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ROY MORGAN

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Risk of mortgage stress drops to lowest for three years, but rising inflation poses a risk of interest rates heading up in 2026

New research from Roy Morgan shows 24.5% of mortgage holders 'At Risk' of 'mortgage stress' in the three months to December 2025, down 3.4% points from August 2025.

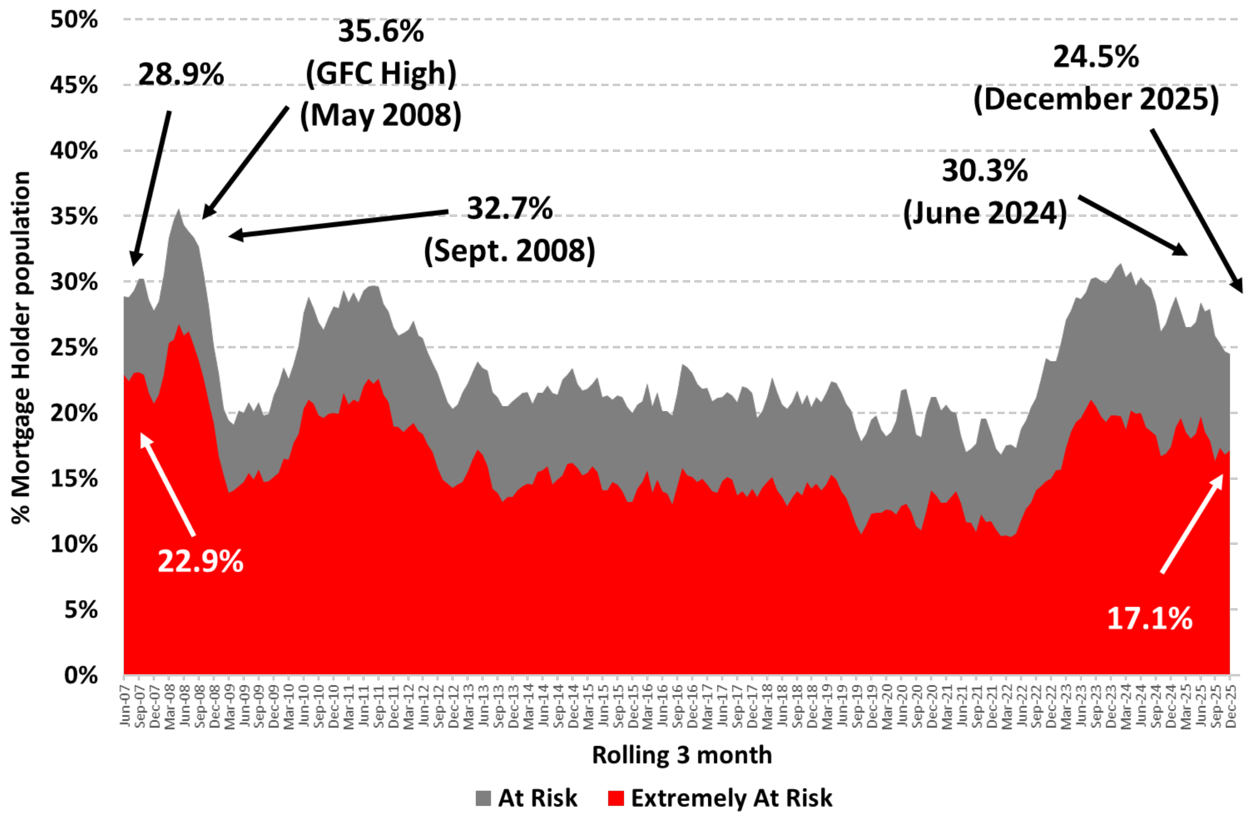
This is the lowest share of mortgage holders 'At Risk' of 'mortgage stress' since January 2023.The record high of 35.6% of mortgage holders in mortgage stress was reached way back in mid-2008.

380,000 more 'At Risk' of mortgage stress over three years after interest rate increases began

The number of Australians 'At Risk' of mortgage stress has increased by 380,000 since May 2022 when the RBA began a cycle of interest rate increases which lifted official interest rates by a total of 4.25% from 0.1% to a high of 4.35% from November 2023 until February 2025 – when the RBA began to cut rates.

