

4 October 2022

## Aus dwelling approvals: surprisingly strong Aug 28.1%<sup>3mth</sup>, -9.5%<sup>yr</sup> (vs mkt +9%) High rise bounce combines with broad firming in other segments

- Dwelling approvals produced a large upside surprise in August, with a much stronger than expected 28.1% rebound out of July's 17.2% slump, well above market expectations of a 9% gain. Total approvals were 4.8% above their June level and up 1% for Q3 as a whole compared to Q2. This is despite numerous headwinds including: aggressive rate rises; a material correction across wider housing markets; sharp rises in the cost of building and associated strains on builders still working through a large backlog of unprofitable work; and uncertainties around the timing and ultimate cost of new builds due to widespread supply issues affecting both materials and labour.
- The detail also delivered some notable surprises.
- Firstly, private sector units, which were at the epicentre of the July plunge, posted a particularly spectacular 99% rise in August to be 7.9% above their June level. While some rebound was inevitable, the scale was far greater than expected – 'high rise' unit approvals posted an incredible four-fold rise in the month. Given the circumstances, it seems highly likely that other factors have been at play – delays to approvals processing due to COVID workforce issues for example may have hit hard in July and led to a catch-up in August.
- Secondly, private detached house approvals posted a solid 3% rise as well despite this segment being unaffected by whatever was behind the July fall and being at the centre of many of the cost and profitability issues currently affecting the sector.
- Thirdly, the state data showed a surprisingly broad base to the August gain, the city-level breakdown for example showing detached house approvals posting robust double-digit growth in Sydney and Melbourne, despite these wider markets experiencing more pronounced housing market downturns. As to be expected, the surge in high rise approvals centred on Sydney and Melbourne. However, detached house approvals have posted gains in most states, on a rolling 3mth basis, up 9.4% vs May in Vic, 7.9% in WA, 4.5% in NSW and 0.8% in Qld.
- The value of renovation approvals also posted a solid 5.4% gain in August after softer reads through June-July, holding to a gradual underlying up-trend. The value of non residential building rebounded 18.7% from a 22.6% plunge in July, holding about flat in trend terms but with high volatility making these difficult to pinpoint. In both cases, approvals are likely reflecting a mix of falling work in volume terms and strong rises in construction costs.
- So what are we to make of this? While there are clearly volatility issues that still need to be resolved, the resilience of non-high rise segments to date continues to question the extent to which policy tightening and other factors will lead to a significant drag on growth from new dwelling investment. Approvals are off their levels of a year ago but pipeline delays mean this work is only progressing slowly and will support building at relatively high levels near term even with a significant rise in 'drop outs'.

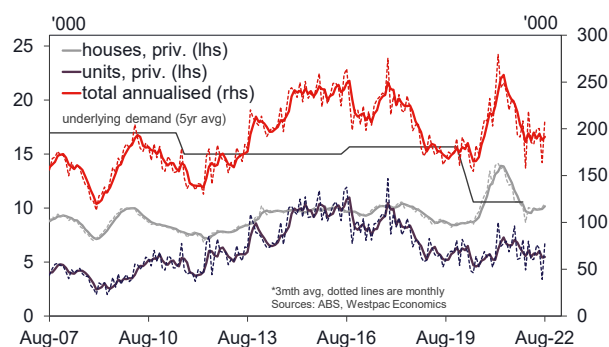
Matthew Hassan, Senior Economist, ph (61-2) 9178 2054

### Building approvals – August 2022

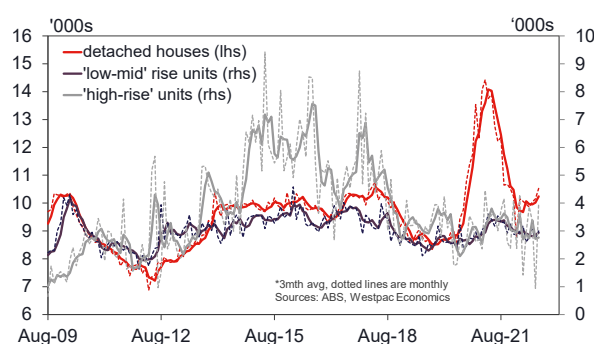
3mth avg	latest	3mth %chg*		%yr	
		Jul	Aug	Jul	Aug
Private houses	10,158	-0.3	3.0	-22.9	-17.6
Private units	5,478	-6.6	-3.6	-17.0	-16.7
Public dwellings	317	-42.2	23.1	5.3	-0.7
Total dwellings	15,953	-4.0	1.0	-20.5	-17.0
<b>Total dwellings, mthly*</b>	<b>17,497</b>	<b>-18.2</b>	<b>28.1</b>	<b>-25.5</b>	<b>-9.5</b>
- units in 'high rise'^	2,766	-5.9	0.9	-20.2	-19.8
- units in 'low rise'^	2,934	-1.8	2.8	-15.1	-12.1
Renovations, \$bn	1.025	3.5	2.0	-0.3	-4.4
Non-res., \$bn	4.576	-11.6	-13.0	-1.2	-7.4

