

1 February 2024

Australian dwelling approvals drop back December -9.5%^{mth}, -24%^{yr} Bumping around the bottom of the cycle.

- Dwelling approvals fell away sharply into year-end, a 9.5% drop in Dec unwinding all of the 'mini-rally' through Oct-Nov. Looking through the monthly noise, approvals are bumping around the bottom of the cycle, lifting very slightly over the second half of 2023 but remaining slightly below previous lows in 2019-20 and a good 30-40% off their 2021 peaks.
- Note that most of the figures in the table and accompanying charts show approvals in rolling three-month average terms, to tone down the volatility of the monthly data.
- Recent monthly shifts have been led by private unit approvals which surged nearly 25% through Oct-Nov but unwound all of this gain and more in Dec. Almost all of the swings are due to high-rise approvals, a particularly lumpy segment. Looking through the monthly volatility, this segment is still very weak, high-rise approvals in the second half of last year down 10% vs the first half of the year.
- Private detached house approvals have been more stable, dipping 0.5% in the Dec month but firming slightly for Q4 as a whole (+2.2%^{qtr}).
- The state detail shows high rise variations were mainly in NSW and Vic, the latter recording a particularly sharp 18% pull-back in total approvals in December. Despite this, non high rise approvals are actually tracking a little firmer in Vic, up 7.1%^{qtr} in Q4. This compares to an 8.1%^{qtr} rise in WA, a 2.2%^{qtr} increase in Qld and a 7.4%^{qtr} decline for NSW.
- The value of renovation approvals declined 2.8% in Dec to be down 2.3%^{qtr} for Q4 as a whole. The value of non-residential building approvals posted an even steeper 10.6% drop to be off 15%^{qtr} for Q4 as a whole. The detail here shows much of the weakness is due to a burst of health sector approvals that is now dropping out of the numbers. However, activity remains flat at best across other sectors. With building costs still rising at around 1%^{qtr}, the lower value of approvals masks even steeper declines in the underlying 'volume' of work.
- An important point to note here is the significant disconnect between approvals and actual building activity. The sector has seen numerous disruptions over the last two years ranging from supply chain problems and increased worker sickness coming out of COVID; to poor weather conditions for much of last year; and additional issues around the profitability of projects as fixed price contracts were hit by sharply rising costs. This has resulted in a blow-out in completion times. So much so that even with a 30-40% decline in approvals, the total number of dwellings under construction is barely 7% below its 2022 peak. The same delays have impacted non residential building. While that means activity will likely continue to defy the drop in approvals near term, it could see sharper falls if and when work backlogs are cleared.
- Against this, state and federal governments are seeking to significantly boost new dwelling supply under a joint Housing Accord that has set ambitious targets for the next five years. While policy measures are still being formed, this could generate a significant uplift in activity over the medium term.

Matthew Hassan, Senior Economist

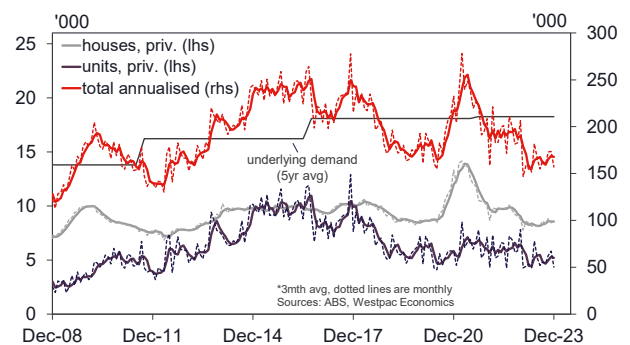
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Building approvals – December 2023

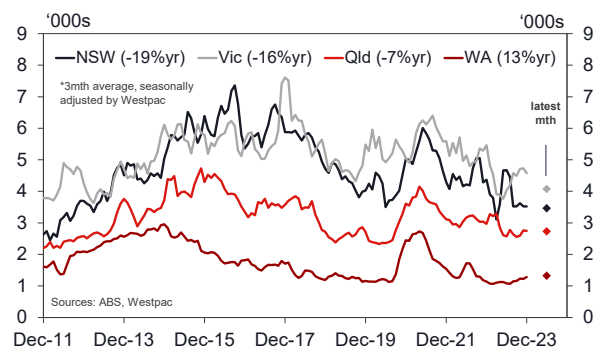
3mth avg	latest	3mth %chg*		%yr	
		Nov	Dec	Nov	Dec
Private houses	8,571	3.2	2.2	-7.9	-5.1
Private units	5,203	9.9	11.7	-13.5	-19.3
Public dwellings	216	-41.1	-10.7	-18.7	-41.7
Total dwellings	13,990	4.5	5.3	-10.3	-11.8
Total dwellings, mthly*	13,085	0.3	-9.5	-5.1	-24.0
- units in 'high rise'^	2,429	4.3	2.8	-20.1	-34.7
- units in 'low rise'^	2,473	0.6	2.7	-7.5	-5.5
Renovations, \$bn	1.025	1.4	-2.3	2.9	0.8
Non-res., \$bn	5.062	-22.1	-15.3	-1.7	-11.6

