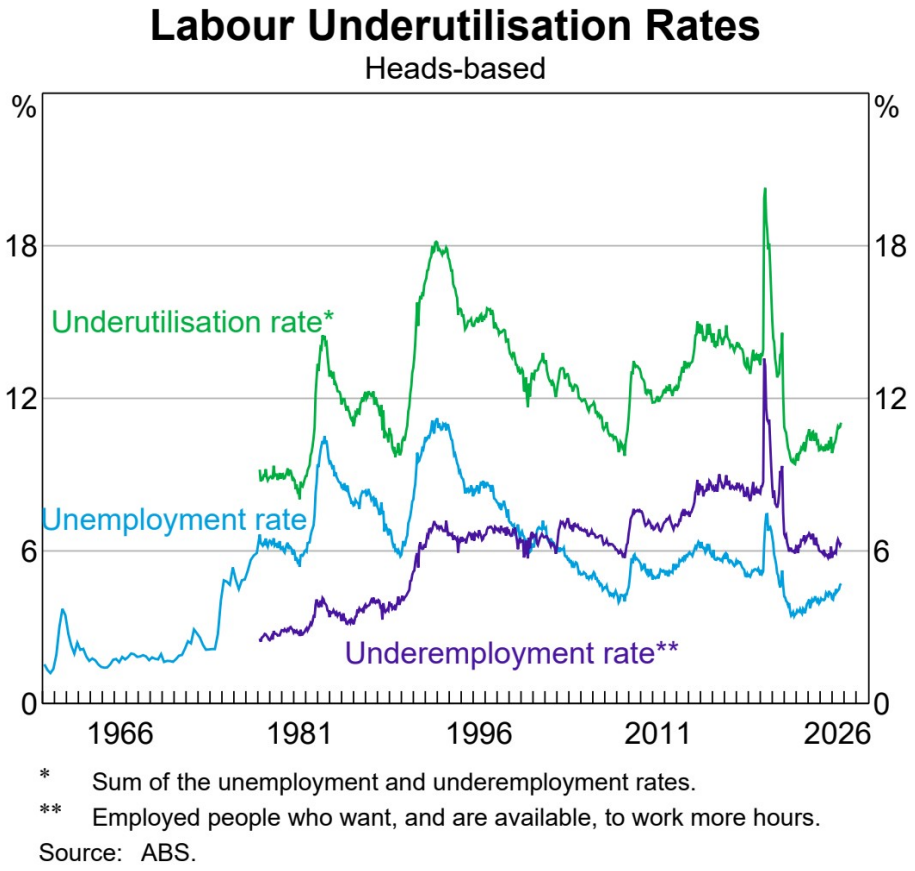


STATE OF THE NATION

What's happening in Australia and what it means for property owners and investors

by George Markoski



Unemployment Is Creeping Up

The unemployment rate rose to **4.7%** in September.

732,000 people are now unemployed.

The RBA expects it to reach **5.1%** by the end of 2028.

Source: Australian Bureau of Statistics, Labour Force, Australia, September 2026 (released 15 October 2026), seasonally adjusted; Reserve Bank of Australia, Statement on Monetary Policy, November 2026; chart: RBA Chart Pack, November 2026 (data: ABS).

Australia Keeps Growing

392,700

people added to the population in the year to March 2026

1.4%

annual population growth

292,100

net overseas migration, year to March 2026

Natural increase (births minus deaths) added 100,600.

Source: Australian Bureau of Statistics, National, state and territory population, March 2026 (released 17 September 2026).

