

30 August 2022

Aus dwelling approvals: high rise slump July -17.2%^{mth}, -25.9%^{yr} (vs mkt -3%) Non high rise segments still surprisingly resilient.

- Dwelling approvals slumped 17.2% in July, a much weaker than expected result. That said, the detail was somewhat surprising – the driver an extreme fall in ‘high rise’ approvals with private detached house approvals continuing to hold up much better than expected.
- Recall that, after a substantial decline through much of 2021 – associated with the end of the Federal government’s HomeBuilder scheme – dwelling approvals held up surprisingly well through the first half of 2022. That was despite increasing pressure from a range of negatives, including a rapid re-tightening in interest rates, a downturn in the wider housing market, a sharp surge in construction costs and intense pressures on profitability due to a large backlog of projects on ‘fixed price’ terms. Remarkably, total dwelling approvals managed to rise 3% in Q2, defying this deteriorating backdrop.
- While the July fall breaks this pattern the detail still points to surprising resilience. The drop was dominated by a steep decline in ‘high rise’ unit approvals, down an estimated 70% in the month in seasonally adjusted terms to levels not seen since the GFC (<900 dwellings nationally). ‘Medium density’ approvals (low rise units, townhouses and terraces) also declined sharply by an estimated 8.5%. The surprise was around private detached houses – the epicentre of many of the cost and profitability issues – which nudged 0.7% higher in the month. This large, stable segment is usually a good guide to underlying trends and even as at July is not showing a clear break lower.
- The state detail showed double-digit high-rise-driven declines in most major states, NSW down 16.2%, Vic down 17.4%, Qld down 13.7% and WA down 37%. Notably, only NSW and WS recorded fall in private detached house approvals (down 6.3% and 8.7% respectively) with Vic up a touch (+1.5%) and Qld up quite strongly (+5.8%). SA bucked the wider trend, posting a strong 19% gain led by private detached houses – the SA housing market has so far avoided the corrections impacting other states.
- The value of renovation approvals dipped 1.3% in July but is holding about flat in trend terms. This almost certainly reflects a mix of falling work in volume terms and a strong rise in construction costs.
- The value of non residential building plunged 22.6% in July, to be down 0.9%^{yr}. Volatility makes this series difficult to interpret but, as with renovations, the figure undoubtedly reflects a more material weakening in volumes against a rise in costs.
- Overall, the July report suggests high rise activity is seeing a sudden stop but that other segments are still holding up reasonably well. Non high-rise approvals are very likely to see a sustained weakening in coming months. Many of the projects currently in the ‘pipeline’ are also likely to fall through. However, the downturn in dwelling construction activity is clearly coming through more slowly than the downturn in the wider housing market.

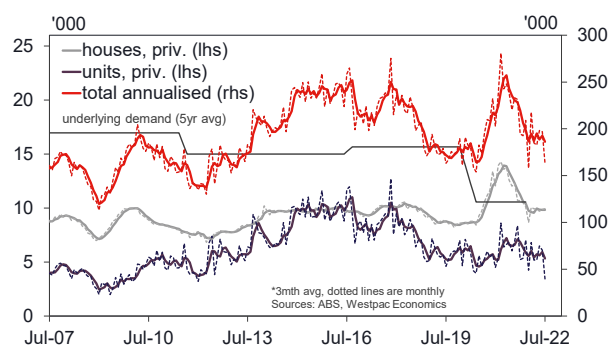
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Building approvals – July 2022

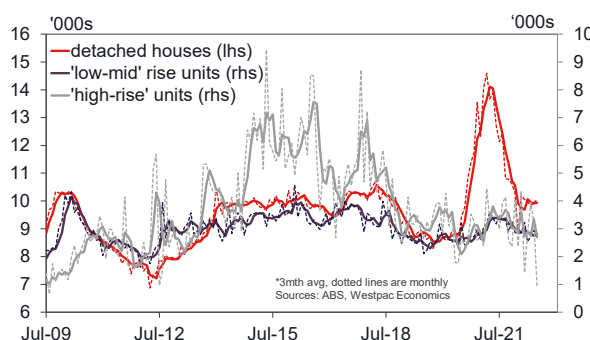
3mth avg	latest	3mth %chg*		%yr	
		Jun	Jul	Jun	Jul
Private houses	9,838	2.8	-1.2	-26.2	-23.1
Private units	5,339	9.3	-6.9	-10.5	-17.8
Public dwellings	337	-49.2	-41.1	-0.8	5.2
Total dwellings	15,515	3.0	-4.6	-20.7	-20.9
Total dwellings, mthly*	13,595	-0.6	-17.2	-17.2	-25.9
– units in ‘high rise’^	2,703	23.6	-6.5	-4.1	-20.2
– units in ‘low rise’^	2,797	-7.8	-2.8	-19.0	-16.6
Renovations, \$bn	1.014	3.7	3.0	-2.1	-0.5
Non-res., \$bn	4.854	3.9	-11.6	1.0	-1.2

