

30 May 2023

Aus dwelling approvals: crashing? Apr -8.1%^{mth}, -24.1%^{yr} Steep falls in early 2023 have approvals running at 11yr lows.

- Dwelling approvals came in well below expectations with an 8.1% drop in April vs a forecast 2% rise. While housing construction was not expected to follow the firming evident across the wider market, new home sales had suggested activity was starting to find a bottom in recent months. Instead, the April update points to a significant broad-based down-trend that remains firmly intact.
- Indeed, recent monthly moves understate the extent of weakness which shows through more clearly when we look at the approvals in rolling 3mth terms. April's drop follows a 1% dip in March and a 3.7% gain in February. But this was coming off a steep 26.5% plunge in January, that in turn was exaggerated by a 13% lift in December. Viewed on a, more stable, rolling 3mth basis, a 2.8%^{qtr} dip in the final quarter of 2022 has given way to a sharp 19.7%^{qtr} drop in the first quarter of 2023, the April update continuing to track in line with the sharp deterioration. In annualised terms, approvals are now tracking at just a 140k pace compared to a 187k pace at the end of 2022 and an eleven-year low. In short, all is not well with the outlook for new dwelling construction.
- The April detail showed sizeable falls for both private detached houses (-3.8%) and units (-16.5%) – both segments now plumbing decade lows. 'High rise' approvals have seen a particularly steep 50% drop over the last 3mths compared to the 3mths to Jan, with just 5k dwellings approved nationally vs an average 12k over the previous decade.
- The picture was more varied by state, big declines in Vic (-18.6%^{mth}) and Qld (-22.8%^{mth}) partially offset by a unit-led rise in NSW (+12.5%^{mth}) and a strong gain in SA (+19.8%^{mth}). On a rolling 3mth basis, the falls are being led by NSW and Vic, both of which saw 30% drops in Q1.
- The value of renovation approvals dipped a further 1.2% in April to be down 1.7% on a rolling 3mth avg basis. While the pace of construction cost rises looks to have slowed in recent months, the growth remains positive, implying the underlying volume of renovation approvals is posted a significantly bigger decline.
- The only thing preventing this weakening in approval playing through to big falls in new dwelling construction this year is a very large backlog of work – as at December there were still around 240k dwellings under construction, a near record high reflecting the multitude of disruptions and delays to activity through 2022. Whether this is a 'saving grace' or a 'curse' depends on your point of view – much of this backlog is activity associated with the Federal HomeBuilder stimulus during COVID that would have originally been quoted on 'fixed price' terms but has since become either unprofitable for the builder, renegotiated at a significantly higher cost or simply shelved. The stabilisation being seen in the wider housing market may eventually flow through to construction activity but its likely to be 'too little too late' to prevent a very difficult year for the residential building sector near term.

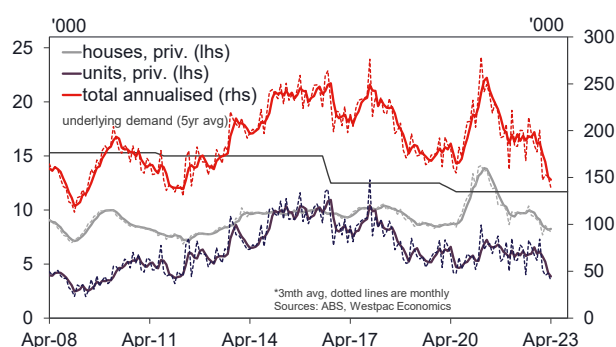
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Building approvals – April 2023

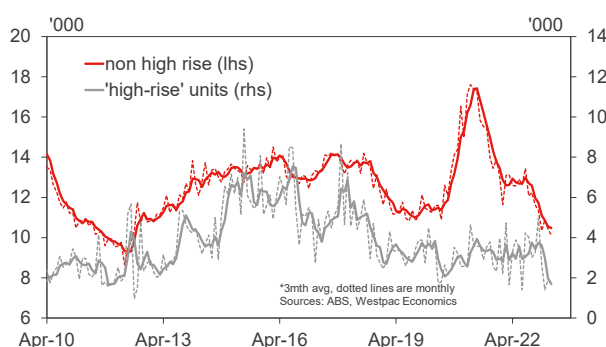
3mth avg	latest	3mth %chg*		%yr	
		Mar	Apr	Mar	Apr
Private houses	8,252	-10.3	-3.4	-13.1	-15.5
Private units	3,861	-32.1	-32.2	-26.2	-35.7
Public dwellings	202	-45.2	-42.7	-67.5	-64.9
Total dwellings	12,315	-19.7	-15.6	-19.9	-24.7
Total dwellings, mthly*	11,594	-1.0	-8.1	-17.6	-24.1
– units in 'high rise'^	1,690	-47.0	-53.3	-31.0	-47.8
– units in 'low rise'^	2,118	-10.6	-14.0	-26.3	-30.7
Renovations, \$bn	0.979	-3.4	-1.7	2.6	1.2
Non-res., \$bn	5.638	-7.4	14.3	0.9	1.6