Apartment Approvals Jumped in September

BUILDING APPROVALS

16.6%

rise in approvals for private apartments and other non-house dwellings

17,948

dwellings approved in September, up 5.1% on August

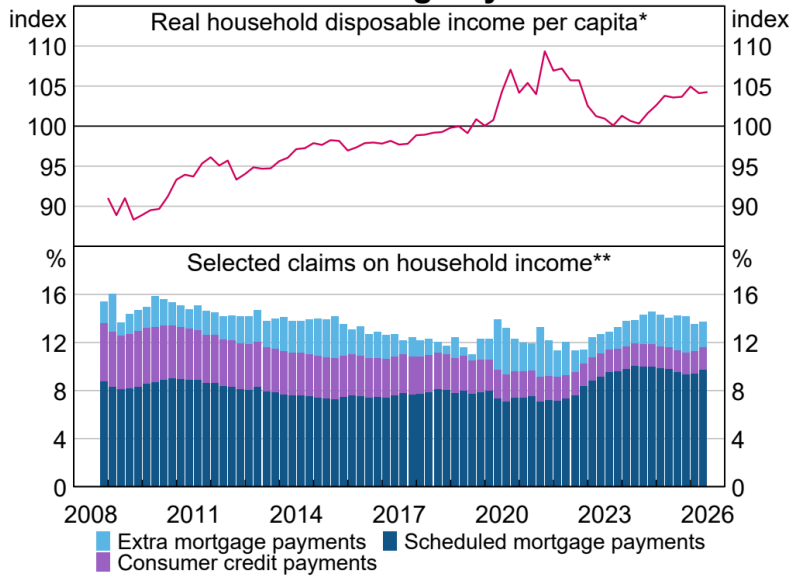
5.3%

fall in private house approvals

Source: Australian Bureau of Statistics, Building Approvals, Australia, September 2026 (released 2 November 2026), seasonally adjusted.

Graph 2.1

Household Income and Debt Servicing Payments



* 2019 average = 100. Household disposable income excludes interest payments and per capita denominator is resident population excluding foreign students. Earliest observation December 2008. Latest observation June 2026.

** Share of household disposable income, including interest payments. Earliest observation December 2008. Latest observation June 2026.

Sources: ABS; APRA; RBA.

Real Incomes Have Slipped

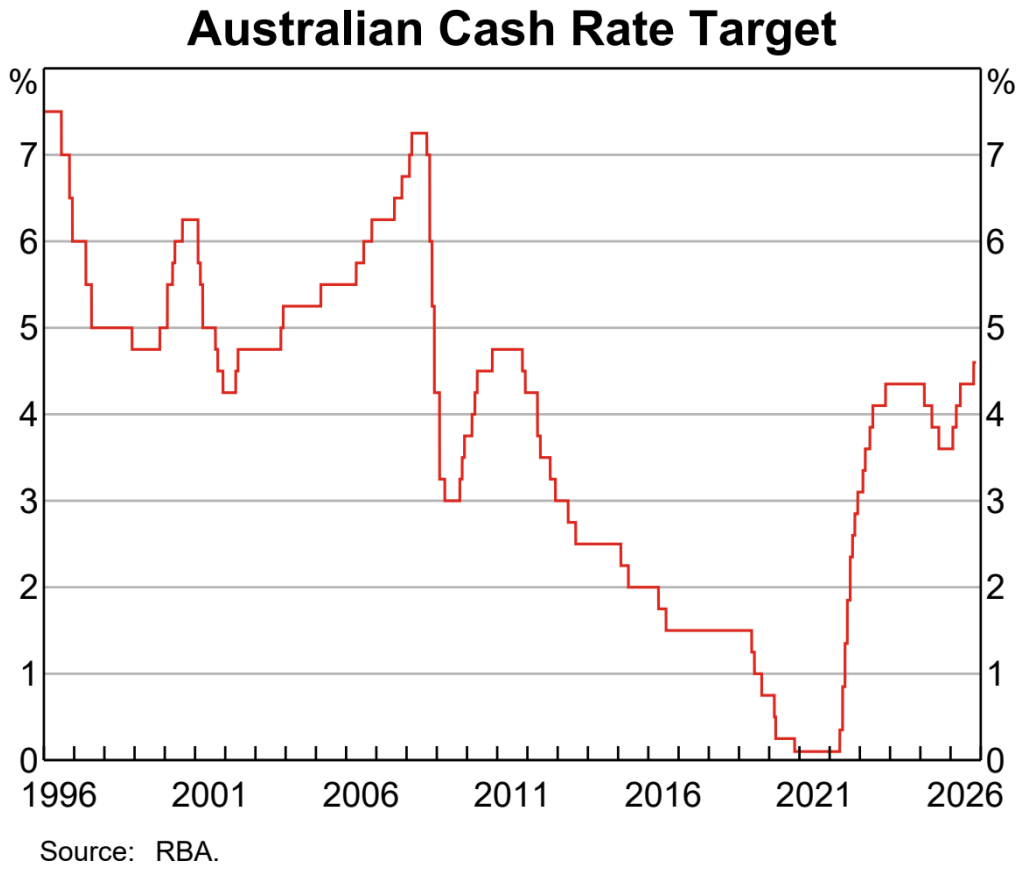
Real household disposable income per person **declined slightly** over the first half of 2026.

