

30 May 2024

Australian dwelling approvals: stuck at 12yr lows April -0.3%^{mth}, 3.5%^{yr} New housing supply continues to stagnate

- Total dwelling approvals edged 0.3% lower in April, remaining near 12yr lows. That was against expectations of a small gain, the consensus forecast for a 1.5% rise and Westpac's expectation of a somewhat firmer 4% increase. Our view keyed off a strong surge in HIA new home sales relating to a pull-forward of activity ahead of changes to the building code in Vic and Qld. The bigger picture view is also largely unchanged with the only positive a slight up-trend in private detached house approvals that only has convincing momentum in WA and subdued activity at weak levels everywhere else.
- 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.
- Private detached house approvals declined 1.6%, but were coming off a robust 17% lift over Feb-March that was, in turn, a rebound from a soft patch through Oct-Jan. On rolling 3mth basis, approvals in this segment are still up 5.6%^{yr}. As noted, HIA reported a 22% surge in new home sales in the month centred on Vic and Qld where new building codes came into effect in May. A similar change in NSW in Oct last year generated a mini-pull forward in detached house approvals in the state. The April approvals data shows nothing along those lines this time around with private detached house approvals declining in all the major states, albeit with a more pronounced 5% fall in NSW.
- Private sector unit approvals declined 1.1%^{mth} in April despite coming off a much weaker lead-in – approvals down 22%^{qtr}, 13%^{yr} on a rolling 3mth basis. The detail continues to show broad-based weakness for high rise approvals but a somewhat firmer picture around low-mid rise segments.
- The value of renovation approvals nudged 0.4% higher in April, following on from a relatively strong 10% rise over the previous two months. The value of non-residential building approvals fell 4.6%^{mth} but was coming off a spike in March with approvals still up 4.6%^{qtr}. In both cases, nominal gains need to be seen in the context of rising building costs which still look to be tracking growth of around 5%^{yr}.
- Overall, the April dwelling approvals update was unremarkable, confirming that new dwelling investment will remain weak, particularly once backlogged projects start to complete. The low level of new dwelling approvals is particularly stark when compared to the strongly rising population. As the chart bottom right shows, the mix is currently seeing four additional persons for every new dwelling approved – the average over the last 65 years is below two.

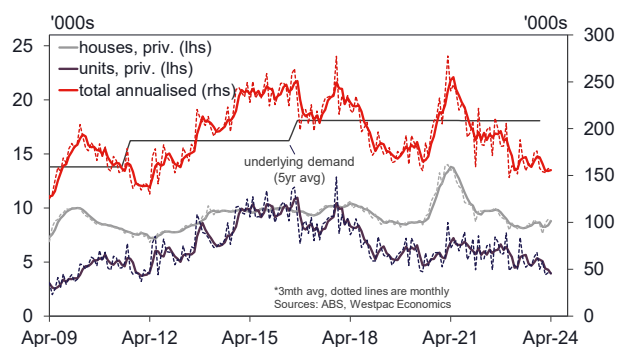
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Building approvals – April 2024

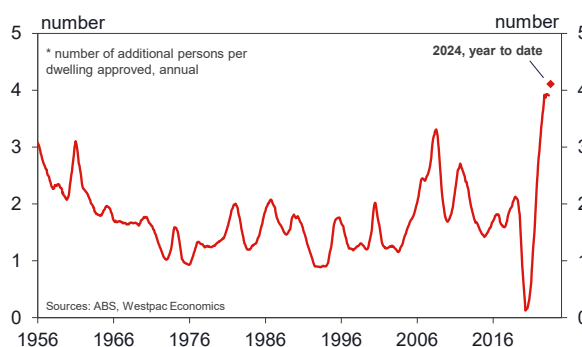
3mth avg	latest	3mth %chg*		%yr	
		Mar	Apr	Mar	Apr
Private houses	8,800	-3.1	6.7	1.4	5.6
Private units	3,938	-18.0	-22.6	-4.4	-13.2
Public dwellings	254	1.4	20.7	5.4	19.8
Total dwellings	12,991	-8.6	-4.1	-0.5	-0.7
Total dwellings, mthly*	13,078	2.7	-0.3	-1.1	3.5
– units in 'high rise'^	5,151	12.3	-6.6	-13.7	-12.4
– units in 'low rise'^	2,310	-18.1	2.0	-16.7	-4.0
Renovations, \$bn	1.087	0.8	5.3	6.3	9.2
Non-res., \$bn	4.965	-4.9	4.6	-8.3	-18.1

