

2 March 2023

Aus dwelling approvals: broad-spread weakness Jan -27.6%^{3mth}, -8.4%^{yr} Volatility makes for a cautious read but detail still weak

- Dwelling approvals posted a sharp decline in Jan, a broad-spread weakening driving a 27.6% collapse in total approvals for the month. This was much weaker than both the market's -7% and Westpac's -10% forecast. While consistent with the broader evidence around the wider correction in the housing market, seasonal volatility again looks to be playing a clear role, warranting caution against reading too much into the sheer size of the monthly decline.
- Private detached houses provided the major surprise in the month. Despite typically being a more stable component, approvals in this category declined by a substantial 13.8%. Interestingly, this is the largest monthly decline since January 2022 (-14.1%), which itself was impacted seasonality around the housing market summer hiatus, alongside the 'omicron' outbreak. **Still, private detached houses are down 26% from their August peak; so while an underlying downtrend has been clearly gathering momentum into year-end, the sheer scale of weakness in January suggests it may be exacerbated by noise.**
- As expected, high rise approvals posted a very big decline of -46% in Jan, however this only partially reversed the Dec spike (which itself was revised up from 90% to 108%). The acute shortages of rental accommodation in addition to the resurgence in migration-driven demand may provide an impetus for further strength over the longer-term; for now, however, this 'lumpy' category is closely associated with the extreme volatility over 2022, so the Dec spike will likely continue to unwind over the coming months. Meanwhile, there was a solid lift in low-mid rise approvals in the month, up by 8.2%. However, this category is still down 8.5% on an annual basis and is continuing to track a trend decline.
- The state-level breakdown shows that the weakness in private detached house approvals was broadly-based across the nation. Every state posted a decline in the month, ranging from: -18.7% in WA; -17.3% in NSW; -16.6% in Vic; -9.9% in Qld and -2.8% in SA. Highlighting the seasonality at play, results for private sector units were very choppy by capital city, with declines led by Sydney (-79%) and Melbourne (-40%) while sizeable gains were observed in the other capital cities, including Brisbane (+41%), Adelaide (+25%) and Perth (+69%).
- The value of renovation approvals continues to track a trend decline, with the 4.0% fall in Dec more than reversing the 2.0% gain in Jan. The value of non-residential building approvals fell sharply lower in Jan; although down 24%^{3mth}, it is only tracking a tepid -2% loss on a rolling 3mth basis.
- Overall, the extreme levels of volatility that were evident in Dec look to have carried over into Jan, with both months prone to low-season measurement issues and thus warranting a great deal of caution in interpretation. So, while the month-to-month reads have made it difficult to gauge the current strength and likely evolution of the correction over the near-term, the underlying detail still suggests that the correction remains well-entrenched. That said, the next few months should provide clearer confirmation of this.

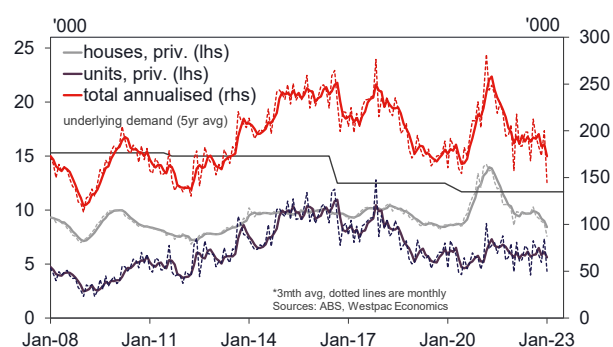
Ryan Wells, Economist

Building approvals – January 2023

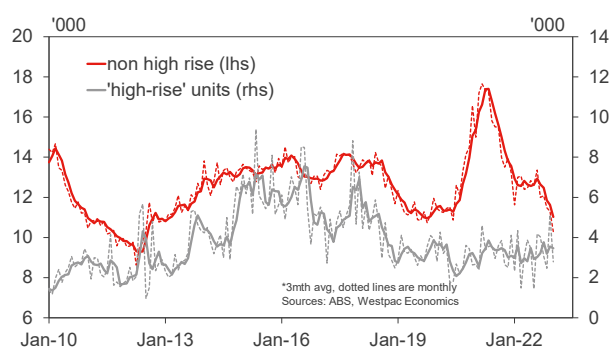
3mth avg	latest	3mth %chg*		%yr	
		Dec	Jan	Dec	Jan
Private houses	8,431	-8.6	-12.7	-12.9	-12.9
Private units	5,615	3.9	-13.5	1.5	-1.1
Public dwellings	354	52.6	58.9	39.4	55.6
Total dwellings	14,399	-3.1	-12.1	-6.9	-7.6
Total dwellings, mthly*	12,065	15.3	-27.6	-3.7	-8.4
– units in 'high rise'^	3,465	10.5	-7.9	15.0	16.2
– units in 'low rise'^	2,502	-6.5	-8.6	-17.3	-18.8
Renovations, \$bn	0.990	-0.5	-5.3	-1.1	-3.0
Non-res., \$bn	4.932	15.4	-2.4	15.4	19.2

