

2 February 2023

Aus dwelling approvals: high-rise-driven jump Dec 18.5%^{mt}, -3.8%^{yr} High-rise approvals spike 90%; Non-high-rise down 2%

- Dwelling approvals produced a large upside surprise for Dec, a massive spike in high rise approvals driving an 18.5% jump in total approvals for the month. This was against market expectations of a flat result following significant declines in Oct-Nov that pointed to rate rises and other pressures finally starting to impact. The composition cautions strongly against reading too much into the monthly gain with 'core' non high rise approvals still tracking a clear trend lower.
- Housing data is notoriously prone to big moves through Dec-Jan, mainly due to the summer hiatus which means small moves in the underlying data can be greatly amplified by seasonal adjustment. This time around though the noise has more to do with lumpy high rise unit approvals, a particularly erratic component that often drives big headline swings month to month.
- High rise approvals essentially doubled between Nov and Dec, led by NSW and Vic with usually account for about 80% of approvals in this segment. Dec saw the most high rise dwellings approved since March 2018. Some of this may be a lift in response to a resurgence in migration-driven demand in Sydney and Melbourne, and acute shortages of rental accommodation. But the bulk of the gain is almost certainly noise. The segment has been particularly choppy through 2022, averaging monthly moves of $\pm 60\%$.
- Non high rise approvals look to be providing a much better guide to 'underlying' trends. These were down about 2% on a combined basis in Dec to be 14.8% below their Aug peak. The big surge in 2020-21 – associated with the Federal government's HomeBuyer scheme – unwound through the second half of 2021 with approvals surprisingly steady through most of 2022 despite the sharp rise in interest rates, and downturn in wider housing markets and major cost pressures impacting builders' profitability and the prices of new builds.
- By state: the high rise spike impacted the big three eastern states, driving particularly large gains in NSW (+48%^{mt}) and Vic (+20.7%^{mt}) but also a solid 8.3%^{mt} gain in Qld. Private detached house approvals were much softer, up 0.2%^{mt} in NSW, down 0.6%^{mt} in Qld and 7.7%^{mt} in Vic. If we take non-high rise approvals as the best guide to trends, WA, Qld and NSW are showing have shown more pronounced declines through the second half of 2022, with a milder weakening in SA and approvals holding about flat in Vic.
- The value of renovation approvals nudged 2.7% higher in Dec but continues to track a slight trend decline. The value of non residential building approvals dipped 1.7%^{mt} but in the context of what still looks to be a firm up-trend (running at a 5-10% annual pace). Price effects are complicating the signal from both measures.
- If the high-rise jump is noise as we suspect it will very likely unwind next month. With Jan also prone to low-season measurement issues that could produce an even more spectacular fall back in next month's data. All told, we should continue to treat turn-of-the-year housing data with a great deal of caution.

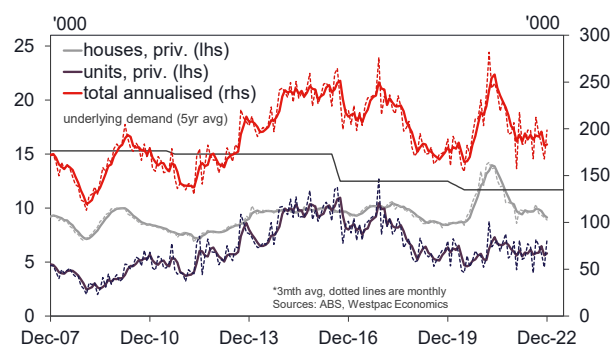
Matthew Hassan, Senior Economist

Building approvals – December 2022

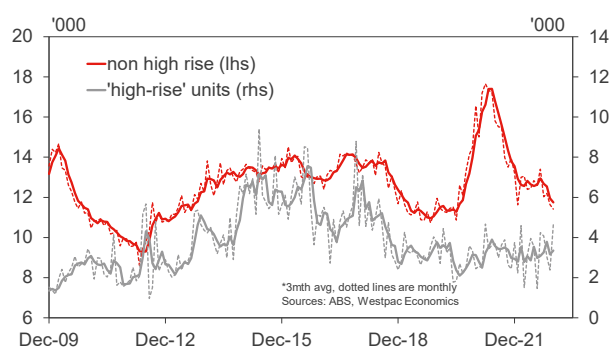
3mth avg	latest	3mth %chg*		%yr	
		Nov	Dec	Nov	Dec
Private houses	9,124	-6.2	-7.5	-11.1	-11.8
Private units	5,803	-3.6	-1.2	-9.4	-2.6
Public dwellings	358	-24.0	52.2	-2.3	39.7
Total dwellings	15,285	-5.6	-4.3	-10.3	-7.7
Total dwellings, mthly*	16,556	-8.8	18.5	-14.1	-3.8
– units in 'high rise'^	3,350	2.6	2.8	6.0	13.9
– units in 'low rise'^	2,539	-13.0	-6.7	-20.8	-17.3
Renovations, \$bn	1.021	1.7	-0.1	3.9	-0.7
Non-res., \$bn	5.350	13.2	15.4	13.2	15.4

