1 September 2025

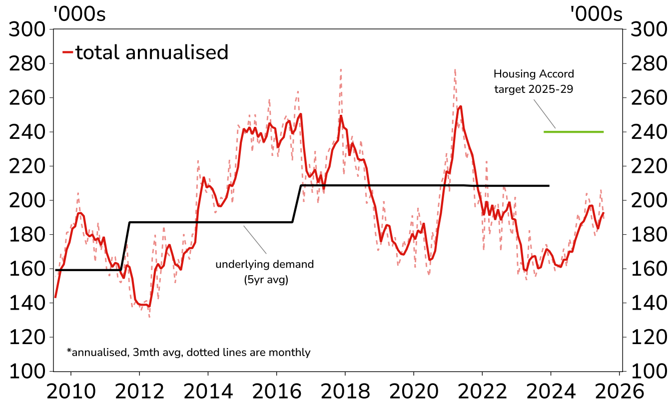
AUSTRALIAN DWELLING APPROVALS BULLETIN

Approvals whiplash

Key points

- Dwelling approvals fell –8.2%mth in July, reversing most of June's surge and undershooting forecasts. Even so, approvals lifted 2.3%qtr, the first positive read since March.
- The fall was driven by a –22.3% plunge in unit approvals centred on high-rises. Detached home approvals rose 1.1%mth, breaking a three month losing streak.
- NSW saw approvals collapse –24.6%mth, while SA also slipped. The others managed gains.
- Renovations hit record highs, but non-residential approvals fell. Both segments are running well-above long-term growth rates but remain choppy month-to-month.
- Softer construction costs and rising buyer sentiment suggest a more constructive environment for approvals ahead.

Dwelling approvals



Source: ABS, Macrobond, Westpac Economics

Total dwelling approvals –8.2%mth, +6.6%yr

Approvals stumble as high-rises tumble

Neha Sharma
Economist

Total dwelling approvals fell -8.2%mth in July, reversing most of a 12.2%mth surge in June. The outcome was weaker than our forecast of a -4%mth fall and even undershot the bottom of the market range. Looking through the noise, approvals are still 2.3%qtr higher, the first positive read since March and running at a 6.6%yr annual pace.

Note that most figures in the charts and table are presented on a rolling-three month basis to smooth out monthly volatility.

The decline was driven by a sharper-than-expected pull-back in unit approvals. Private units dropped -22%mth in July after a 34% spike in June. The detail suggests high-rise projects were the main drag, while low-to-mid-rise approvals lifted. Detached home approvals rose 1.1%mth. This was the first rise since April but the quarterly trend remained soft at 0.3%qtr.

At the state level, NSW stood out with a -24.6%mth fall, again reflecting a steep drop in high-rise activity. Low-to-mid-rise approvals which had been notably robust as of late held broadly steady. SA was the only other state to see a decline. It continues to lead nationally on detached approvals, annual growth still tracking above 15%yr, though momentum is softening. Vic is the only state where detached approvals are showing signs of a sustained improvement. The remaining four states posted gains between 0.7-12.2%mth in July.

Renovation approvals rose 1.9%mth, hitting a record high in dollar terms. Non-residential approvals went the other way, falling –14.9%mth in July. Both segments are running well above long-term annual growth rates but remain choppy month-to-month, making it difficult to gauge an underlying direction.

Overall, the total value of approvals – including residential and non-residential – fell -0.8%qtr in July, unwinding a 10.7%qtr surge in June. The annual pace eased to 20.2%yr from 26.3%yr, still well-above the long-run average of 8.6%yr.

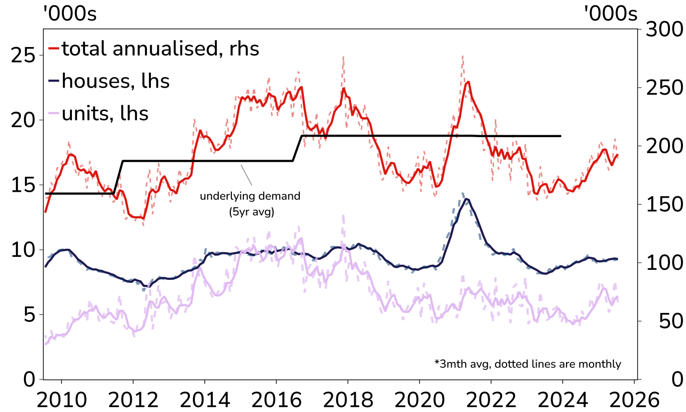
In aggregate, approvals lack direction but the three main segments are tracking quite differently. Detached homes, the largest share of total approvals, have been mostly treading water, going nowhere since late-2024. High-rise approvals have been volatile over this period with trends unclear. The stand-out has been low-to-mid-rise units where approvals have been steadily climbing since early-2024. We think market conditions are becoming more constructive for the approvals outlook. Cost pressures are subsiding – construction costs rising at just 0.5% in six-month annualised terms to June, well below the pre-pandemic average (see here). Meanwhile home buyer sentiment has risen to a four-year high (see here).

