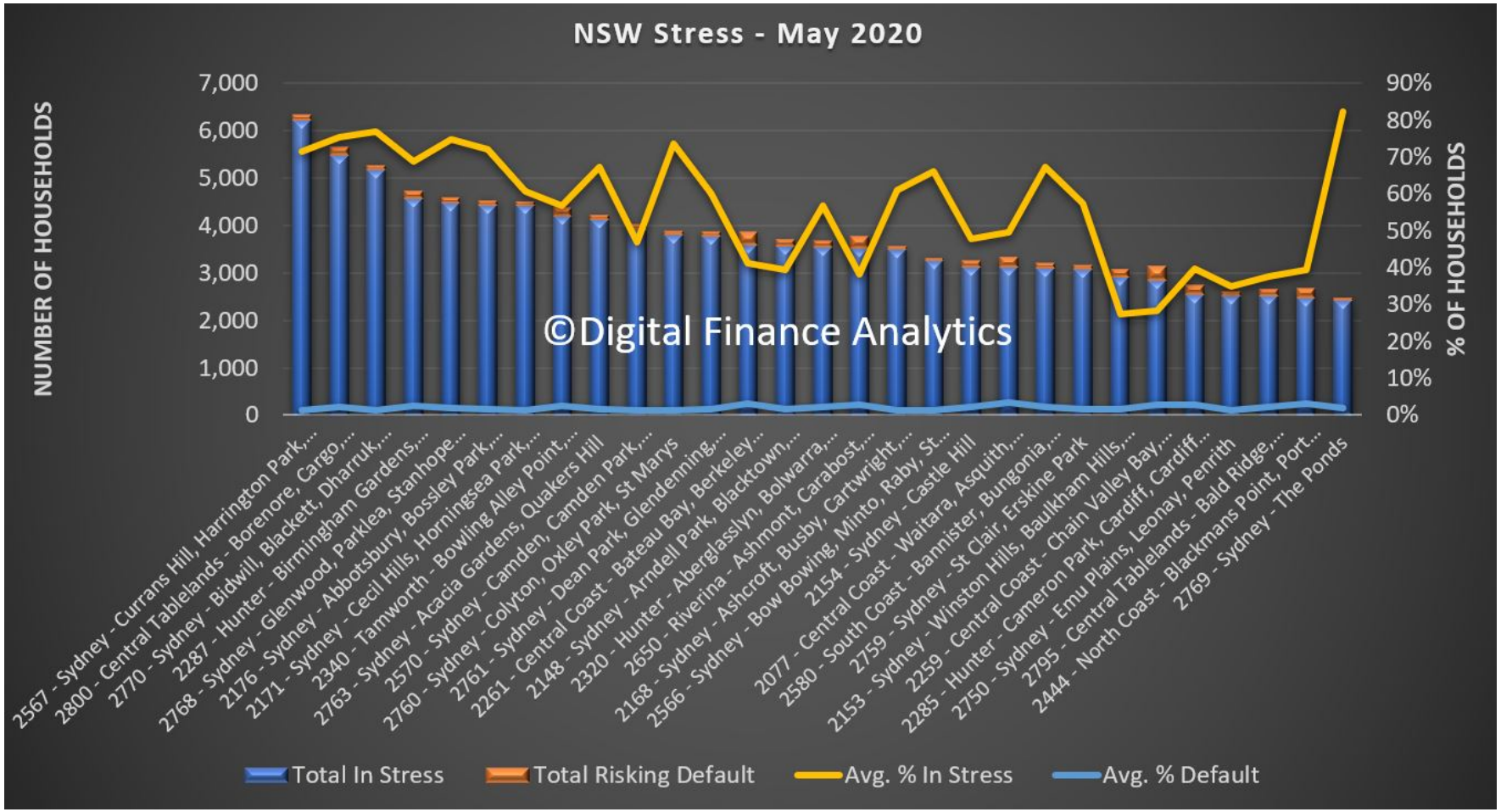
NSW Top Post Codes



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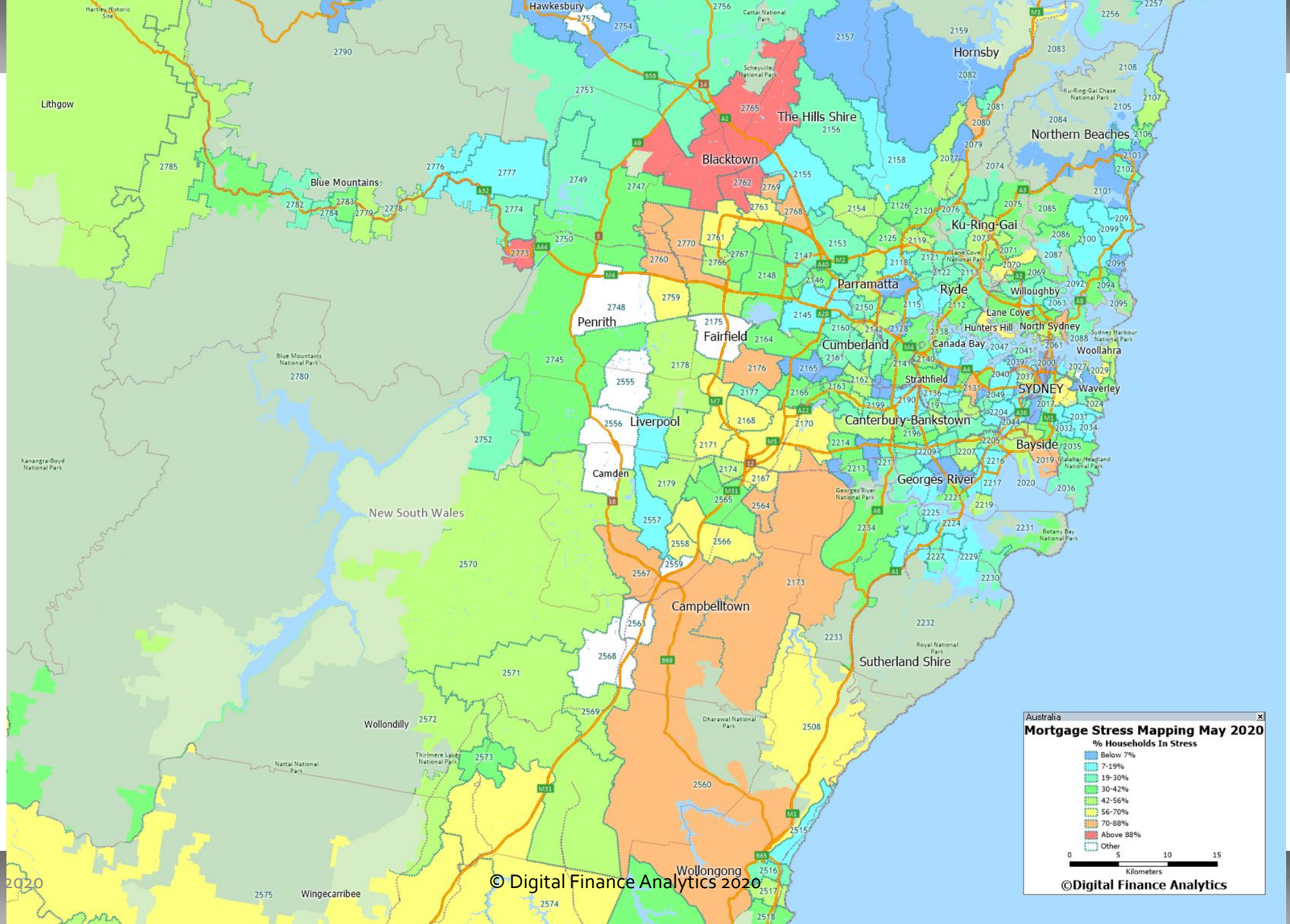