*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

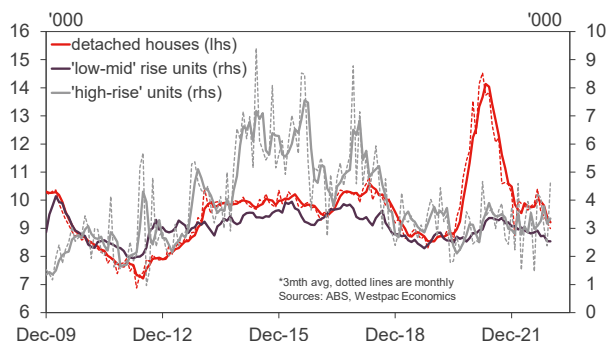


Dwelling approvals: high rise vs non high rise

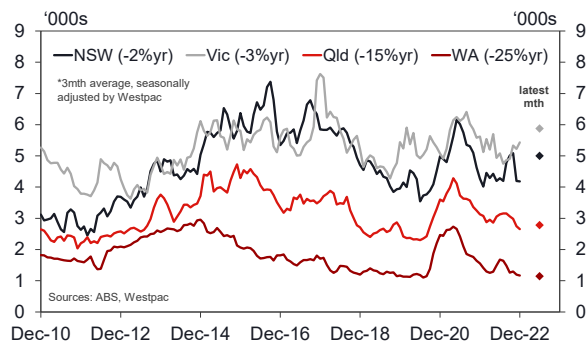


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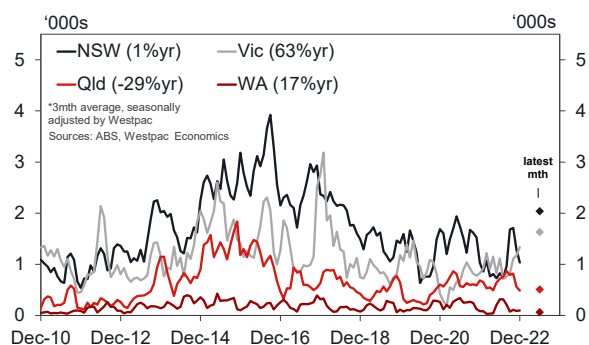
Dwelling approvals: detailed segment



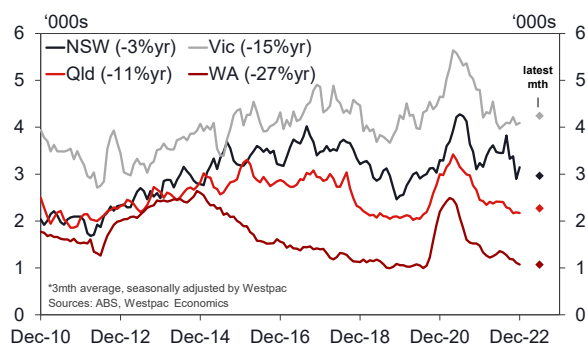
Total dwelling approvals: by state



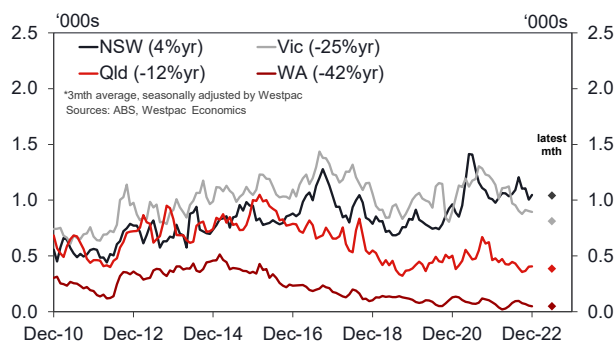
'High rise' approvals: by state



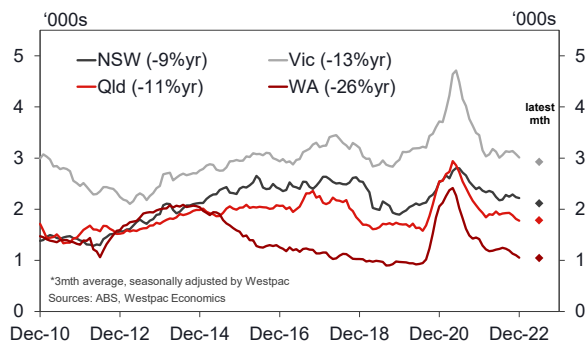
Non high rise approvals: by state



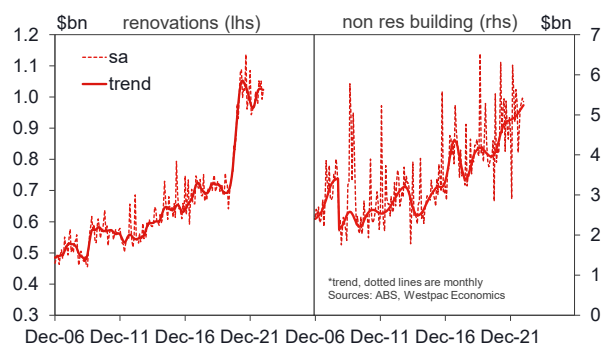
'Low-mid rise' approvals: by state



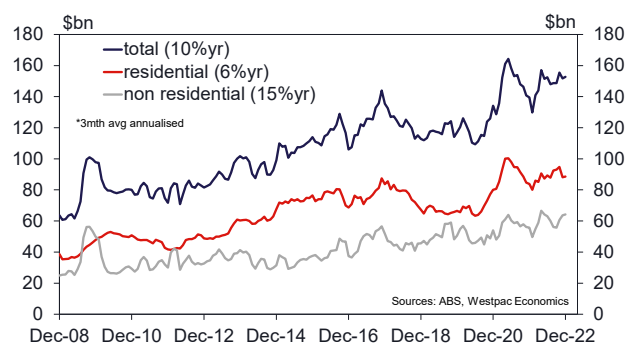
Detached house approvals: by state



Value of renovation & non residential approvals



Total value of building approvals



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