

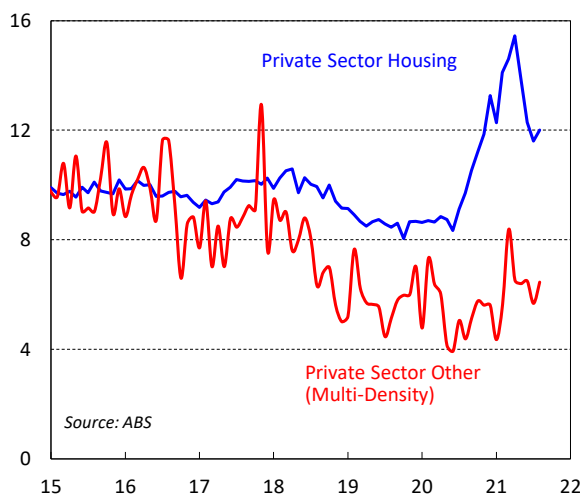
Thursday, 30 September 2021

Building Approvals

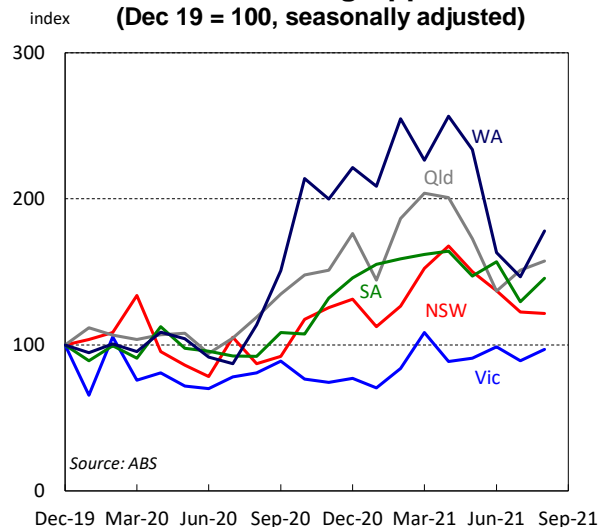
Approvals Jump Despite HomeBuilder Unwind

- Residential building approvals bounced back in August from falls over the past four months. The number of total residential building approvals rose by 6.8% in the month, to be 31.2% higher over the year.
- The growth was driven by a 13.7% rise in private multi-density dwellings (i.e. apartments and townhouses) and a 3.5% increase in private sector houses. Approvals are now around 20% below their historical peak in March 2021 but remain around 18% above their pre-COVID levels.
- Over recent months, approvals have fallen as the bring-forward effect induced by the Federal Government's HomeBuilder scheme has been progressively unwound. This month's result shows that demand for new dwellings remains strong despite the policy no longer being in place.
- Private sector house approvals increased in SA (16.6%), Victoria (8.1%) and NSW (7.0%), despite Victoria and NSW being impacted by lockdowns. House approvals were down 7.3% in WA and 5.2% in Queensland.
- Reflecting the continued strength in demand for detached housing, private sector house approvals remain more than 30% above pre-COVID levels across all these states.
- The strong pipeline of construction activity that has been created by this surge in approvals will continue to support jobs and economic growth as NSW and Victoria come out of lockdown and the Australian economy recovers over the December quarter and into 2022.

Number of Building Approvals
(in 000's, seasonally adjusted)



Private Building Approvals
(Dec 19 = 100, seasonally adjusted)



Residential building approvals bounced back in August from falls over the past four months. The number of total residential building approvals rose by 6.8% in the month, to be 31.2% higher over the year. This was a markedly stronger result than consensus expectations of a 5.0% fall.

The bounce in approvals was driven by 13.7% growth in private multi-density dwellings (i.e. apartments and townhouses), which contributed 4.4 percentage points to growth. Private sector houses were also up 3.5% and contributed 2.3 percentage points to growth. Approvals are now around 20% below their historical peak in March 2021 but remain around 18% above their pre-COVID level as at December 2019.

Over recent months, approvals have fallen as the bring-forward effect induced by the Federal Government's HomeBuilder scheme has been progressively unwound. This month's result shows that demand for new dwellings remains strong despite the policy's expiration. Demand continues to be supported by low interest rates and robust household savings. Also, recall ahead of the Delta outbreak, the jobs market had rebounded very strongly.

Public sector building approvals were effectively unchanged in the month although these make up a small share of total approvals.

By state, growth in total approvals was strongest in WA (21.0%), which was driven by a large increase in multi-density dwelling approvals. Multi-density dwelling approvals can be volatile when large projects (such as an apartment tower) are approved.

SA (11.8%) and Victoria (10.5%) also rose in the month. Approvals in Victoria are now less than 1% below their pre-COVID levels. Dwelling approvals have taken longer to bounce back in Victoria compared to the rest of Australia, following the lengthy lockdown in the second half of 2020. Total approvals were down in Tasmania (-18.9%) and NSW (-2.3%).

Private sector house approvals increased in SA (16.6%), Victoria (8.1%) and NSW (7.0%), despite Victoria and NSW being impacted by lockdowns in August. On the other hand, house approvals were down 7.3% in WA as the effects of HomeBuilder and state government incentive programs continue to unwind. House approvals were also down 5.2% in Queensland. Reflecting the continued strength in demand for detached housing, private sector house approvals remain more than 30% above pre-COVID levels across all these states.

The value of non-residential building approvals rose by 30.8% in August, to be 23.1% higher over the year. However, this is a highly volatile series.

Outlook

The surprise bounce in building approvals in August shows that demand remains strong in the market, despite lockdowns and the unwinding of HomeBuilder. While some uncertainty will remain over coming months, the unwinding of policy incentives will continue to drag on approvals.

The strong pipeline of construction activity that has been created by the surge in approvals over late 2020 and early 2021 will continue to support jobs and economic growth as NSW and Victoria come out of lockdown and the Australian economy recovers over the December quarter and into 2022.

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