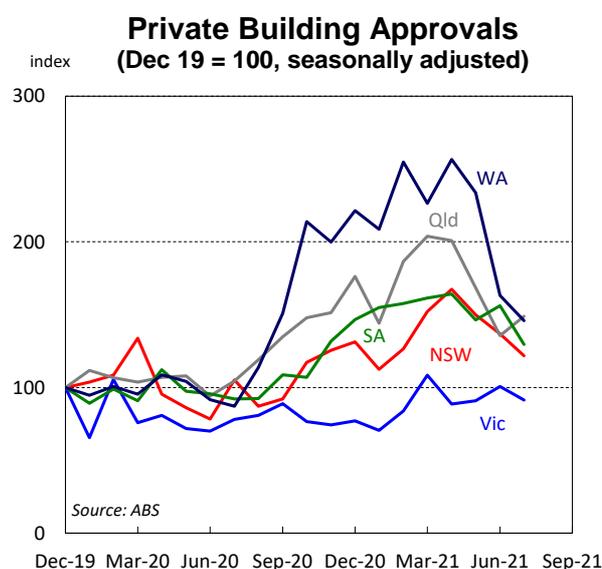
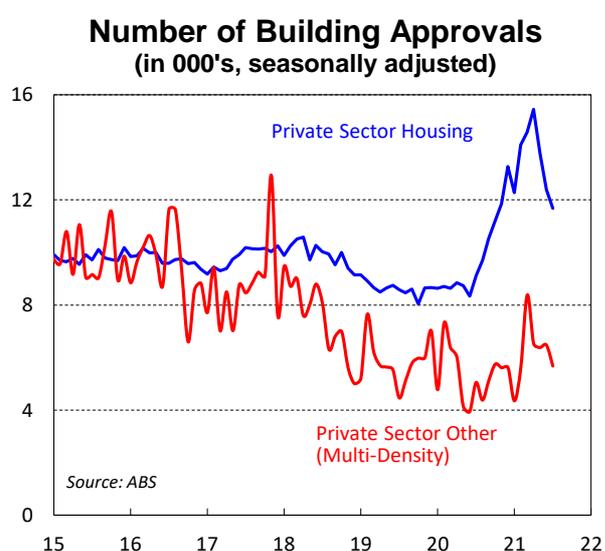


Tuesday, 31 August 2021

# Building Approvals

## Post-HomeBuilder Pullback Continues

- Residential building approvals continued to fall in July, as the impact of HomeBuilder continued to unwind and lockdowns swept the country. Building approvals fell 8.6% in the month although remain over 10% above their pre-COVID level as at December 2019.
- The decline in July was underpinned by a 12.3% decline in private multi-density dwellings (ie. apartments and townhouses). Private sector house approvals also fell 5.8% in the month.
- The fall in private sector approvals was broad-based across states, with the largest decline in South Australia (16.9%), followed by NSW (11.0%), WA (10.5%) and Victoria (9.2%). Queensland bucked the trend, with approvals increasing 9.7% in the sunshine state.
- Approvals in NSW, Queensland, WA and South Australia are all between 20–50% higher than their pre-COVID level. Victoria remains a clear laggard, with private sector approvals down 8.6% compared to their pre-pandemic benchmark as at December 2019.
- There is heightened uncertainty over building approvals over the coming months. There are likely more HomeBuilder-related declines to come. Plus, lockdown disruptions will also contribute to volatility in the data. But on the other hand, the ongoing strong upturn across the housing market will help to underpin further development activity.
- Over the medium term, there is a solid pipeline of residential construction projects which will help to support economic activity and jobs growth as the economy begins to recover from the current round of lengthy lockdowns.



Residential building approvals continued to fall in July, as the impact of HomeBuilder continued to unwind and lockdowns swept the country. Building approvals fell 8.6% in the month although remain over 10% above their pre-COVID level as at December 2019.

While applications for HomeBuilder closed in April, the unwind has been reflected over several months in the building approvals data because of the lag between contract signing and construction approval. Approvals have declined nearly 25% since their peak in March.

The decline in July was underpinned by a 12.3% decline in private multi-density dwellings (ie. apartments and townhouses). Private sector house approvals also fell 5.8% in the month.

Public sector approvals also dropped sharply, however these make up a small share of total approvals and are volatile month to month.

The fall in private sector approvals was broad-based across states, with the largest decline in South Australia (16.9%), followed by NSW (11.0%), WA (10.5%) and Victoria (9.2%). Queensland bucked the trend, with approvals increasing 9.7% in the sunshine state.

Approvals have dropped particularly sharply in WA over recent months, down over 40% in July from their peak in April. However, this is coming off very high levels, after home builders in WA benefitted from support from the state government on top of the federal government's HomeBuilder package.

Approvals in NSW, Queensland, WA and South Australia are all between 20–50% higher than their pre-COVID level.

Victoria remains a clear laggard, with private sector approvals down 8.6% compared to their pre-pandemic benchmark. This likely reflects the more severe and enduring COVID-related disruptions Victoria has experienced relative to the rest of the country.

The value of non-residential building approvals fell 30.5% in July, to be around 47% below its peak in March, although this is an extremely volatile series.

## **Outlook**

There is heightened uncertainty over building approvals over the coming months. There are likely more HomeBuilder-related declines to come. Plus, lockdown disruptions will also contribute to volatility in the data. But on the other hand, the ongoing strong upturn across the housing market will help to underpin further development activity.

Over the medium term, there is a solid pipeline of residential construction projects which will help to support economic activity and jobs growth as the economy begins to recover from the current round of lengthy lockdowns. This follows the surge in approvals in the second half of 2020. And even though approvals have come off in recent months, they are still well up on their pre-COVID levels, meaning they are still adding to the construction pipeline at a solid clip.

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