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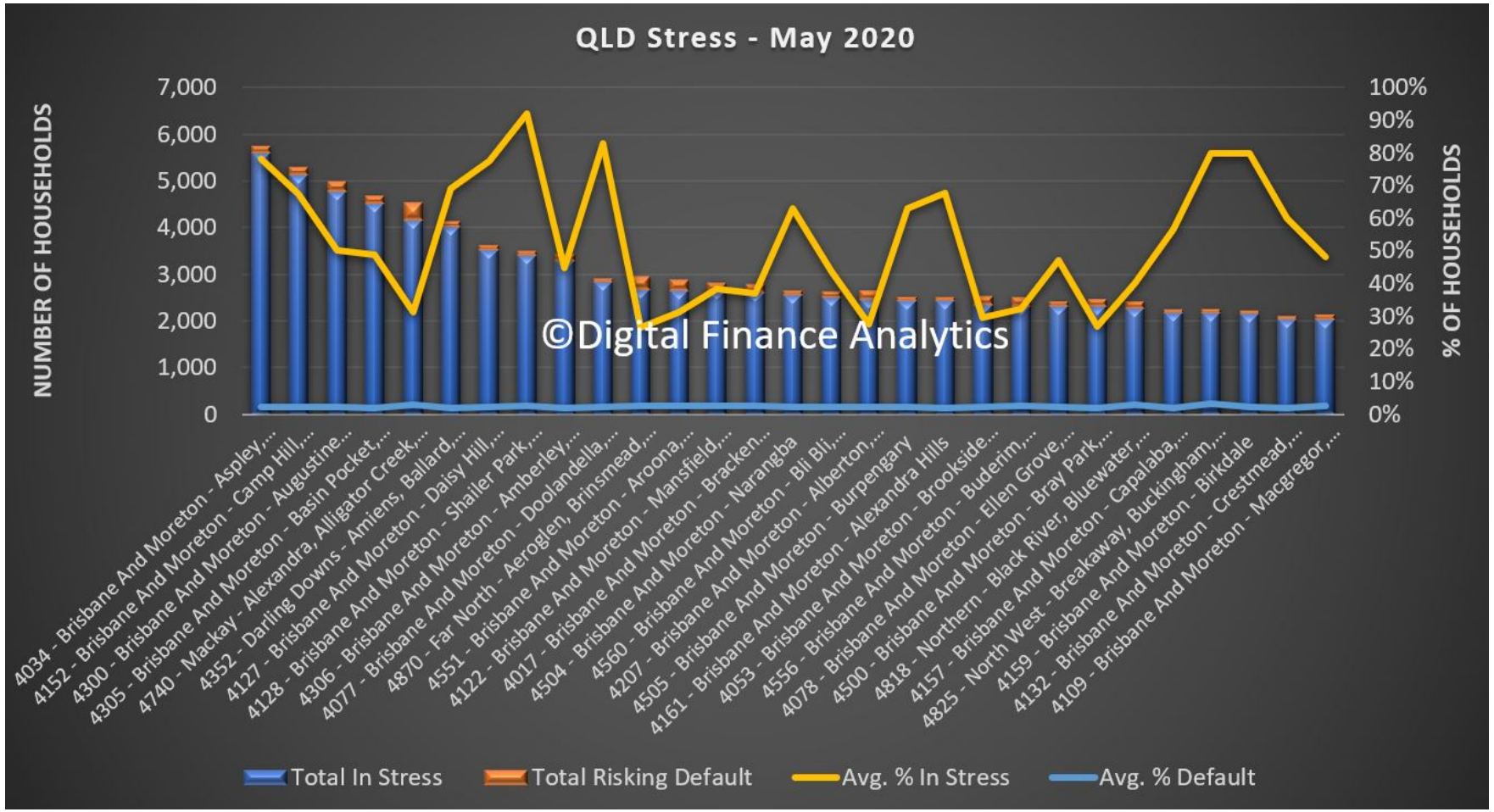
Queensland Top Post Codes



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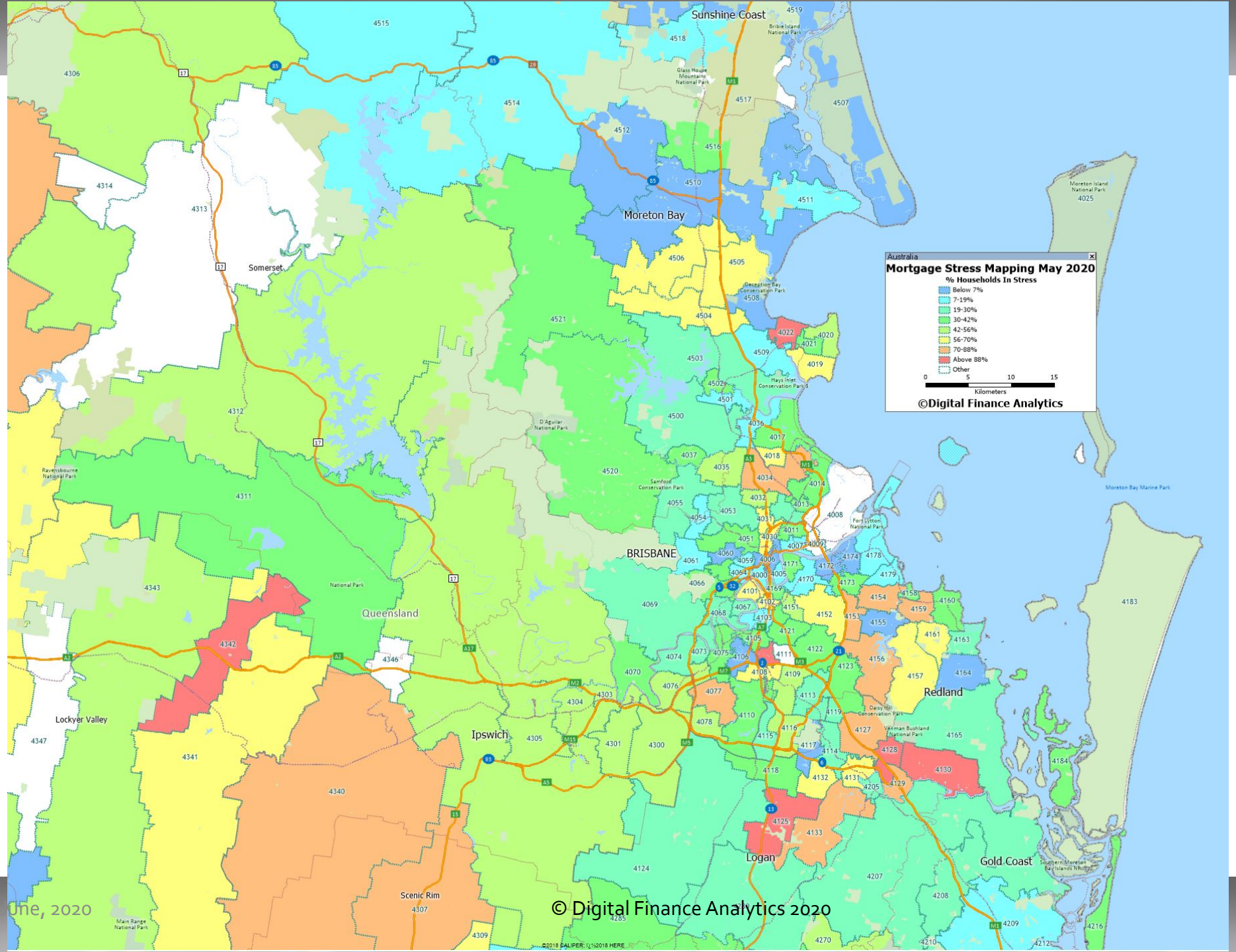

