

SECTOR IN-DEPTH

18 September 2017

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RMBS - Australia

Mortgage delinquency map: Home loan arrears rise to five-year high

Summary

The proportion of Australian residential mortgages that were more than 30 days in arrears (30+ delinquency rate) increased to 1.62% in May 2017, the highest rate in five years. Higher delinquencies raise the risk of mortgage defaults and are therefore credit negative for Australian residential mortgage-backed securities (RMBS).

Mortgage delinquencies increased to record highs in Western Australia, the Northern Territory and South Australia, and were also up in Queensland and the Australian Capital Territory (ACT) over the year to May 2017. Delinquencies declined in New South Wales (NSW) and Victoria, and fell slightly from record high levels in Tasmania.

We expect mortgage delinquencies to continue to increase through the remainder of 2017. Weaker conditions in states reliant on the mining industry, high underemployment, and less favourable housing market and income dynamics will continue to drive delinquencies higher.

Regions with exposure to the resource and mining sectors dominated the list of areas with the highest delinquencies in May 2017. Eight of the 10 regions with the highest 30+ delinquency rates were in either Western Australia or Queensland, and many of these regions are exposed to employment industries directly or indirectly related to mining and resources.

The ten regions with the lowest mortgage delinquencies in Australia in May 2017 were all in Sydney and Melbourne, where housing market and economic conditions were the most supportive for mortgage borrowers.

Our semi-annual mortgage delinquency map report provides a detailed analysis of the rate of residential mortgage arrears at a national, regional and postcode level in Australia. This report is based on the data contained in our supplementary excel report, titled "[Australian residential mortgage delinquency map – May 2017](#)" published on 18 September 2017.

NATIONAL PERFORMANCE

Delinquencies climb to highest since 2012

The 30+ delinquency rate for Australian residential mortgages increased to 1.62% in May 2017 from 1.50% in May 2016, climbing to the highest level since 2012.¹ Higher delinquencies raise the risk of mortgage defaults and are therefore credit negative for Australian residential mortgage-backed securities.

Mortgage delinquencies increased to record highs in Western Australia, the Northern Territory and South Australia over the year to May 2017, making these the worst performing states or territories in Australia.² Mortgage delinquencies also increased in Queensland and the ACT.

Delinquencies declined in NSW and Victoria, where economic and housing markets conditions were supportive of mortgage performance. In Tasmania, delinquencies edged slightly lower in May 2017 from record high levels reached in May 2016 (Exhibit 1).

Exhibit 1

30-plus delinquency rates for Australian states and territories

State/Territory	2011	2012	2013	May-14	May-15	May-16	May-17	May-17 - May-16 change (% pts)
Western Australia	2.14%	1.82%	1.56%	1.52%	1.64%	2.33%	2.96%	0.63
Northern Territory	0.94%	0.75%	0.78%	0.78%	0.96%	1.52%	2.82%	1.30
South Australia	1.42%	1.58%	1.87%	1.69%	1.85%	1.86%	2.28%	0.42
Queensland	2.17%	1.98%	1.80%	1.52%	1.57%	1.75%	1.99%	0.24
Tasmania	1.60%	1.44%	1.80%	1.70%	1.58%	1.85%	1.84%	-0.01
Victoria	1.43%	1.51%	1.43%	1.30%	1.38%	1.46%	1.39%	-0.07
New South Wales	2.02%	1.99%	1.60%	1.30%	1.01%	1.05%	0.99%	-0.06
Australian Capital Territory	1.00%	0.83%	0.71%	0.74%	0.69%	0.82%	0.90%	0.08
Australia	1.87%	1.81%	1.59%	1.38%	1.34%	1.50%	1.62%	0.12

Source: Moody's Investors Service; periodic investor/servicer reports

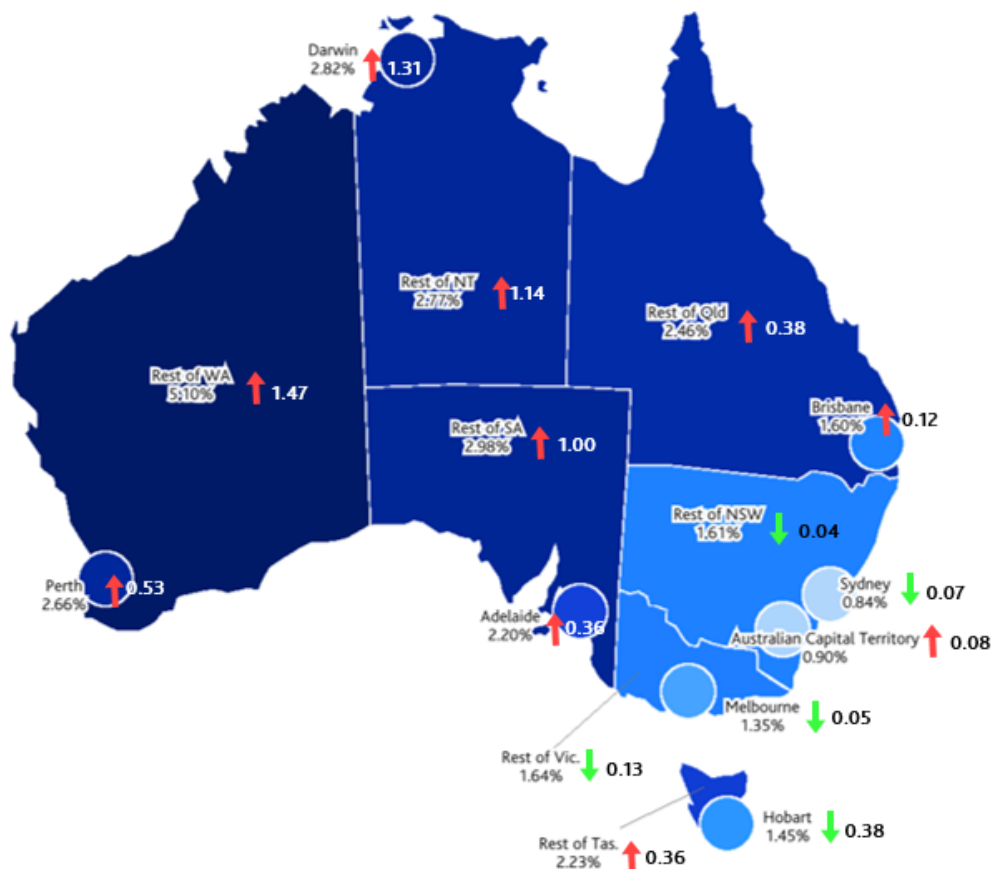
With the exception of the Northern Territory, delinquency rates were lower in capital cities than other regions of each state or territory, reflecting the higher levels of economic diversity and employment stability in city areas (Exhibit 2).

