

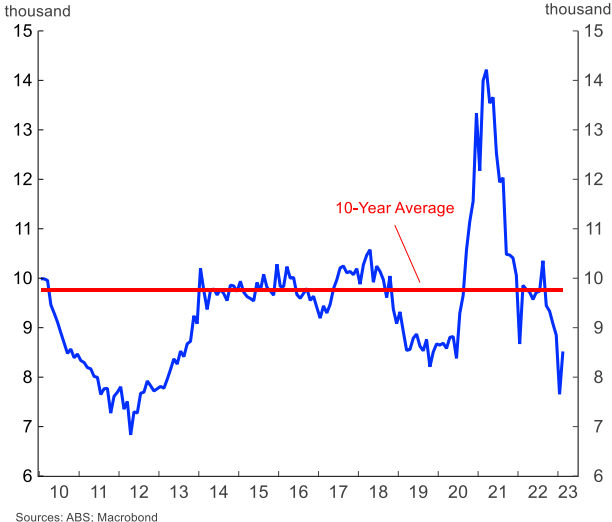
Monday, 8 May 2023

Building Approvals

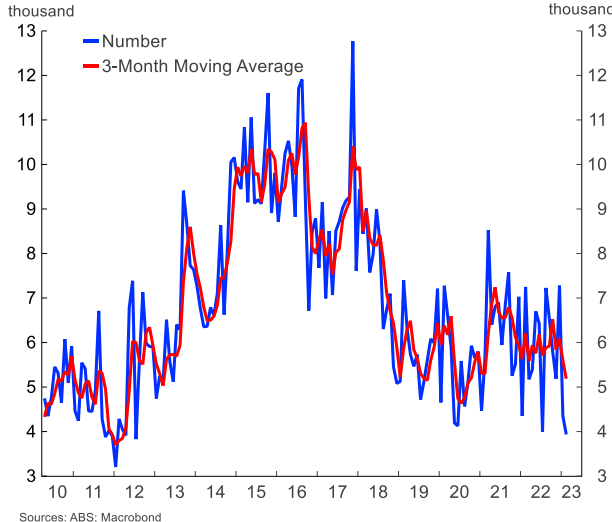
Resi Construction Downswing Deepens

- New residential dwelling approvals edged down 0.1% in March following large swings through much of 2022 and 2023. Approvals are down around 46% from their peak in March 2021 and are running at their slowest pace since May 2012 on a three-month moving average basis.
- Demand for new construction is being hampered by disruptions in the building industry, increasing costs, rising interest rates and lower dwelling prices. These headwinds are unlikely to subside quickly. However, an increase in rents and surging migration may lure more projects into the pipeline as headwinds stabilise and yields become more attractive.
- Private sector house approvals, which are typically less volatile than multi-density approvals, slid 2.8% and are sitting around 15% below the 10-year average. Private sector house approvals have declined in eight of the past twelve months and are 10.1% lower than a year ago.
- Large month-to-month fluctuations in private sector multi-density approvals continue to mask a sharp underlying slowdown. Multi-density approvals in the private sector are running 43% below the 10-year average and are 21% lower than a year ago, despite a 5.6% monthly increase.
- Delays and longer build times means there remains a large pipeline of residential building work yet to be finished. This is a legacy of the huge run-up in approvals over 2020 and 2021. However, a broad downswing in new approvals raises questions about the volume of activity once the existing backlog of projects is worked through.

Private Sector House Approvals
Number, Monthly



Private Multi-density Approvals
Monthly



Jameson Coombs, Economist
Ph: +61 401 102 789

Contact Listing

Chief Economist

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

Senior Economist

Jarek Kowcza
jarek.kowcza@bankofmelbourne.com.au
0481 476 436

Senior Economist

Pat Bustamante
pat.bustamante@bankofmelbourne.com.au

Economist

Jameson Coombs
jameson.coombs@bankofmelbourne.com.au
0401 102 789

The Detail

The information contained in this report (“the Information”) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne’s agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to Bank of Melbourne products and details are available. Bank of Melbourne or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.

Any unauthorised use or dissemination is prohibited. Neither Bank of Melbourne- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac’s subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.