

Aus dwelling approvals surge

December approvals: +2.2%*mt*, 53.3%*yr*; Major upward revision to November

- Dwelling approvals rose 2.2%*mt* in December but were effectively up by more than 6% as November approvals were revised up from an already hefty +5.9%*mt* gain to an 10.4% jump. This was well above the market median forecast of a flat result and our forecast of a 1% rise.
- Estimates around the Christmas low-season should always be treated with caution. However, the surge in late 2009 appears genuine.
- The upward revision was due to late returns with NSW public approvals revised up by over 400 dwellings (cf this is what total public dwelling approvals have averaged nationally over the previous 12 months). This higher level of public activity mostly carried into December as well. The Federal Government is embarking on a major round of public housing construction as part of its "nation building and jobs" stimulus package with \$6bn being spent over two years. The value of public dwelling approvals in the six months to Dec totalled \$1.2bn.
- Private sector house approvals rose 3.1% after slipping 4.3% in November; units also posted a strong 9.1% gain after a 35.1% bounce back in Nov. While seasonal caveats apply, the trend is consistent with what appears to be a significant backlog of projects. In particular, though large, the upturn in private dwelling approvals (+44%*yr*) is still running well behind the recovery in housing finance approvals for construction (+80%+ from their late 2008 trough). Even allowing for flat investor activity, this suggests there is still a long way to catch-up.
- Looking further ahead, the removal of additional incentives for First Home Buyers from December 2009 and higher interest rates will act to dampen momentum later this year. That said, interest rates are only just into the neutral zone, the labour market is gaining momentum and Investors are likely to return to the housing market after a slow response to date.
- The value of renovation approvals rose 1.4% in Dec in trend terms to be up 23.9%*yr*. Total renovation activity is nearly as large as new building in terms of the national accounts. Although most of it is small projects that don't require approval, the approvals trend suggests the sector is on the move.
- Non-residential building approvals also remained at high levels (+115%*yr*) as the Government's \$14.7bn school building program continues to ramp up. Rising trend approvals, which exclude the education spike, have also firmed a little in recent months.

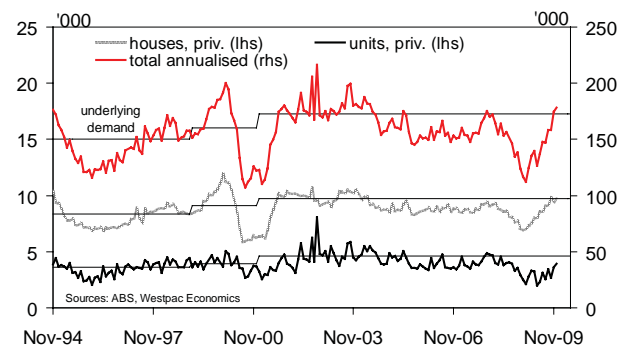
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Building approvals – Dec 2009

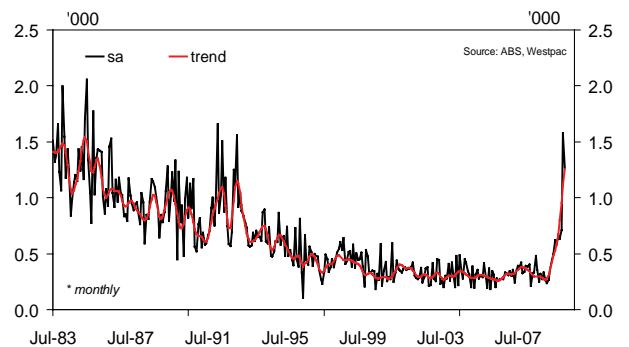
Seasonally adjusted	Dec level	% chg <i>mt</i>		% chg <i>yr</i>	
		Nov	Dec	Nov	Dec
Private houses no.	9,682	-4.3	3.1	32.5	39.5
Private units no.	3,919	35.1	9.1	22.1	56.9
Total dwellings no.	14,869	10.4	2.2	40.5	53.3
Renovations <i>trend</i> \$bn	0.57	2.2	1.4	21.2	23.9
Non-res. <i>trend</i> \$bn	2.04	1.4	0.5	-8.4	0.2