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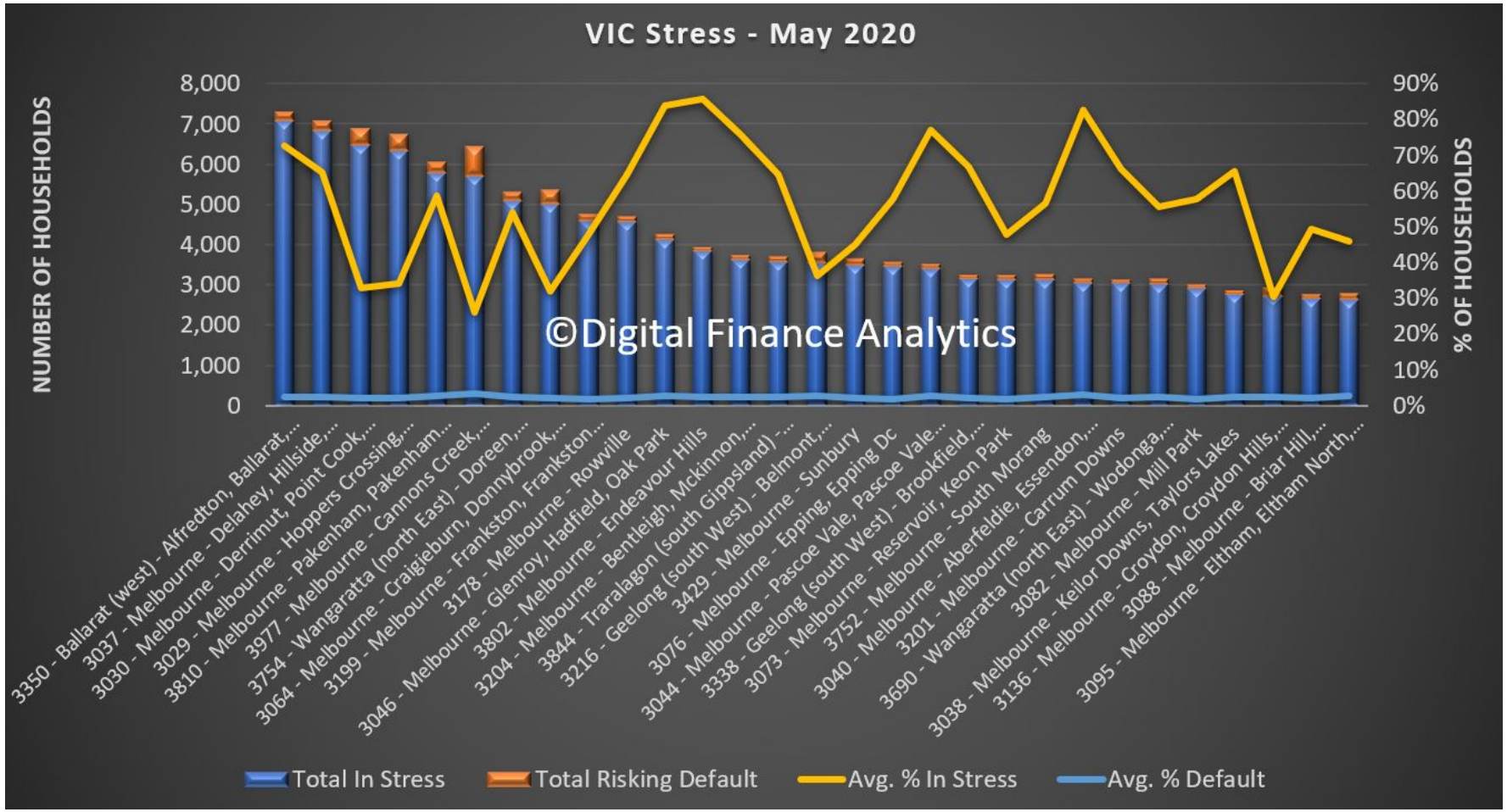
Victoria Top Post Codes



