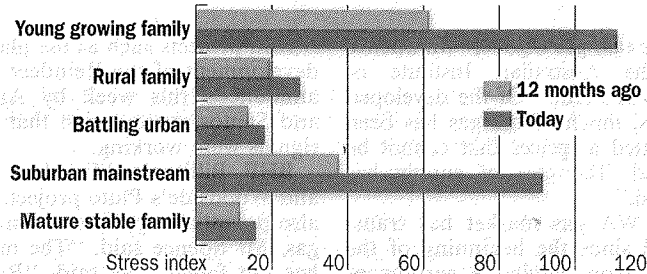


## MORTGAGE CREEP

### Suburbs suffering mortgage stress

<b>NT</b>	<b>ACT</b>
0886 Jabiru NT	2914 Amaroo
	2900 Greenway
<b>NSW</b>	2602 O'Connor
2173 Wattle Grove	<b>SA</b>
2167 Glenfield	5725 Roxby Downs
2565 Ingleburn	5731 Leigh Creek
2203 Dulwich Hill	5068 Kensington Park
2204 Marrickville	5082 Prospect
<b>Victoria</b>	5360 Greenock
3037 Sydenham	<b>WA</b>
3159 Selby	6432 Boulder
3071 Thornbury	6122 Byford
3228 Torquay	6003 Highgate
3216 Belmont	6052 Inglewood
<b>Queensland</b>	6021 Balcatta
4825 Mount Isa	<b>Tasmania</b>
4078 Forest Lake	7470 Rosebery
4102 Woolloongabba	7021 Lauderdale
4059 Red Hill	
4270 Tamborine	

### Stress by family type



Source: Fujitsu Consulting

# Mortgage pain spreads

**Tina Perinotto**

Another interest rate rise could drive the number of households suffering mortgage stress to 120,000, an analyst has warned.

More than 70,000 households are already having trouble meeting their mortgage payments, and another 25 basis point rise in rates would significantly lift that number.

The warning came as real estate agents said the residential property market had started to slow following last week's rate rise.

"We've looked at where defaults have gone up, and it's not in the typical battler suburbs but spreading to middle Australia," Fujitsu Consulting managing director Martin North said.

Mr North said a survey of 26,000 people found another rate rise would spread mortgage stress from low-income fringe suburbs to middle-income districts in the metropolitan areas such as Sydney's inner western suburbs.

Stress had grown in the categories of young families, as well as in "middle suburbia", he said.

"It's logical that in those suburbs where we have stress we will see more stress and more properties come onto the market ... and we will see prices slipping

back, especially where prices are higher in Sydney."

Where people have borrowed 80 or 90 or 105 per cent of the value of their houses, "there is acute sensitivity to house price depression, and unfortunately that starts to feed on itself".

Mr North said the ability of the major banks to lift their rates above the agreed mortgage level would be limited.

What was more likely, he said, was banks would trim the margin

**Nationals member De-Anne Kelly's suggestion of a commonwealth land fund might increase supply, but should the commonwealth really be involved in providing housing?**

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of discount they offered customers — generally up to 75 basis points below the standard variable rate.

As for the impact on the property market, the deputy chairman of the Ray White Group, Sam White, said "foot traffic" at property inspections last weekend after the rate rise had slowed slightly, and

demand in already struggling areas would be hit the hardest.

But at the top and middle end of the market, Mr White said the effect of any rate rise would not be as significant as the drop in confidence caused by the current stockmarket volatility.

"My suspicion is that it's just more sensitive to a correction on the stockmarket, and this will have more effect on uncertainty."

BIS Shrapnel economist Rob Mellor said the impact of higher rates would slow the market.

"It pushes out a few people who wanted to get into the market such as first home buyers, and also upgraders who wanted to stretch themselves further but can't.

"The consequences will be felt more in the higher priced markets of Sydney, and potentially Perth, which are facing the risk of a further downward correction — particularly in the lower end markets."

Stronger markets such as Melbourne and Brisbane will not be as affected.

Mr Mellor warned that rate rises could go higher still — especially in three to four years when construction finally embarked on its catch up phase and put pressure on construction capacity.

"They will be up to 9 to 9.5 per cent by 2011," Mr Mellor said.