

11 January 2023

Aus dwelling approvals: downturn gathers momentum Nov -9.0%^{mt}, -15.1%^{yr} High-rise 'noise' conceals sharp weakening in other segments

- Dwelling approvals posted a weak finish to a 'choppy' year, the detail continuing to provide clearer signals of an underlying downturn gathering momentum. Approvals fell 9% in the last month of 2022 to be down 5.8% for the quarter. That followed a volatile third quarter that had seen approvals hold about steady quarter on quarter (down 0.8%^{qtr}).
- The detail was again messy with what looks to be another sharp 20% fall in high rise approvals in the month, albeit still only unwinding very strong reads through Aug-Sep. Non high rise approvals look to be providing a cleaner signal (see chart below). These were down about 5% in the Dec month, the 3mth rolling avg now moving decisively lower (down 7.8% from Aug). Despite widely publicised problems with surging costs, supply chain and labour force disruptions, a large backlog of unprofitable jobs, and a sharp downturn in the wider housing market, approvals have been slow to weaken. The last few months look to be showing a clearer turn lower.
- Nearly all major states recorded falls, led by NSW down 18.4%^{mt} (albeit centred on units with houses flat); WA (-17.5%), and Vic (-12.7%), Qld recording milder -5.6% drop and SA bucking the trend with a 10% rise.
- The value of renovation approvals also fell sharply, down 9.2%^{mt} to the lowest level since Jan 2022 – given the continued escalation in building costs, this likely signals a significantly weaker volume of renovation work. The value of non residential building approvals was steadier, up 2%^{mt} and 12% on a rolling 3mth basis.
- Overall, the Nov report strongly suggests a significant downturn is starting to gather momentum. As always, it pays to treat housing data with caution over Dec-Jan period as the summer hiatus means month to month signals are less reliable. That said, the next few months should provide clearer confirmation that the sector is moving towards a contraction.

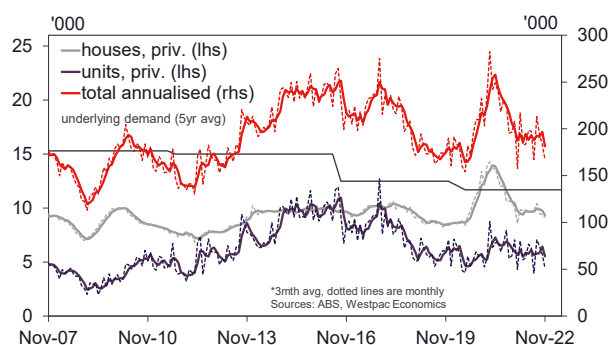
Matthew Hassan, Senior Economist

Building approvals – November 2022

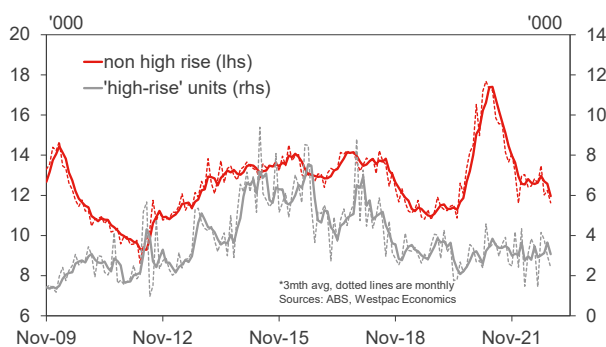
3mth avg	latest	3mth %chg*		%yr	
		Oct	Nov	Oct	Nov
Private houses	9,334	0.8	-6.3	-12.4	-12.0
Private units	5,541	13.9	-4.1	-4.1	-11.9
Public dwellings	243	-33.1	-23.7	-16.5	-2.2
Total dwellings	15,118	4.8	-5.8	-9.4	-11.8
Total dwellings, mthly*	13,898	-5.6	-9.0	-6.2	-15.1
– units in 'high rise'^	3,070	25.4	1.8	8.7	2.4
– units in 'low rise'^	2,537	-4.3	-13.2	-14.6	-21.9
Renovations, \$bn	1.015	4.5	0.5	0.2	1.1
Non-res., \$bn	5.275	-0.2	12.0	4.4	12.6