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Exhibit 2

30-plus delinquency rates for capital cities and other parts of each state

↑ Increase from May-16 (% pts.) ↓ Decrease from May-16 (% pts.)



Note: ACT = Australian Capital Territory; NSW = New South Wales; NT = Northern Territory; QLD = Queensland; SA = South Australia; TAS = Tasmania; VIC = Victoria; and WA = Western Australia.

Source: Moody's Investors Service; periodic investor/servicer reports

Delinquencies highest in Western Australia, improving in NSW and Victoria

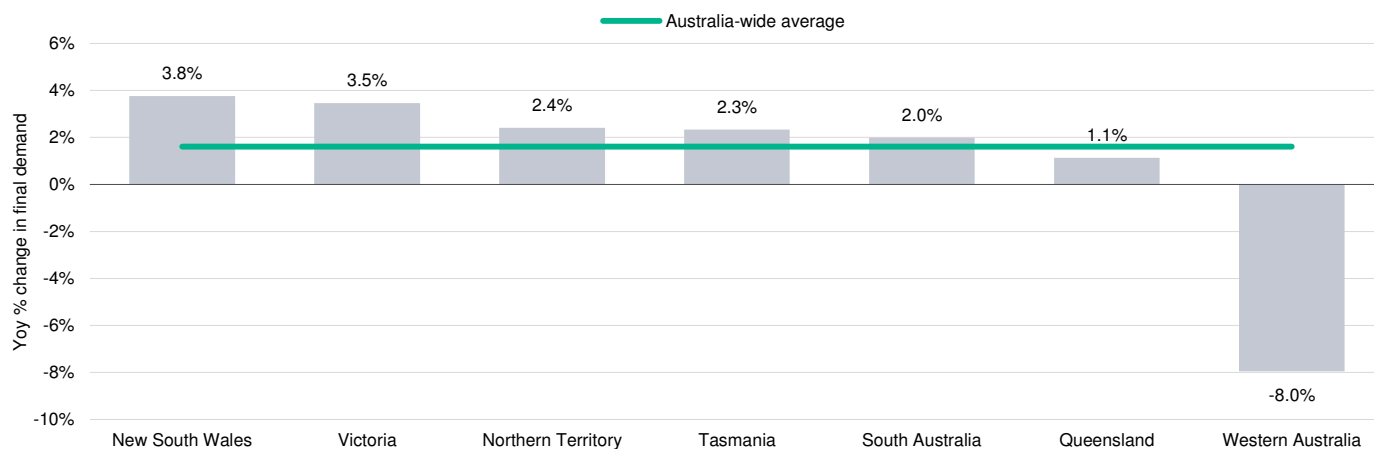
Western Australia was the worst performing state in May 2017 with a 30+ delinquency rate of 2.96%, the highest since our records began in 2005. Relatively poorer economic and housing market conditions in Western Australia contributed to the record high level of mortgage delinquencies.

The underemployment rate (a measure of employed persons who want to work more hours than are available to them) in Western Australia was 10.35% in May 2017, much higher than the national average of 8.76%.³ House prices in Perth fell by 2.12% over the year to July 2017 and have been in decline since June 2015.

The Western Australian economy is heavily reliant on the resources sector and growth has slowed over the past three years, following the end of the mining boom. Western Australia's final demand (a measure of domestic economic growth that excludes exports) fell sharply by 8% over the year to March 2017 owing to significant declines in business investment (Exhibit 3).

Exhibit 3

Change in state final demand (year to March 2017)



Note: State final demand is a subset of Gross State Product (GSP) and includes 1) general government final consumption expenditure, 2) household final consumption expenditure 3) private gross capital formation and 4) public gross capital formation. It differs from GSP in that it excludes exports and imports.

Source: Australian Bureau of Statistics 5206.0 - Australian National Accounts: National Income, Expenditure and Product

The 30+ delinquency rates in the Northern Territory (2.82%) and South Australia (2.28%) also increased to record high levels over the year to May 2017. House prices in Darwin fell 2.09% over the year to July 2017 and 6.43% over the year to May 2017. The unemployment rate in South Australia was 6.83% in May 2017, the highest in the country.

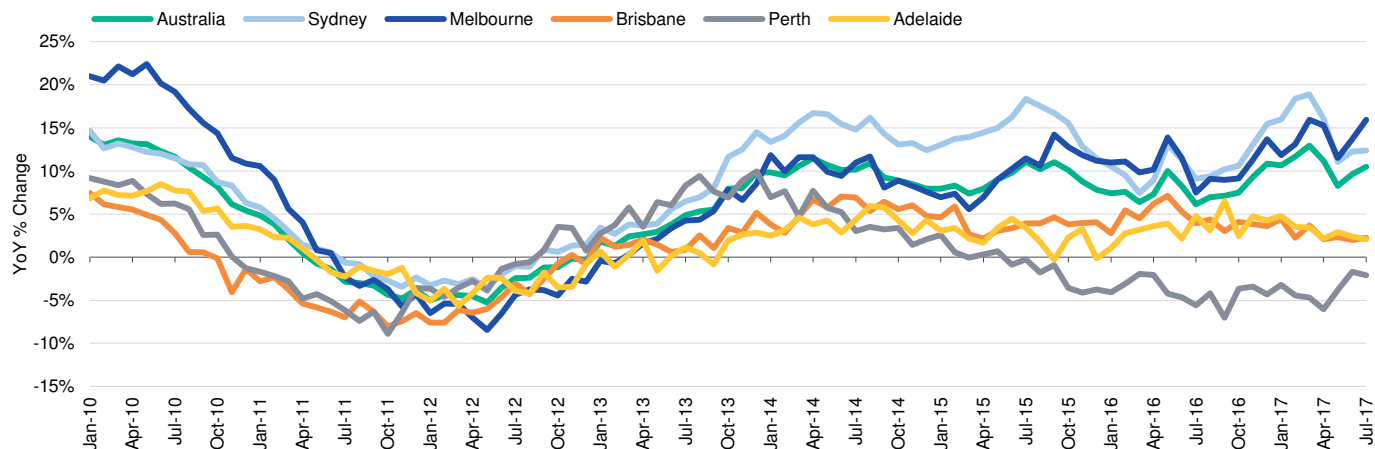
Mortgage delinquencies in Queensland and the ACT also increased. Despite the increase, the ACT had the lowest 30+ delinquency rate (0.9%) of any state or territory in Australia in May 2017. A high proportion of borrowers in the ACT are employed by the government, which offers more secure and stable employment compared with jobs in the private sector.