Sources: ABS, Westpac

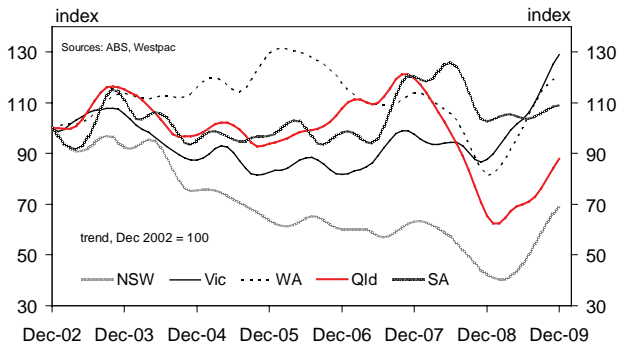
Dwelling approvals



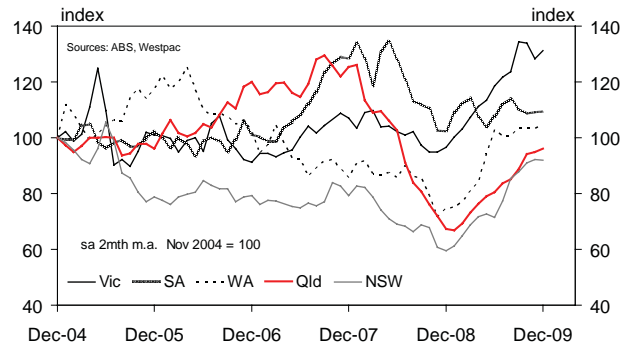
Public dwelling approvals: back to the 80s



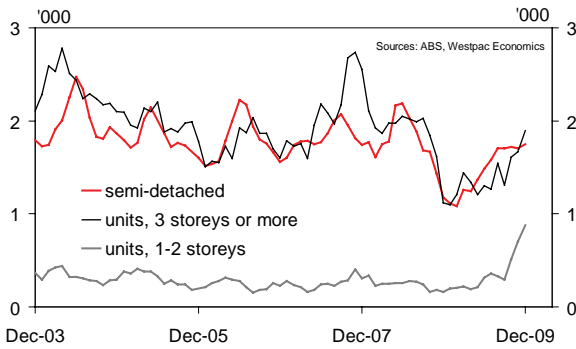
States: total dwelling approvals



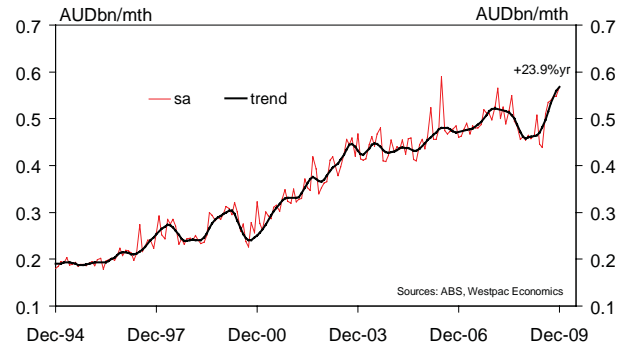
States: private house approvals



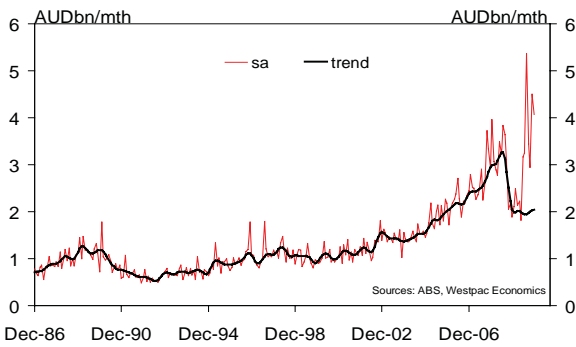
Units upswing apparent



Renovation approvals: upswing strengthens



Non-res approvals: education spike



Non-residential approvals: split

