

1 August 2023

Aus dwelling approvals: partial unwind June -7.7%^{mth}, -18.0%^{yr} Underlying momentum flattening at a weak level

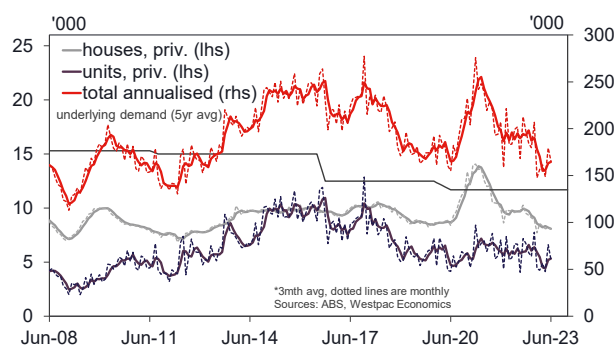
- Following a high-rise related spike in May, **total dwelling approvals** declined by 7.7% in June to be down 18% annually. The fall was broadly in line with market consensus of -8.0% but slightly bigger than Westpac's forecast of -7.0%.
- Note that most of the figures in the table right and in the accompanying charts show approvals rolling 3mth average terms in order to tone down the volatility in the monthly figures.
- As expected, the main driver of June's decline was a sharp moderation in **private unit approvals** – down 21.4% in June after a +60.4% burst in May. The 'lumpiness' apparent within this segment is largely explained by high-rise units, which we estimate to have fallen 16% in June in seasonally adjusted terms, while low-mid rise units fell by a more tepid -4.6%.
- The decline private unit approvals was largely driven by **NSW**, wherein private unit approvals more-than-halved in June (-63%), having doubled in the month prior (+99%). However, private unit approvals across the other eastern states stood in contrast, lifting strongly in both **Vic** (+86.2%) and **Qld** (+79.4%). June's decline in private units therefore represents only a partial unwind from May, with this segment running at a three-month average pace of +18% and up 27% over the last two months alone. Despite these gains, the segment looks unlikely to see a sustained rise in activity to the high levels that prevailed through much of the second half of last decade.
- Looking past this volatility associated with private units, **private detached house approvals** declined by a more modest 1.3%, pulling the annual growth rate down further, to -17.4%. That said, the pace of declines has clearly moderated over the last few months, from a three-month average of -9.8% in March to -1.4% in June. Given this segment's ability to provide a clearer guide on underlying trends, this suggests that overall dwelling approvals are, at best, starting to stabilise at weak levels.
- The value of **renovation approvals** fell by 4.7% in June, and is up 3.9% on a three-month average basis. Rising construction costs are likely flattening the value figure here, meaning these single-digit gains imply declines in the underlying volume of renovation activity.
- The same cannot be said for the value of **non-residential building**, however, having posted another solid increase of 7.6% in June to be up 31.4% on a three-month average basis. Of particular note, buildings related to health (i.e. hospitals and other health-care related facilities) has risen almost five-fold since December 2022, easily outpacing any conceivable growth in costs over the same period.
- The June update provides further confirmation of dwelling approvals tracking a flattening underlying trend at weak levels, albeit complicated by high-rise volatility. While high interest rates and building costs will likely limit the near-term growth in new pipeline additions, the large existing backlog of work associated with the Federal HomeBuilder scheme should continue to support current building activity near-term.

Building approvals – June 2023

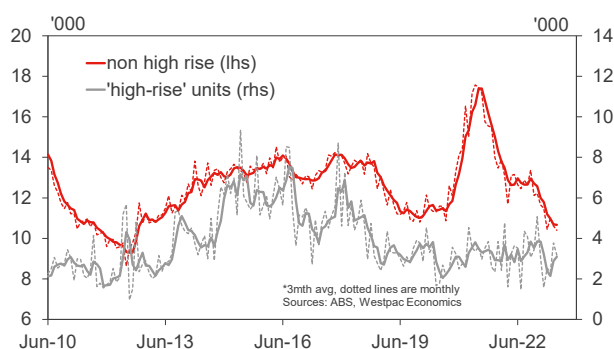
3mth avg	latest	3mth %chg*		%yr	
		May	Jun	May	Jun
Private houses	8,098	-2.4	-1.4	-15.5	-16.4
Private units	5,325	-4.7	18.0	-9.6	-14.8
Public dwellings	306	-38.8	52.2	-21.8	-0.4
Total dwellings	13,729	-4.1	6.2	-13.4	-15.5
Total dwellings, mthly*	13,808	20.5	-7.7	-9.8	-18.0
- units in 'high rise'^	3,089	-10.9	29.5	1.7	-10.9
- units in 'low rise'^	2,374	-7.3	0.2	-22.4	-17.6
Renovations, \$bn	1.033	1.6	3.9	3.7	4.3
Non-res., \$bn	6.928	23.3	31.4	17.3	33.6

*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



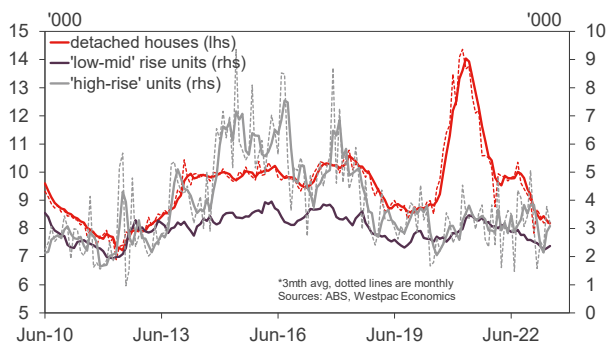
Dwelling approvals: high rise vs non high rise