Delinquencies in NSW and Victoria — the states that account for the largest proportions (32.41% and 25.16% respectively) of mortgage loans in our RMBS portfolio — declined over the year to May 2017.

House prices in Sydney and Melbourne rose 12.37% and 15.93% respectively over the year to July 2017, and 11.08% and 11.52% over the year to May 2017 (Exhibit 4). Rising house prices have supported mortgage performance in these states, giving borrowers at risk of or already in arrears the option to sell their properties quickly for a good price to repay their loans. However, as house prices continue rising without a corresponding increase in incomes to pay for the more expensive houses, housing affordability decreases and the risk of delinquencies and defaults rises.

Exhibit 4

Australian house price growth



Source: CoreLogic

In addition to the supportive housing market, mortgage performance in NSW and Victoria has benefitted from the good economic and labor market conditions in the states. Low interest rates and a weaker Australian dollar have resulted in strong household consumption, private and public investment and a pick-up in the education and tourism sectors. The NSW and Victorian state economies grew 3.8% and 3.5% respectively over the year to March 2017, well above the national average of 1.6%. NSW also has the lowest unemployment rate in the country since June 2015.

The 30+ delinquency rate in Tasmania was 1.84% in May 2017, just 0.01 percentage point lower than the record high for the state in May 2016.⁴

Delinquencies will continue to increase

We expect mortgage delinquencies to continue to increase through the remainder of 2017. Weaker conditions in states reliant on the mining industry, high underemployment, and less favourable housing market and income dynamics will continue to drive delinquencies higher.

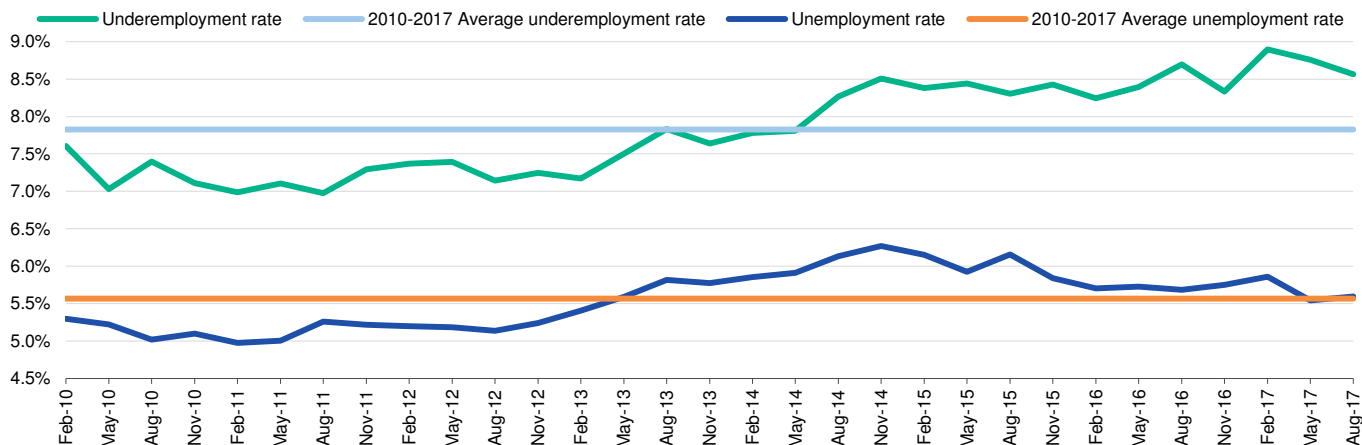
The mining downturn has dampened economic growth in resource-reliant states such as Western Australia, the Northern Territory and Queensland. We expect this will weigh on mortgage performance for some time.

Although NSW and Victoria's large and diverse economies shield them from the slowdown in the mining sector, these states are sensitive to a slowdown in the housing market.⁵ Australia's financial regulators have introduced a range of measures to improve the quality of lending, curtail mortgage risk and reduce overall household debt. So, while aggregate house prices have continued to rise, other metrics like home sales and sales-to-new-listings ratios are softening, signaling a cooling in the housing market.⁶

Persistently high underemployment will also constrain economic performance and wage growth, adversely affecting mortgage performance. Australia's unemployment rate was 5.60% in August 2017 and has remained below 6% since January 2016 (Exhibit 5). However, the underemployment rate is much higher, averaging 8.57% Australia-wide and above 9% in Tasmania, South Australia, and Western Australia in August 2017 (Exhibit 6). Underemployment results in lower income and reduced capacity to make mortgage repayments, increasing the risk of delinquencies and defaults.

Exhibit 5

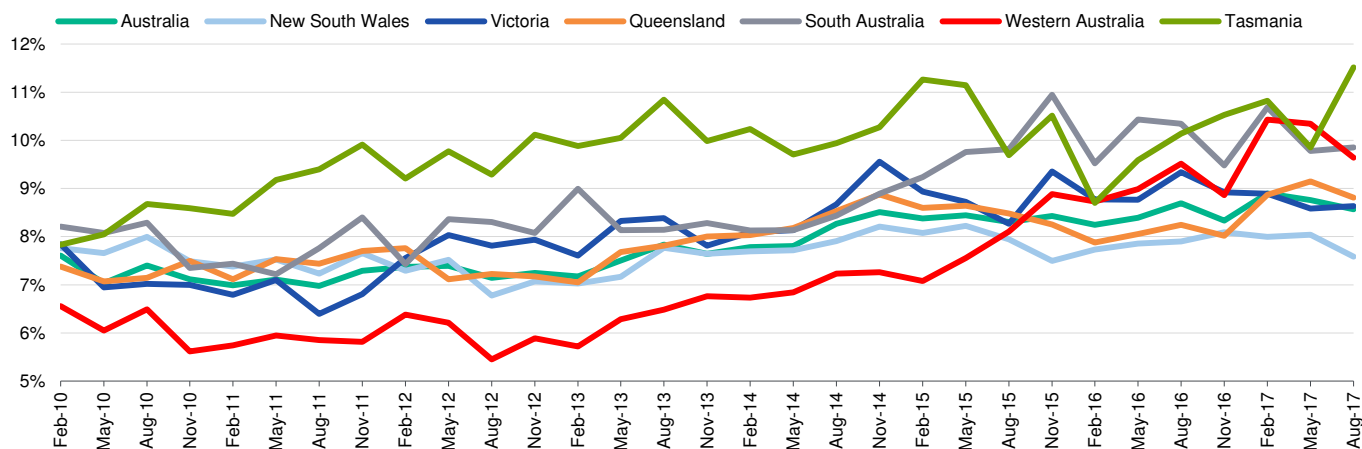
Australian unemployment and underemployment rates



