

3 April 2023

Aus dwelling approvals: clear downtrend despite monthly up-tick Feb 4%^{mt}, -31.1%^{yr} Volatility still an issue, processing delays may also be in the mix

- Feb saw a modest lift in dwelling approvals up 4%^{mt} but coming off a sharp decline in the previous month and a surge in December. The Feb result was slightly above Westpac's forecast at -2% but well below market forecast at 10%. Looking through the choppy monthly profile, year-on-year figures still show a clear slowdown with approvals down over 30%^{yr}.
- Usually a stable component within dwelling approvals, private detached houses experienced another double digit change in Feb, up 11.3% compared to a -13.5% fall in Jan. A possible explanation for volatile movements in an otherwise stable component in the last few months could be process delays due to individuals on leave. The ABS recorded abnormally high rates of annual leave take-up in the last holiday period which could have seen increased delays in Jan and a corresponding catch-up in Feb.
- An increase was visible across most states with approvals up 14%^{mt} in NSW, 8.5%^{mt} in Vic, 28.5%^{mt} in SA and a staggering 122.1% in Tas (from a 10yr low in the Jan month). Both Qld and WA saw declines, down 13.7%^{mt} and 6.4%^{mt} respectively.
- Looking more specifically at private sector house approvals, all major states recorded solid increases: NSW up 9.9%^{mt}, Vic up 10.3%^{mt}, Qld up 18.8%^{mt}, WA up 2.4%^{mt} and SA up 1.6%^{mt}. The big gains across the three major eastern states again suggest volatility reflect a common factor such as processing delays due to higher leave absences.
- Looking at non high-rise approvals, private unit approvals declined 9.5% in Feb following a sharp 40% drop in Jan that unwound a 40% jump in Dec - 'lumpy' high rise projects in NSW and Vic dominating. The decline was visible across all states: NSW down 19%^{yr}, Vic down 13%^{yr}, Qld down 6%^{yr} and WA down 21%^{yr}.
- Renovation approvals rose slightly, up 3.7% in Feb, reversing a 4% decrease in Jan but still in decline on a 3mth rolling avg basis (-2.8%). Note that this is the dollar value rather than the number of approvals - as such, the 0.2%^{yr} rise in the context of surging construction costs implies a material decline in the underlying 'volume' of renovation work.
- Overall, the small lift in dwelling approvals in Feb still looks to be in the context of an underlying downturn - concealed by both high rise volatility in Dec-Jan and what looks to be some processing delays in Jan-Feb. The downturn reflects a range of factors including the surge in construction costs, the lagged response to interest rates rises and the wider housing market correction. Coming months will provide a clearer understanding of the pace of the downturn.

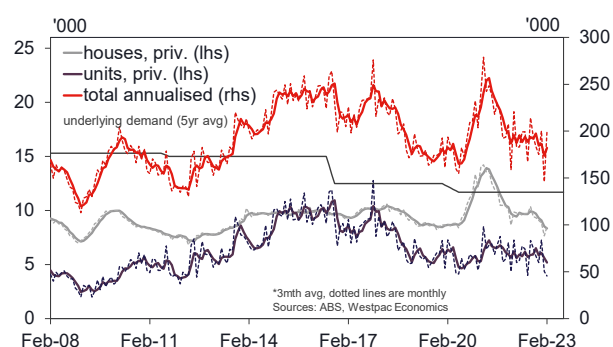
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Building approvals – February 2023

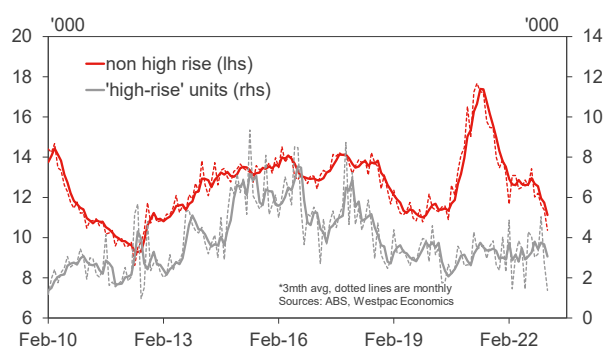
3mth avg	latest	3mth %chg*		%yr	
		Jan	Feb	Jan	Feb
Private houses	8,342	-12.2	-10.2	-12.2	-12.4
Private units	5,187	-14.1	-11.2	-0.5	-16.5
Public dwellings	311	57.7	27.8	55.7	-46.6
Total dwellings	13,839	-12.0	-10.0	-7.0	-15.2
Total dwellings, mthly*	12,661	-27.1	4.0	-8.1	-31.1
– units in 'high rise'^	3,057	-3.5	-10.7	25.9	-18.2
– units in 'low rise'^	2,430	-9.6	-5.4	-18.6	-18.2
Renovations, \$bn	0.996	-5.3	-2.8	-2.6	0.2
Non-res., \$bn	4.968	-0.6	-6.6	20.8	8.9

