

1 November 2023

Australian dwelling approvals: soft update September -4.6%^{mth}, -20.6%^{yr} Underlying stabilisation still in-tact, but fragile.

- Total dwelling approvals came in weaker than expected in September, declining -4.6% with softness evident evenly across both detached houses and units in the month. This follows July's -7.2% fall and August's 8.1% rebound, leaving total dwelling approvals down -4.2% on a three-month rolling basis.
- Note that most of the figures in the table right and in the accompanying charts show approvals in rolling three-month average terms in order to tone down volatility.
- Westpac noted that the surge in HIA new home sales over the two months to September – led by NSW due to a pull-forward effect from regulatory changes (new building standards coming into effect from October) – pointed to upside risk to dwelling approvals in September. In the event, this risk did not materialise to a degree that could offset larger declines in the month, across both houses and units.
- Private detached house approvals declined by -4.6% in the month, and although NSW was the strongest out of the states within this category (+1.1%), it was not nearly enough to offset weakness elsewhere, particularly in Vic (-9.0%) and to a lesser extent WA (-12.7%) and SA (-2.6%). On a three-month rolling basis, private detached house approvals are up 3.2%. This seems to be largely centred on base effects, with larger declines from earlier in the year cycling out, meaning the current pace should still be characterised as stabilising, at best.
- Private sector unit approvals fell 5.1% in September and is still down heavily on a three-month rolling basis (-14.7%), as this segment continues to broadly track a weakening trend since May's 60% spike began to unwind in June/July.
- In contrast to the state detail for private detached houses, NSW posted the weakest result across the states within private sector units (-20.4%), with Vic also printing very weak in this segment (-8.8%). These results were partially offset by a rebound in Qld (+300%) and SA (+65%), and to a lesser extent WA (+15%), although these three states together have only accounted for approximately 30% of private sector unit approvals so far this year.
- The value of renovation approvals rose 0.7% in the month and, incorporating recent revisions, are up 1.9%^{qtr} (3.9%^{yr}) on a three-month average basis. Still, it's almost certain that these gains are driven by prices as opposed to volumes. The value of non-residential building fell 7.4% in September and the quarterly pace has now flipped negative (-16%) as June's health-related building spike enters the base comparison.
- Overall, the September update showcased a moderately soft set of results, at a time where signs of an underlying stabilisation in dwelling approvals have begun to emerge, albeit at low levels by historical standards. That said, the outlook for dwelling approvals remains mixed – just as wider housing markets are benefitting from rapid population growth, legacy issues around elevated construction costs and capacity constraints remain a drag on building activity.

Ryan Wells, Economist

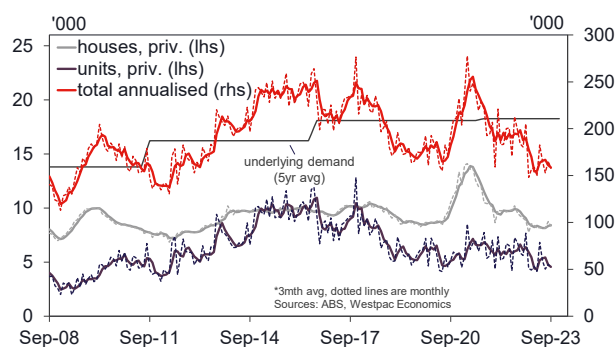
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Building approvals – September 2023

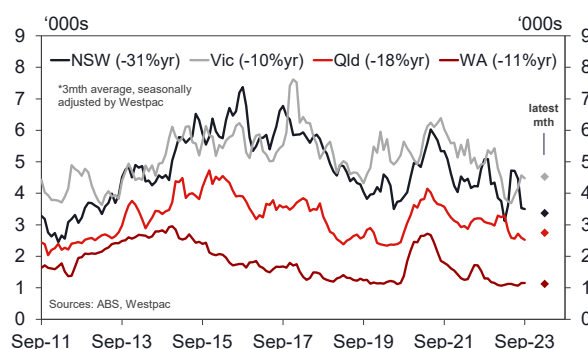
3mth avg	latest	3mth %chg*		%yr	
		Aug	Sep	Aug	Sep
Private houses	8,412	1.1	3.2	-16.0	-14.6
Private units	4,568	-8.4	-14.7	-20.8	-25.0
Public dwellings	247	69.0	-20.7	8.7	6.5
Total dwellings	13,227	-1.5	-4.2	-17.3	-18.2
Total dwellings, mthly*	13,144	8.1	-4.6	-22.3	-20.6
- units in 'high rise'^	2,334	-9.9	-25.0	-17.9	-30.2
- units in 'low rise'^	2,319	-2.1	-4.8	-22.3	-16.0
Renovations, \$bn	1.060	2.4	1.9	4.1	3.9
Non-res., \$bn	5.894	10.5	-18.1	42.8	21.8

