

2 August 2022

Aus dwelling approvals surprisingly steady June -0.7%*mth*, -17.2%*yr* (vs *mkt* -5%) Expected weakening still yet to materialise.

- Dwelling approvals continued to defy expectations in June, posting a slight 0.7% that was much milder than the forecast 5% drop. That follows a surprise 11.2% jump in May (revised up from 9.9%) leaving approvals in Q2 up 2.4%*qtr*. To be clear, this is still well down on last year's highs (-17.2%*yr*). However, the quarterly gain comes against a sharp weakening in the wider housing market backdrop, as rapid interest rate rises impact. With more rate hikes coming through and the sector dealing with a major cost surge and profit squeeze, a sharp downturn in approvals still looks imminent.
- The segment detail showed a smaller than expected 5.7% decline in private 'unit' approvals, which was coming off a big 34.6% jump that had driven the upside surprise in May. 'High rise' continues to drive volatility, with the latest month showing approvals tracking around their 2019 average. Private detached house approvals also performed better than expected, posting a slight 1.2% gain in the month.
- The state detail showed a solid 6.3% gain in Vic and smaller gains in WA (1.7%), NSW (1.5%) and Tas (1%) offset a 10% drop in SA and 2% dip in Qld. Interestingly, both NSW and Vic posted solid rises for detached house approvals that were driven by approvals in Sydney and Melbourne - markets that were largely bypassed by the HomeBuilder-related surge in 2020-21 due to caps on eligibility.
- For 'high rise', recent strength has centred on Qld and WA - combined approvals over May-June the strongest two-month result in six years, only 10% below the combined totals for NSW and Vic.
- The value of renovation approvals dipped 2.2% in June but finished up 3.8%*qtr* in Q2. This likely conceals a decline in volume terms given the strong rise in construction costs - the Q2 PPI showed a 6% rise in house construction costs in the quarter.
- The value of non residential building approvals fell 6.1% in June but was coming off a choppy few months, finishing Q2 up 4.3%*qtr*. The non residential sector has also seen material cost rises although the 2.7%*qtr* rise in the Q2 PPI is somewhat milder than that seen for residential, and suggests underlying approvals volumes were still up slightly. The more granular detail shows a notable jump in office approvals in recent months
- Exceptional volatility makes trends in dwelling approvals difficult to discern but the decline in detached houses is consistent with our assessment that a down-trend is in place.
- Overall, it still looks like just a matter of time before the pressure from rising costs and interest rates impacts new dwelling approvals. The June quarter may have held up much better than expected but a significant hit still looms.

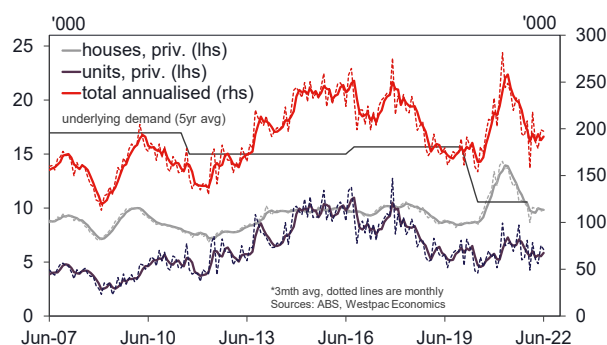
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Building approvals - June 2022

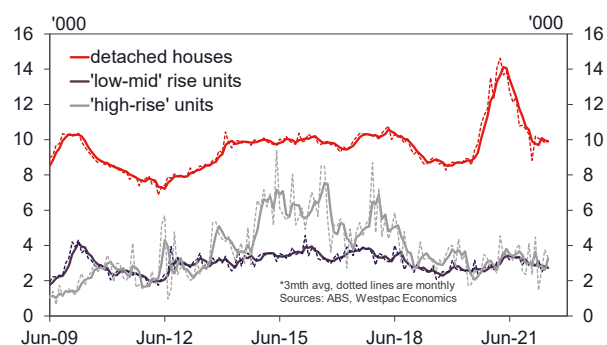
3mth avg	latest	3mth %chg*		%yr	
		May	Jun	May	Jun
Private houses	9,825	2.5	2.7	-29.0	-26.2
Private units	5,854	-8.0	7.7	-23.8	-12.5
Public dwellings	307	-57.0	-49.3	-26.1	-0.4
Total dwellings	15,986	-3.5	2.4	-27.2	-21.3
Total dwellings, mthly*	16,461	11.2	-0.7	-20.0	-17.2
- units in 'high rise'^	3,235	-28.2	17.1	-31.3	-7.3
- units in 'low rise'^	2,730	-1.8	-7.9	-17.3	-19.8
Renovations, \$bn	1.014	-1.3	3.8	-5.7	-2.2
Non-res., \$bn	5.136	15.8	4.3	-1.8	0.9

*figures for 'total dwellings mthly' are monthly and mthly%ch, all others are rolling 3mth avg and 3mth%ch; ^all sectors, Westpac estimates
Sources: ABS, Westpac Economics