The number of Australians considered 'Extremely At Risk', is now numbered at 830,000 (17.1% of mortgage holders) which is just above the long-term average over the last two decades of 16.3%.

Mortgage Stress – % of Owner-Occupied Mortgage-Holders



Source: Roy Morgan Single Source (Australia), average interviews per 3 month period April 2007 – Dec 2025, n=2,883.
Base: Australians 14+ with owner occupied home loan.

Mortgages 'At Risk' is set to rise if the Reserve Bank increases interest rates to 3.85% in February

The Reserve Bank cut interest rates in February, May and August last year by a total of 0.75% to 3.6% due to lower inflation estimates earlier in 2025. However, since annual inflation hit a low of 1.9% in the year to June 2025, the indicator has doubled in only six months –the latest figure is 3.8% in the year to December 2025.

The sharp increase in inflation in the second half of 2025 means further interest rate cuts are now off the table, and the latest forecasts are for interest rates to increase in 2026.

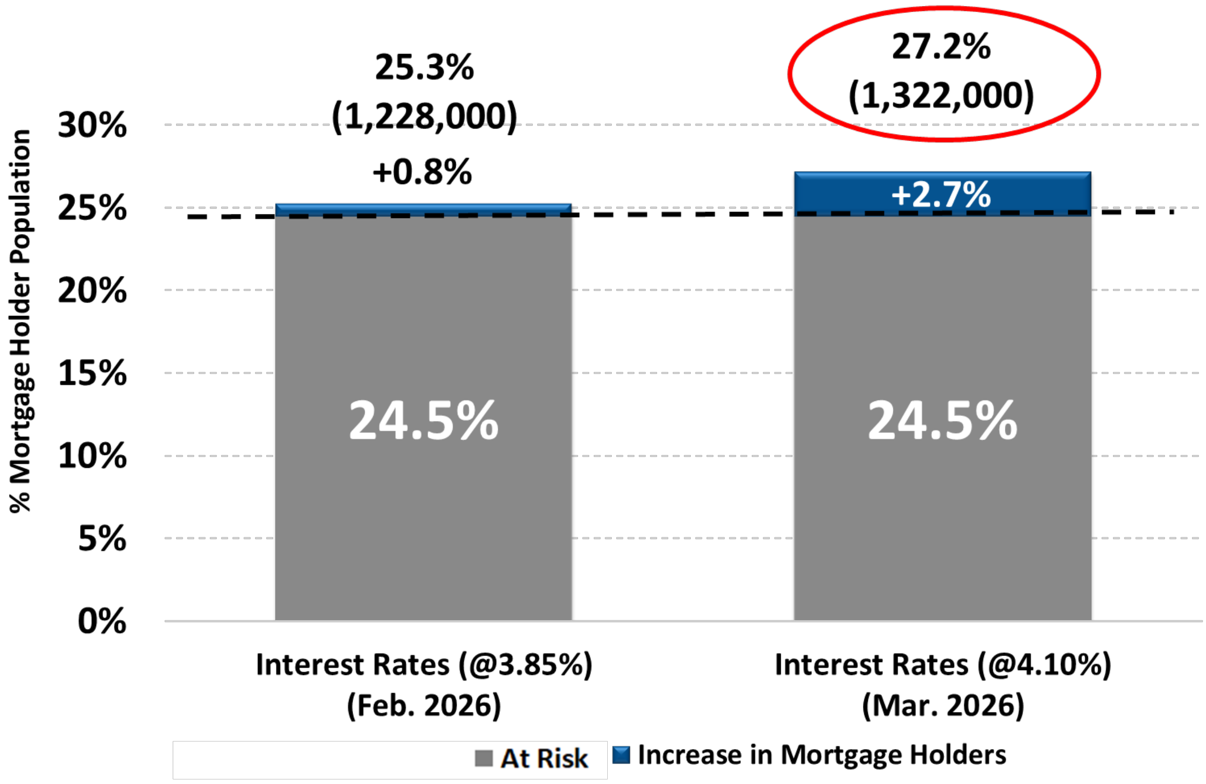
Because of this, Roy Morgan has modelled the impact of the RBA increasing interest rates at its next two meetings in February 2026 (+0.25% to 3.85%) and March 2026 (+0.25% to 4.1%).

