

30 August 2023

Aus dwelling approvals: apartment unwind continues July -8.1%^{mth}, -10.6%^{yr} Underlying activity flattening but at a very weak level

- Total dwelling approvals declined 8.1% in July following a 7.9% drop in June, both months unwinding a big 20% jump in May, the profile largely reflecting a volatile monthly profile for 'high-rise' unit approvals. The July fall was bigger than expected, both Westpac and the consensus looking for a 1% decline.
- 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.
- Private sector unit approvals fell 15.8%^{mth}, led by 'high rise' units, which we estimate were down 27%^{mth} in seasonally adjusted terms in July. 'Low-rise' approvals also weakened, down an estimated 8%^{mth} in seasonally adjusted terms. Both segments are still comfortably higher on a rolling 3mth basis, but this mainly reflects the exceptionally weak reads in Q1.
- The state detail shows the July fall centred on Vic (-18.3%^{mth}) but with the other major states also recording falls, NSW down 4.7%^{mth}, Qld down 5.5%^{mth}, WA down 5.2%^{mth} and SA down 2.6%^{mth}. The pull-back in high rise centred on Vic, where approvals dropped 42%^{mth}. Excluding 'high rise', approvals were also notably weaker in Vic (-10.1%^{mth}) and SA (-15%^{mth}), soft in Qld (-3.9%^{mth}) and WA (-1.4%^{mth}) but with NSW posting a solid gain (+8.3%^{mth}).
- The value of renovation approvals dipped 0.4% in July but are still up 3% on a three-month average basis. Gains continue to look like they are mostly coming from rising construction costs with underlying volumes likely declining.
- The value of non-residential building fell back sharply, declining 27.8% in the month but likely reflecting large projects dropping out in the month with approvals still up 16.3%^{qtr} on a three-month average basis. As noted previously, June saw a big jump in health-related building approvals, the state detail showing a jump in Qld that is likely associated with the \$9.78bn Capacity Expansion Program for the state's health and hospital sector.
- Looking through recent volatility, approvals do look to be stabilising somewhat. Total approvals are still up 7.1%^{qtr} on a rolling 3mth basis, despite the back-to-back falls, with non-high rise approvals holding about flat since April. That follows a very large 40% decline over the previous two years, initially as the Federal government's HomeBuilder scheme, deployed during COVID, unwound and then as the aggressive rate rises and a housing market correction combined with soaring construction costs and a wave of building sector insolvencies. While the recent signs of an underlying stabilisation in activity may be comforting, approvals are at a very low level by historical standards, particularly when viewed relative to the size of the dwelling stock and pace of population growth. At an annualised pace of 165k, dwelling approvals over the last 3mths are running at an annual pace equal to around 1.5% of the dwelling stock, likely a record low. This is coming at a time that population growth has accelerated to well over 2%, with population-driven housing requirements likely rising at well over 200k a year.

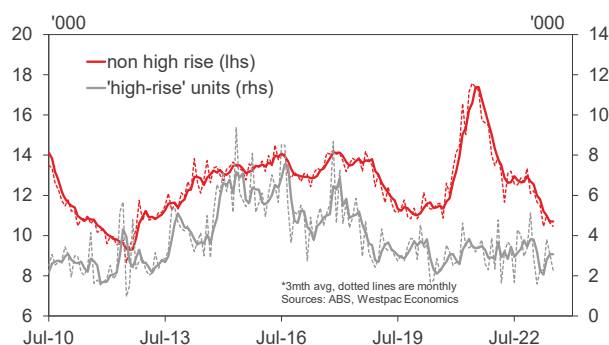
Matthew Hassan, Senior Economist

Building approvals – July 2023

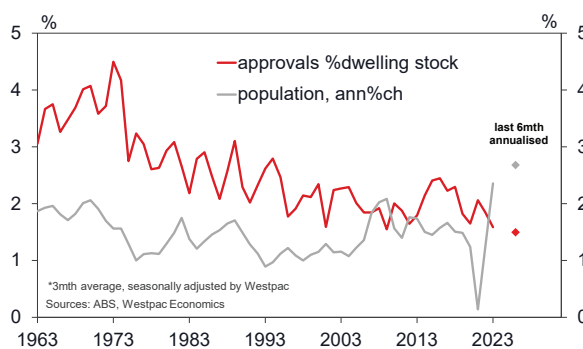
3mth avg	latest	3mth %chg*		%yr	
		Jun	Jul	Jun	Jul
Private houses	8,104	-1.4	-3.0	-16.3	-16.4
Private units	5,395	20.6	24.5	-14.5	-7.9
Public dwellings	313	52.0	48.2	-0.5	-5.4
Total dwellings	13,812	7.0	7.1	-15.3	-13.0
Total dwellings, mthly*	12,668	-7.9	-8.1	-18.0	-10.6
- units in 'high rise'^	3,066	36.1	49.5	-10.9	4.4
- units in 'low rise'^	2,403	2.2	7.3	-15.9	-17.0
Renovations, \$bn	1.039	4.5	3.0	4.9	4.4
Non-res., \$bn	6.908	33.3	16.3	32.9	38.1

*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: high rise vs non high rise