Dwelling approvals

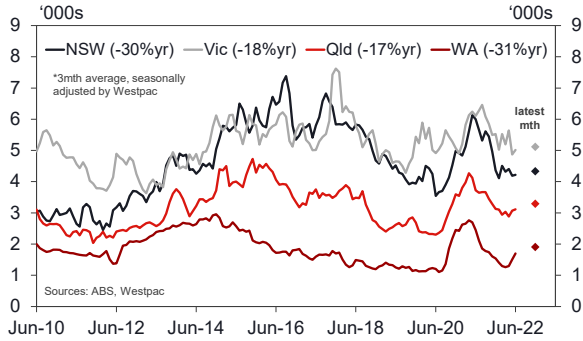


Dwelling approvals: broad segment

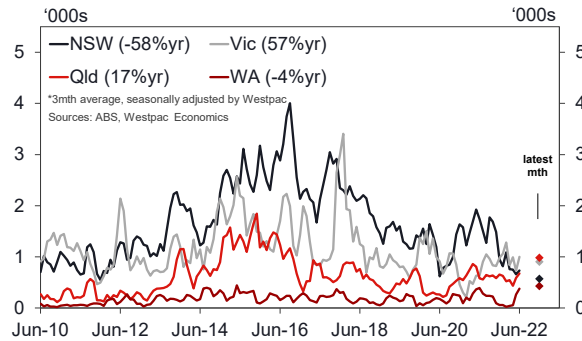


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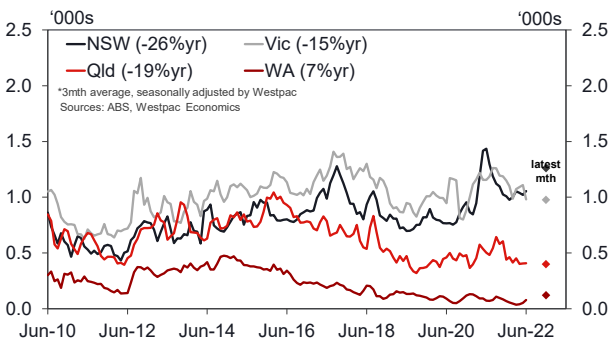
Total dwelling approvals: by state



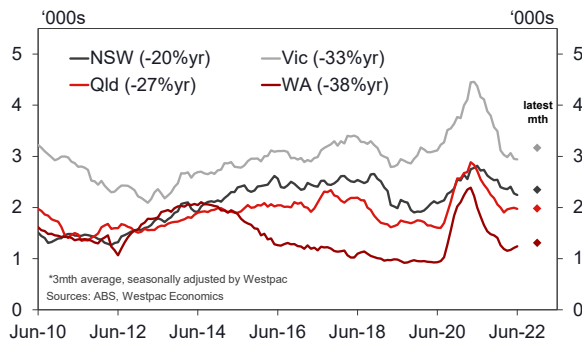
'High rise' approvals: by state



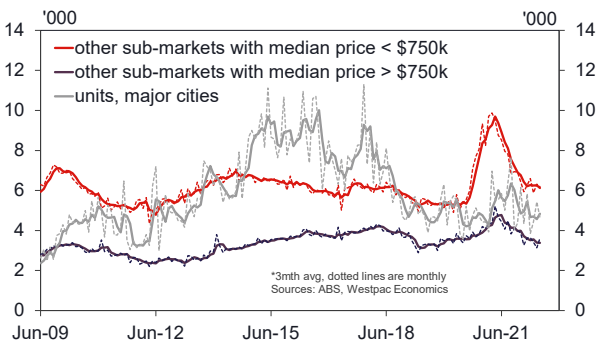
'Low-mid rise' approvals: by state



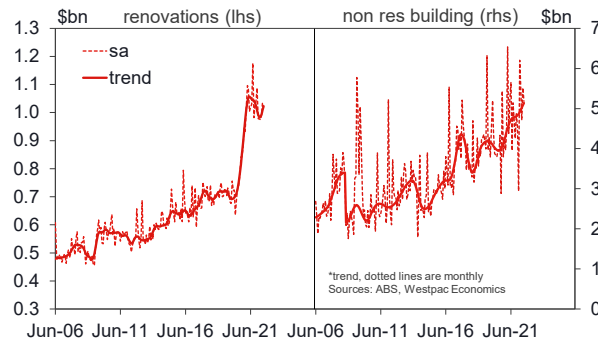
Detached house approvals: by state



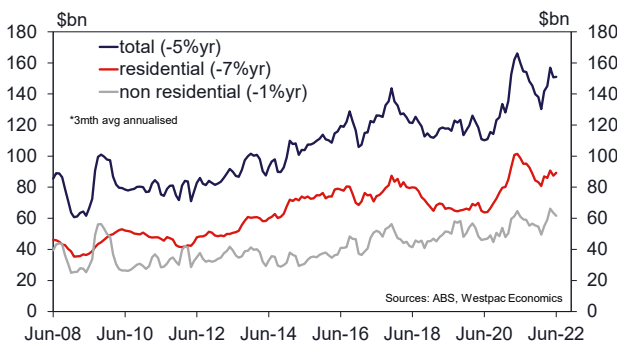
Dwelling approvals: selected groupings



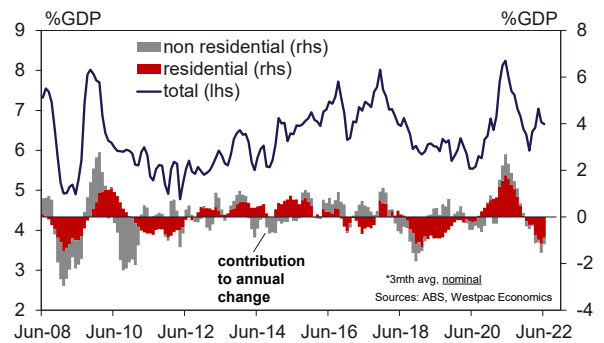
Value of renovation & non residential approvals



Total value of building approvals



Total value of building approvals, %GDP



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