Source: Australian Bureau of Statistics, cat. no. 6202.0, cat. no. 6202023

Exhibit 6

Australian underemployment rate by state



Source: Australian Bureau of Statistics, cat. no. 6202023

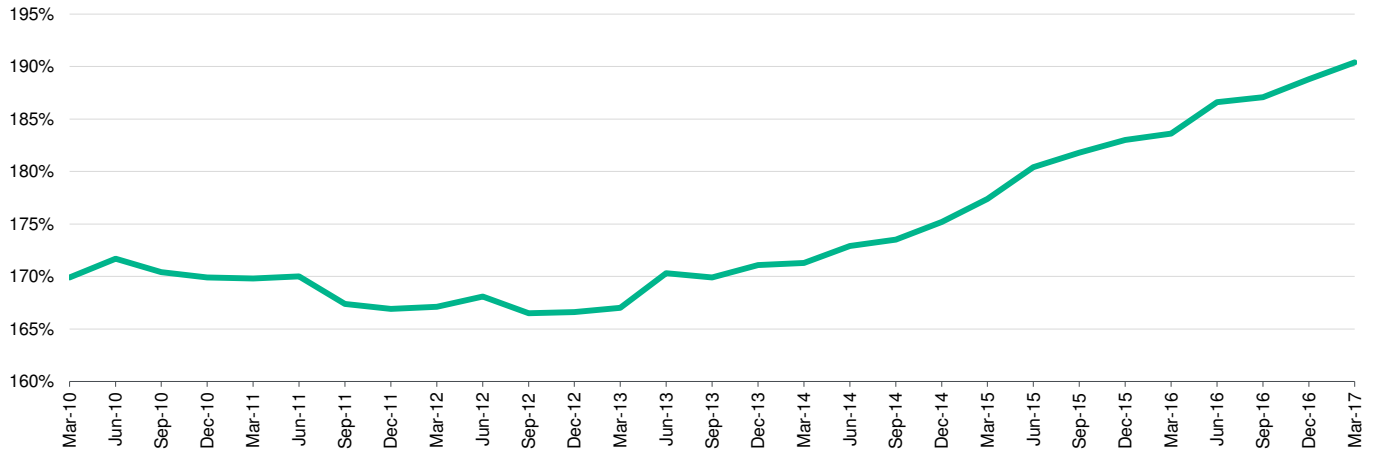
High household leverage also poses a downside risk for mortgages performance in Australia. While house prices in Australia have increased by an average of 30.21% over the three years to July 2017, average weekly earnings have increased just 4.99%. The large differential between house price and wage growth — particularly in Sydney and Melbourne where house prices have increased the most — means that households have had to take on more debt to fund home purchases.

Higher debt levels make households more vulnerable to economic or housing market shocks, and make meeting mortgage repayments more difficult, increasing the risk of delinquencies and defaults.

Households have accumulated record levels of mortgage-related debt in the past few years. Household debt as a proportion of disposable income was 190% in March 2017 compared with 171% in March 2014 (Exhibit 7).⁷

Exhibit 7

Australian household debt as a % of household disposable income



Source: Reserve Bank of Australia

PERFORMANCE BY REGION

Mortgage performance varied significantly between different regions in Australia over the year to May 2017. The 30+ delinquency rate increased in 55 regions and fell in 32 regions over the year.

Worst regions: Mining-related areas underperform

Regions with exposure to the resource and mining sectors dominated the list of areas with the highest delinquencies in May 2017. Eight of the 10 regions with the highest 30+ delinquency rates were in either Western Australia or Queensland, and many of these regions are exposed to employment industries directly or indirectly related to mining and resources.

Six of the 10 worst regions — Western Australia Outback, Queensland Outback, Mackay, Western Australia Wheat Belt, Mandurah and Fitzroy — have consistently been among the worst performing regions in the country over the last three to four years (Exhibit 8). Western Australia Outback and South Australia Outback recorded the biggest increases in delinquencies over the year to May 2017.

The weighted average current loan to value ratios for the worst performing regions were typically higher than the national average of 62.4%.

Exhibit 8

Australia's 10 worst performing regions

Region	State/Territory	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
Western Australia - Outback	Western Australia	64.4%	4.72%	7.63%	2.91
Queensland - Outback	Queensland	67.1%	4.68%	5.26%	0.58
South Australia - Outback	South Australia	66.9%	2.48%	4.89%	2.41
Mackay	Queensland	65.9%	3.41%	4.57%	1.16
Western Australia - Wheat Belt	Western Australia	60.4%	3.01%	3.87%	0.86
Mandurah	Western Australia	65.1%	3.05%	3.82%	0.77
Fitzroy	Queensland	65.8%	2.72%	3.74%	1.02
Perth - North East	Western Australia	63.6%	2.60%	3.40%	0.80
West and North West	Tasmania	64.5%	1.95%	3.25%	1.30
Townsville	Queensland	65.8%	2.77%	3.25%	0.48

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

Best regions: Sydney and Melbourne areas perform strongly

The ten regions with the lowest mortgage delinquencies in Australia in May 2017 were all in Sydney and Melbourne, where housing market and economic conditions were the most supportive for mortgage borrowers.

House prices in Sydney and Melbourne have increased strongly. In addition, mortgage borrowers in these best-performing regions are most likely to be employed in professional services industries. These occupations tend to pay higher wages and are more stable than mining and construction-related employment.

Eight of the 10 best performing regions were in Sydney, while two were in Melbourne (Exhibit 9).

The weighted average current loan to value ratios for the best-performing regions were typically lower than the national average of 62.4%.

