

3 October 2023

Australian dwelling approvals stabilising August 7%^{mth}, -22.9%^{yr} Tentative but uneven recovery from weak level

- Total dwelling approvals posted a bigger than expected 7% rise in August, with both detached and units posting solid gains in the month. Westpac's forecast of a 2.5% gain was based on a slightly milder gain for detached and a flat result for units. The result comes off two months of sizeable declines led by units. Despite the positive result, the underlying picture still looks to be of a gradual up-trend from a weak level with the unit gains unlikely to be sustained.

- 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 rose 9.4% in the Aug month but were still down heavily on a rolling 3mth basis (-7.9%^{qtr}) with a 60% spike in May unwinding through June-July. The volatility centred on 'high rise' units, which look to have posted a moderate 10% gain in the August month in seasonally adjusted terms. 'Low-rise' approvals look to have softened slightly in the month.

- The state detail shows the August rise was led by Vic (+22%^{mth}) but with solid gains in NSW (+12.5%^{mth}) and WA (+12.3%^{mth}). Qld recorded a sharp 27% fall in the month. SA down 7%^{mth}. On a rolling 3mth basis and excluding high-rise, approvals are tracking solid up-trends in Vic, Qld and WA (at a 5-8%^{qtr} pace) but are holding about flat in NSW.

- The value of renovation approvals declined 2.4%^{mth} but with the previous month revised up to a 2.5% rise to give a slight 1.4%^{qtr} gain on a three-month average basis, up 2.9%^{yr}. Gains are almost certainly price rather than volume driven. As at June, the quarterly chain volume measure of renovation approvals was down 2%^{yr}.

- The value of non-residential building approvals dipped 1.5% in the Aug month but remains sharply higher on a rolling 3mth basis, up 10%^{qtr} due to a spike in June. As noted previously, June saw a big jump in health-related building approvals in Qld associated with the \$9.78bn Capacity Expansion Program for the state's health and hospital sector. As at June, the quarterly chain volume measure of non-residential building approvals was up 26%^{yr}. The gain has more than offset weakness in residential with chain volume measures of total building approvals up 6.7%^{yr} to June and nominal approvals up 14%^{yr} on a rolling 3mth average basis to August. The value of approvals is holding around 6.5% of GDP, slightly above the long run average.

- Stepping back from the latest monthly data, prospects for dwelling approvals still look mixed at best. On the positive side, population-driven demand is clearly strong and wider housing markets are seeing a recovery. However, there still look to be significant legacy problems from the surge in construction costs – which has still to run its course – and capacity issues with a major wave of building sector insolvencies and labour shortages. High interest rates and stretched affordability will also be weighing on demand at the margin.

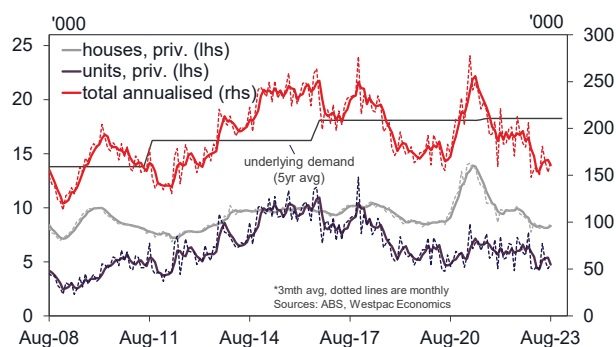
Matthew Hassan, Senior Economist

Building approvals – August 2023

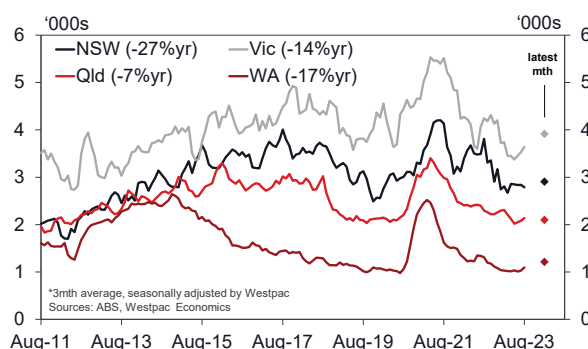
3mth avg	latest	3mth %chg*		%yr	
		Jul	Aug	Jul	Aug
Private houses	8,308	-2.2	1.2	-16.3	-16.3
Private units	4,755	23.9	-7.9	-7.4	-20.8
Public dwellings	332	49.9	63.7	-3.5	5.6
Total dwellings	13,395	7.5	-1.3	-12.8	-17.5
Total dwellings, mthly*	13,647	-7.4	7.0	-10.3	-22.9
– units in 'high rise'^	2,595	47.9	-7.4	4.3	-17.7
– units in 'low rise'^	2,268	6.7	-3.5	-16.3	-23.5
Renovations, \$bn	1.038	4.0	1.4	5.7	2.9
Non-res., \$bn	6.808	16.6	10.2	37.5	43.1