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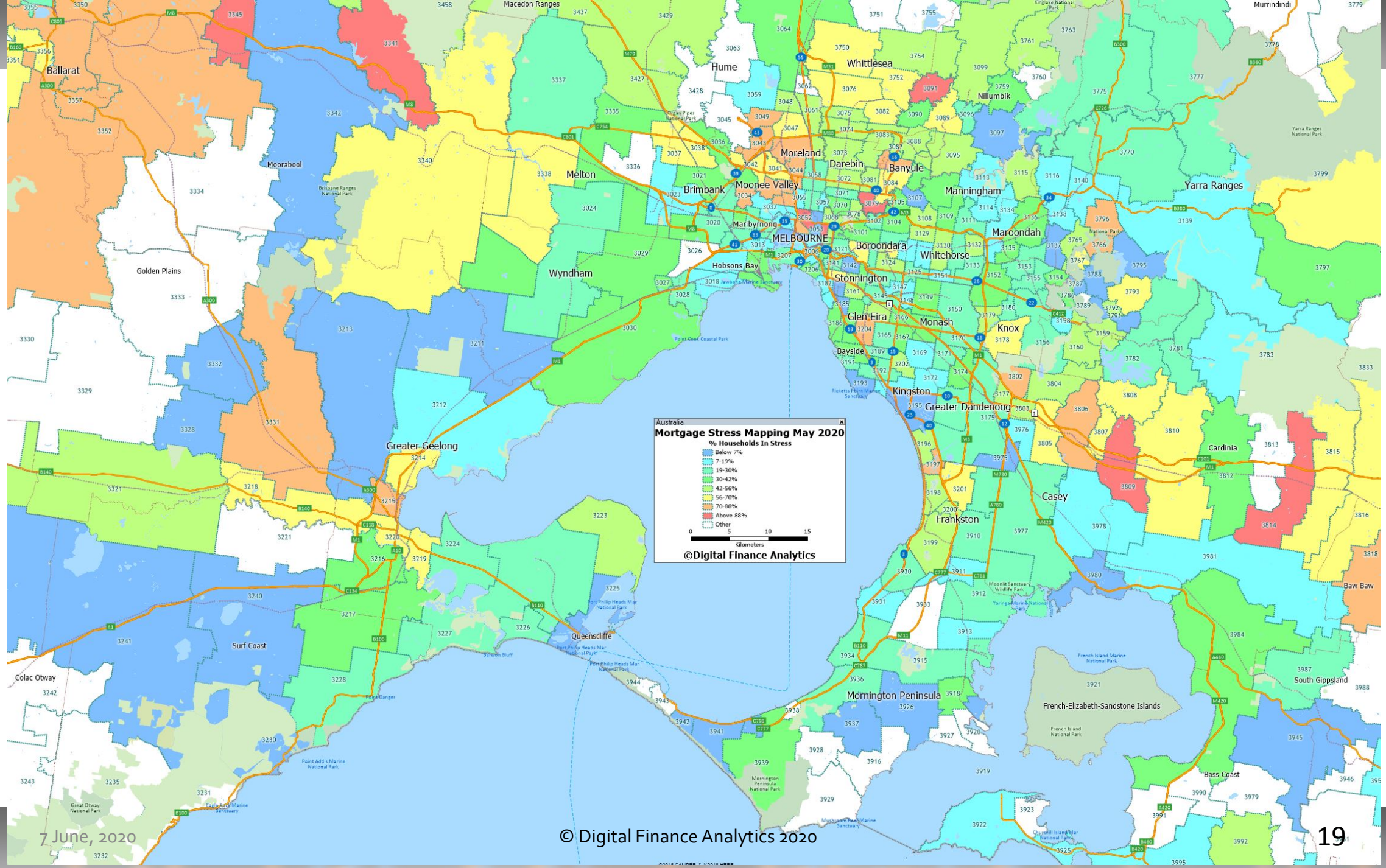

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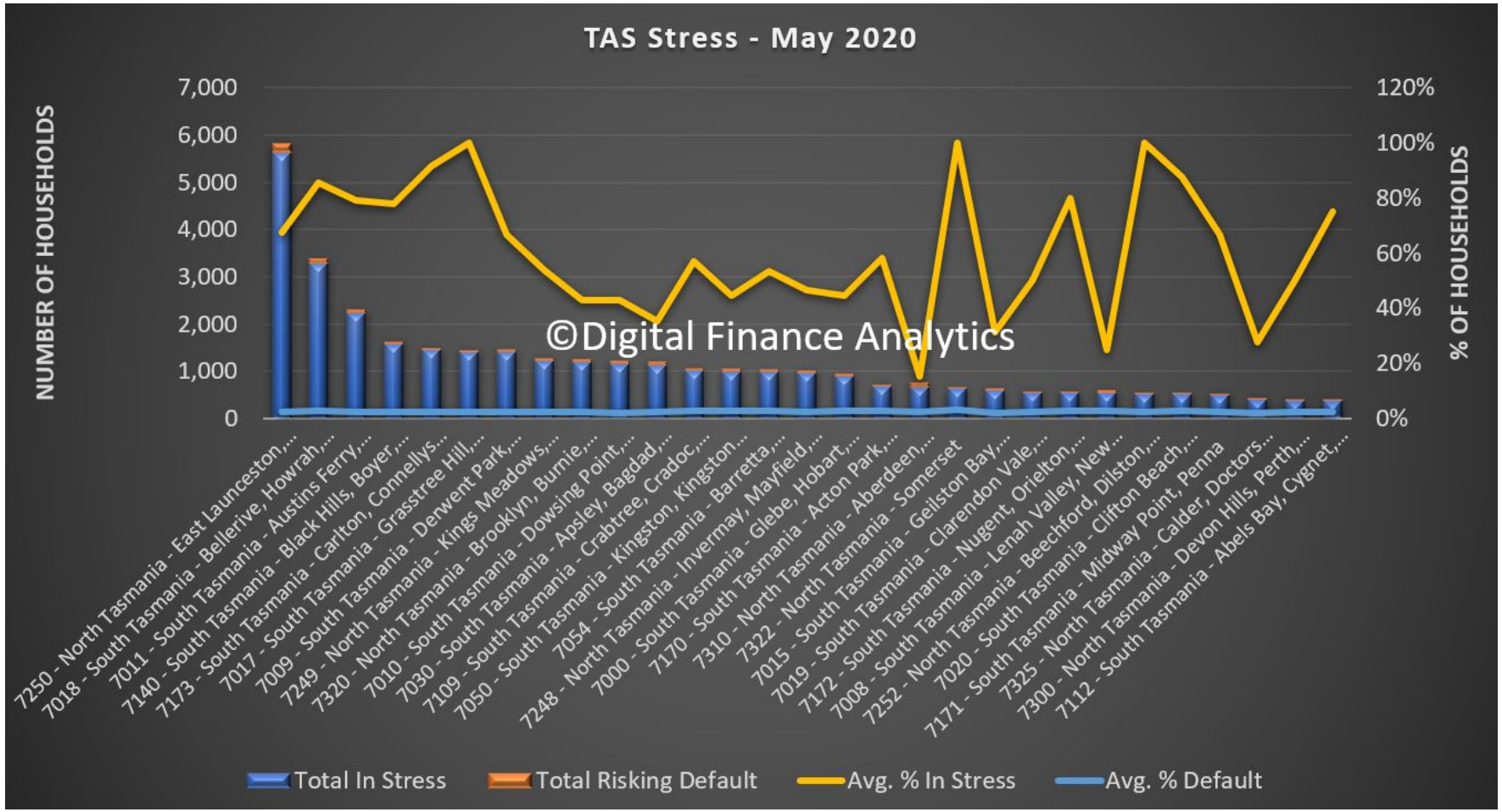
Tasmania Top Post Codes