Exhibit 9

Australia's 10 best performing regions

Region	State/Territory	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
Sydney - Eastern Suburbs	New South Wales	55.3%	0.72%	0.48%	-0.24
Sydney - North Sydney and Hornsby	New South Wales	56.4%	0.48%	0.50%	0.02
Sydney - City and Inner South	New South Wales	62.0%	0.48%	0.51%	0.03
Sydney - Ryde	New South Wales	58.8%	0.51%	0.51%	0.00
Sydney - Northern Beaches	New South Wales	55.1%	0.34%	0.58%	0.24
Sydney - Baulkham Hills and Hawkesbury	New South Wales	58.1%	0.96%	0.60%	-0.36
Melbourne - Inner East	Victoria	59.9%	0.97%	0.66%	-0.31
Sydney - Inner West	New South Wales	58.3%	0.74%	0.71%	-0.03
Sydney - Inner South West	New South Wales	60.0%	0.92%	0.71%	-0.21
Melbourne - Inner	Victoria	63.1%	0.94%	0.86%	-0.08

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

PERFORMANCE BY POSTCODE⁸

Worst Postcodes: Queensland and Western Australian suburbs have highest delinquencies

Postcode 6066 (Ballajura) in Western Australia had the highest 30+ delinquency rate (5.67%) in Australia in May 2017, followed by postcodes 4825 (Alpurrurulam) and 4680 (Barney Point) in Queensland. Seven of the 20 worst-performing postcodes were in Queensland and 10 were in Western Australia (Exhibit 10).

The 30+ delinquency rate in each of the 20 worst-performing postcodes exceeded 3.6%, compared with the national average of 1.62%. Delinquency rates in nine of the 20 worst-performing postcodes deteriorated by more than 1 percentage point over the year to May 2017.

The weighted average current loan to value ratios for the worst performing postcodes were typically higher than the national average of 62.4%.

Exhibit 10

Australia's 20 worst performing postcodes

Postcode	Locality	Region	State/Territory	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
6066	Ballajura	Perth - North East	Western Australia	64.0%	1.86%	5.67%	3.81
4825	Alpurrurulam	Queensland - Outback	Queensland	71.1%	6.22%	5.34%	-0.88
4680	Barney Point	Fitzroy	Queensland	67.0%	2.82%	4.83%	2.01
3976	Hampton Park	Melbourne - South East	Victoria	66.0%	3.45%	4.64%	1.19
6530	Beachlands	Western Australia - Outback	Western Australia	65.4%	3.82%	4.20%	0.38
6056	Baskerville	Perth - North East	Western Australia	63.4%	3.25%	4.17%	0.92
6169	Safety Bay	Perth - South West	Western Australia	64.8%	3.13%	4.07%	0.94
4506	Moorina	Moreton Bay - North	Queensland	70.2%	4.00%	4.07%	0.07
5108	Paralowie	Adelaide - North	South Australia	68.3%	3.94%	4.03%	0.09
6110	Gosnells	Perth - South East	Western Australia	67.9%	2.89%	3.93%	1.04
4114	Kingston	Logan - Beaudesert	Queensland	71.1%	4.90%	3.88%	-1.02
6064	Alexander Heights	Perth - North West	Western Australia	65.3%	2.93%	3.88%	0.95
4128	Shailer Park	Logan - Beaudesert	Queensland	62.0%	1.92%	3.84%	1.92
4280	Jimboomba	Logan - Beaudesert	Queensland	63.6%	3.46%	3.79%	0.33
6167	Anketell	Perth - South West	Western Australia	69.5%	3.07%	3.76%	0.69
6027	Beldon	Perth - North West	Western Australia	62.2%	1.96%	3.76%	1.80
4817	Alice River	Townsville	Queensland	64.8%	2.52%	3.72%	1.20
2168	Ashcroft	Sydney - South West	New South Wales	61.3%	2.15%	3.69%	1.54
6030	Clarkson	Perth - North West	Western Australia	67.5%	2.38%	3.69%	1.31
6210	Coodanup	Mandurah	Western Australia	65.0%	3.04%	3.62%	0.58

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

Best postcodes: Sydney suburbs strong

Seven postcodes had zero mortgage delinquencies in May 2017, making them the best performing in the country. Eleven of the 20 best-performing postcodes in Australia were in Sydney.

All 20 of the best-performing postcodes were located in capital city regions, where employment is concentrated in professional services (Exhibit 11).

The weighted average current loan to value ratios for the best-performing postcodes were typically lower than the national average of 62.4%.

Exhibit 11

Australia's 20 best performing postcodes

Postcode	Locality	Region	State/Territory	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
2036	Chifley	Sydney - Eastern Suburbs	New South Wales	59.1%	0.13%	0.00%	-0.13
2118	Carlingford	Sydney - Parramatta	New South Wales	61.0%	0.62%	0.00%	-0.62
3006	South Wharf	Melbourne - Inner	Victoria	69.5%	1.08%	0.00%	-1.08
3031	Flemington	Melbourne - Inner	Victoria	60.1%	0.41%	0.00%	-0.41
3133	Vermont	Melbourne - Outer East	Victoria	59.9%	1.47%	0.00%	-1.47
3196	Bonbeach	Melbourne - Inner South	Victoria	61.2%	0.38%	0.00%	-0.38
3204	Bentleigh	Melbourne - Inner South	Victoria	58.8%	0.04%	0.00%	-0.04
2113	Blenheim Road	Sydney - Ryde	New South Wales	58.0%	0.50%	0.08%	-0.42
2220	Hurstville	Sydney - Inner South West	New South Wales	63.2%	0.00%	0.09%	0.09
4101	Highgate Hill	Brisbane Inner City	Queensland	64.6%	0.61%	0.12%	-0.49
2194	Campsie	Sydney - Inner South West	New South Wales	64.2%	1.22%	0.14%	-1.08
2122	Eastwood	Sydney - Ryde	New South Wales	60.9%	1.00%	0.20%	-0.80
3056	Brunswick	Melbourne - Inner	Victoria	62.7%	0.20%	0.20%	0.00
2074	North Turrumurra	Sydney - North Sydney and Hornsby	New South Wales	54.6%	0.52%	0.21%	-0.31
2088	Mosman	Sydney - North Sydney and Hornsby	New South Wales	49.7%	0.25%	0.23%	-0.02
2210	Lugarno	Sydney - Inner South West	New South Wales	58.8%	0.98%	0.23%	-0.75
2099	Cromer	Sydney - Northern Beaches	New South Wales	59.6%	0.16%	0.24%	0.08
3122	Auburn South	Melbourne - Inner East	Victoria	58.5%	0.84%	0.25%	-0.59
4011	Clayfield	Brisbane Inner City	Queensland	62.1%	1.20%	0.26%	-0.94
2131	Ashfield	Sydney - Inner West	New South Wales	61.6%	0.23%	0.27%	0.04