*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

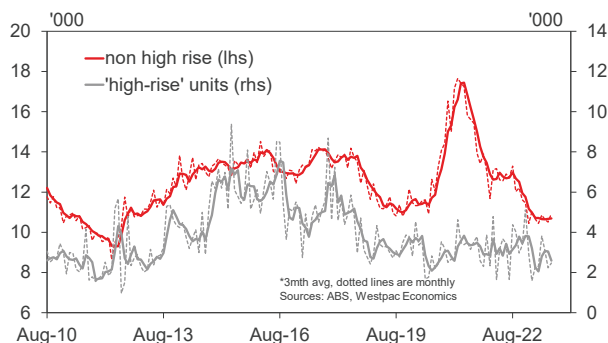


Non high rise approvals: by state

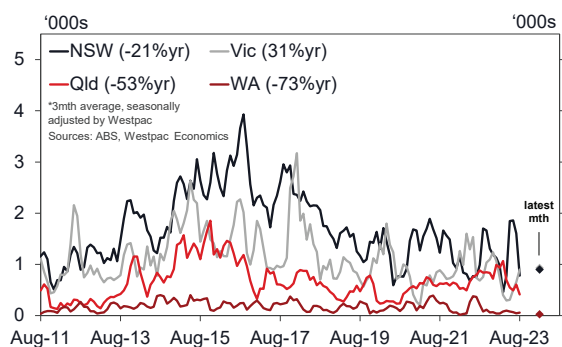


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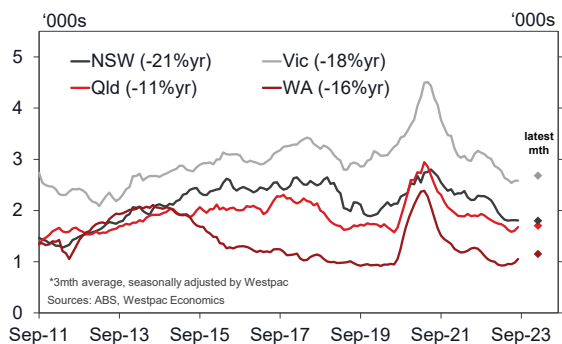
Dwelling approvals: high rise vs non high rise



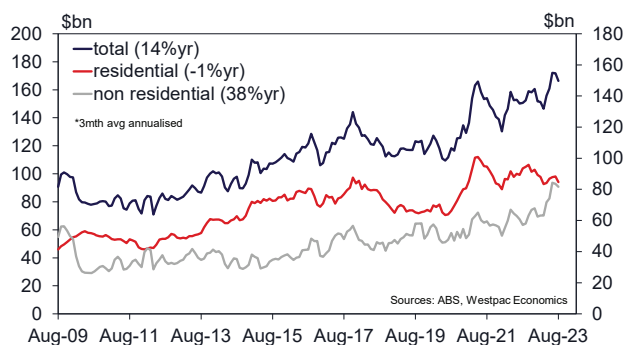
'High rise' approvals: by state



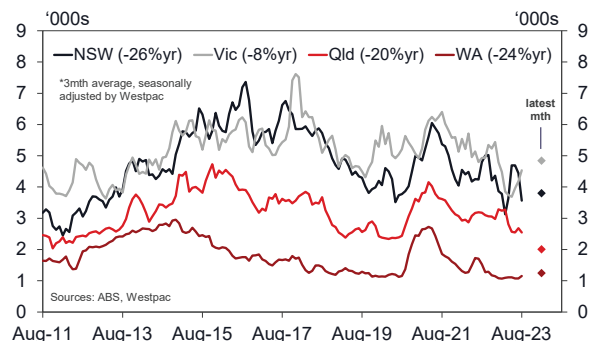
Detached house approvals: by state



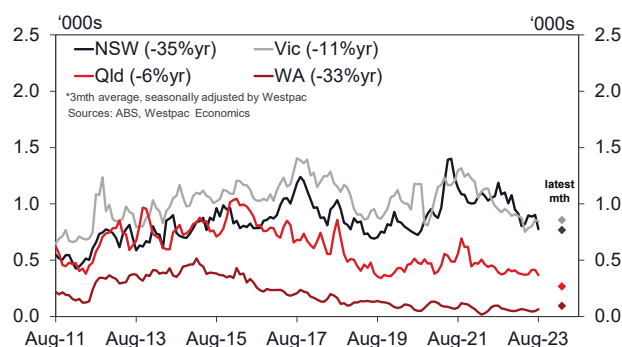
Total value of building approvals



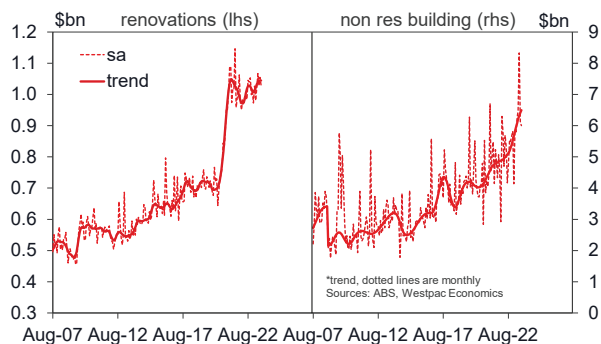
Total dwelling approvals: by state



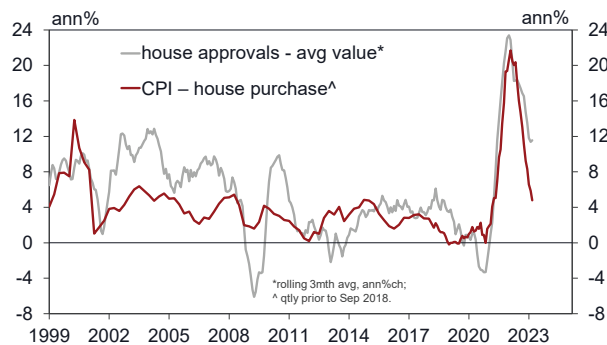
'Low-mid rise' approvals: by state



Value of renovation & non residential approvals



Dwelling approvals: avg value



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