In December, 24.5% of mortgage holders (1,187,000) were considered ‘At Risk’. The decision to leave interest rates on hold in December means the share of mortgage holders ‘At Risk’ remained unchanged in January.

If the Reserve Bank were to increase interest rates in February by 0.25% to 3.85% the share of mortgage holders ‘At Risk’ would increase to 25.3% in February – up 0.8% points from now and equivalent to 1,228,000 mortgage holders, up 41,000 from now.

If the Reserve Bank were to increase interest rates again in March by 0.25% to 4.1%, the share of mortgage holders ‘At Risk’ would increase to 27.2% in March – up 2.7% points from now and equivalent to 1,322,000 mortgage holders, up 135,000 from now.

Mortgage Risk projections based on interest rate increases in February and March 2026 by 0.25%



Source: Roy Morgan Single Source (Australia), October – December 2025, n=3,278.
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.

[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 (25% to 45% depending on income and spending) into their home loan, based on the Standard Variable Rate set by the RBA and the amount now outstanding on their home loan.

FOR IMMEDIATE RELEASE

Unemployment is the key factor which has the largest impact on income and mortgage stress

It is worth understanding that Roy Morgan uses a conservative forecasting model, essentially assuming all other factors apart from interest rates remain the same.

The latest Roy Morgan unemployment estimates show over one-in-five Australian workers are either unemployed or under-employed – 3,456,000 (21.5% of the workforce); (In December, overall Australian unemployment and under-employment was at 3.46 million – a 13th straight month above 3 million).

Although the Reserve Bank's decision to cut interest rates three times last year had a positive impact and helped lower mortgage stress, the fact remains the greatest impact on an individual, or household's, ability to pay the mortgage is not interest rates, it's if they lose their job or main source of income. In addition, looking forward, the indications are that the Reserve Bank are more likely to be increasing interest rates this year rather than cutting rates again due to the resurgence in official estimates of inflation in recent months.

Michele Levine, CEO Roy Morgan, says mortgage stress dropped again in December after the Reserve Bank left interest rates unchanged at 3.6% for a third straight meeting:

> *"The latest Roy Morgan data shows mortgage stress dropping to a three year low in December 2025, down 0.2% points from November to 24.5% of mortgage holders (equivalent to 1,187,000) 'At Risk'. Mortgage stress has dropped by a total of 3.4% points (down by 236,000 mortgage holders) since August 2025, the last month the Reserve Bank (RBA) cut interest rates by 0.25% to 3.6%.*
>
> *"However, in recent months inflation has re-accelerated from an annual rate of 1.9% in the year to June 2025 (ABS annual monthly estimate) to 3.8% in December 2025 (ABS monthly annual estimate) – almost doubling, up by 1.5% points, in the last five months.*
>
> *"The increasing level of inflation during late 2025 led the RBA to leave interest rates unchanged at three consecutive meetings in October, November and December and means the RBA is not likely to cut interest rates again and the most likely next move will be an increase in interest rates.*
>
> *"Because of this possibility, Roy Morgan has modelled potential interest rate increases in February and March of 0.25% in each month to 4.1%. If these interest rate increases were to occur, the level of mortgage stress would rise to 1,228,000 (25.3% of mortgage holders) by February 2026 and increase even further to 1,322,000 (27.2% of mortgage holders) by March 2025.*
>
> *"Finally, it is important to appreciate that interest rates are only one of the variables that determines whether a mortgage holder is considered 'At Risk' – the largest impact on whether a borrower falls into the 'At Risk' category is related to household income – which is directly related to employment.*
>
> *"The employment market has been strong over the last three years (the latest Roy Morgan estimates show over 1.1 million new jobs created since May 2022) and this has provided support to household incomes which have helped to moderate levels of mortgage stress over the last year along with the three interest rate cuts by a total of 0.75%."*

These are the latest findings from Roy Morgan's Single Source Survey, based on in-depth interviews conducted with over 60,000 Australians each year including over 10,000 owner-occupied mortgage-holders.

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 80 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
60,000	±0.4	±0.4	±0.2	±0.2