

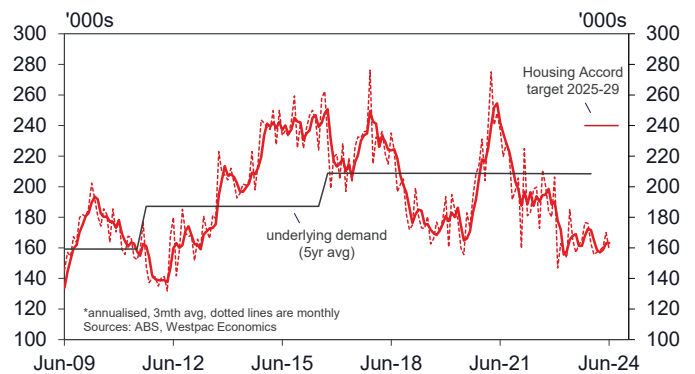
30 July 2024

# AUSTRALIAN DWELLING APPROVALS BULLETIN

June shows activity still bumping around 12yr lows

- Total dwelling approvals fell 6.5% in June, retracing most of the rise over the previous two months to be back around 12yr lows. The result came in below consensus expectations of a milder 2% fall although that mainly reflected a sharp drop in the volatile ‘units’ component.
- Segment-wise, private detached house approvals and ‘low-mid’ rise units have been more resilient with ‘high rise’ approvals dropping to very low levels.
- By state, WA is the only state showing a convincing upturn. Weakness in June centred on NSW and Vic.

## Dwelling approvals



**Total dwelling approvals**  
**-6.5% mth,**  
**-3.7% yr**

# New dwelling approvals remain new historic lows



**Matthew Hassan**  
Head of Australian Macro-Forecasting

Total dwelling approvals fell 6.5% in June, unwinding most of the 7.3% rise over the previous two months. The result was weaker than the consensus forecast a 2.8% decline, although most of that was due to a sharp drop in the volatile 'units' segment.

At 13.6k in June, total dwelling approvals still bumping around a 12yr low and an annualised pace of just under 160k. That is miles below the 240kpa pace required to reach the Housing Accord target of 1.2m new dwellings over the five years to 2029.

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.

## Houses firming, high rise slumps to new low

Private detached house approvals were a little more resilient, dipping just 0.5% mth and still tracking a steady uptrend, up over 10% yr. This segment now accounts for 64% of all dwelling approvals, compared to about half back in 2015.

Private sector unit approvals recorded a steep 19.7% drop in June, reversing all of a 25% surge over the previous three months. Big swings are par for the course in this segment due to the impact of large multi-dwelling projects (a 20% swing equates to about 800 dwellings, a move that can easily be driven by a handful of large project moving into or out of the count).

The detail in June points to a particularly big fall in 'high rise' dwellings approved (defined as dwellings in buildings with four or more storeys). At just under 1100 dwellings, June approvals in this segment hit a new post-GFC low.

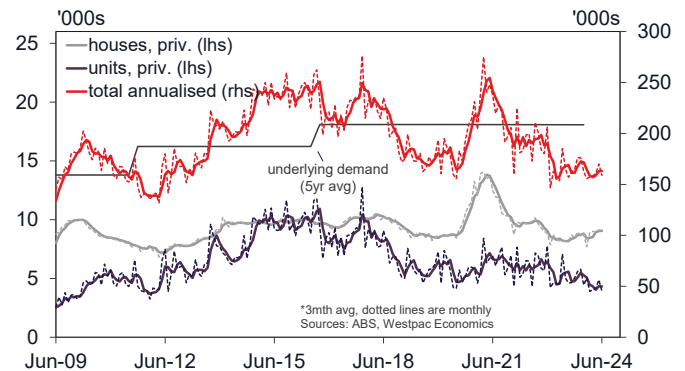
Approvals in 'low-mid rise' buildings also declined in the month but still managed to post a decent 13% gain on a quarterly basis. State governments in NSW and Vic are using zoning and other policy levers to actively encourage this type of building, which our own survey information suggests is in strong demand from prospective buyers at the moment. The resilience in this segment may not reflect these measures just yet but may reflect a wider industry view that this form of housing is becoming more favoured.