Building approvals – July 2025

		3mth %chg*		%yr	
3mth avg	**latest**	**Jun**	**Jul**	**Jun**	**Jul**
Private houses	9,281	1.9	0.3	3.0	1.2
Private units	6,437	-11.5	4.3	37.7	34.2
Public dwellings	371	8.5	25.6	31.2	76.5
Total dwellings	16,089	-3.7	2.3	14.8	13.5
Total dwellings, mthly*	15,769	12.2	-8.2	28.0	6.6
– units in 'high rise'^	3,392	-24.9	-0.7	59.6	51.5
– units in 'low rise'^	3,101	3.8	1.9	18.8	21.5
Renovations, $bn	1.234	1.7	3.1	6.6	9.3
Non-res., $bn	6.522	29.6	-3.9	36.8	24.5

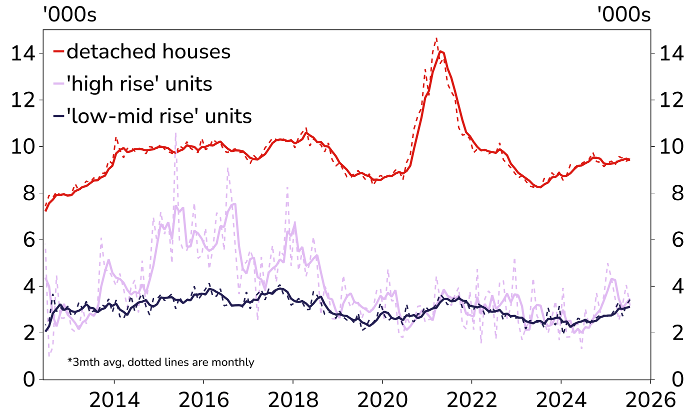
*figures for 'total dwellings mthly' are monthly and mthly%ch, all others are rolling 3mth avg and 3mth%ch; ^all sectors, Westpac estimates
Sources: ABS, Westpac Economics

Dwelling approvals: major segment



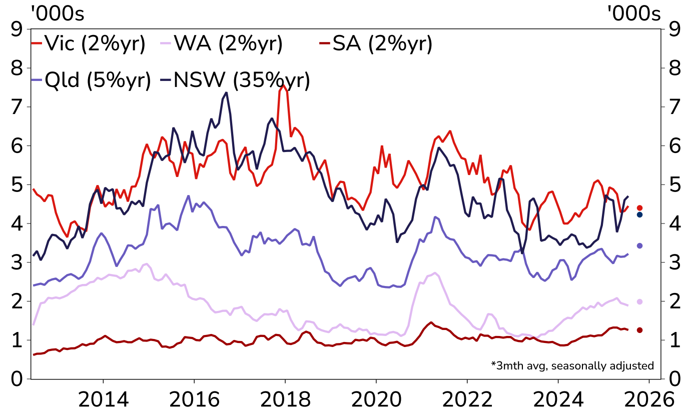
Source: ABS, Macrobond, Westpac Economics

Dwelling approvals: detailed segment



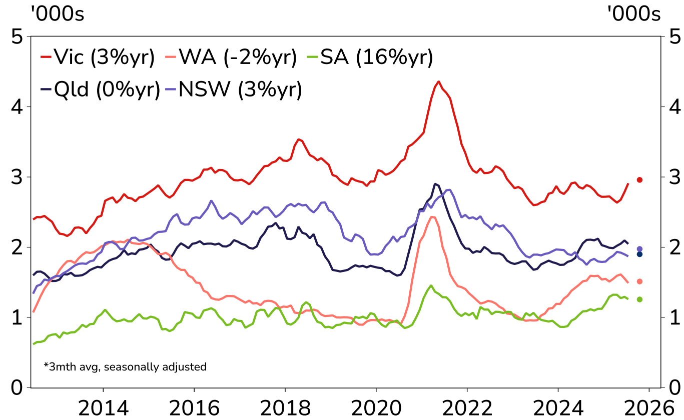
Source: ABS, Macrobond, Westpac Economics