*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

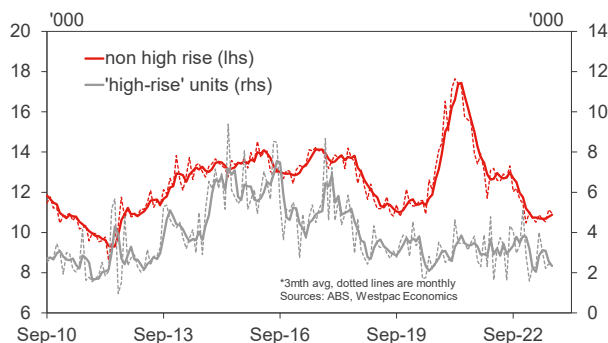
Dwelling approvals



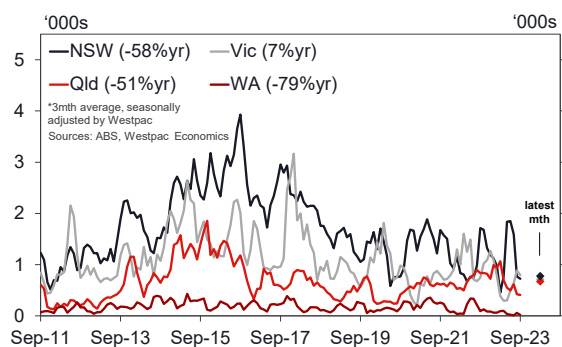
Total dwelling approvals: by state



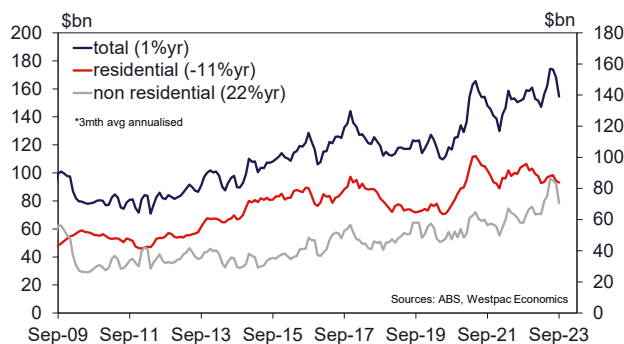
Dwelling approvals: high rise vs non high rise



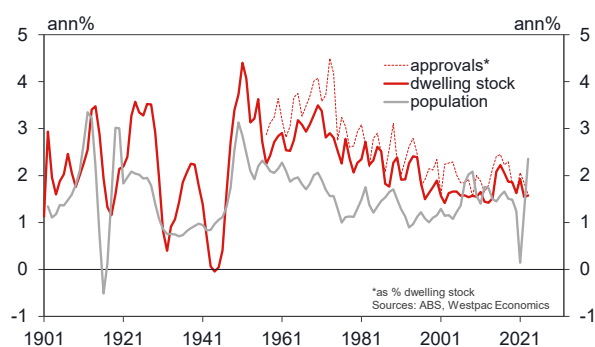
'High rise' approvals: by state



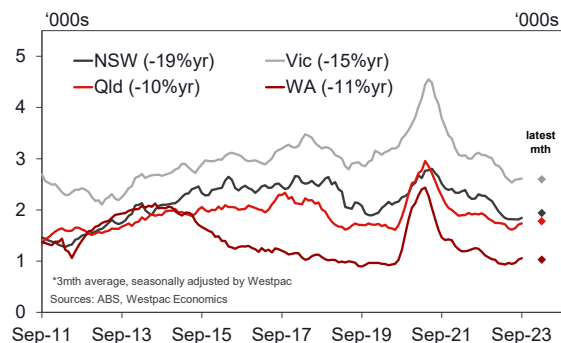
Total value of building approvals



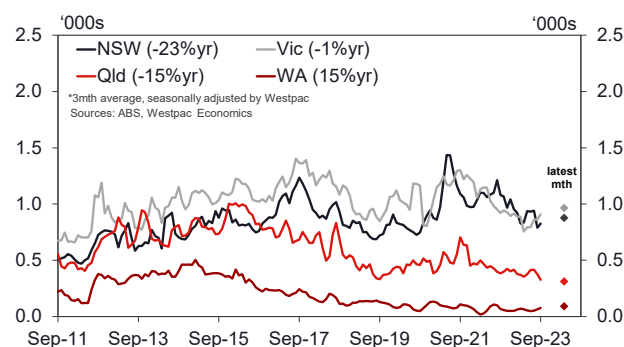
Dwelling approvals: annual, full history



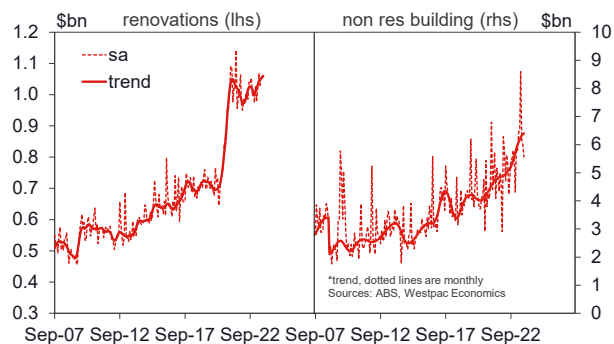
Detached house approvals: by state



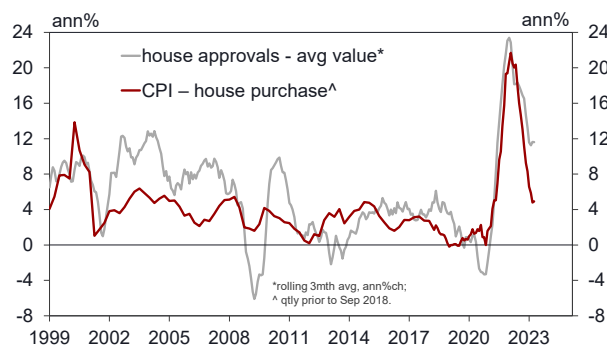
'Low-mid rise' approvals: by state



Value of renovation & non residential approvals



Dwelling approvals: avg value



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