

2 May 2024

Australian dwelling approvals: modest rise March 1.9%^{mth}, -2.2%^{yr} Delicately positioned, in line with 2023 cycle lows.

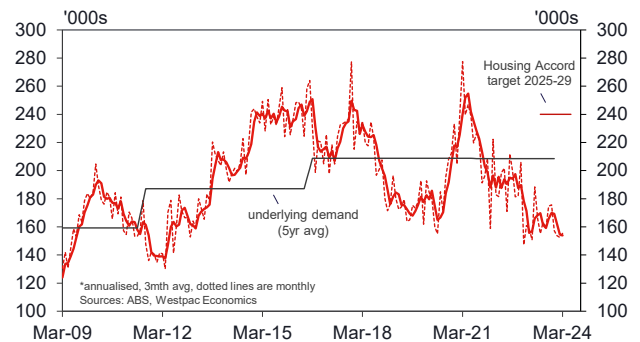
- In March, **total dwelling approvals** were a touch weaker than expected in March, the 1.9% gain slightly below Westpac's forecast of a 2.5% rise and less than the market consensus for 3.4% lift. After a year of bumping around weak levels in 2023, it looked as though dwelling approvals were beginning to move lower, following three consecutive declines over Dec-Feb. The modest rise in headline approvals in Mar does not provide a clear confirmation over whether this is actually the case, but as was the case last month, the compositional detail still casts a little doubt. Nevertheless, dwelling approvals remain in a delicate position, in line with its cycle-low from early 2023.
- 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.
- Growth in **private detached house approvals** remained positive in Mar, up 3.8%, coming off an appreciable 12.4% rebound in Feb. Year-to-date, total approvals for this segment are 0.8% higher than they were for the same period a year ago (Jan-Mar 2024 vs. Jan-Mar 2023). This segment is typically a more stable component of dwelling approvals and tends to provide a better guide to underlying trends. This raises questions over the extent of 'weakness' in headline figures over Dec-Feb, but it is not definitive at this stage given this segment also experienced a 'choppy' start to 2023.
- Meanwhile, **private sector unit approvals** grew at a similar rate in March, up 3.6%, but that follows a much starker -24.7% decline in February. Overall, this segment is down 4.8% on a year-to-date annual basis. Private unit approvals are far more volatile on a month-to-month basis, across both high-rise and medium density segments. That has especially been the case over Dec-Feb, serving as a warning that apparent trends may quickly reverse.
- Across the states, private sector units were clearly a swing factor in the month, ranging from a -38% fall in SA to a 12% lift in WA. Private detached house approvals were a little more consistent, with the eastern states (NSW, Vic, Qld) all recording gains in the 3-6% range, with SA a little softer (1.1%) and WA posting a mild decline (-1.8%).
- The value of **renovation approvals** rose 6.1% in Mar and are now tracking about flat on a rolling 3mth basis. The value of **non-residential building approvals** meanwhile posted a sizeable 29% rebound in Mar, following a -17% decline in Feb. This segment has also been volatile, but is still tracking a negative rolling 3mth pace (-7%). Given cost increases, these declines are masking an even steeper declines in the underlying 'volume' of work.
- Overall, it remains uncertain whether the signs of weakness over Dec-Feb is signalling a renewed underlying downtrend in dwelling approvals. At face value, March's lift in headline approvals was not as strong as expected, but its compositional detail suggests that the more-volatile private units segment may be playing a larger role. More data is needed to form a judgement on the underlying trend.