*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

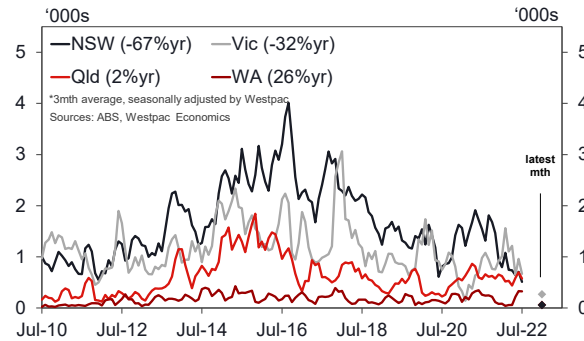


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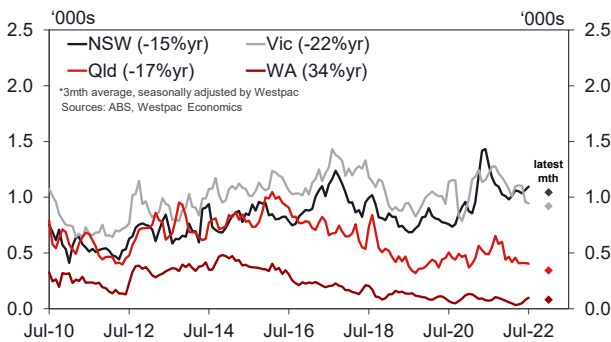
Total dwelling approvals: by state



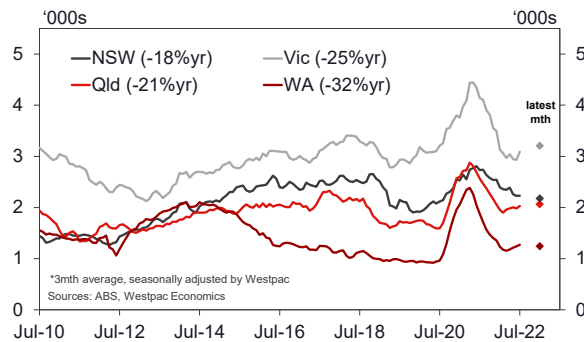
'High rise' approvals: by state



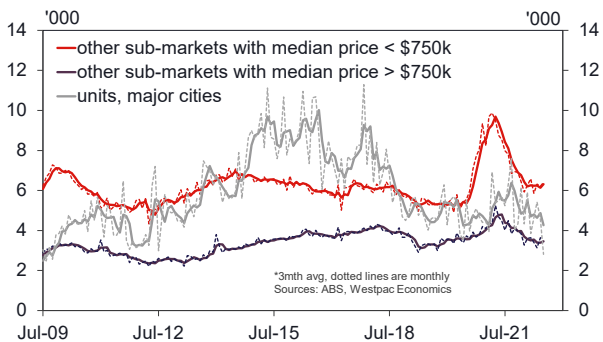
'Low-mid rise' approvals: by state



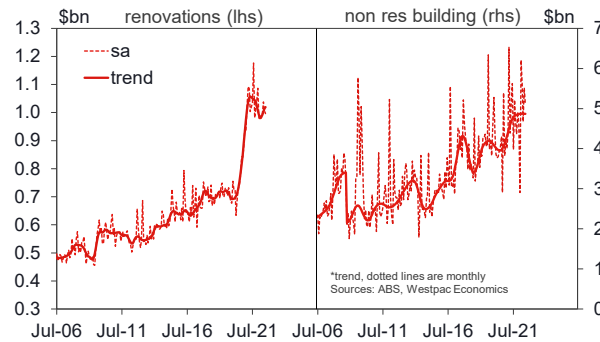
Detached house approvals: by state



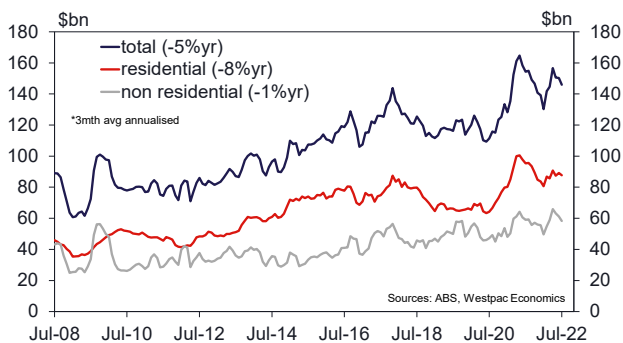
Dwelling approvals: selected groupings



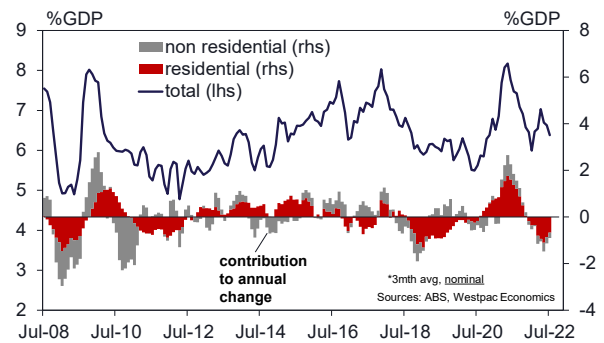
Value of renovation & non residential approvals



Total value of building approvals



Total value of building approvals, %GDP



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