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

STATES IN FOCUS

New South Wales

Exhibit 12

30-plus delinquency rates for NSW regions

Region	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
Far West and Orana	66.3%	3.80%	3.09%	-0.71
New England and North West	63.8%	1.88%	2.35%	0.47
Central West	65.7%	2.22%	2.21%	-0.01
Mid North Coast	63.0%	1.87%	1.99%	0.12
Capital Region	61.8%	1.67%	1.84%	0.17
Southern Highlands and Shoalhaven	60.1%	1.44%	1.81%	0.37
Murray	64.7%	1.77%	1.81%	0.04
Hunter Valley exc Newcastle	67.4%	1.88%	1.63%	-0.25
Sydney - South West	60.6%	1.39%	1.49%	0.10
Richmond - Tweed	60.4%	1.63%	1.48%	-0.15
Central Coast	63.3%	1.92%	1.47%	-0.45
Illawarra	60.6%	1.09%	1.45%	0.36
Sydney - Blacktown	63.2%	1.55%	1.32%	-0.23
Riverina	63.7%	1.57%	1.24%	-0.33
Sydney - Outer West and Blue Mountains	63.1%	1.51%	1.24%	-0.27
Sydney - Outer South West	63.7%	1.65%	1.20%	-0.45
Newcastle and Lake Macquarie	64.2%	1.34%	1.12%	-0.22
Sydney - Parramatta	63.1%	0.93%	1.11%	0.18
Sydney - Sutherland	56.2%	0.90%	1.09%	0.19
Coffs Harbour - Grafton	62.2%	1.90%	1.07%	-0.83
Sydney - Inner South West	60.0%	0.92%	0.71%	-0.21
Sydney - Inner West	58.3%	0.74%	0.71%	-0.03
Sydney - Baulkham Hills and Hawkesbury	58.1%	0.96%	0.60%	-0.36
Sydney - Northern Beaches	55.1%	0.34%	0.58%	0.24
Sydney - Ryde	58.8%	0.51%	0.51%	0.00
Sydney - City and Inner South	62.0%	0.48%	0.51%	0.03
Sydney - North Sydney and Hornsby	56.4%	0.48%	0.50%	0.02
Sydney - Eastern Suburbs	55.3%	0.72%	0.48%	-0.24

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

Exhibit 13

NSW's 10 worst performing postcodes

Postcode	Locality	Region	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
2168	Ashcroft	Sydney - South West	61.3%	2.15%	3.69%	1.54
2800	Belgravia	Central West	68.4%	2.56%	3.24%	0.68
2171	Carnes Hill	Sydney - South West	60.7%	1.77%	2.37%	0.60
2480	Bentley	Richmond - Tweed	62.5%	2.71%	2.24%	-0.47
2340	Appleby	New England and North West	65.4%	2.71%	2.21%	-0.50
2795	Abercrombie	Central West	64.1%	2.65%	2.12%	-0.53
2040	Leichhardt	Sydney - Inner West	58.9%	1.03%	2.12%	1.09
2165	Fairfield	Sydney - South West	61.4%	1.06%	2.05%	0.99
2770	Bidwill	Sydney - Blacktown	66.5%	2.88%	2.04%	-0.84
2640	Albury	Murray	63.9%	1.25%	1.96%	0.71

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

Exhibit 14

NSW's 10 best performing postcodes

Postcode	Locality	Region	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
2036	Chifley	Sydney - Eastern Suburbs	59.1%	0.13%	0.00%	-0.13
2118	Carlingford	Sydney - Parramatta	61.0%	0.62%	0.00%	-0.62
2113	Blenheim Road	Sydney - Ryde	58.0%	0.50%	0.08%	-0.42
2220	Hurstville	Sydney - Inner South West	63.2%	0.00%	0.09%	0.09
2194	Campsie	Sydney - Inner South West	64.2%	1.22%	0.14%	-1.08
2122	Eastwood	Sydney - Ryde	60.9%	1.00%	0.20%	-0.80
2074	North Turramurra	Sydney - North Sydney and	54.6%	0.52%	0.21%	-0.31
2088	Mosman	Sydney - North Sydney and	49.7%	0.25%	0.23%	-0.02
2210	Lugarno	Sydney - Inner South West	58.8%	0.98%	0.23%	-0.75
2099	Cromer	Sydney - Northern Beaches	59.6%	0.16%	0.24%	0.08

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

Victoria

Exhibit 15

30-plus delinquency rates for Victorian regions

Region	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
Shepparton	63.4%	2.47%	2.33%	-0.14
Melbourne - North West	64.0%	2.09%	2.10%	0.01
Warrnambool and South West	61.9%	1.62%	2.08%	0.46
Melbourne - West	65.5%	2.14%	1.96%	-0.18
Latrobe - Gippsland	62.8%	2.13%	1.77%	-0.36
Bendigo	61.7%	1.50%	1.76%	0.26
Hume	64.2%	2.05%	1.74%	-0.31
Melbourne - South East	63.9%	1.46%	1.65%	0.19
Melbourne - North East	62.7%	1.65%	1.58%	-0.07
Mornington Peninsula	62.1%	2.00%	1.54%	-0.46
North West	64.7%	2.04%	1.52%	-0.52
Ballarat	65.1%	1.92%	1.41%	-0.51
Geelong	62.3%	1.34%	1.33%	-0.01
Melbourne - Outer East	60.6%	1.16%	1.31%	0.15
Melbourne - Inner South	57.8%	0.81%	0.90%	0.09
Melbourne - Inner	63.1%	0.94%	0.86%	-0.08
Melbourne - Inner East	59.9%	0.97%	0.66%	-0.31