*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

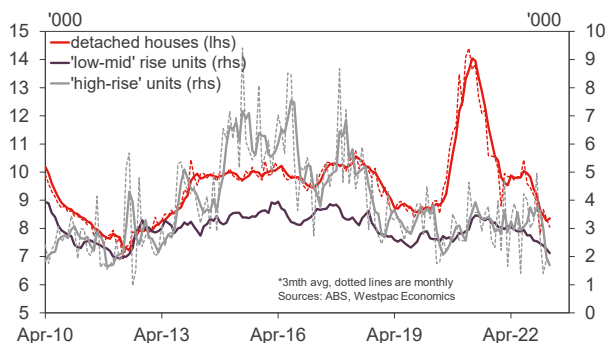


Dwelling approvals: high rise vs non high rise

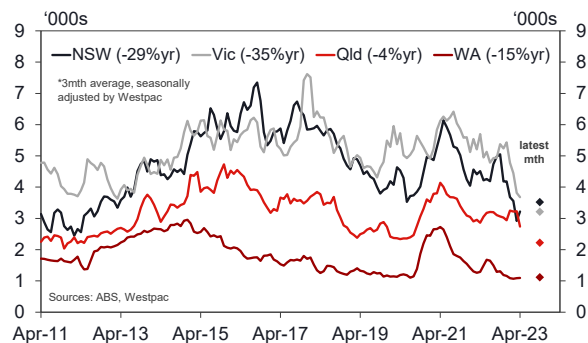


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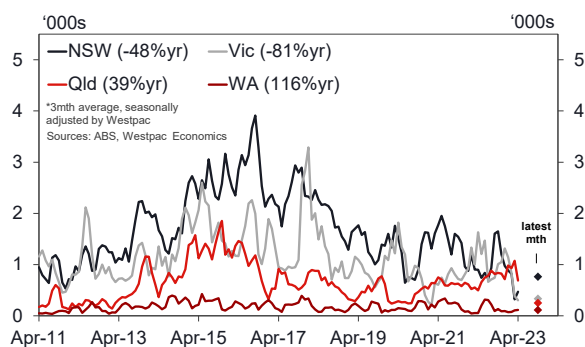
Dwelling approvals: detailed segment



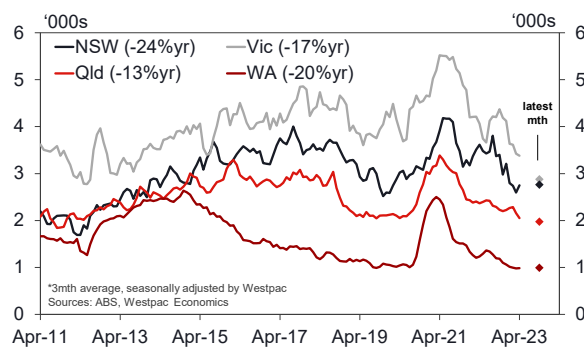
Total dwelling approvals: by state



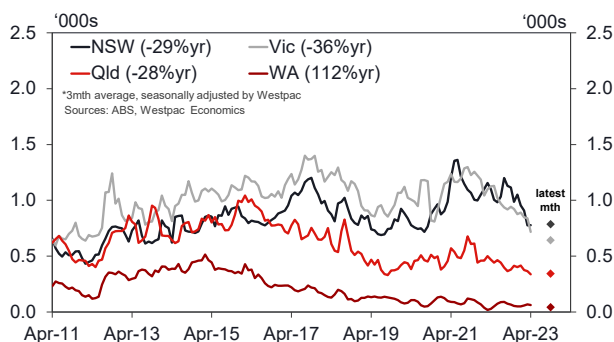
'High rise' approvals: by state



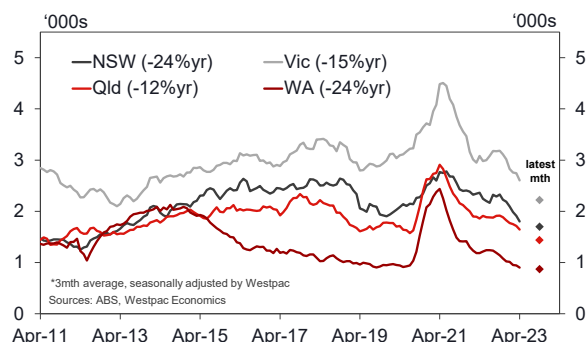
Non high rise approvals: by state



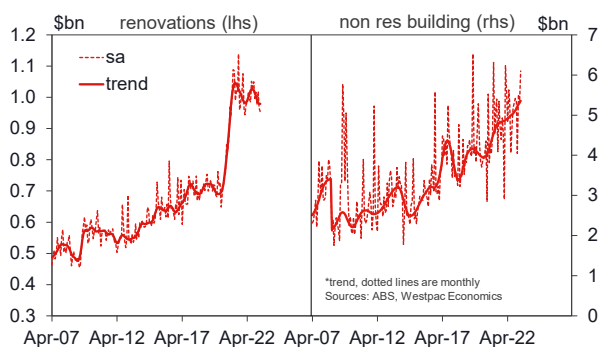
'Low-mid rise' approvals: by state



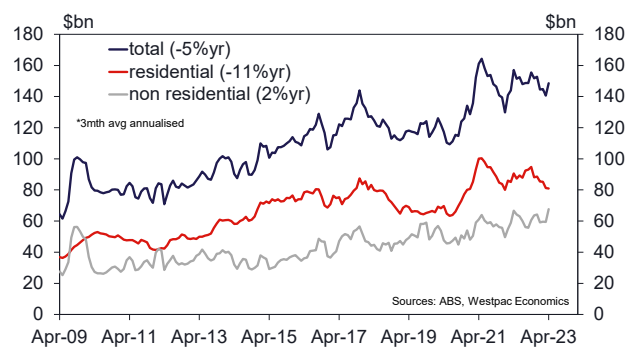
Detached house approvals: by state



Value of renovation & non residential approvals



Total value of building approvals



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