*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

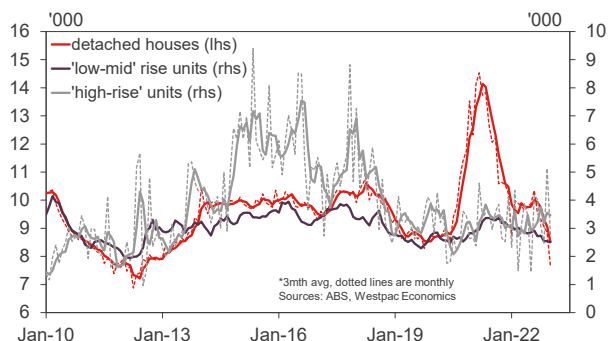


Dwelling approvals: high rise vs non high rise

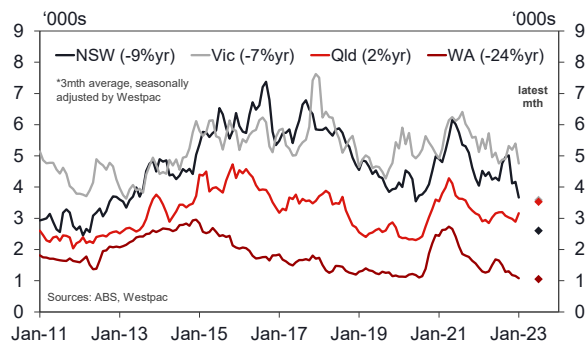


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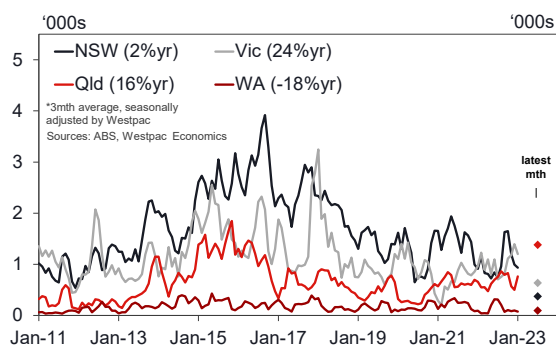
Dwelling approvals: detailed segment



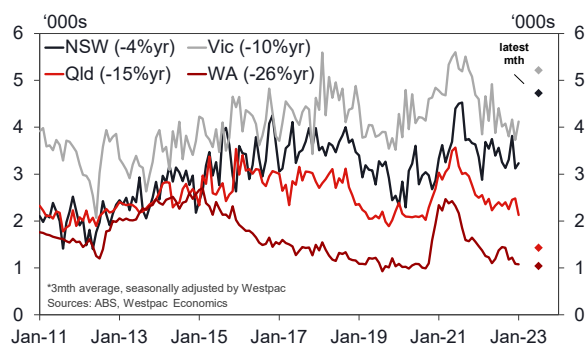
Total dwelling approvals: by state



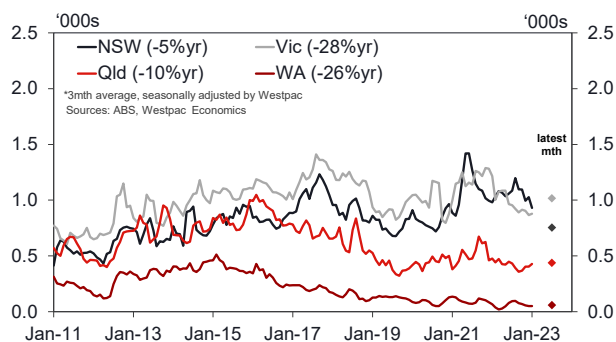
'High rise' approvals: by state



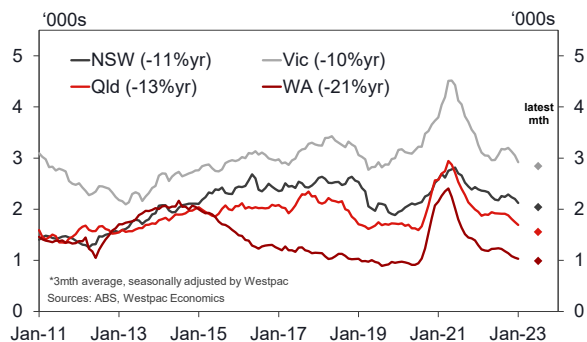
Non high rise approvals: by state



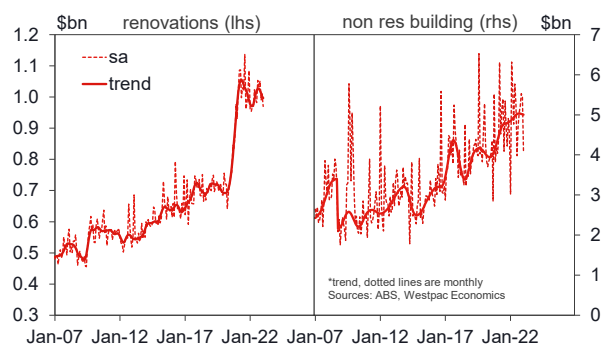
'Low-mid rise' approvals: by state



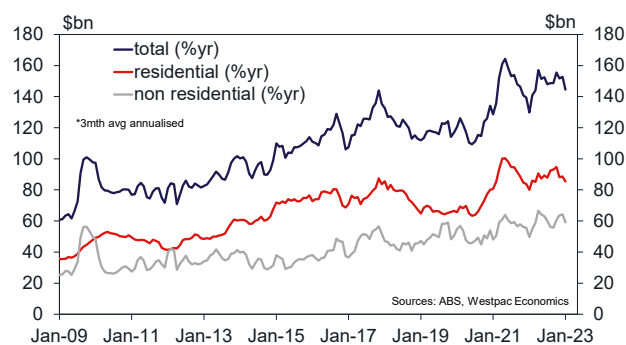
Detached house approvals: by state



Value of renovation & non residential approvals



Total value of building approvals



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