It is still higher on average than in 2023 and 2024.

Source: Reserve Bank of Australia, Financial Stability Review, October 2026, Graph 2.1 (data: ABS, APRA, RBA; latest observation June 2026).

Rates Are Rising Again. Is Your Portfolio Ready?

Inflation is high, house prices are falling, new home loans are down. Here's what the data says for investors.



The RBA Has Raised Rates Again

The cash rate rose **25 basis points to 4.85%** on 3 November.

Six board members voted to raise; three wanted to hold.

Source: Reserve Bank of Australia, Monetary Policy Decision, 3 November 2026; chart: RBA Chart Pack, 4 November 2026, data to 29 October (before this rise).

Why the RBA Moved

The pressures behind this week's decision

01 | Fuel prices

The Middle East conflict has pushed up fuel and other commodity prices.

02 | Tight capacity

Domestic capacity pressures were a little tighter than earlier thought.

03 | AI boom

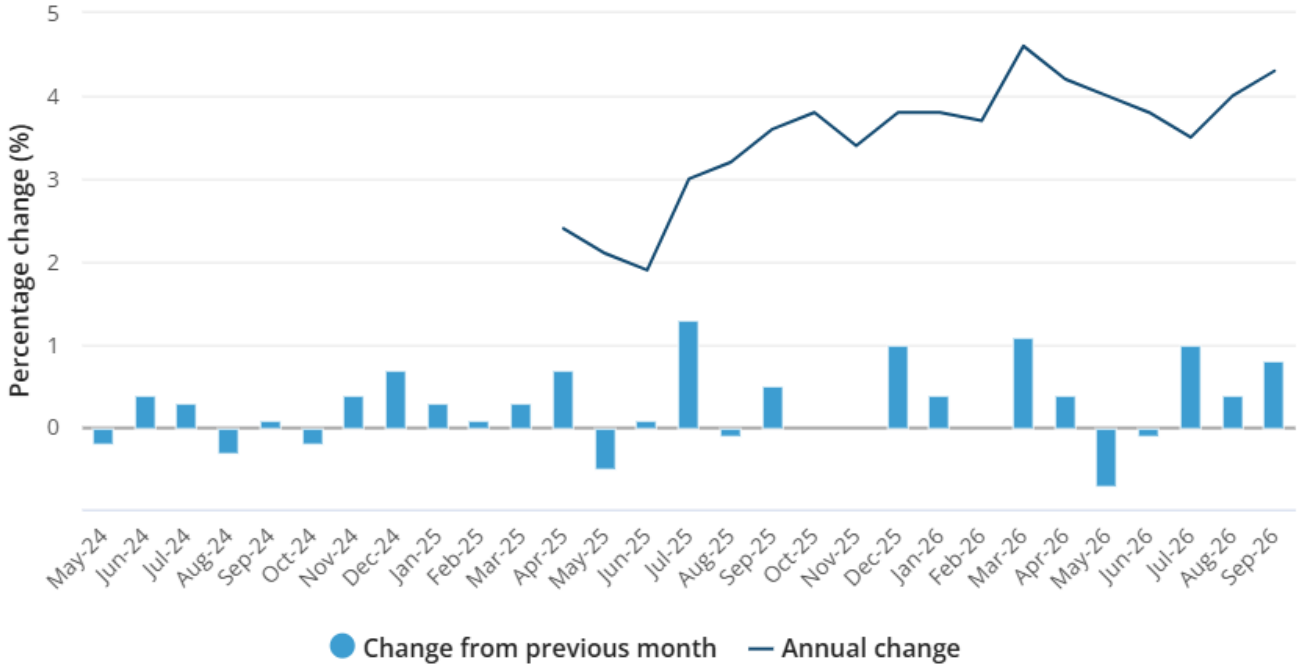
AI-related investment is driving rapid price growth for technology goods.