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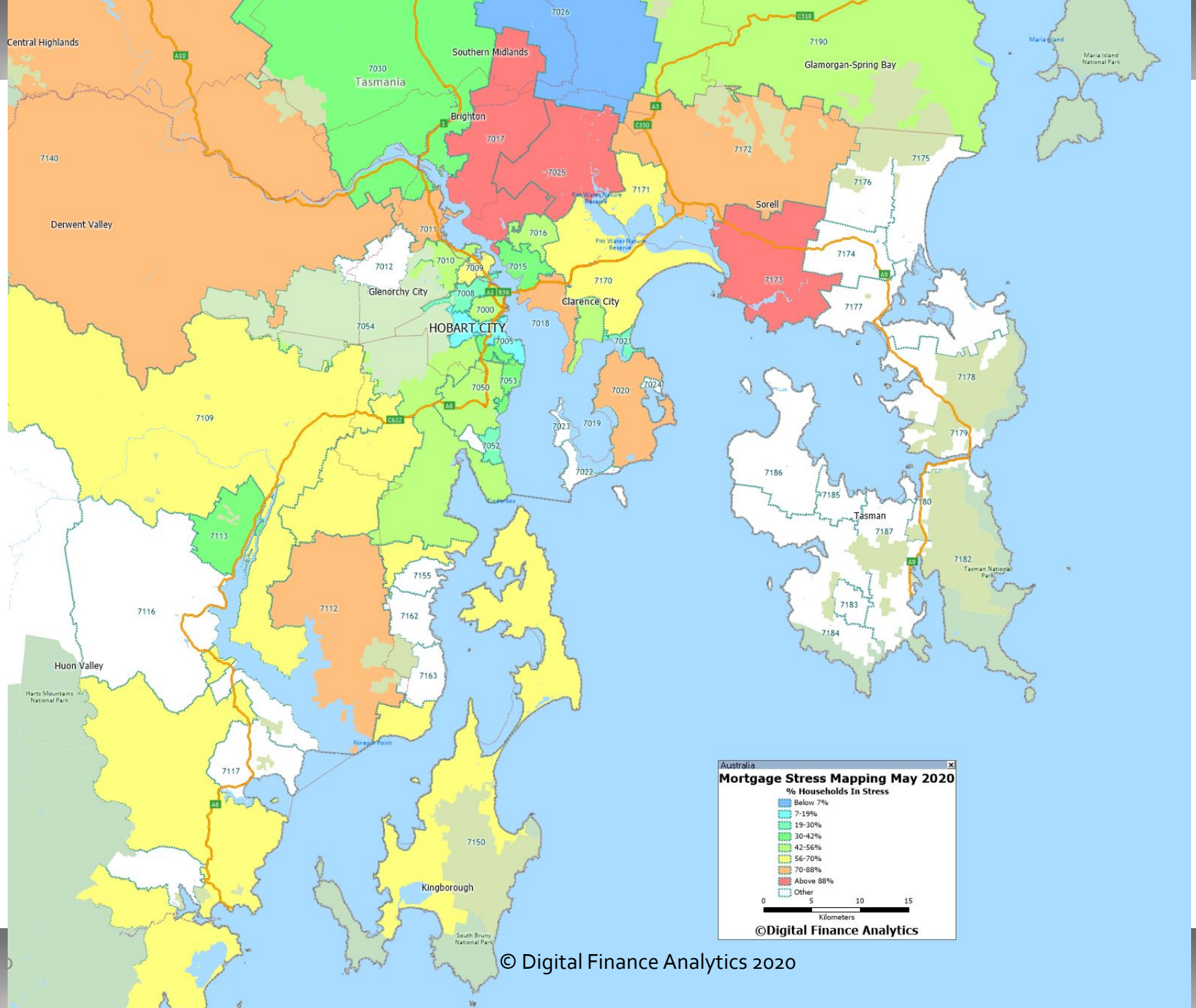

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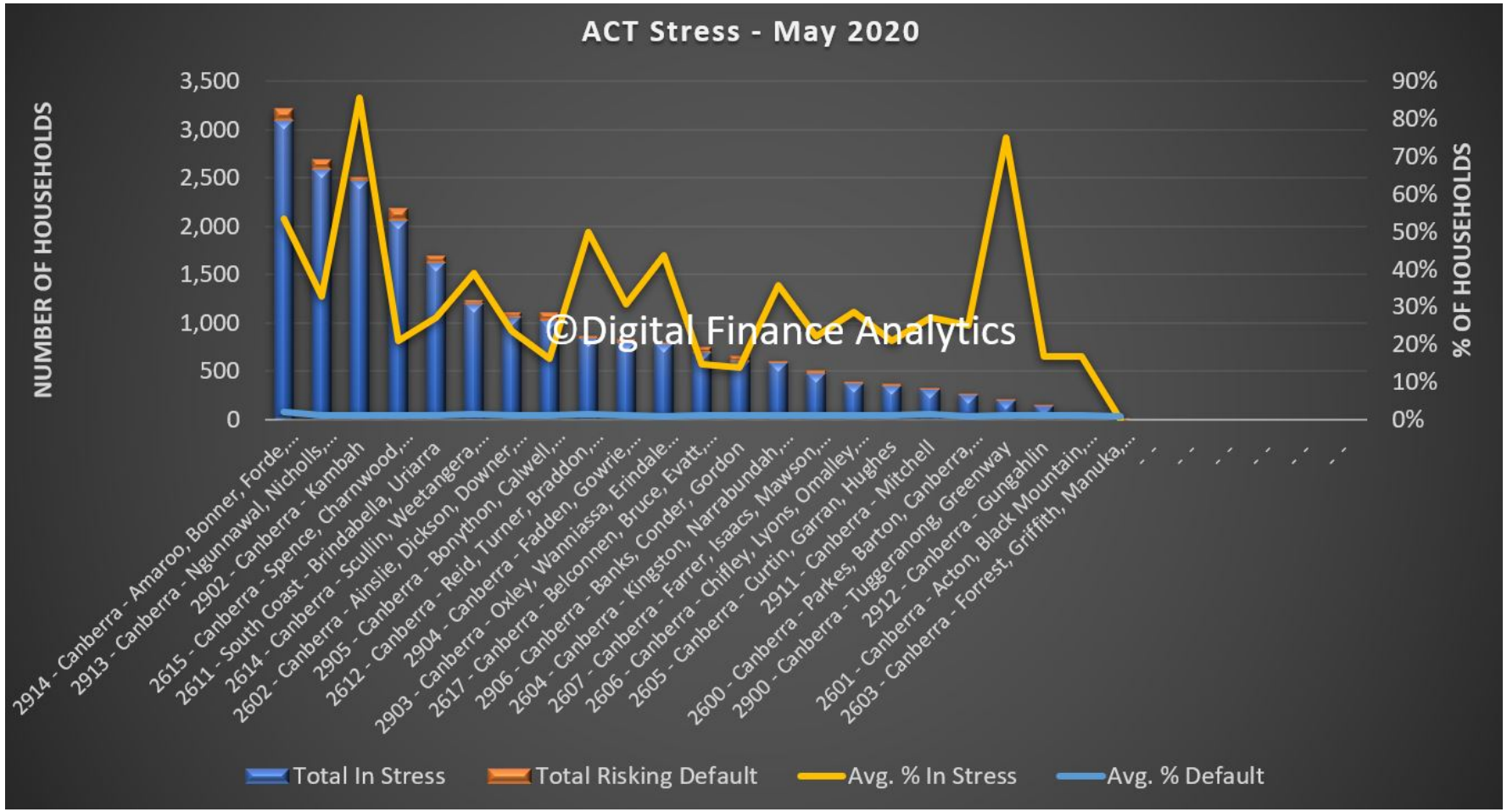
ACT Top Post Codes