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

Exhibit 16

Victoria's 10 worst performing postcodes

Postcode	Locality	Region	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
3976	Hampton Park	Melbourne - South East	66.0%	3.45%	4.64%	1.19
3023	Burnside	Melbourne - West	65.5%	3.52%	3.26%	-0.26
3021	Albanvale	Melbourne - West	63.7%	3.01%	3.17%	0.16
3064	Craigieburn	Melbourne - North West	68.6%	3.30%	3.04%	-0.26
3095	Eltham	Melbourne - North East	55.8%	0.99%	3.03%	2.04
3020	Albion	Melbourne - West	64.8%	2.07%	2.95%	0.88
3037	Calder Park	Melbourne - West	62.6%	2.74%	2.91%	0.17
3337	Kurunjang	Melbourne - West	68.2%	2.62%	2.87%	0.25
3630	Branditt	Shepparton	64.4%	2.88%	2.67%	-0.21
3024	Mambourin	Melbourne - West	70.0%	2.28%	2.64%	0.36

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

Exhibit 17

Victoria's 10 best performing postcodes

Postcode	Locality	Region	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
3006	South Wharf	Melbourne - Inner	69.5%	1.08%	0.00%	-1.08
3031	Flemington	Melbourne - Inner	60.1%	0.41%	0.00%	-0.41
3133	Vermont	Melbourne - Outer East	59.9%	1.47%	0.00%	-1.47
3196	Bonbeach	Melbourne - Inner South	61.2%	0.38%	0.00%	-0.38
3204	Bentleigh	Melbourne - Inner South	58.8%	0.04%	0.00%	-0.04
3056	Brunswick	Melbourne - Inner	62.7%	0.20%	0.20%	0.00
3122	Auburn South	Melbourne - Inner East	58.5%	0.84%	0.25%	-0.59
3070	Northcote	Melbourne - Inner	56.6%	0.30%	0.28%	-0.02
3084	Banyule	Melbourne - North East	55.9%	0.57%	0.28%	-0.29
3149	Mount Waverley	Melbourne - South East	62.4%	0.19%	0.28%	0.09

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

Queensland

Exhibit 18

30-plus delinquency rates for Queensland regions

Region	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
Queensland - Outback	67.1%	4.68%	5.26%	0.58
Mackay	65.9%	3.41%	4.57%	1.16
Fitzroy	65.8%	2.72%	3.74%	1.02
Townsville	65.8%	2.77%	3.25%	0.48
Logan - Beaudesert	66.7%	2.33%	2.64%	0.31
Darling Downs - Maranoa	64.1%	2.09%	2.45%	0.36
Ipswich	67.9%	2.17%	2.31%	0.14
Wide Bay	64.2%	2.42%	2.25%	-0.17
Cairns	63.3%	1.82%	2.20%	0.38
Moreton Bay - North	66.5%	2.24%	2.14%	-0.10
Toowoomba	66.0%	1.57%	1.98%	0.41
Gold Coast	65.9%	1.75%	1.93%	0.18
Sunshine Coast	62.6%	1.47%	1.79%	0.32
Moreton Bay - South	65.3%	1.58%	1.79%	0.21
Brisbane - East	62.5%	1.60%	1.30%	-0.30
Brisbane - West	60.0%	1.04%	1.17%	0.13
Brisbane - South	63.1%	1.02%	1.15%	0.13
Brisbane - North	65.1%	0.94%	1.08%	0.14
Brisbane Inner City	63.5%	0.77%	1.05%	0.28

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

Exhibit 19

Queensland's 10 worst performing postcodes

Postcode	Locality	Region	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
4825	Alpurrurulam	Queensland - Outback	71.1%	6.22%	5.34%	-0.88
4680	Barney Point	Fitzroy	67.0%	2.82%	4.83%	2.01
4506	Moorina	Moreton Bay - North	70.2%	4.00%	4.07%	0.07
4114	Kingston	Logan - Beaudesert	71.1%	4.90%	3.88%	-1.02
4128	Shailer Park	Logan - Beaudesert	62.0%	1.92%	3.84%	1.92
4280	Jimboomba	Logan - Beaudesert	63.6%	3.46%	3.79%	0.33
4817	Alice River	Townsville	64.8%	2.52%	3.72%	1.20
4701	Berserker	Fitzroy	66.0%	1.99%	3.59%	1.60
4869	Bentley Park	Cairns	67.2%	2.53%	3.57%	1.04
4815	Condon	Townsville	69.5%	3.28%	3.55%	0.27

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

Exhibit 20

Queensland's 10 best performing postcodes

Postcode	Locality	Region	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
4101	Highgate Hill	Brisbane Inner City	64.6%	0.61%	0.12%	-0.49
4011	Clayfield	Brisbane Inner City	62.1%	1.20%	0.26%	-0.94
4068	Chelmer	Brisbane - West	60.3%	0.63%	0.38%	-0.25
4113	Eight Mile Plains	Brisbane - South	64.5%	0.71%	0.40%	-0.31
4032	Chermside	Brisbane - North	66.9%	0.39%	0.41%	0.02
4066	Auchenflower	Brisbane Inner City	60.8%	1.04%	0.49%	-0.55
4005	New Farm	Brisbane Inner City	62.8%	1.02%	0.53%	-0.49
4000	Brisbane Adelaide	Brisbane Inner City	64.9%	0.00%	0.57%	0.57
4171	Balmoral	Brisbane Inner City	62.5%	0.97%	0.66%	-0.31
4034	Aspley	Brisbane - North	65.8%	0.73%	0.70%	-0.03

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

Western Australia

Exhibit 21

30-plus delinquency rates for Western Australian regions

Region	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
Western Australia - Outback	64.4%	4.72%	7.63%	2.91
Western Australia - Wheat Belt	60.4%	3.01%	3.87%	0.86
Mandurah	65.1%	3.05%	3.82%	0.77
Perth - North East	63.6%	2.60%	3.40%	0.80
Bunbury	62.0%	2.72%	2.82%	0.10
Perth - South West	63.3%	1.92%	2.73%	0.81
Perth - North West	63.2%	2.13%	2.73%	0.60
Perth - South East	63.9%	2.15%	2.67%	0.52
Perth - Inner	56.6%	1.65%	1.10%	-0.55

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

Exhibit 22

Western Australia's 10 worst performing postcodes

Postcode	Locality	Region	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
6066	Ballajura	Perth - North East	64.0%	1.86%	5.67%	3.81
6530	Beachlands	Western Australia - Outback	65.4%	3.82%	4.20%	0.38
6056	Baskerville	Perth - North East	63.4%	3.25%	4.17%	0.92
6169	Safety Bay	Perth - South West	64.8%	3.13%	4.07%	0.94
6110	Gosnells	Perth - South East	67.9%	2.89%	3.93%	1.04
6064	Alexander Heights	Perth - North West	65.3%	2.93%	3.88%	0.95
6167	Anketell	Perth - South West	69.5%	3.07%	3.76%	0.69
6027	Beldon	Perth - North West	62.2%	1.96%	3.76%	1.80
6030	Clarkson	Perth - North West	67.5%	2.38%	3.69%	1.31
6210	Coodanup	Mandurah	65.0%	3.04%	3.62%	0.58