04 | Expectations

Some measures of inflation expectations have risen lately.

Source: Reserve Bank of Australia, Statement by the Monetary Policy Board: Monetary Policy Decision, 3 November 2026.

Inflation Is Moving the Wrong Way



4.3%

annual inflation to September, up from 4.0% in August

3.6%

trimmed mean inflation, up from 3.5%

Source: Australian Bureau of Statistics, "All groups CPI, Australia, monthly and annual movement (%)", Consumer Price Index, Australia, September 2026 (released 28 October 2026).

Where Prices Are Rising Fastest

8.7%

transport, annual rise to September

5.2%

housing costs, annual rise to September

4.7%

education, annual rise to September

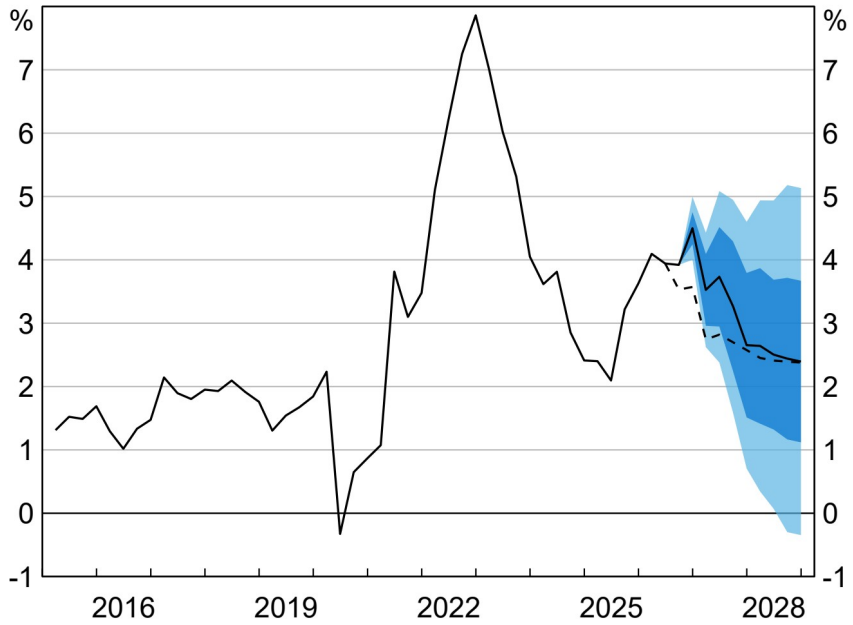
Each is rising faster than overall inflation of 4.3%.

Source: Australian Bureau of Statistics, Consumer Price Index, Australia, September 2026 (CPI groups, year to September 2026).

Graph 3.9

Headline Inflation Forecast*

Year-ended



* Dashed line shows previous SMP forecast; confidence intervals reflect RBA forecast errors since 1993, with the 70 per cent interval shown in dark blue and the 90 per cent interval shown in light blue.

Sources: ABS; RBA.

