

03 July 2023

## Aus dwelling approvals: high-rise spike May +20.6%<sup>mth</sup>, -9.8%<sup>yr</sup> High-rise 'noise' conceals ongoing weakness

- Dwelling approvals came in way above expectations with a 20.6% jump in May following a 6.8% decrease in April. The May gain is largely due to a huge 150% spike in apartment developments in NSW. Excluding this, 'residual' dwelling approvals were up about 5%<sup>mth</sup> – reversing about a third of the steep fall through March and April. The bottom line is that once we strip out what is very likely volatile high rise 'noise' the underlying picture is much more subdued, pointing to, at best, approvals flattening out at weak levels through Apr-May.
- The NSW spike drove a 59.4% surge in private unit approvals overall (i.e. including low and mid-rise). Private sector house approvals recorded a much softer gain in May, up just 0.9%<sup>mth</sup> and still down materially on a year ago (-15.3%<sup>yr</sup>).
- Note that most of the figures in the table right and in the accompanying charts show approvals rolling 3mth average terms in order to tone down the volatility in the monthly figures. On this basis, approvals are still tracking a 1.9%<sup>qtr</sup> decline even with the jump in May.
- The detail shows total 'high rise' approvals up sharply, we estimate by just over 60%<sup>mth</sup> in seasonally adjusted terms. In non seasonally adjusted terms, the NSW spike accounted for all of the gain with approvals ex NSW down slightly in the month. 'Low and mid-rise' unit approvals look to have posted a decent gain, we estimate up about 15%<sup>mth</sup> in seasonally adjusted terms. However, this segment is relatively small, with the slight 0.9%<sup>mth</sup> gain in private detached house approvals holding down the total gain for 'non high rise' approvals (up just 3.4%<sup>mth</sup>).
- The high-rise surge produced a spectacular 52.9% surge in approvals in NSW. Even excluding NSW, the picture varied greatly by state, with large declines in WA (-11.1%) and SA (-4.8%) but a strong gain in Vic (+15.0%). More generally, on an ex-high rise and 3mth rolling basis, approvals appear to be firming a little in NSW, stabilising in Vic and WA but are continuing to weaken in Qld.
- The value of renovation approvals increased 4.3% in May to be up 4.5%<sup>yr</sup>. Note that this is in dollar value rather than number terms. With construction cost growth still rising rapidly, the 'single-digit' gains likely imply declines in the underlying volume of renovation activity.
- The value non res building also posted a solid 6.6% rise in Mat but is up more strongly over the year (+19.3%<sup>yr</sup>), suggesting the underlying volumes here may still be on the up.
- Overall, high rise volatility conceals what still looks to be a flat underlying trend at weak levels in May. With the effects of higher interest rates and surging building costs still coming through the 'front-end' of the dwelling construction pipeline is likely to remain subdued near term. That said, activity will continue to see some support from a large backlog of work associated with the Federal HomeBuilder scheme – the pipeline of detached houses currently at over 100k, nearly double 'pre-COVID' norms.

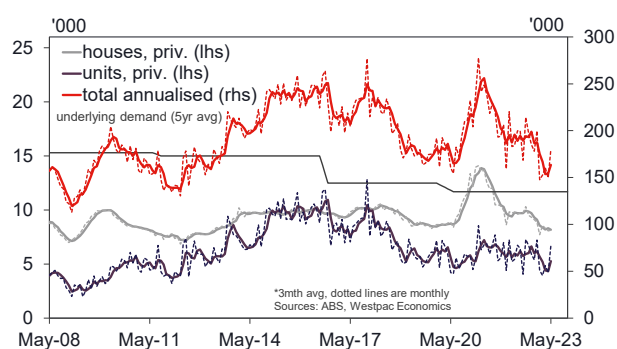
**Matthew Hassan**, Senior Economist  
**Uma Choudhury**, Graduate

### Building approvals – May 2023

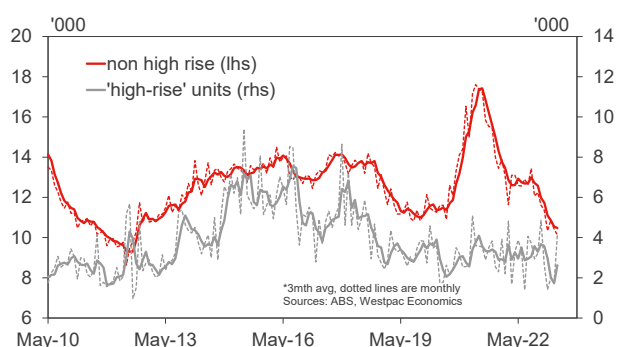
3mth avg	latest	3mth %chg*		%yr	
		Apr	May	Apr	May
Private houses	8,170	-2.9	-2.5	-14.9	-15.8
Private units	5,265	-23.6	1.3	-27.2	-9.1
Public dwellings	188	-43.7	-39.6	-65.2	-26.0
Total dwellings	13,624	-11.9	-1.9	-21.2	-13.5
<b>Total dwellings, mthly*</b>	<b>15,032</b>	<b>-6.8</b>	<b>20.6</b>	<b>-18.7</b>	<b>-9.8</b>
– units in 'high rise'^	2,864	-43.3	-4.7	-35.1	1.6
– units in 'low rise'^	2,274	-11.7	-6.9	-28.5	-22.7
Renovations, \$bn	1.008	0.5	0.4	3.3	2.2
Non-res., \$bn	6.235	15.3	21.3	5.4	15.8