Building approvals – March 2024

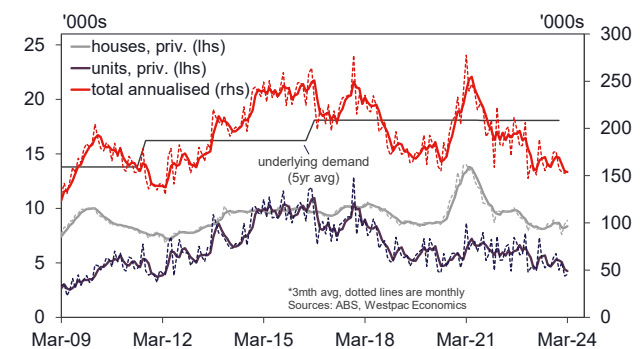
| 3mth avg | latest | 3mth %chg* | | %yr | |
|--------------------------------|---------------|-------------|------------|-------------|-------------|
| | | Feb | Mar | Feb | Mar |
| Private houses | 8,358 | -5.0 | -3.6 | -3.2 | 0.8 |
| Private units | 4,260 | -17.4 | -18.3 | -19.7 | -4.8 |
| Public dwellings | 206 | 39.5 | -4.3 | -16.4 | 3.0 |
| Total dwellings | 12,824 | -9.1 | -9.0 | -9.8 | -1.1 |
| Total dwellings, mthly* | 12,947 | -0.9 | 1.9 | -5.3 | -2.2 |
| - units in 'high rise'^ | 5,277 | 4.9 | 12.7 | -17.9 | -13.4 |
| - units in 'low rise'^ | 2,051 | -7.3 | -18.7 | -12.3 | -17.9 |
| Renovations, \$bn | 1.036 | -3.0 | -0.2 | 1.4 | 5.1 |
| Non-res., \$bn | 4.773 | -19.5 | -6.9 | -18.2 | -10.5 |

*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



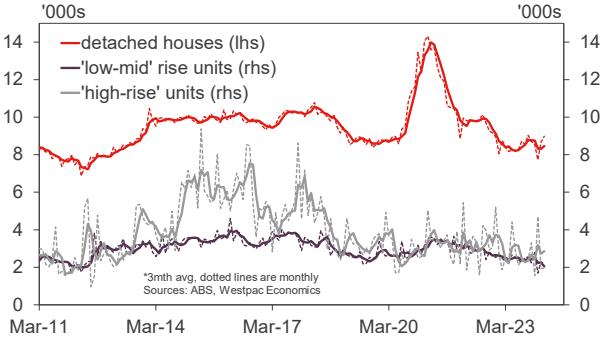
Dwelling approvals: major segment



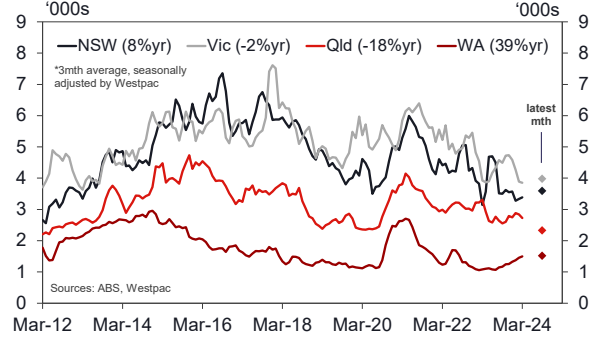
Ryan Wells, Economist

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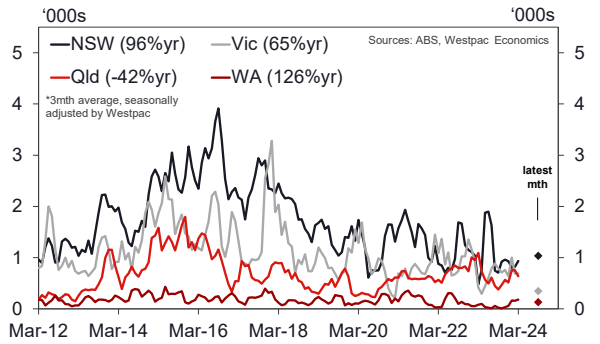
Dwelling approvals: detailed segment