*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

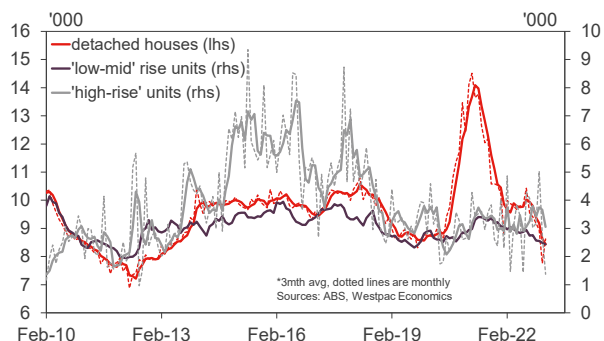


Dwelling approvals: high rise vs non high rise

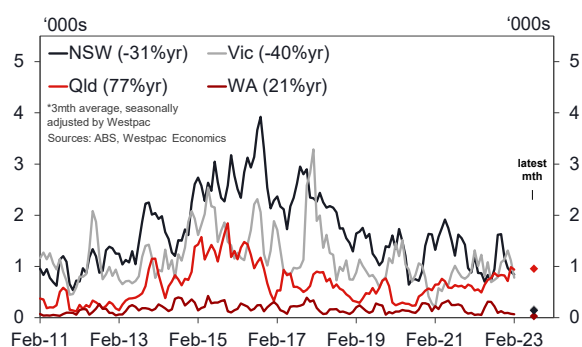


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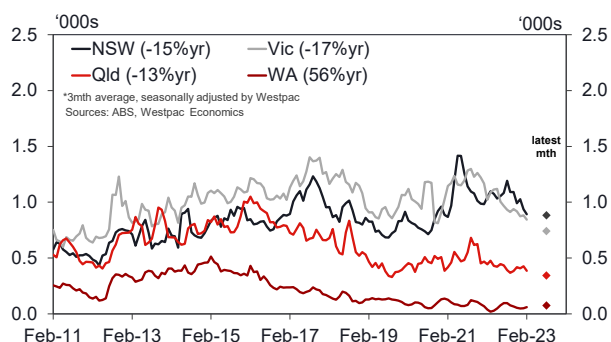
Dwelling approvals: detailed segment



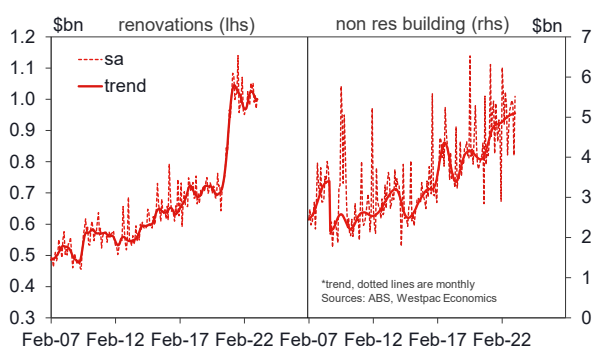
'High rise' approvals: by state



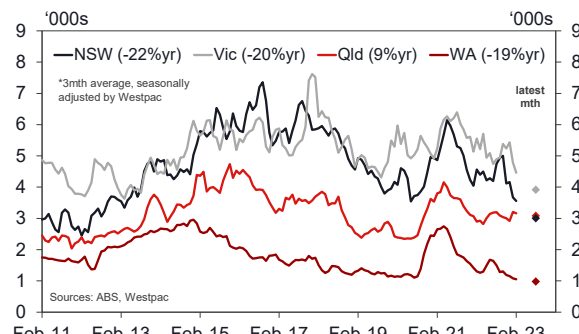
'Low-mid rise' approvals: by state



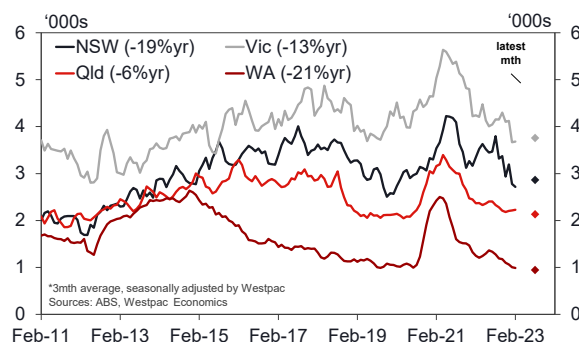
Value of renovation & non residential approvals



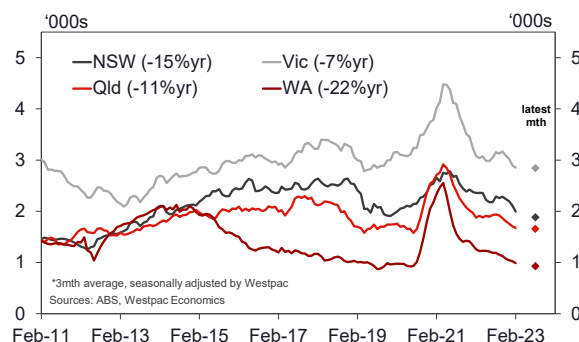
Total dwelling approvals: by state



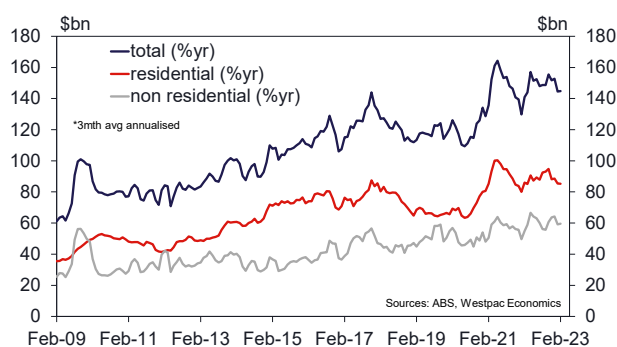
Non high rise approvals: by state



Detached house approvals: by state



Total value of building approvals



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