*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

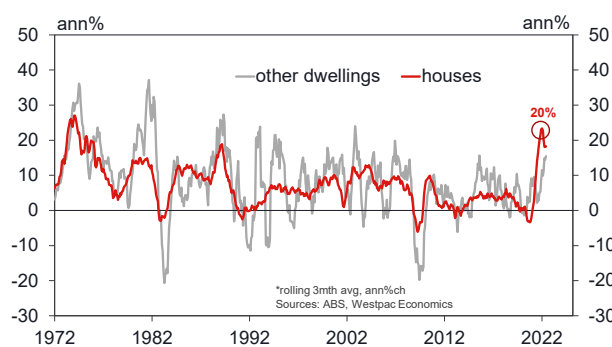
Dwelling approvals



Dwelling approvals: high rise vs non high rise

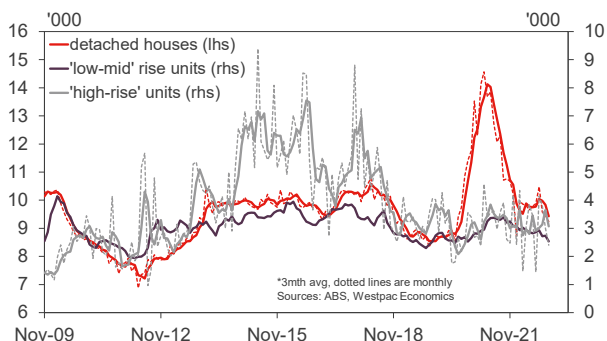


Dwelling approvals: avg value, full history

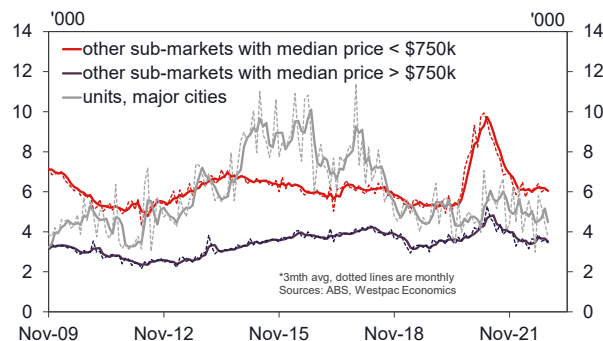


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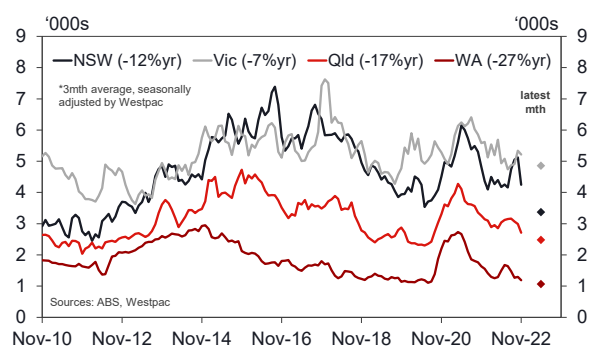
Dwelling approvals: detailed segment



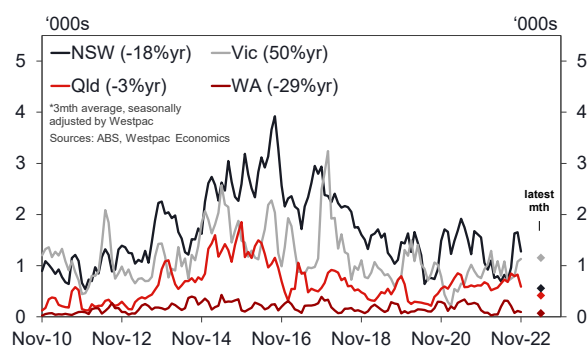
Dwelling approvals: selected groupings



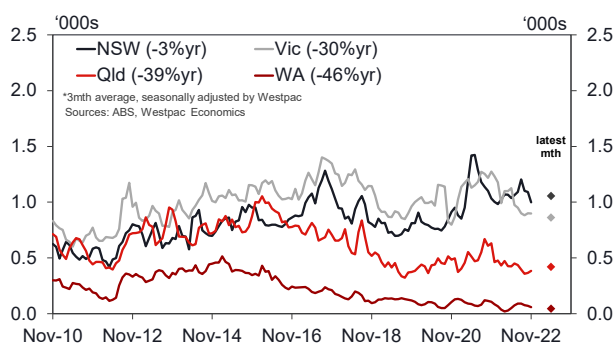
Total dwelling approvals: by state



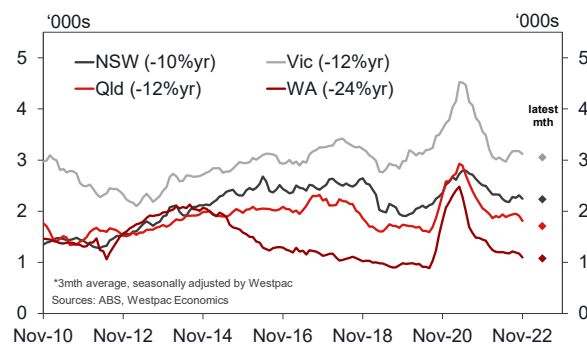
'High rise' approvals: by state



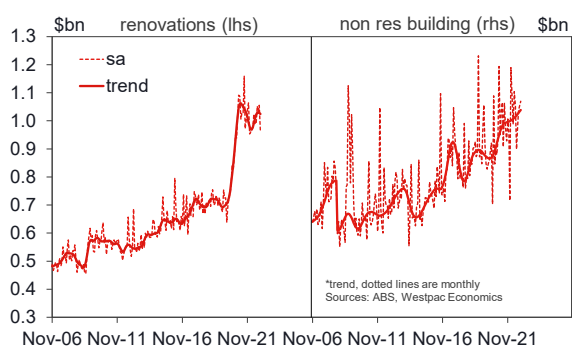
'Low-mid rise' approvals: by state



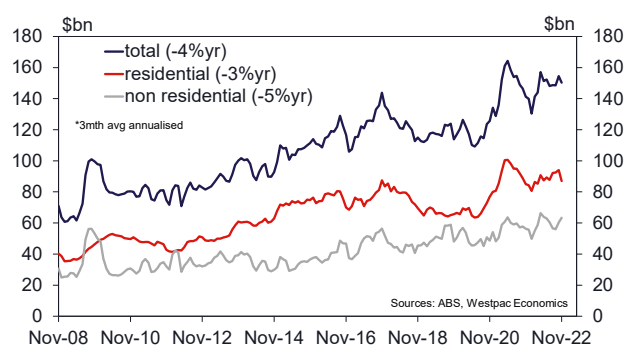
Detached house approvals: by state



Value of renovation & non residential approvals



Total value of building approvals



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