*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: major segment

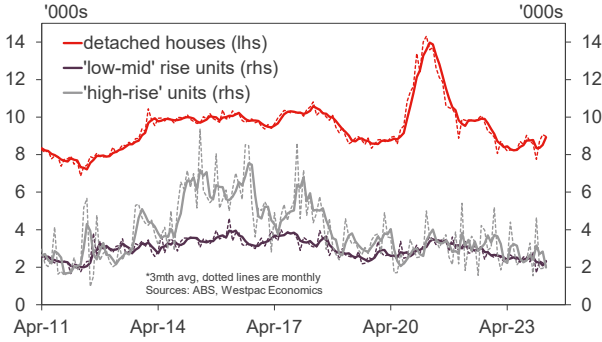


Dwelling approvals vs popn chg: long history

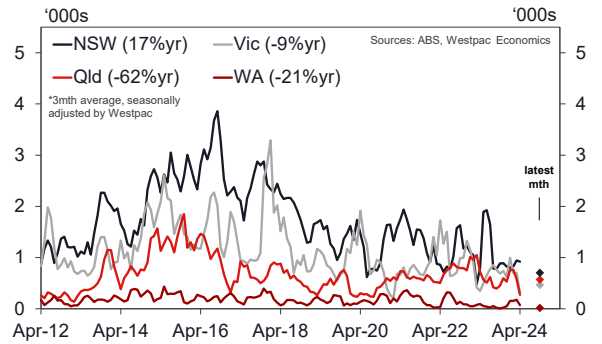


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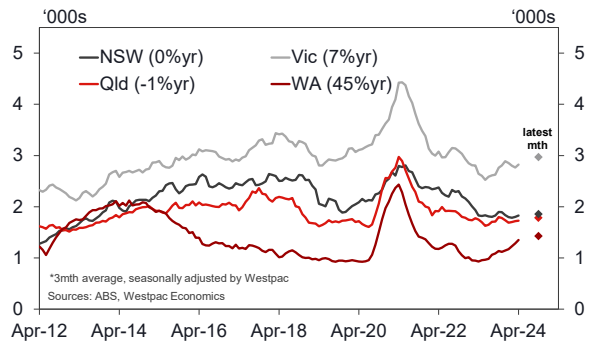
Dwelling approvals: detailed segment



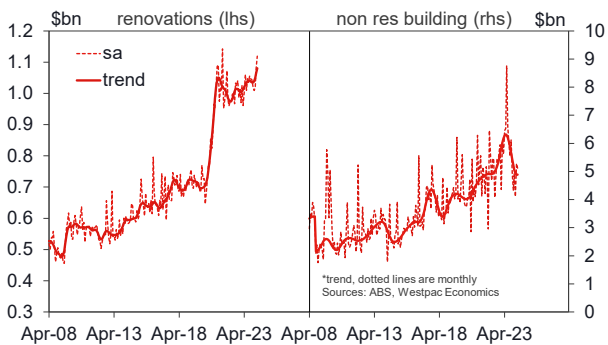
'High rise' approvals: by state



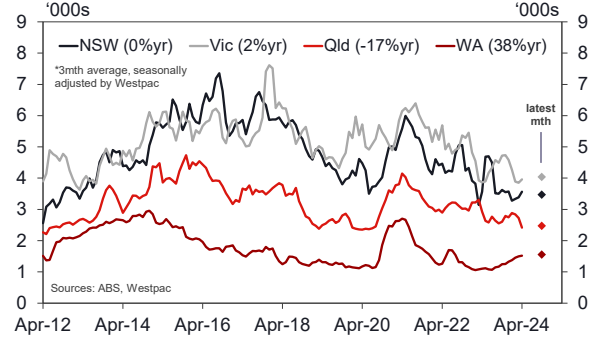
Detached house approvals: by state



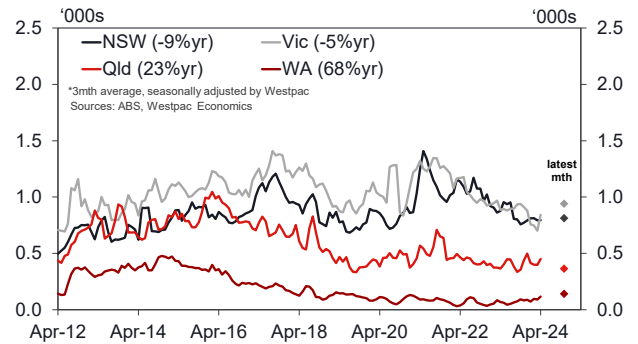
Value of renovation & non residential approvals



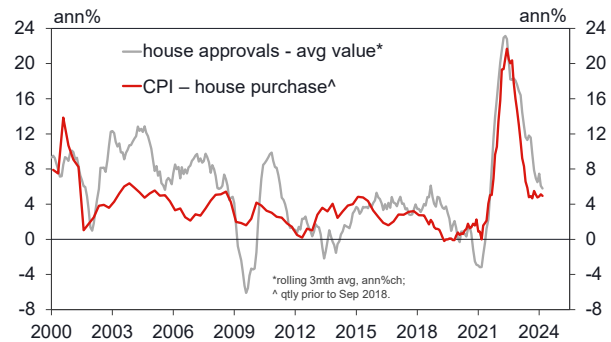
Total dwelling approvals: by state



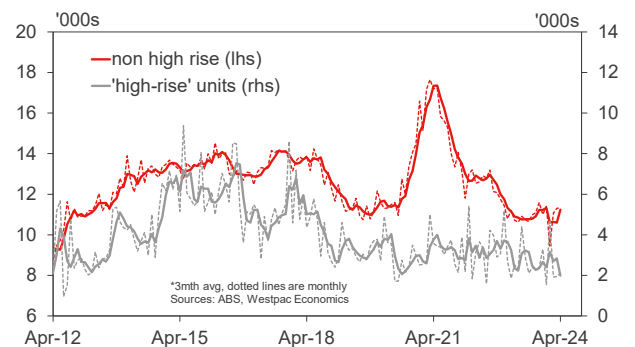
'Low-mid rise' approvals: by state



Dwelling approvals: avg value



Dwelling approvals: high rise vs non high rise



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