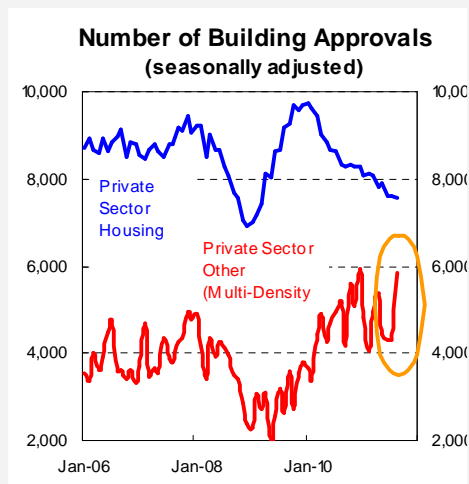
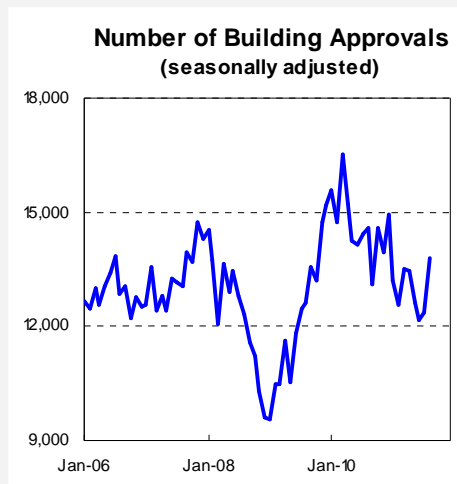


DATA SNAPSHOT

Building Approvals – The Devil is in the Detail

Tuesday, 4 October 2011

- Building approvals trounced market expectations by jumping 11.4% in August – the biggest monthly gain since March 2010 and taking approvals to the highest level in eight months.
- But the devil is in the detail. The jump in August was due to a 35.1% rise in private-sector approvals for multi-density dwellings – a very volatile segment. Within this segment, NSW multi-density approvals spiked 105.6% to take the approvals for this segment to the highest in more than 8½ years.
- Private sector housing, which is the more stable component of approvals, fell 1% in August. This category has been softening for some time with only six rises recorded over a 22-month period. It suggests that the underlying momentum in building approvals is still fragile.
- The national housing shortage is likely to persist because of the underlying softness in building. This will help limit the softness in housing prices over the next 12 months.



Building approvals jumped 11.4% in August, the biggest monthly gain since March 2010, taking the number of approvals to 13,800, the highest in nine months. The annual rate is still contracting, but less so in August at 5.5% versus 14.3% in July.

However, the devil is in the detail. The jump in August was due to a sharp 35.1% rise in private-sector approvals for the other component, essentially multi-density dwellings (for example, townhouses, flats, etc). This category is volatile, so it is not uncommon to see large swings in this category from month to month.

Private sector housing, which is the more stable component of approvals, fell 1% in August. This category has been soft for some time with only six rises recorded over a 22-month period. It suggests that the underlying momentum in building approvals is still fragile.

Public-sector dwelling approvals (both for housing and multi-unit developments) is a relatively small component and it is very weak. It fell 4.9% in the month and is down nearly 61% on a year ago.

States

By far the biggest jump in approvals across the States was in NSW. NSW witnessed a spike in approvals, up 45.2% to 3,785, the highest number since July 2004 but still low in

comparison with Victoria that has the highest dwelling approvals of any State. It is also not

enough to address NSW's housing shortage.

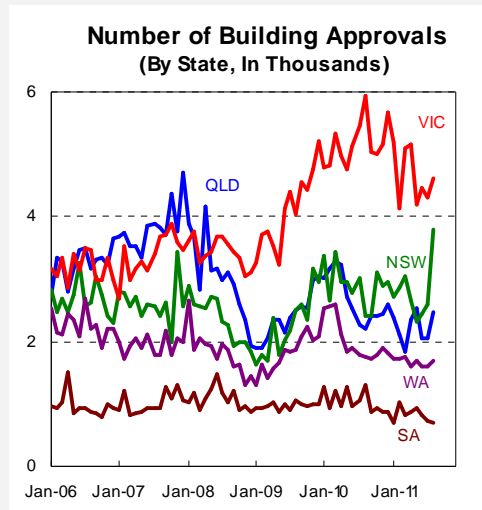
The jump in NSW approvals was driven by multi-density dwelling approvals in the private sector – up 105.6% in August to the highest number of approvals since January 2003. Private sector housing approvals in NSW meanwhile fell 4.3%.

Queensland also experienced a large rise in approvals in the month of 19.6%. Part of this increase is likely driven by the Queensland government initiative to give \$10,000 grants for those buying or building new homes, which came into effect on 1 August 2011.

Elsewhere across the States, Victoria and WA rose by 7.3% and 5.5%, respectively, while SA approvals dropped 4.1%.

Outlook

Nationally there remains a shortage of residential housing. Today's approval numbers indicate that the housing shortage will persist because the underlying trend in dwelling construction is still lacklustre. House prices have generally been softer since the turn of this year and we expect the softness to persist over the coming year. However, the housing shortage is likely to limit the weakness in housing values.



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