Inflation Is Expected to Stay High for Longer

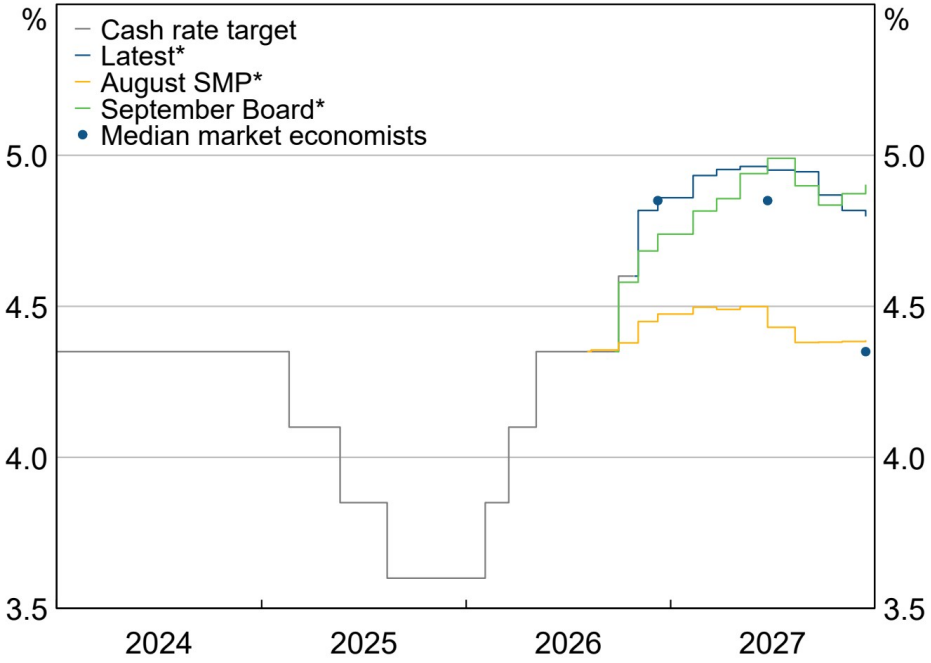
4.5%

forecast peak in headline inflation, December quarter 2026

Source: Reserve Bank of Australia, Statement on Monetary Policy, November 2026, Graph 3.9 Headline Inflation Forecast (data: ABS, RBA).

Graph 1.2

Cash Rate Expectations



* Cash rate expectations implied by overnight index swap rates, latest is at close 28 October.

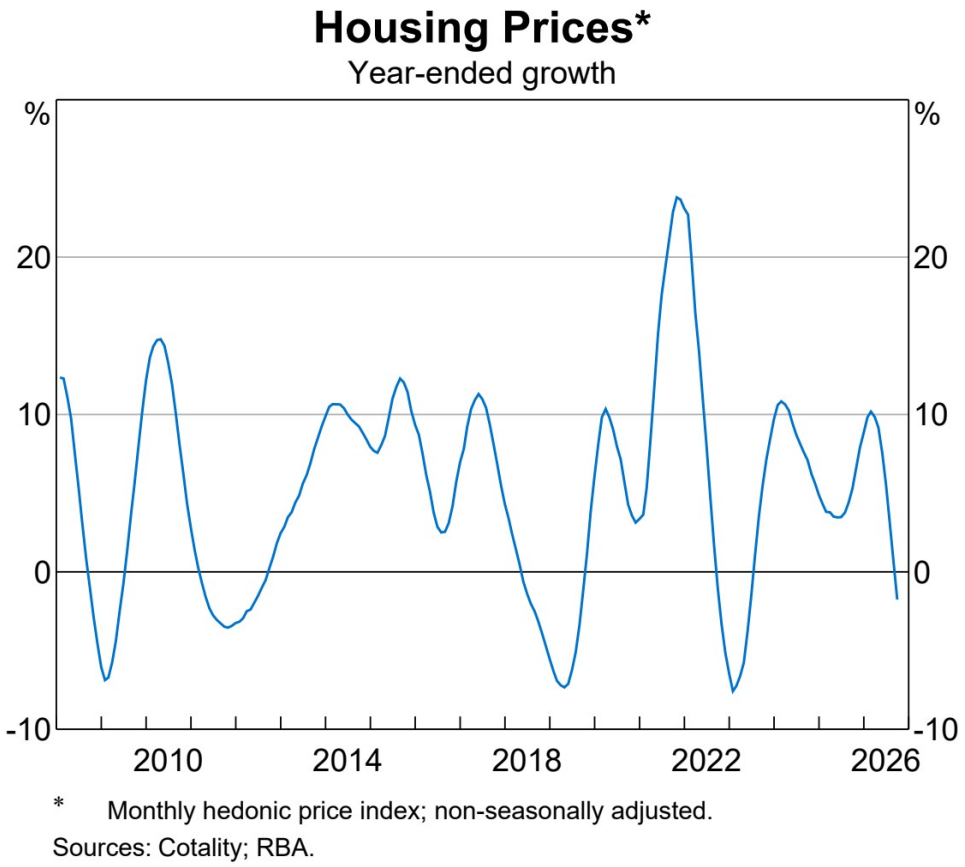
Sources: LSEG; RBA.

