

3 July 2024

Australian dwelling approvals: unconvincing lift May 5.5%^{mth}, -8.5%^{yr} Still ranging around weak levels despite recent pick-up

- Total dwelling approvals rose 5.5% in May, coming in above expectations with the consensus forecast a 1.7% gain. Despite this, approvals are still bumping around decade lows, stuck in the range that has prevailed since early 2023. And to the extent that there are more promising signs around detached houses, at least some of this looks to be a temporary pull-forward effect associated with state government regulatory changes.
- Note that most of the figures in the table and in the accompanying charts show approvals in rolling three-month average terms, to tone down the volatility of the monthly data.
- Private detached house approvals have shown some firming in recent months, up 2.1% in May with approvals on a rolling 3mth basis up 7.1% vs Feb and 10%^{yr}. However, as noted, some of this is due to a temporary pull-forward relating to building code changes that came into effect from May in Vic and Qld. This looks to have added 1-2ppts to detached house approvals nationally over the last three months. WA is still the only state recording a convincing upturn, private detached house approvals now up 51%^{yr}.
- Private sector unit approvals bounced 16.3% in May, but were coming off a very weak base with approvals in this segment still down 18.8% on a year ago on a rolling 3mth basis. The detail shows both high rise and low rise components contributed to the monthly gain.
- The value of renovation approvals dropped sharply in May, down 9.3%^{mth} but still up 7%^{qtr} on a rolling 3mth basis. The value of non-residential building approvals dipped 1.6%^{mth} but is up strongly on a rolling 3mth basis with a gain of 18.7%^{qtr}. Education-related building approvals have been particularly strong over the last few months up nearly 20%^{qtr} in non-seasonally adjusted terms. Note the cost escalation will be a factor in these approval measures.
- Overall, the May dwelling approvals continues the general theme of new building activity bumping around the bottom of the cycle. While there are some tentative signs of a recovery forming, for the most part this remains unconvincing. Meanwhile current activity is still being supported by a sizeable backlog of projects still working their way through the pipeline. Indeed, even if we were to see a more convincing upturn in dwelling approvals form in coming months, building activity is still likely to move lower as the roll-off effect of this backlogged work dominates.

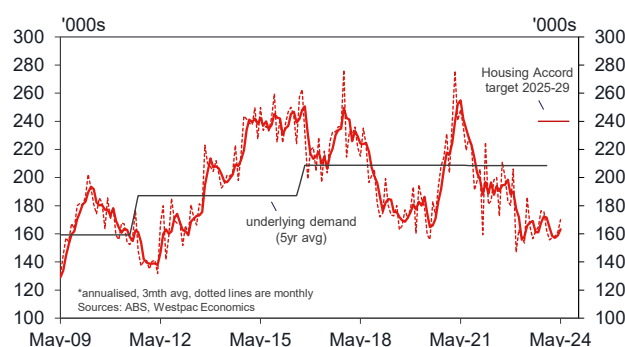
Matthew Hassan, Senior Economist
Antoinette Ayoub, Graduate

Building approvals – May 2024

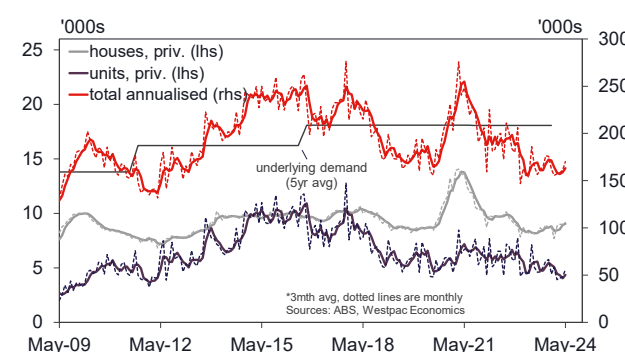
3mth avg	latest	3mth %chg*		%yr	
		Apr	May	Apr	May
Private houses	9,045	6.5	7.1	6.4	9.9
Private units	4,363	-20.4	-2.3	-11.1	-18.8
Public dwellings	195	12.2	-32.2	21.7	-5.8
Total dwellings	13,602	-3.4	3.1	0.6	-1.5
Total dwellings, mthly*	14,175	1.9	5.5	5.1	-8.5
– units in 'high rise'^	2,180	-36.4	-18.9	-9.2	-29.4
– units in 'low rise'^	2,426	-0.7	1.5	-3.6	-1.3
Renovations, \$bn	1.108	5.7	7.0	10.9	9.4
Non-res., \$bn	5.455	6.8	18.7	-15.7	-12.1