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

Exhibit 23

Western Australia's 10 best performing postcodes

Postcode	Locality	Region	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
6028	Burns Beach	Perth - North West	60.2%	1.19%	0.54%	-0.65
6019	Scarborough	Perth - North West	61.7%	1.43%	0.93%	-0.50
6060	Joondanna	Perth - North West	64.2%	0.57%	1.35%	0.78
6152	Como	Perth - South East	59.3%	2.26%	1.46%	-0.80
6171	Baldivis	Perth - South West	71.6%	2.24%	1.96%	-0.28
6330	Albany	Western Australia - Wheat Belt	58.9%	1.00%	1.98%	0.98
6018	Churchlands	Perth - North West	59.9%	1.18%	1.98%	0.80
6155	Canning Vale	Perth - South East	60.0%	0.83%	1.99%	1.16
6062	Embleton	Perth - North East	60.4%	2.16%	2.08%	-0.08
6111	Ashendon	Perth - South East	63.0%	3.26%	2.18%	-1.08

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

South Australia

Exhibit 24

30-plus delinquency rates for South Australian regions

Region	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
South Australia - Outback	66.9%	2.48%	4.89%	2.41
Adelaide - North	66.2%	2.52%	2.85%	0.33
Barossa - Yorke - Mid North	63.6%	2.02%	2.52%	0.50
South Australia - South East	64.6%	1.75%	2.44%	0.69
Adelaide - Central and Hills	60.9%	1.64%	2.10%	0.46
Adelaide - South	62.8%	1.52%	1.85%	0.33
Adelaide - West	61.8%	1.54%	1.81%	0.27

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

Exhibit 25

30-plus delinquency rates for South Australian postcodes

Postcode	Locality	Region	WACLTV	May-16 30-plus delinquency	May-17 30-plus delinquency	May-17 - May-16 change (% pts)
5108	Paralowie	Adelaide - North	68.3%	3.94%	4.03%	0.09
5114	Andrews Farm	Adelaide - North	69.9%	1.86%	2.68%	0.82
5159	Aberfoyle Park	Adelaide - South	62.1%	2.05%	2.53%	0.48
5162	Morphett Vale	Adelaide - South	65.8%	1.84%	2.17%	0.33
5109	Brahma Lodge	Adelaide - North	64.4%	2.91%	1.88%	-1.03
5158	Hallett Cove	Adelaide - South	62.4%	1.39%	1.75%	0.36
5095	Mawson Lakes	Adelaide - North	67.8%	2.85%	1.63%	-1.22
5125	Golden Grove	Adelaide - North	61.4%	0.83%	1.47%	0.64

Note: WACLTV - Weighted average current loan to value ratio, weighted by current balance

Source: Moody's Investors Service; periodic investor/servicer reports

Moody's related research

Sector comments:

- » [Rising defaults in Western Australia underscore housing investment loan risks](#), August 2017
- » [Structured finance - Australia: Bank downgrades have limited impact on structured finance](#), June 2017
- » [Australia's RMBS Will Benefit from Proposal to Expand Regulator's Powers over Mortgage Lending](#), May 2017
- » [Housing Affordability Worsening Amid Rising Property Prices](#), April 2017
- » [Mortgage Delinquency Map: Home Loan Arrears Rising in All Australian States](#), April 2017
- » [New Limits on Interest-Only Mortgages Will Curb Riskier Lending](#), April 2017
- » [Alt-Doc Mortgages Subject to Stricter Underwriting than Pre-2008 Low-Doc Mortgages](#), March 2017
- » [Housing Market Imbalances Growing in Some States](#), March 2017
- » [Heard from the Market: Global Structured Finance Conference 2017](#), March 2017
- » [Rising Housing Prices Provide Equity Cushion to Absorb Losses](#), January 2017
- » [Buy-to-Let RMBS - Global: Regulations Easing Risks in Mature Markets; Developing Markets Gain Traction](#), December 2016
- » [Apartment Construction Boom Poses Moderate Risk to Australian RMBS](#), September 2016
- » [Record Low Rental Yields Increase Risks for Residential Property Investors](#), April 2016
- » [Negative Euribor Rates Pose Risks to Some Australian RMBS and ABS](#), February 2016

Outlook:

- » [Structured Finance - Global: Outlook 2017 - Tepid Growth Props Up Asset Quality](#), December 2016
- » [Australia 2017 Outlook - Delinquencies Will Increase Moderately](#), November 2016

Index:

- » [Global Structured Finance Collateral Performance Review Australian RMBS Indices – Q2 2017 - Excel Data](#), August 2017

Rating Methodology:

- » [Moody's Approach to Rating RMBS Using the MILAN Framework](#)
- » [RMBS Rating Methodology Supplement - Australia](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Endnotes

- 1 This report compares delinquencies between May 2017 and May 2016 rather than November 2016 (the period for our previous mortgage delinquency map report) to avoid differences caused by seasonal fluctuations.
- 2 Our records began in 2005. See [Australian Residential Mortgage Delinquency Map - May 2017](#) for all historical 30+ delinquency rates.
- 3 Source: Australian Bureau of Statistics.
- 4 The populations in the Northern Territory, South Australia, Tasmania and the ACT are all relatively small. Mortgages from these states and territories account for just 0.73% (the Northern Territory), 4.69% (South Australia), 0.96% (Tasmania) and 2.17% (ACT) of the loans in our RMBS portfolio. See [Australian Residential Mortgage Delinquency Map - May 2017](#), Appendix 1.
- 5 See [Extent of fiscal resolve to balance budgets will drive variations in credit quality](#).
- 6 See [Above-potential growth in advanced economies propels economic expansion](#).
- 7 The 190% household debt level is based on gross household debt and does not consider deposits in mortgage offset accounts.
- 8 Postcode analysis has several well-known deficiencies, including the fact that it is difficult to apply meaningful analytical judgment at such a granular level. To ensure that results are meaningful, we have excluded postcodes with less than 400 loans.

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