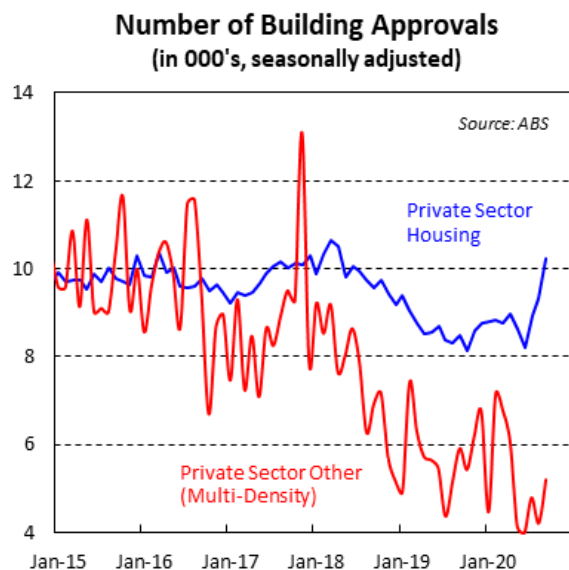
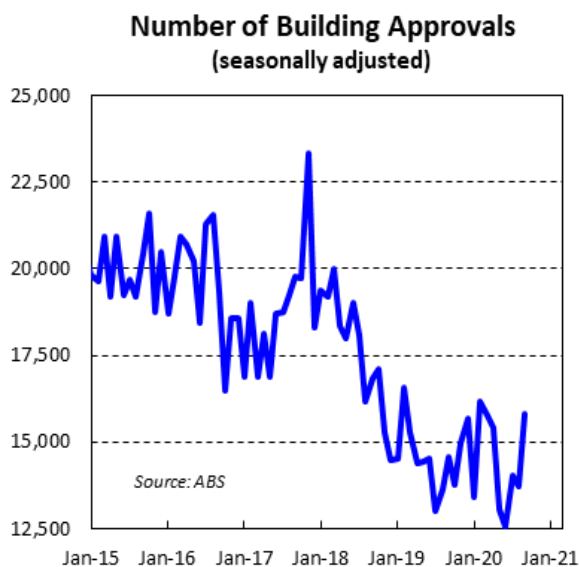


Monday, 02 November 2020

Building Approvals Another Strong Result

- Building approvals soared 15.4% in September, following a 2.3% contraction in August. After a series of weak monthly results, the September reading brings approvals back to pre-COVID levels. Close to 16,000 new dwellings were approved in September.
- Apartment approvals were up 23.4% in September but are still down 12.1% on September 2019.
- Private sector house approvals rose 9.7% in September to be up 20.7% on a year earlier and have now seen three consecutive months of growth. The recent strong growth in approvals for private sector houses could be due to the mix of State stamp duty changes, the Federal government's HomeBuilder program and the historically low interest rates on offer.
- All States saw growth in approvals in September and all States, bar NSW, have seen growth over the past twelve months.
- There are risks facing the housing sector. These include a potential rise in unemployment and slower population growth. However, these are currently being outweighed by the impact of lower interest rates.
- We also expect the Reserve Bank of Australia to cut interest rates tomorrow. This should provide a further boost to the housing sector.



Building approvals soared 15.4% in September, following a 2.3% contraction in August. After a series of weak monthly results, the September reading brings approvals back to pre-COVID levels. Close to 16,000 new dwellings were approved in September.

The bulk of approvals were private sector houses. These rose 9.7% in September to be up 20.7% on a year earlier and have now seen three consecutive months of growth. The recent strong growth in approvals for private sector houses could be due to the mix of State stamp duty changes, the Federal government's HomeBuilder program and the historically low interest rates on offer.

Apartment approvals were up 23.4% in September but are still down 12.1% on September 2019. Apartment approvals tend to be 'lumpy' hence the monthly numbers can be volatile. Apartment approvals have been on a trend decline since 2017. It remains to be seen if the recent lift in apartment approvals has broken that trend.

All States saw growth in approvals in September and all States, bar NSW, have seen growth over the past twelve months.

In percentage terms, Western Australia (42.6%) saw the strongest growth in September. Of note in that result was a sharp increase in apartment approvals which, at 432, was the strongest month since August 2019. The resurgence of mining activity and low interest rates may sit behind the rise in activity.

South Australia (28.3%) also reported solid growth with a particularly pleasing outcome from private sector house approvals. These rose 19.9% in September after modest results in the previous nine months. Total building approvals in South Australia are up 0.7% on a year earlier.

In other monthly State outcomes, approvals rose 19.9% in Queensland, 18.8% in Tasmania, 12.4% in Victoria and 4.6% in NSW.

A better appreciation of the state of the housing sector is gained by looking at growth over twelve months. Approvals are up 73.9% in Western Australia, 28.5% in Victoria, 7.1% in Queensland, 4.7% in Tasmania and 0.7% in South Australia. NSW is the only state to have gone backwards, falling 10.4% over the past twelve months.

Outlook

There are risks facing the housing sector. These include a potential rise in unemployment and slower population growth. However, these are currently being outweighed by the impact of lower interest rates.

Measures announced in the Federal Budget are expected to stimulate the sector from October onwards. The extension of the First Home Loan Deposit Scheme together with the HomeBuilder incentive should provide support until at least the end of the year.

We also expect the Reserve Bank of Australia to cut interest rates tomorrow. This should provide a further boost to the housing sector.

Hans Kunnen, Senior Economist

Ph: 02-8254-1316

Contact Listing

Chief Economist

Besa Deda
dedab@bankofmelbourne.com.au
(02) 8254 3251

Senior Economist

Hans Kunnen
hans.kunnen@bankofmelbourne.com.au
(02) 8254 1316

Economist

Felipe Pelaio
felipe.pelaio@bankofmelbourne.com.au
(02) 8254 0646

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