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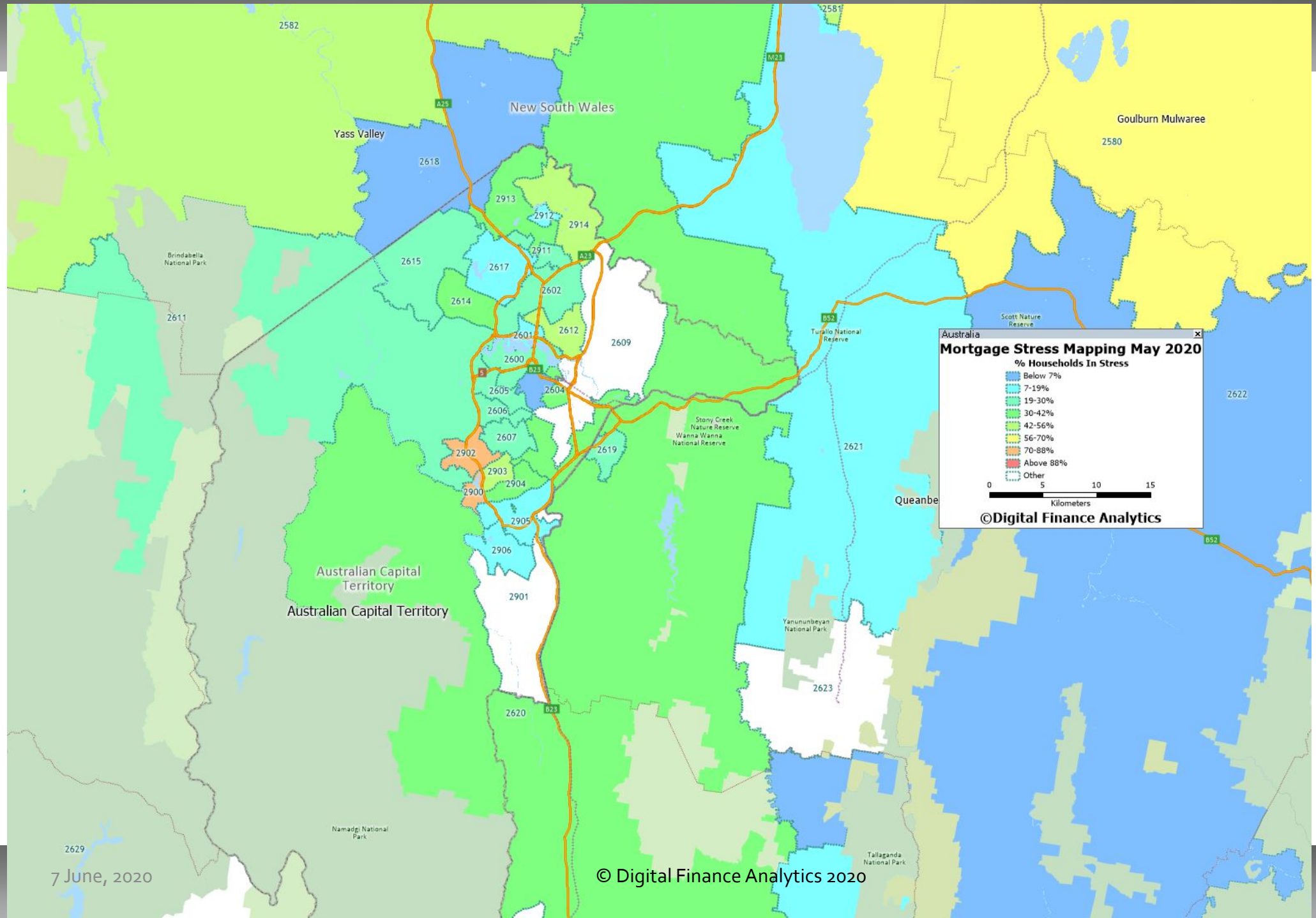

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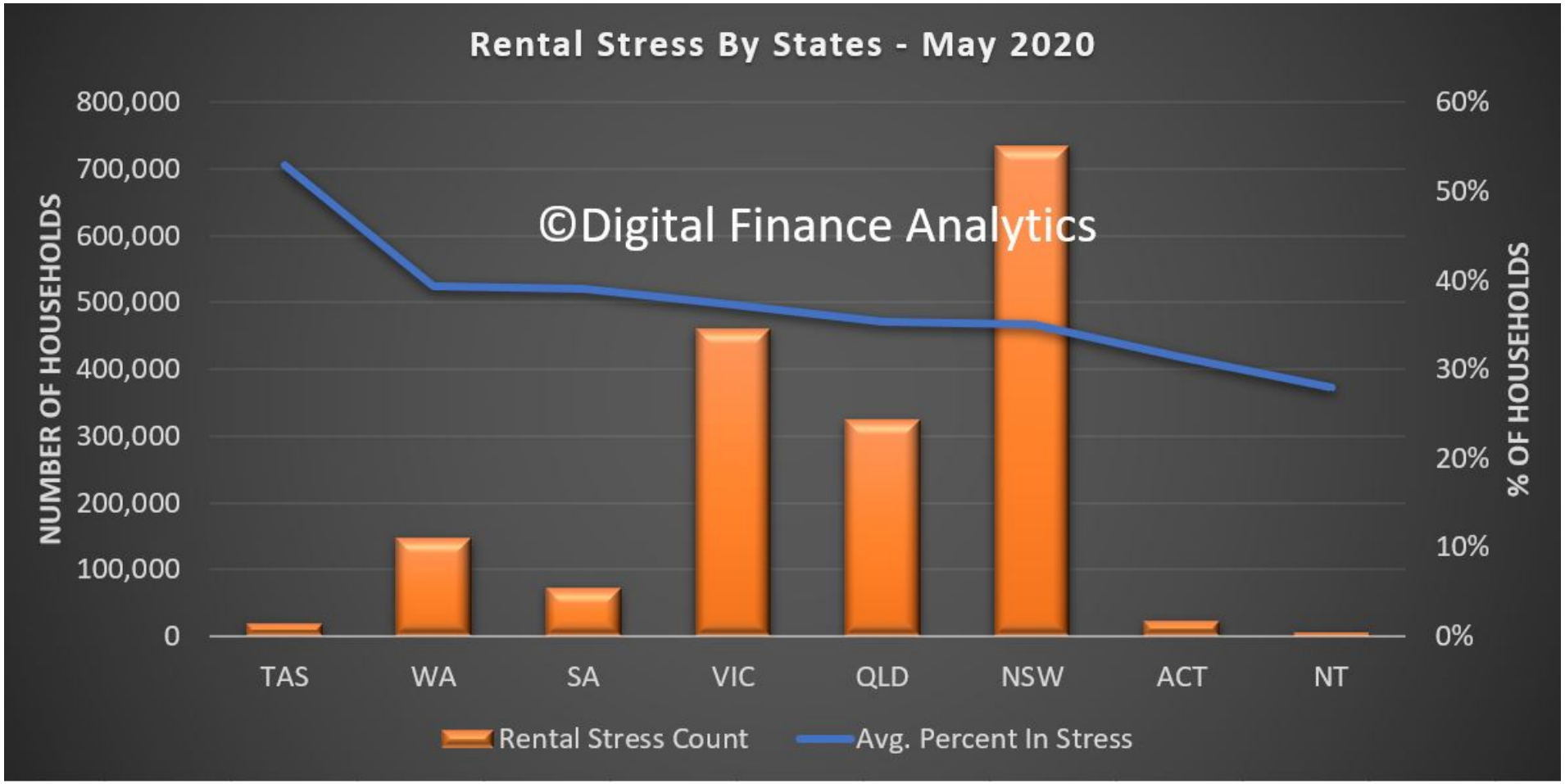
Rental Stress – 1.75 Million Households