\*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

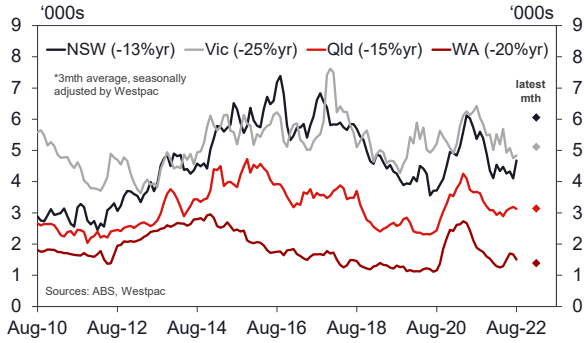


### Dwelling approvals: broad segment

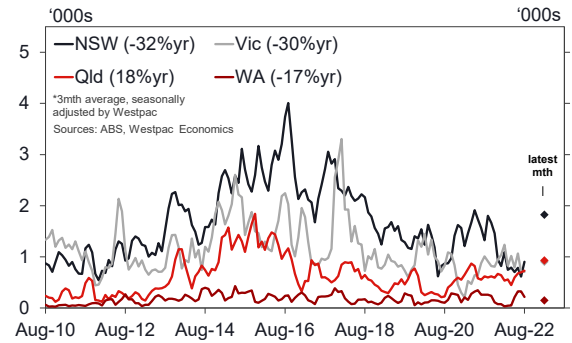


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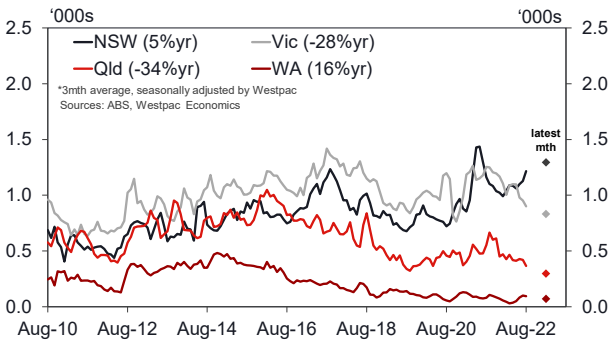
## Total dwelling approvals: by state



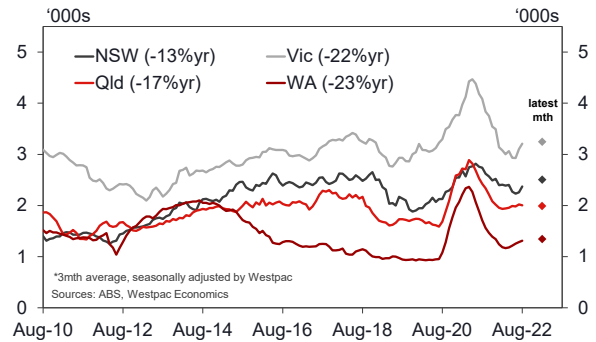
## 'High rise' approvals: by state



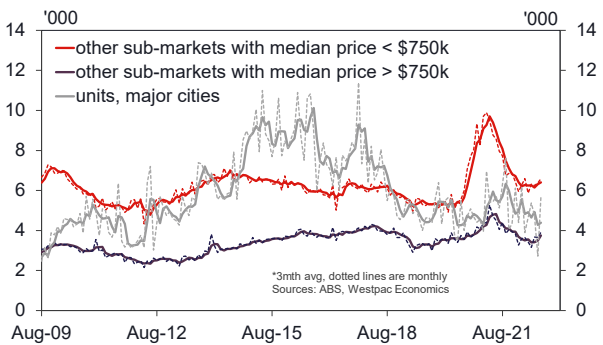
## 'Low-mid rise' approvals: by state



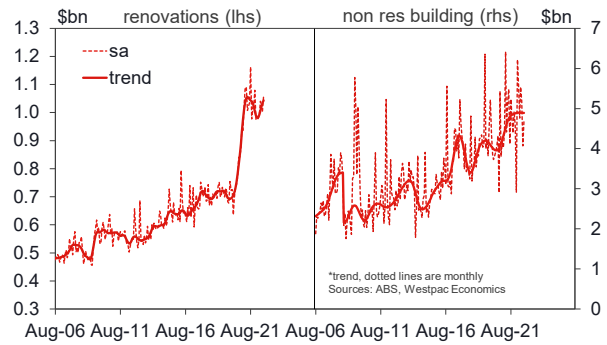
## Detached house approvals: by state



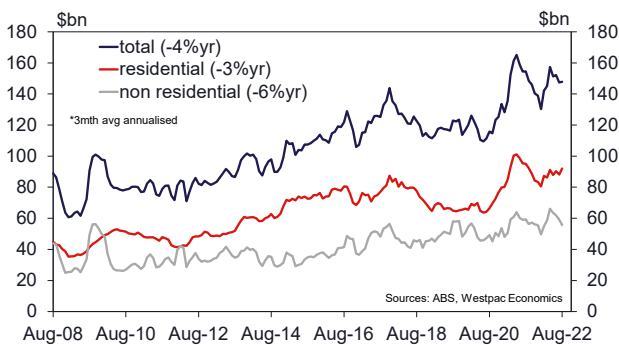
## Dwelling approvals: selected groupings



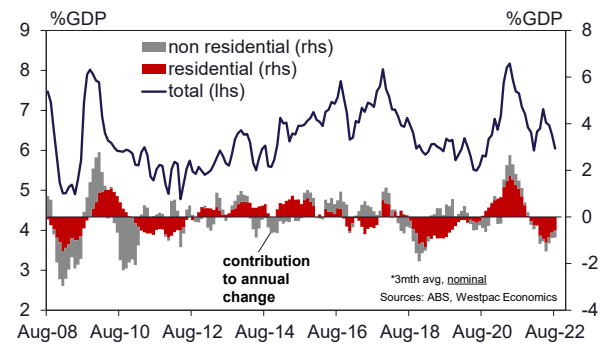
## Value of renovation & non residential approvals



## Total value of building approvals



## Total value of building approvals, %GDP



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