*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

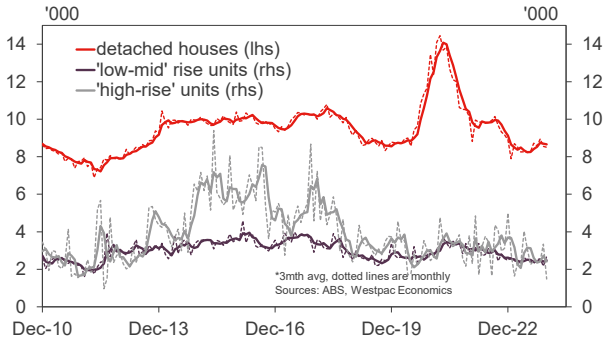
Dwelling approvals



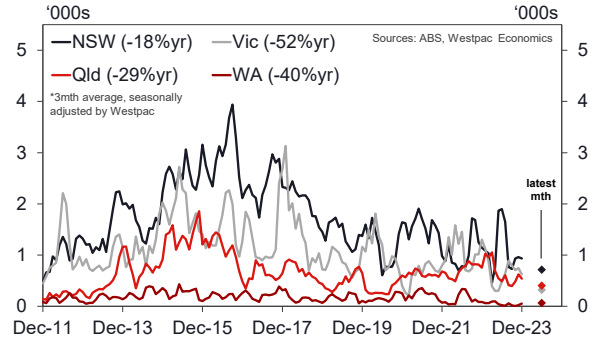
Total dwelling approvals: by state



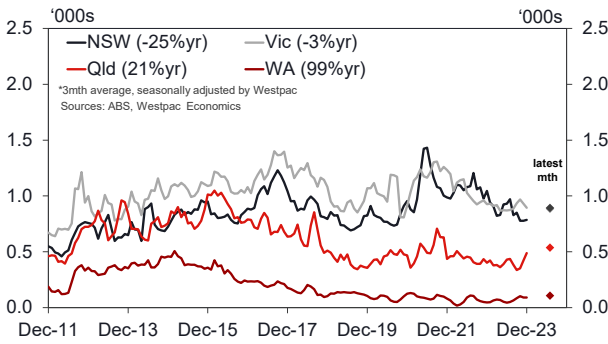
Dwelling approvals: detailed segment



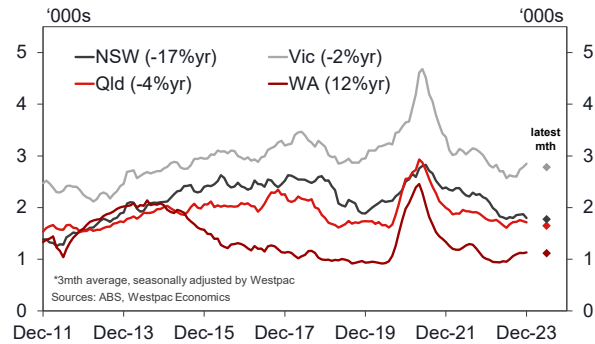
'High rise' approvals: by state



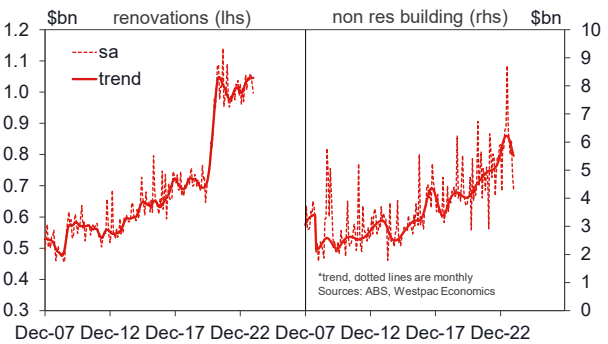
'Low-mid rise' approvals: by state



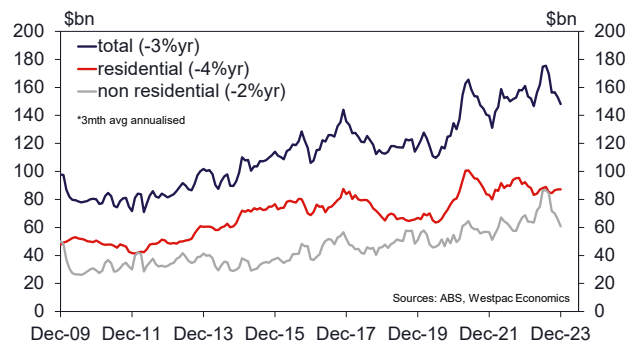
Detached house approvals: by state



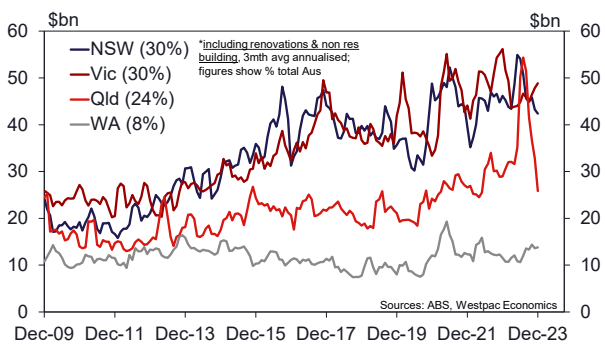
Value of renovation & non residential approvals



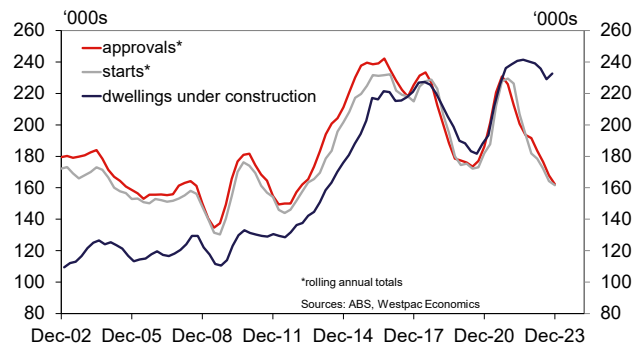
Total value of building approvals



Total building approvals by state



Dwelling approvals, starts, pipeline



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