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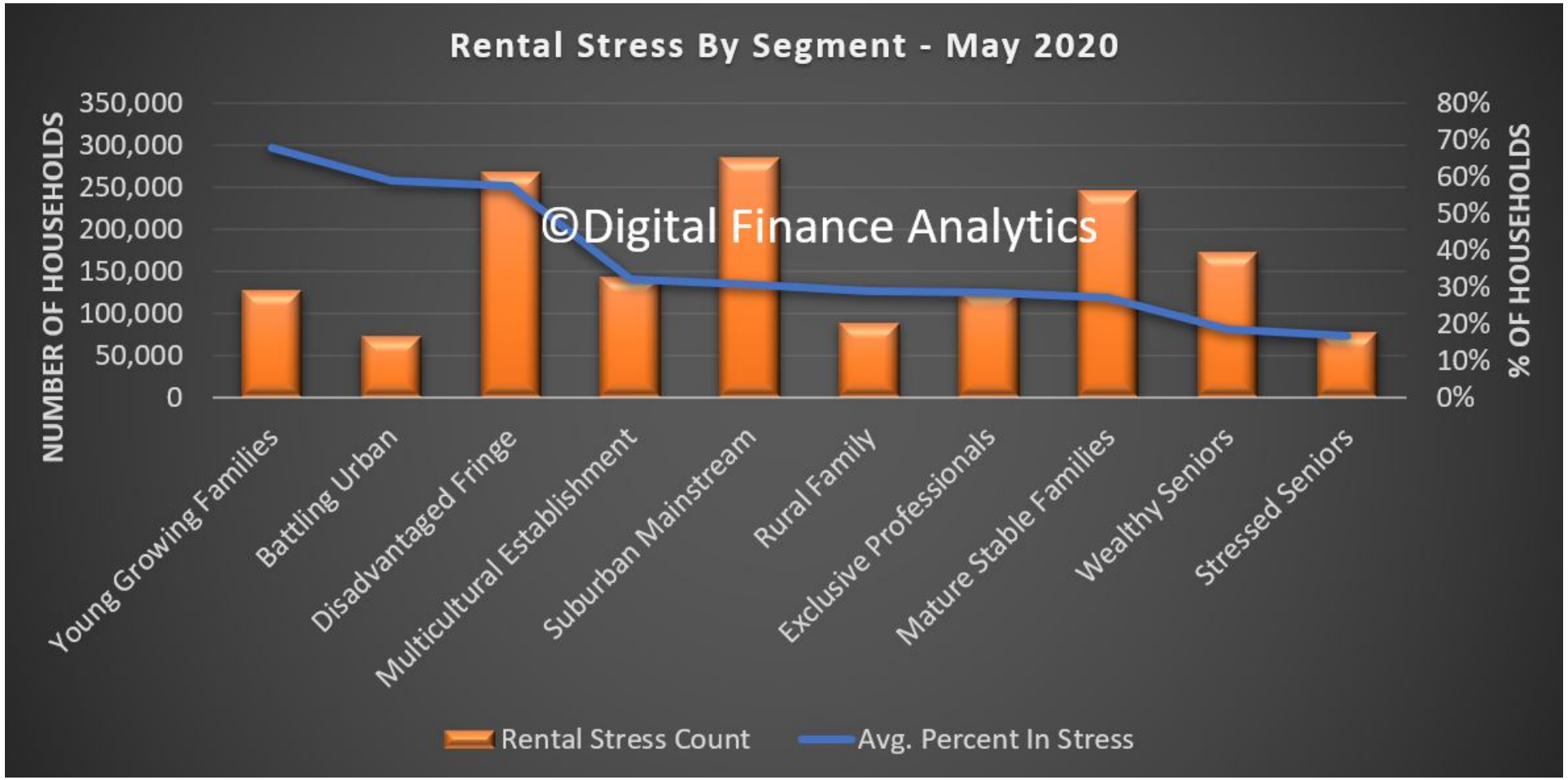
Rental Stress By Segments



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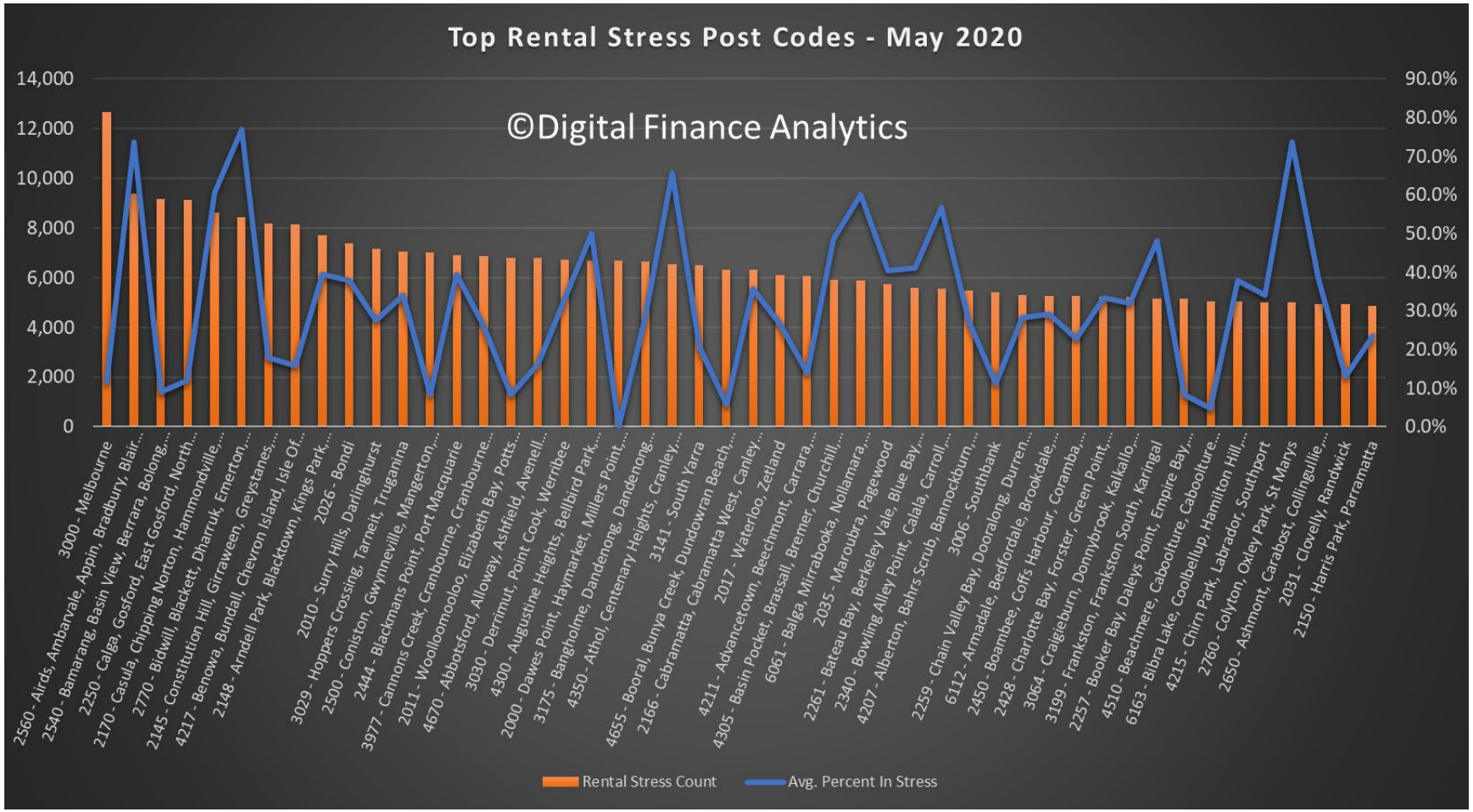
Rental Stress – Top Post Codes



