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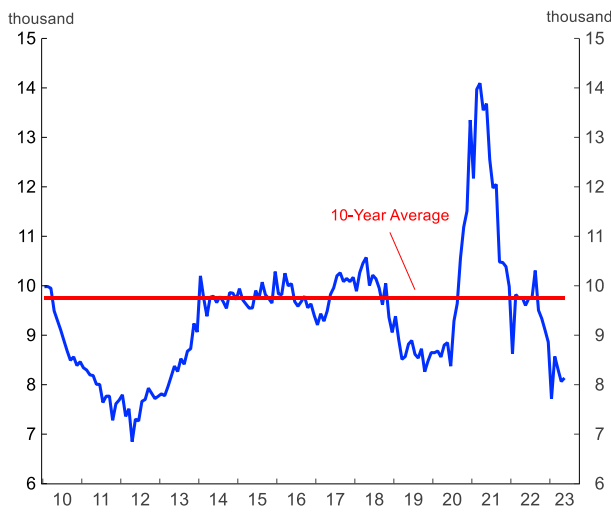


## Building Approvals

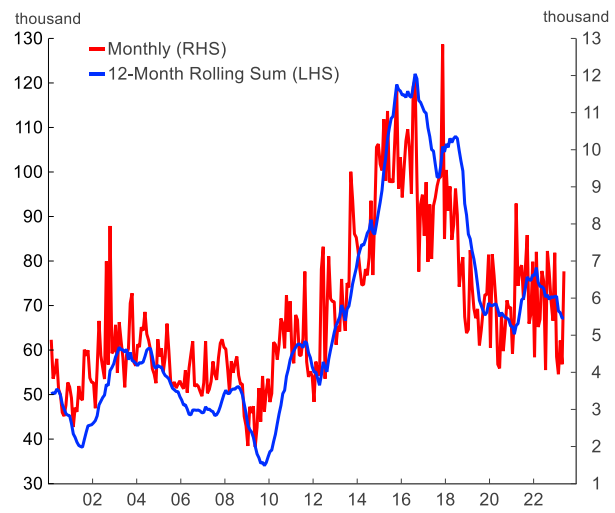
### Approvals Bounce, But Are Far From Pretty

- Building approvals jumped 20.6% in May, underpinned by a spike in apartment approvals in NSW. Standalone private sector house approvals were up a more modest 0.9% in the month.
- Despite the monthly pick up, a pronounced slump in approvals remains afoot. The monthly rate of private house approvals was nearly 17% below the 10-year average in May. Even after spiking almost 60% in May, multi-density approvals were still running around 8% below average.
- Labour and material shortages in the construction sector have contributed to a blowout in construction times and costs, quelling appetite for new developments. Compounding this has been a string of business failures in the industry and considerably higher borrowing costs.
- Due to pandemic-related disruptions there remains a relatively large pipeline of residential construction work. However, the sharp contraction in approvals means the pipeline is being replenished slower than it is being worked through.
- Record high population growth is also adding to housing demand, contributing further to an imbalance between supply and demand. This is likely to continue for some time yet.
- Surging rents, stabilising property prices and improving construction conditions should generate a lagged response from approvals. However, we expect this response to be more delayed than in previous housing cycles and will likely not come in time to prevent a large supply shortfall.

Private Sector House Approvals  
Number, Monthly



Private Sector Multi Density Approvals  
Number



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