*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

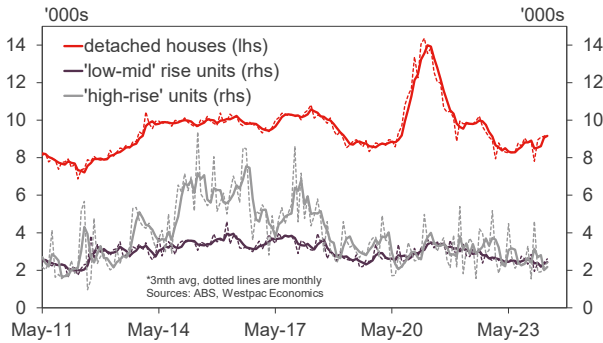


Dwelling approvals: major segment

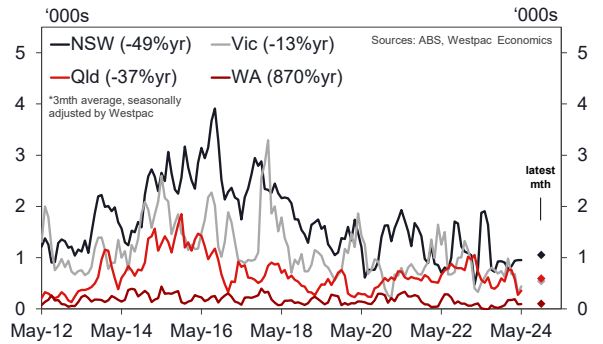


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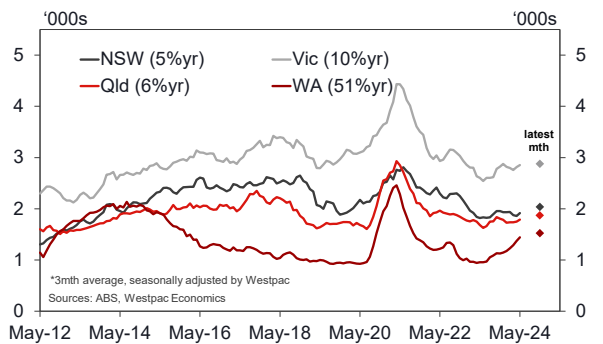
Dwelling approvals: detailed segment



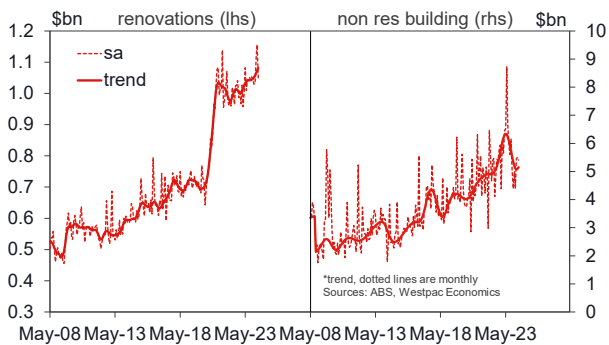
'High rise' approvals: by state



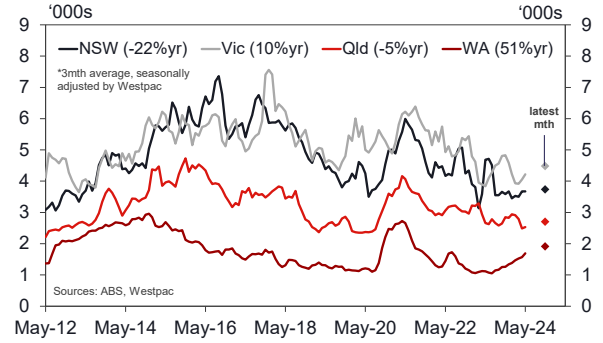
Detached house approvals: by state



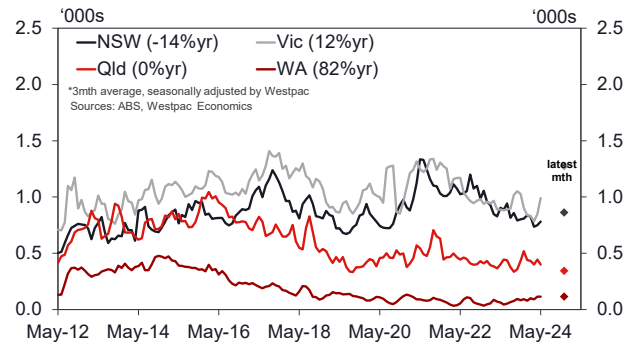
Value of renovation & non residential approvals



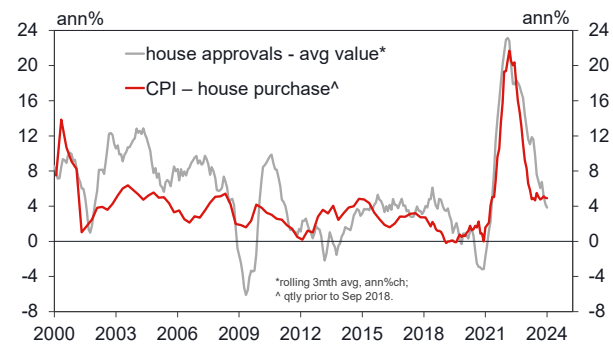
Total dwelling approvals: by state



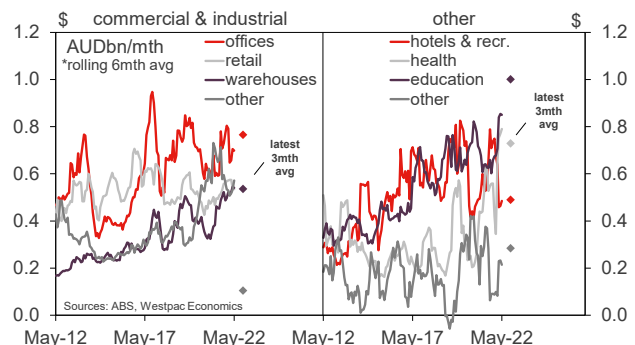
'Low-mid rise' approvals: by state



Dwelling approvals: avg value



Value of non res approvals: segments



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