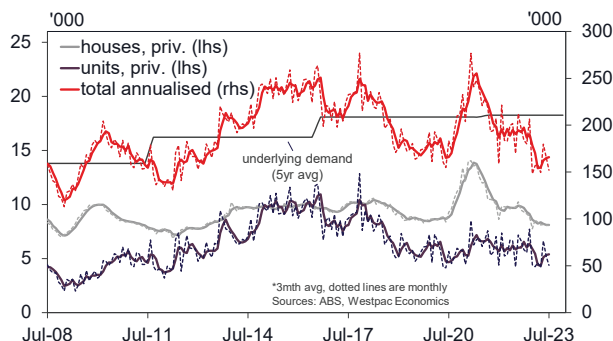


Dwelling approvals: annual, full history

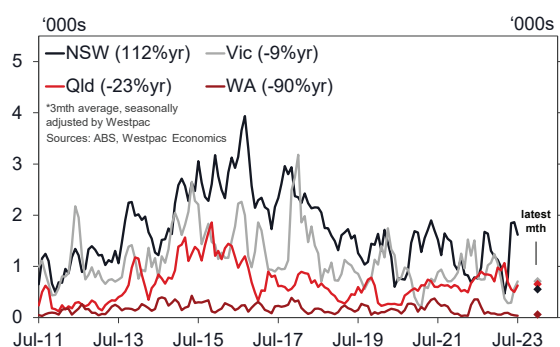


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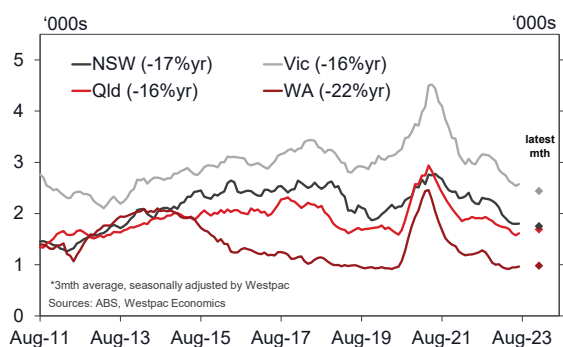
Dwelling approvals



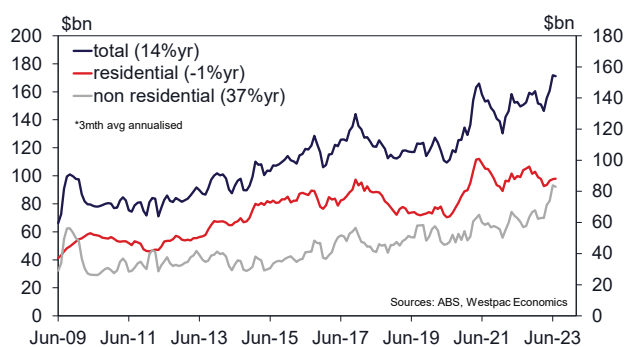
'High rise' approvals: by state



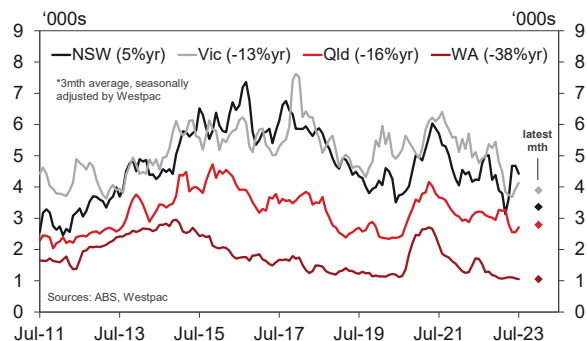
Detached house approvals: by state



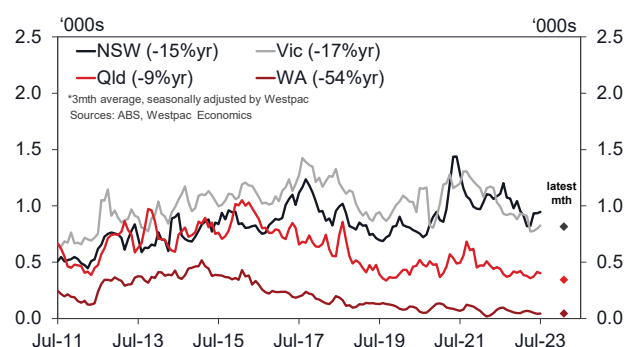
Total value of building approvals



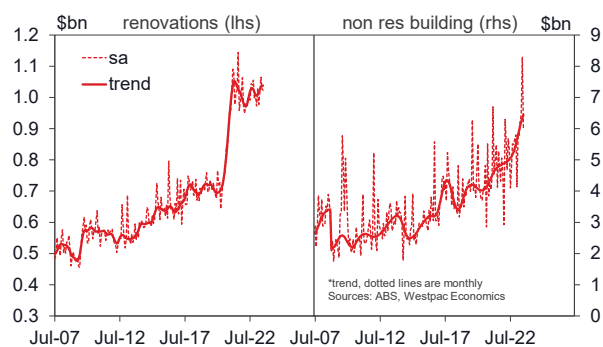
Total dwelling approvals: by state



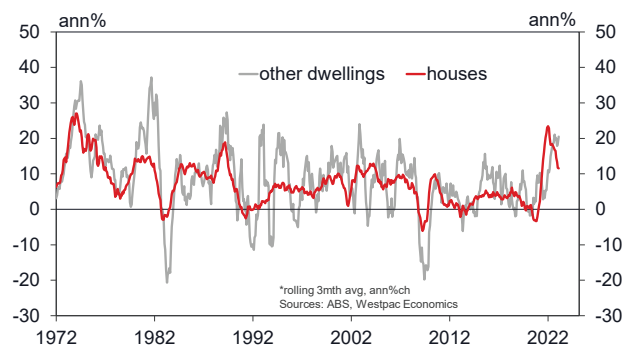
'Low-mid rise' approvals: by state



Value of renovation & non residential approvals



Dwelling approvals: avg value, full history



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