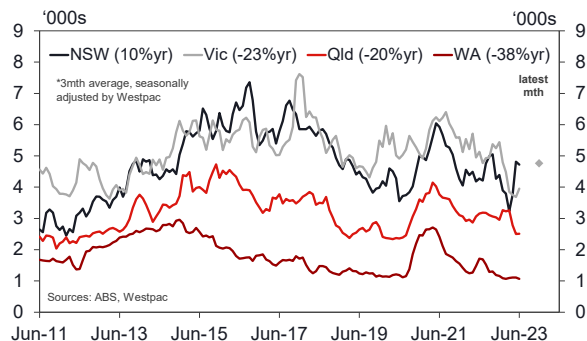
Ryan Wells, Economist

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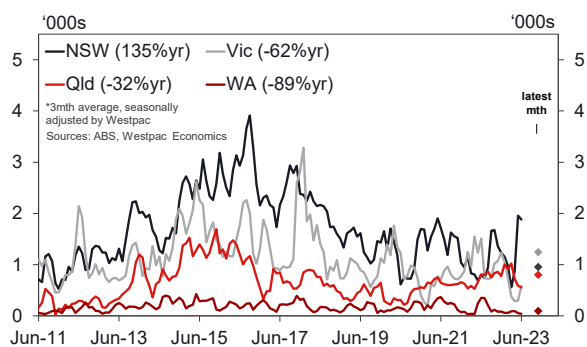
Dwelling approvals: detailed segment



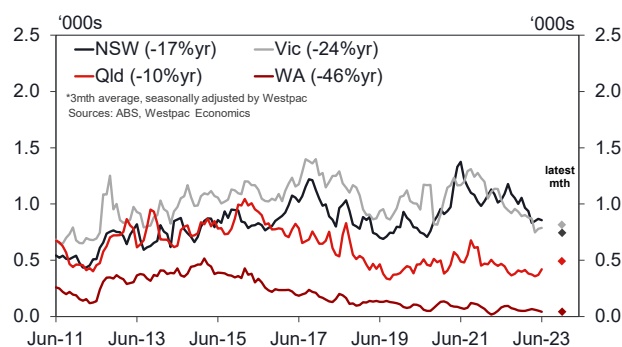
Total dwelling approvals: by state



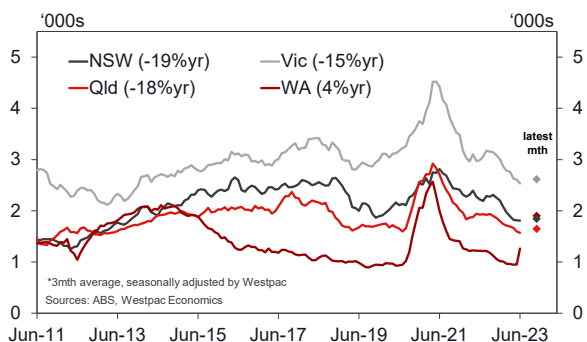
'High rise' approvals: by state



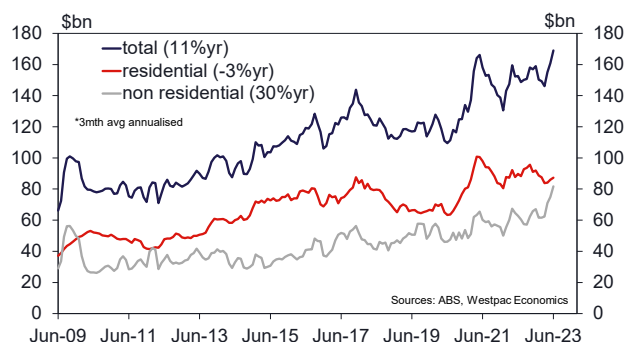
'Low-mid rise' approvals: by state



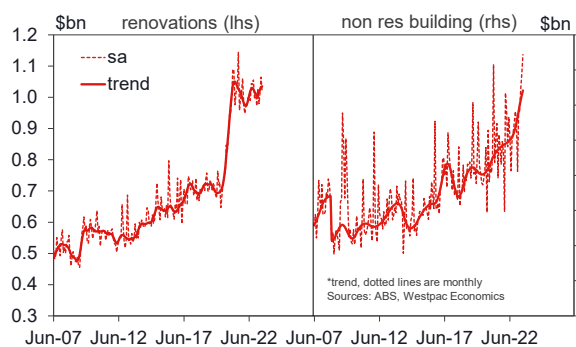
Detached house approvals: by state



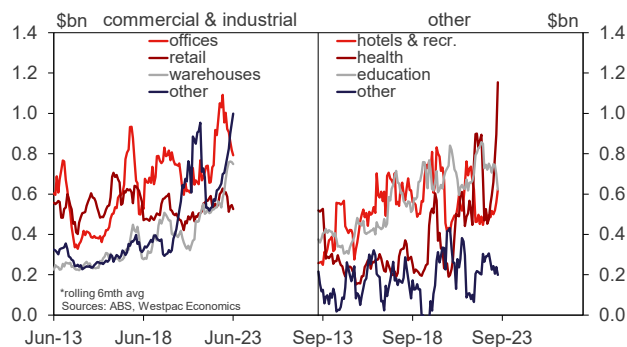
Total value of building approvals



Value of renovation & non residential approvals



Value of non res approvals: segments



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