Total dwelling approvals: by state



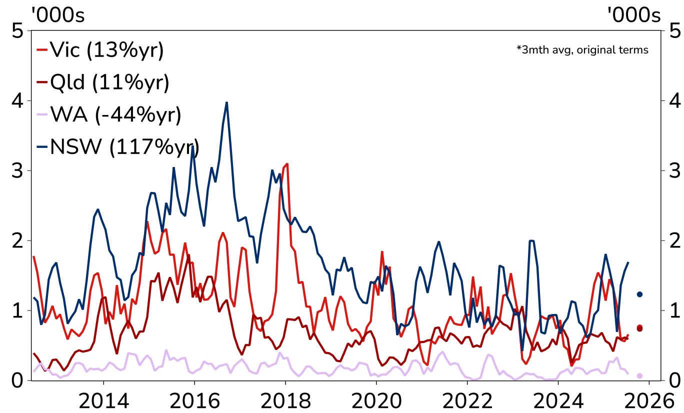
Source: ABS, Macrobond, Westpac Economics

Detached house approvals: by state



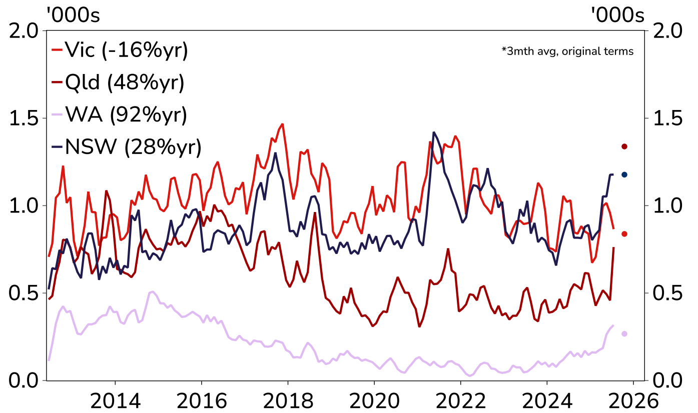
Source: ABS, Macrobond, Westpac Economics

'High rise' approvals: by state



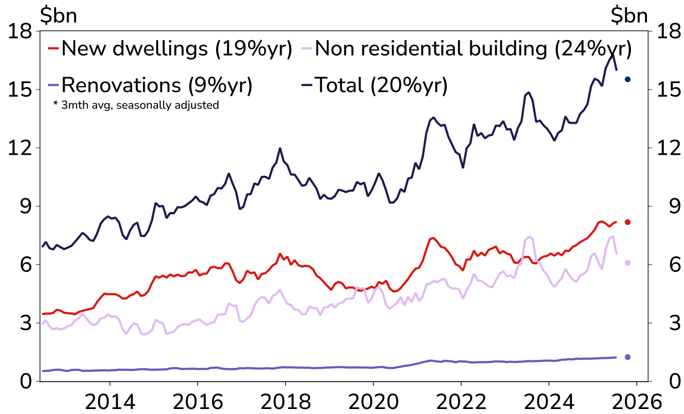
Source: ABS, Macrobond, Westpac Economics

'Low-mid rise' approvals: by state



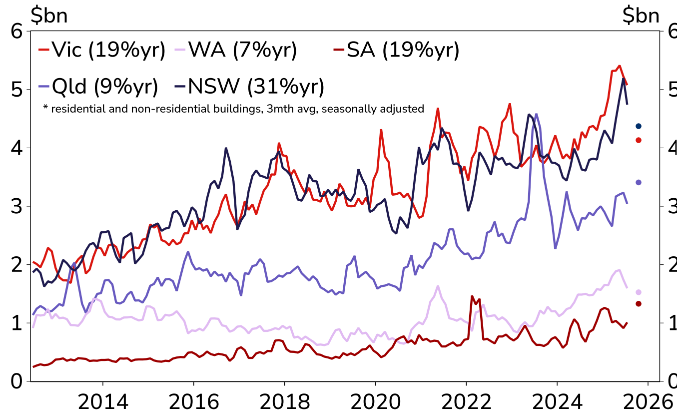
Source: ABS, Macrobond, Westpac Economics

Total building approvals: by segment



Source: ABS, Macrobond, Westpac Economics

Total building approvals: by state



Source: ABS, Macrobond, Westpac Economics

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