The RBA Assumes Rates Stay High

4.8%

cash rate the RBA's forecasts assume for 2028, from market pricing at 28 October; the chart runs to the end of 2027

Source: Reserve Bank of Australia, Statement on Monetary Policy, November 2026: 4.8% from chapter 3 (Outlook); chart: Graph 1.2 Cash Rate Expectations (data: LSEG, RBA; market pricing at close 28 October, before the 3 November decision).



Prices Have Already Turned Down

In September, national housing prices were **4.7%** below their recent peak.

The RBA calls it one of the steepest downturns of the past 50 years.

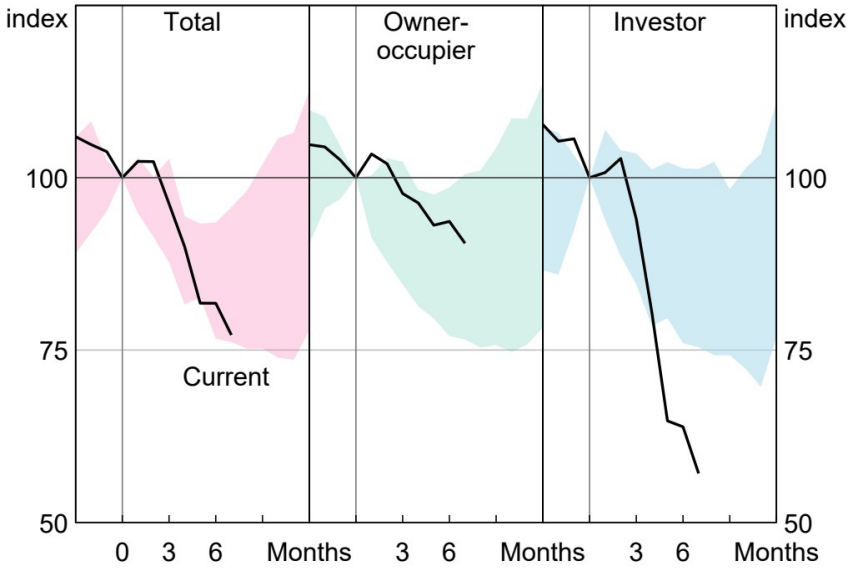
The chart shows annual growth, which has turned negative.

Source: Reserve Bank of Australia, Statement on Monetary Policy, November 2026 (fall from peak and the 50-year comparison); chart: RBA Chart Pack, November 2026, Housing Prices, year-ended growth (data: Cotality, RBA; data to 29 October).

Graph 1.20

New Housing Commitments over Tightening Phases*

Indexed to month of first rate increase



* Monthly data, excluding refinancing, seasonally adjusted and break-adjusted. Shaded areas represent historical range of cumulative changes in commitments during previous tightening phases since 1990.

Sources: ABS; APRA; RBA.

Investors Have Pulled Back the Most

27%

fall in total new housing loan commitments since their November 2025 peak; investor lending fell more sharply

Source: Reserve Bank of Australia, Statement on Monetary Policy, November 2026; chart: Graph 1.20 New Housing Commitments over Tightening Phases, indexed to the month of the first rate rise, not the peak (data: ABS, APRA, RBA).