## Building approvals – June 2024

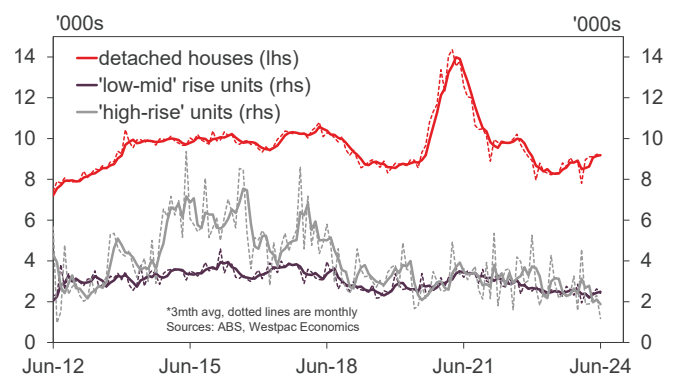
3mth avg	3mth %chg*			%yr	
	latest	May	Jun	May	Jun
Private houses	9,054	6.8	6.3	9.9	10.7
Private units	4,319	-2.3	-0.3	-18.6	-21.6
Public dwellings	226	-33.3	-4.6	-6.5	-27.1
Total dwellings	13,599	2.9	3.9	-1.4	-2.8
<b>Total dwellings, mthly*</b>	<b>13,237</b>	<b>5.7</b>	<b>-6.5</b>	<b>-8.2</b>	<b>-3.7</b>
- units in 'high rise'^	1,874	-21.1	-32.7	-29.5	-40.6
- units in 'low rise'^	2,486	1.8	13.1	-0.9	-1.3
Renovations, \$bn	1.127	7.0	5.8	10.0	10.1
Non-res., \$bn	5.078	17.8	3.2	-12.1	-30.5

\*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: major segment



## Dwelling approvals: detailed segment



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### Steep falls in NSW, Vic but sustained rise in WA

The June fall was concentrated in NSW (-18.8%) and Vic (-13.5%) but with a sizeable fall in WA (-8.5%) as well, partially offset by a solid 14.6% rise in Qld.

Both high rise and detached house approvals recorded sharp falls in NSW, although 'low-mid rise' unit approvals held steady.

As noted previously, WA is the only state recording a clear cyclical upturn, total dwelling approvals in the state up 63%yr.

### Renovations and non res building approvals

The value of renovation approvals rebounded 11.4% in Jun, reversing May's 9.3% drop and leaving a solid quarterly rise of 6.1%qtr. Renovation activity

The value of non-residential building approvals dropped 17.6mth, reversing previous gains to leave approvals up just 1.9%qtr. This segment is even lumpier than the dwelling units - recent swings reflecting large projects in the health and education sectors.

Note the cost escalation will be a factor in both of these approval measures. For renovations, that points to flatter underlying 'volumes' of work approved while for non-residential building it implies outright declines.

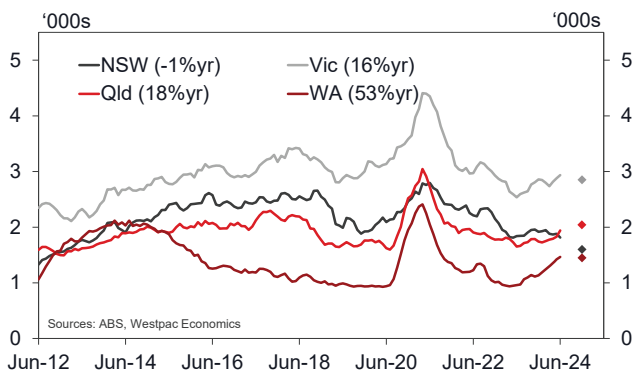
### Average approval value dips

One aspect of the approvals data we have been keeping half an eye on in recent months is the average value of dwellings approved, for detached houses in particular. This surged 20% when the cost-of-living crisis erupted in 2022, capturing the sharply higher cost of raw materials (steel and timber especially) and the sector's wider profitability issues stemming from fixed price contracting.

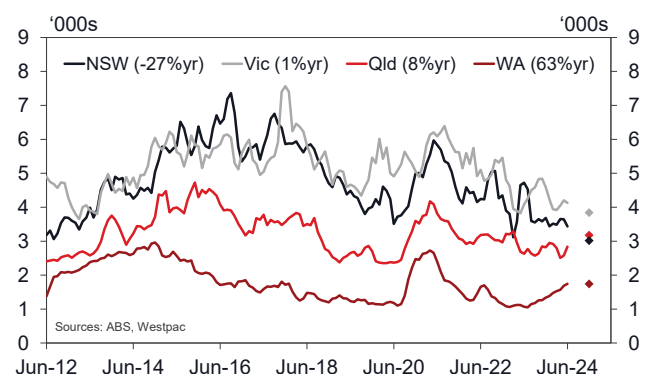
The latest update shows that cost pulse is continuing to unwind. The average value of houses approved in the June quarter was down 0.3%qtr, annual growth holding at 3.2%yr.