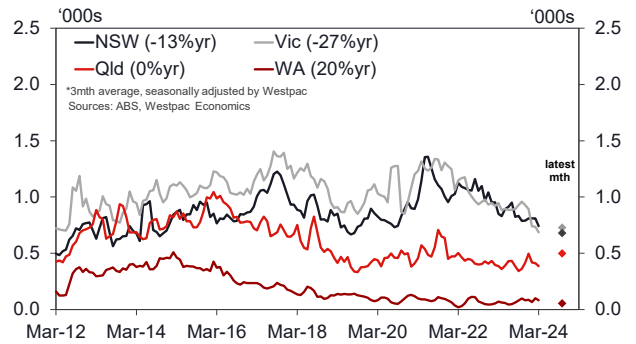
Total dwelling approvals: by state



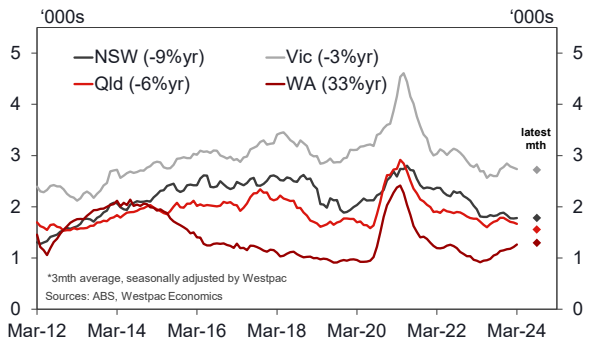
'High rise' approvals: by state



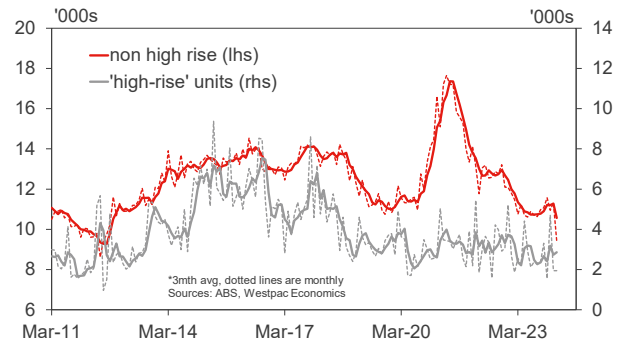
'Low-mid rise' approvals: by state



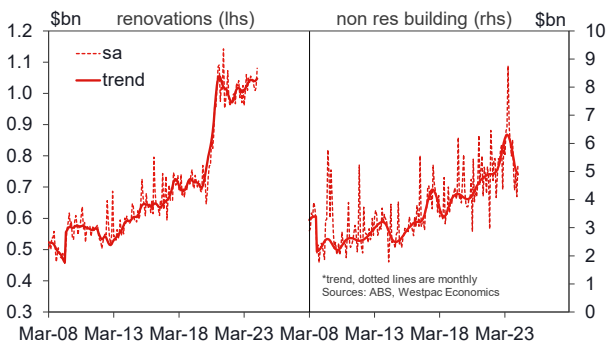
Detached house approvals: by state



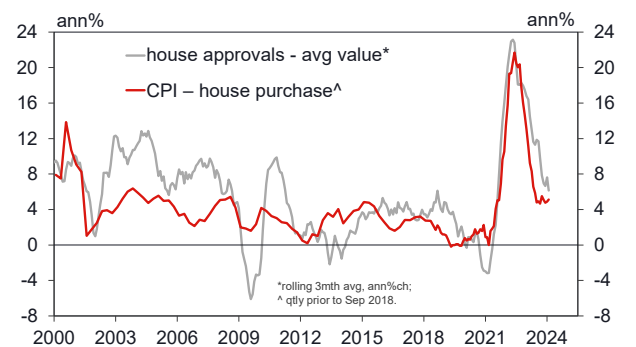
Dwelling approvals: high rise vs non high rise



Value of renovation & non residential approvals



Dwelling approvals: avg value



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