\*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

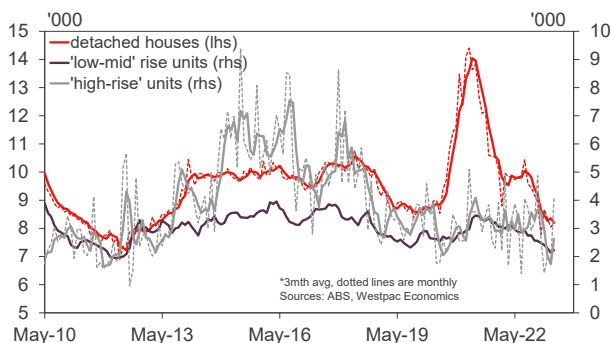


### Dwelling approvals: high rise vs non high rise

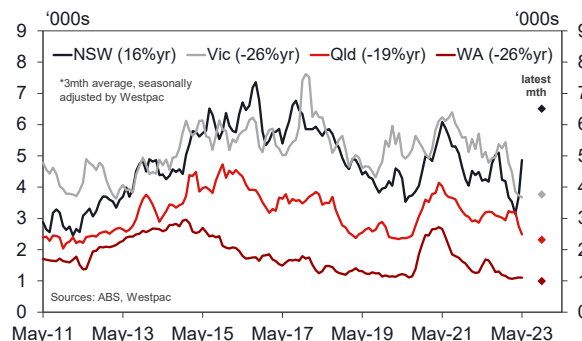


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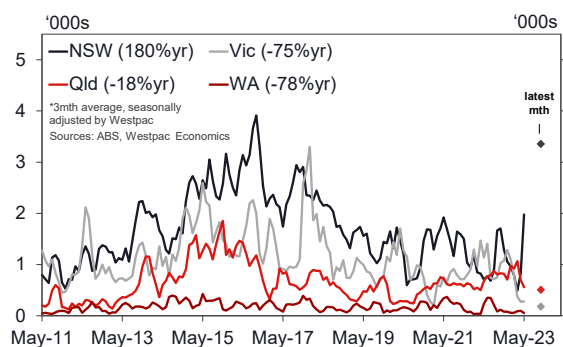
## Dwelling approvals: detailed segment



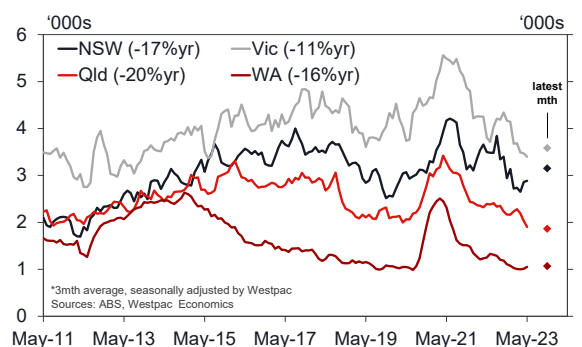
## Total dwelling approvals: by state



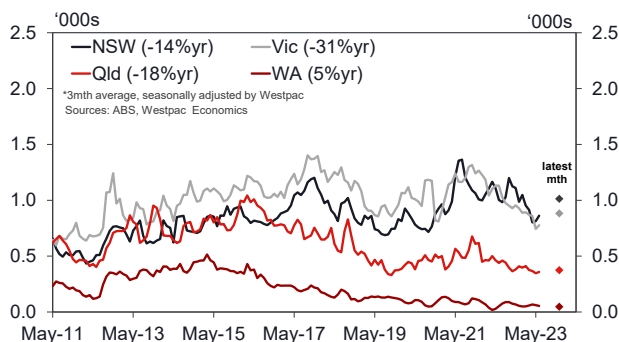
## 'High rise' approvals: by state



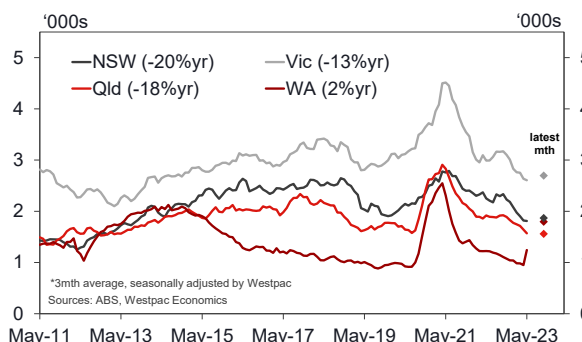
## Non high rise approvals: by state



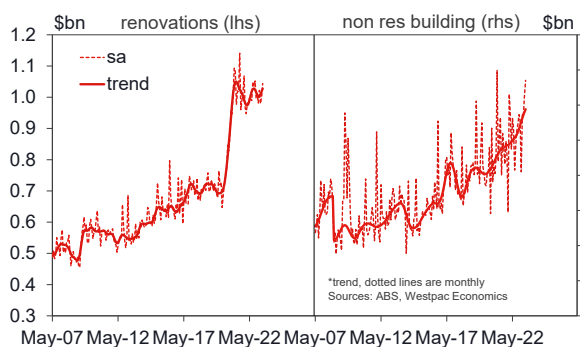
## 'Low-mid rise' approvals: by state



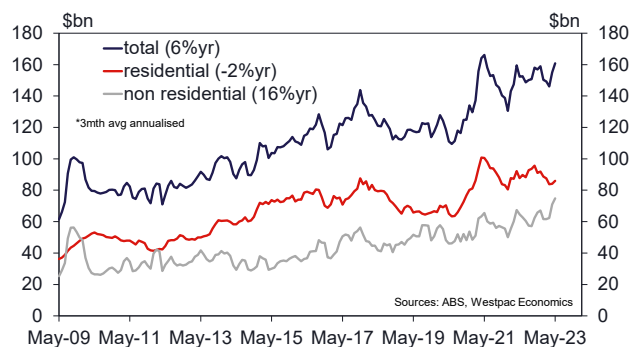
## Detached house approvals: by state



## Value of renovation & non residential approvals



## Total value of building approvals



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