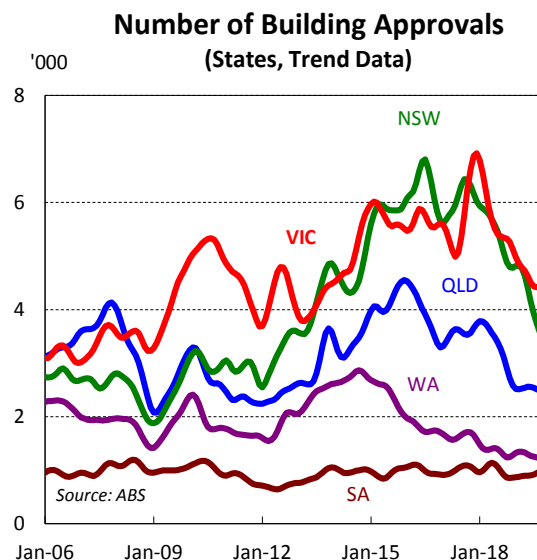
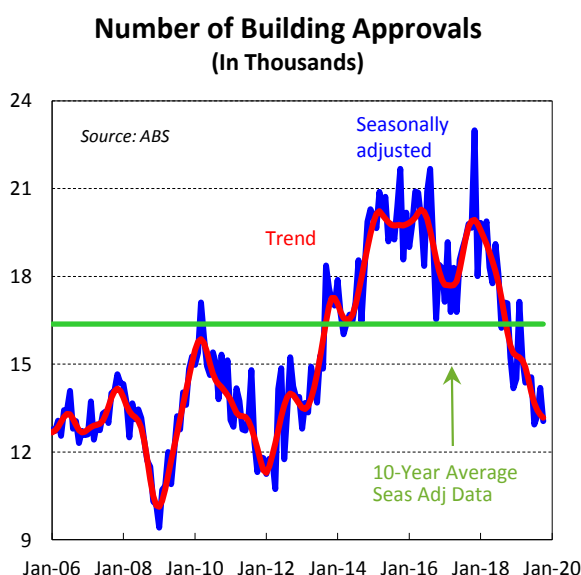


## Building Approvals Bottom Still Not in Sight

- Residential building approvals declined 8.1% in October, more than retracing a 7.2% increase in September. The sizeable decline is continuing to point to a downward trend and suggests that residential construction is set to remain weak.
- By sector, approvals for both private-sector houses and “other” dwellings (which include apartments and other multi-unit dwellings) declined sharply in October, falling 7.0% and 11.3%, respectively. Both sectors remain on a downward trend.
- On an annual basis, NSW recorded the largest decline (-39.4%), followed by Victoria (-21.6%) and Queensland (-15.1%) where the bulk of apartment construction has occurred. Approvals also declined in Western Australia (-4.5%). South Australia (24.6%) and Tasmania (13.6%) were the only States where annual growth was positive.
- We are yet to see the downturn in residential construction bottom out or stabilise, despite the recent recovery in housing prices. Demand remains hindered by the concerns over building quality. While the lift in dwelling prices and lower official interest rates should eventually provide support to residential building, we do not expect a sustained recovery anytime soon.



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The soft conditions in residential building activity are occurring despite the recovery in dwelling prices over recent months. Other factors such as concerns regarding the building quality of apartments are likely dampening activity.

By sector, approvals for both private-sector houses and “other” dwellings (which include apartments and other multi-unit dwellings) declined sharply in October, falling 7.0% and 11.3%, respectively. Both sectors remain on a downward trend.

### **By State**

The weakness in approvals was concentrated in NSW (-16.4%) and Queensland (-10.2%). Victoria (5.7%), South Australia (14.7%), Western Australia (11.5%) and Tasmania (6.2%) all gained in the month. In all States, the large swings were mostly reflective of approvals of multi-unit dwellings.

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### **Outlook**

We are yet to see the downturn in residential construction bottom out or stabilise, despite the recent recovery in housing prices. Demand remains hindered by concerns over building quality. While the lift in dwelling prices and lower official interest rates should eventually provide support to residential building, we do not expect a sustained recovery anytime soon.

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