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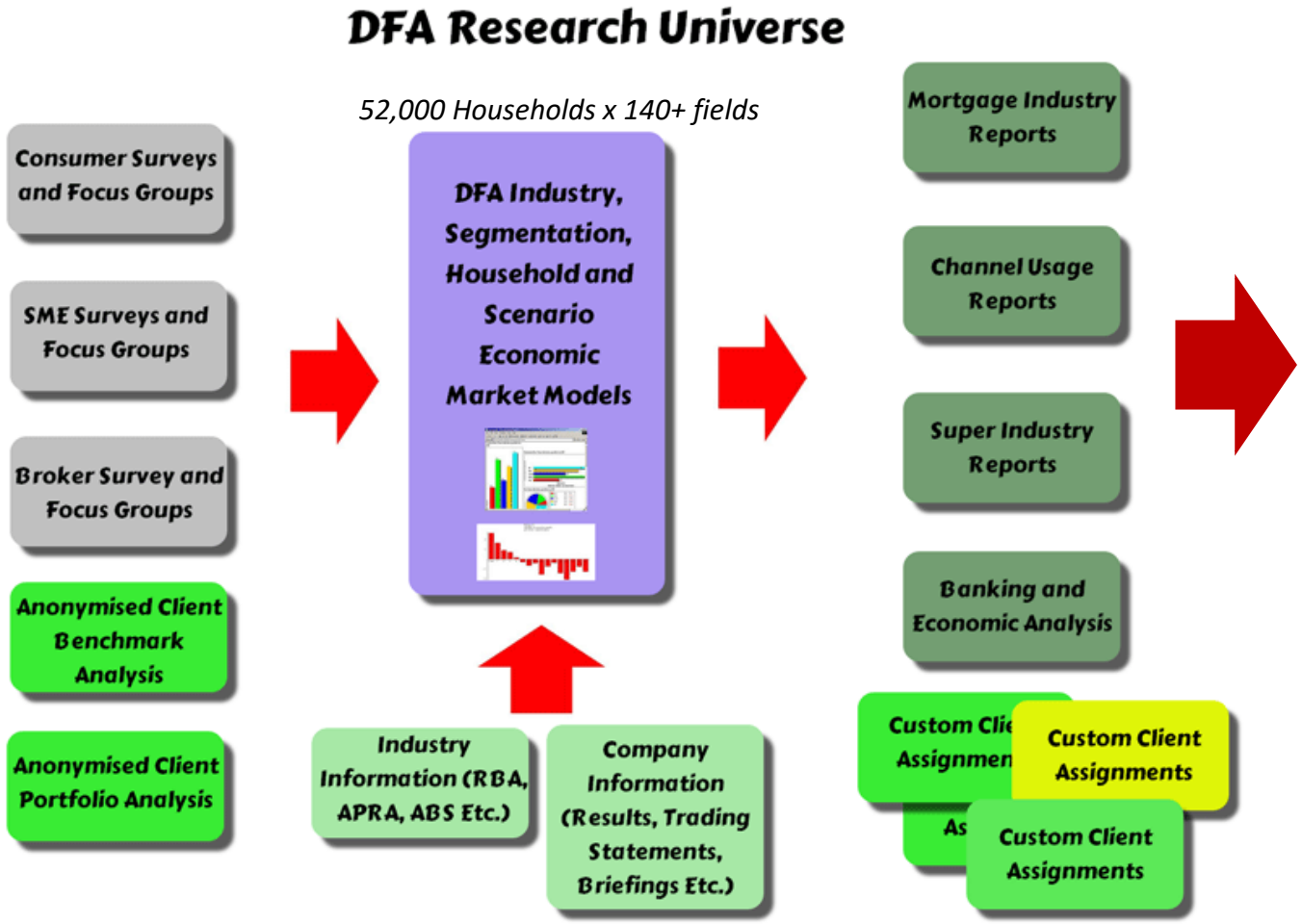

Scenarios

Summary Outcomes (24-36 Months Later)

Scenario	RBA Rate	Employment Rate	Mortgage Stress	Bank Losses (BP)	Home Prices DOWN	Unnatural Acts	% Probability (]= Last Time
Business As Usual							
Things Can Only Get Better							
Not Yet Doomsday							
Armageddon (Ireland 2.0)							
Doomsday (Iceland 2.0)							

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Our Scenarios

- Scenarios are a way of exploring different futures, and to consider the consequences, not as a forecast, but to facilitate understanding and debate.
- None of these scenarios may turn out to be right…. Things change.
- We use a framework driven from our core market model and we are going to look at the five potential outcomes, updated with the latest data and results.
- We have changed the methodology for 2020, with the scenarios running forward from today. This will change our baseline for home price changes.
- Baseline scenarios include the impact of Covid-19 – assuming it is a 6-month episode.

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Summary Outcomes (24-36 Months Later, Baselined May 2020)

Scenario	RBA Rate	Unemployment Rate	Mortgage Stress	Bank Losses (BP)	Home Prices	Unnatural Acts	% Probability ()= Last Time
RBA Baseline	0.25%	7.0%	38%	12.5	+10 to -5%	Easing Credit /QE/Fiscal	10% (5%)
Best Case	0.1%	7.5%	40%	18	-5 to -15%	Fiscal/QE/NR	20% (7.5%)
Longer Term Crunch	0.1%	8.75%	42%	25	- 15 to 30%	QE/One Bank Bail Out	40% (45%)
Global Disruption	0.25% - Zero	9.5%-11%	40%-45%	45	- 30 to 45%	Bail In/Bail Out/QE ++	20% (32.5%)
Uncontrolled Pandemic	Zero and Below	16%+	65%	65+	Up to 80%	QE+ Bank Failures	10% (15%)

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