Most Borrowers Are Holding Up

Most borrowers have positive equity, and most households with mortgages have built up large savings buffers.

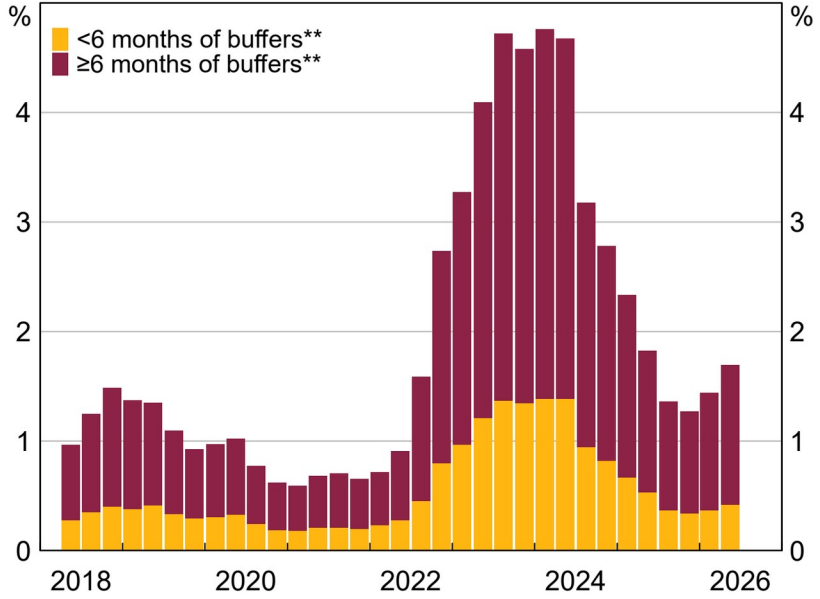
So how much stress is out there?

Source: Reserve Bank of Australia, Financial Stability Review, October 2026.

Graph 2.2

Borrowers with Cash Flow Shortfall*

Estimated share of variable-rate owner-occupier borrowers



* Estimates of borrowers with minimum scheduled mortgage payments and essential expenses (HEM) exceeding their income. Excludes borrowers in arrears.

** Buffers expressed relative to borrower's cash flow shortfall.

Sources: ABS; Melbourne Institute; RBA; Securitisation System.

Measured Stress Was Still Low

2%

of variable-rate owner-occupiers had an estimated cash flow shortfall (around, first half of 2026; excludes borrowers in arrears)

Source: Reserve Bank of Australia, Financial Stability Review, October 2026, Graph 2.2 Borrowers with Cash Flow Shortfall (data: ABS, Melbourne Institute, RBA, Securitisation System).

The Buffers Are Big

WHAT BORROWERS HOLD

Over a year

of scheduled repayments the median borrower holds in offset and redraw (at October rates)

Under 1%

of borrowers estimated to owe more than their property is worth

5%

of mortgages could go into negative equity if prices fell 20% (scenario)

Source: Reserve Bank of Australia, Financial Stability Review, October 2026 (RBA Securitisation System data; scenario: a uniform fall from the FSR's valuation base, all else equal).

Where Things Could Go

RBA CENTRAL FORECAST

5.1%

unemployment rate forecast by end-2028 (November forecast)

Inflation expected back to the middle of the target range by mid-2028.

RBA 'VERY ADVERSE' STRESS TEST

6.3%

unemployment rate, with inflation at 7% (illustrative shock)