While that does not map perfectly to the house purchase costs in the CPI, it does suggest this component may have seen a further step down in price momentum in the quarter.

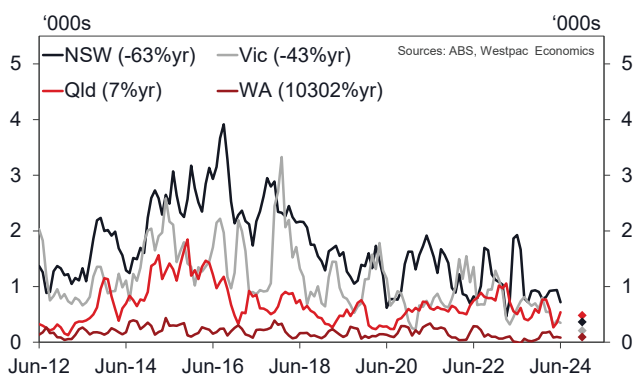
### Detached house approvals: by state



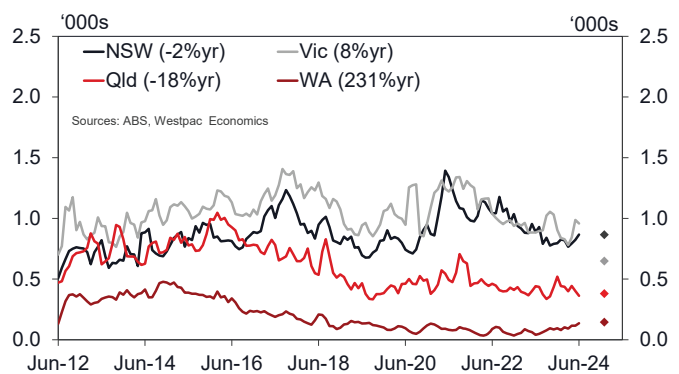
### Total dwelling approvals: by state



### 'High rise' approvals: by state



### 'Low-mid rise' approvals: by state



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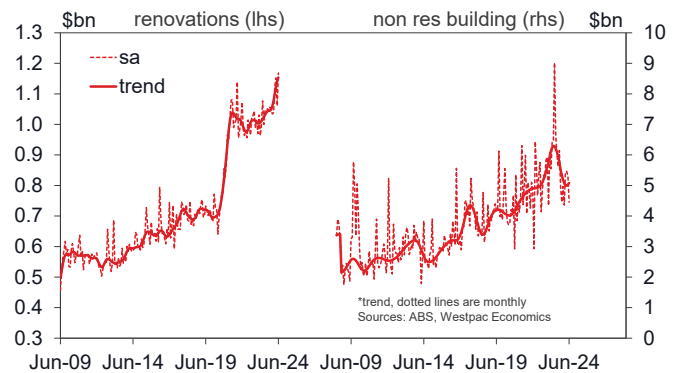
## Conclusion

Overall, the June dwelling approvals update featured all the same themes evident in previous months.

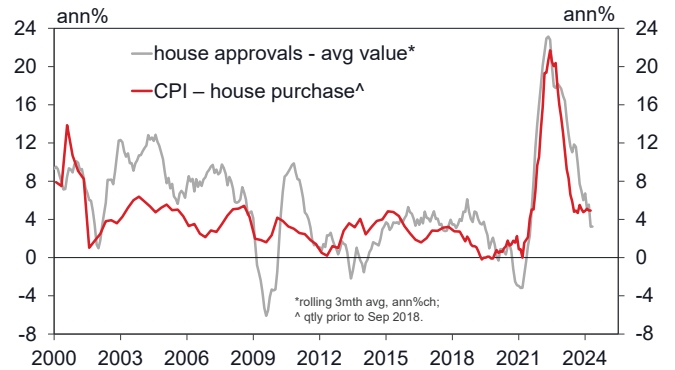
The front end of the building pipeline remains very weak with only WA showing convincing signs of an upturn. This suggests that activity is likely to fall away significantly as backlogged work start to roll off. That has yet to happen - latest estimates showing around 225k dwellings are still under construction, barely down 5k vs a year ago, with 90k of these being detached dwellings.

The mix continues to show very weak activity in high rise segments, with detached houses and 'low mid rise' approvals a little more promising but only WA really showing a sustained uplift.

## Value of renovation & non res approvals



## Dwelling approvals: avg value





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