5.6%

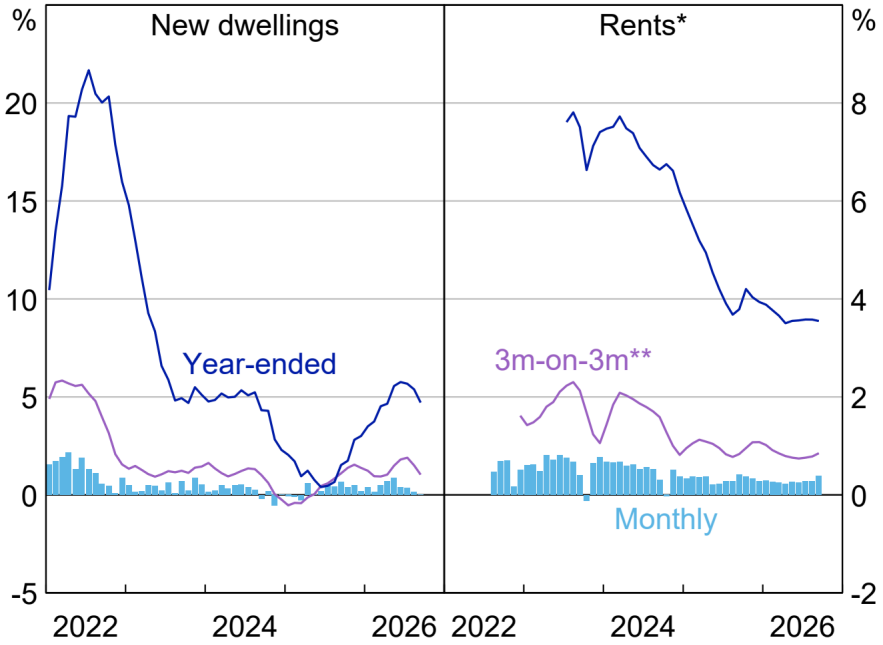
cash rate in the same shock

Mortgagors at higher risk of default could rise to around 5%.

Source: Reserve Bank of Australia, Statement on Monetary Policy, November 2026 (central forecast); Financial Stability Review, October 2026 (illustrative joint shock, not a forecast and with no set date).

Graph 2.29

Housing Inflation



* Monthly and 3m-on-3m inflation rates are calculated using seasonally adjusted data.

** Three-month-on-three-month percentage change.

Sources: ABS; RBA.

Rents Are Still Rising

CPI rents rose **0.9%** in the September quarter.

They are up **3.6%** over the year.

Vacancy rates have edged up and advertised rent growth has slowed.

Source: Reserve Bank of Australia, Statement on Monetary Policy, November 2026, Graph 2.29 Housing Inflation (data: ABS, RBA).

WHAT IT MEANS FOR INVESTORS

Cutting through the noise to find the signal





IN THE NEWS

'No Room for Complacency'

The RBA says Australia's financial system remains resilient, but risks are building from outside it.

Most households and businesses with loans are well placed to manage softer growth and lower housing prices.

Source: Reserve Bank of Australia, Financial Stability Review, October 2026 (released 1 October 2026).

Questions to Ask Before You Act

Start with why you bought.

01 Could I hold if rates rise again?

02 How long would my buffers last?

03 Is this still a long-term hold?

General information only. Consider obtaining advice from an appropriately qualified professional.

Five Things to Review This Week

Repayments

Could each loan stay manageable if rates rise again?

Buffers

How many months of holding costs could you cover today?

Loan structure

When did you last compare your rate and lender?

Rental income

Is each rent in line with the market?

Your plan

Does each property still fit your long-term plan?

General information only. Consider obtaining advice from an appropriately qualified professional.

Builders Are Seeing Demand Soften

HIA new home sales, a leading indicator of dwelling demand, have **declined materially**.

Many builders report fewer **enquiries and sales**.

Dwelling investment was much stronger than expected in the first half of 2026, but leading indicators have started to soften.

Source: Reserve Bank of Australia, Statement on Monetary Policy, November 2026 (HIA and RBA liaison).

Investors Have Equity on Their Side

Like other borrowers, most investors have **considerable equity** in their properties.

Compared with owner-occupiers, investors have historically had **lower arrears and default rates**.

Equity and buffers buy time. Use it to plan, not to panic.

Source: Reserve Bank of Australia, Financial Stability Review, October 2026.

Rates are rising.
The plan still matters most.

Know your numbers now, so a higher rate is a cost you planned for, not a shock.