

KEY POINTS

Number of dwelling units approved

- The seasonally adjusted number of dwelling units approved increased by 9.3% to 13,541 in October. This follows a 5.3% decline in the previous month and a 17.5% decline in the six months period to September 2010.
- The annual growth in dwelling approvals strengthened to +1.2% pace in October, up from -9.7% in September.
- A 23.6% rise in private sector 'other dwellings' approvals (which largely comprising apartments) was the main driver of the increase in total dwelling approvals recorded in the month. Private house approvals increased by 1.5% following declines in the previous four months.
- The trend number of dwelling approvals fell by 0.9% in October, the eighth consecutive month of decline.

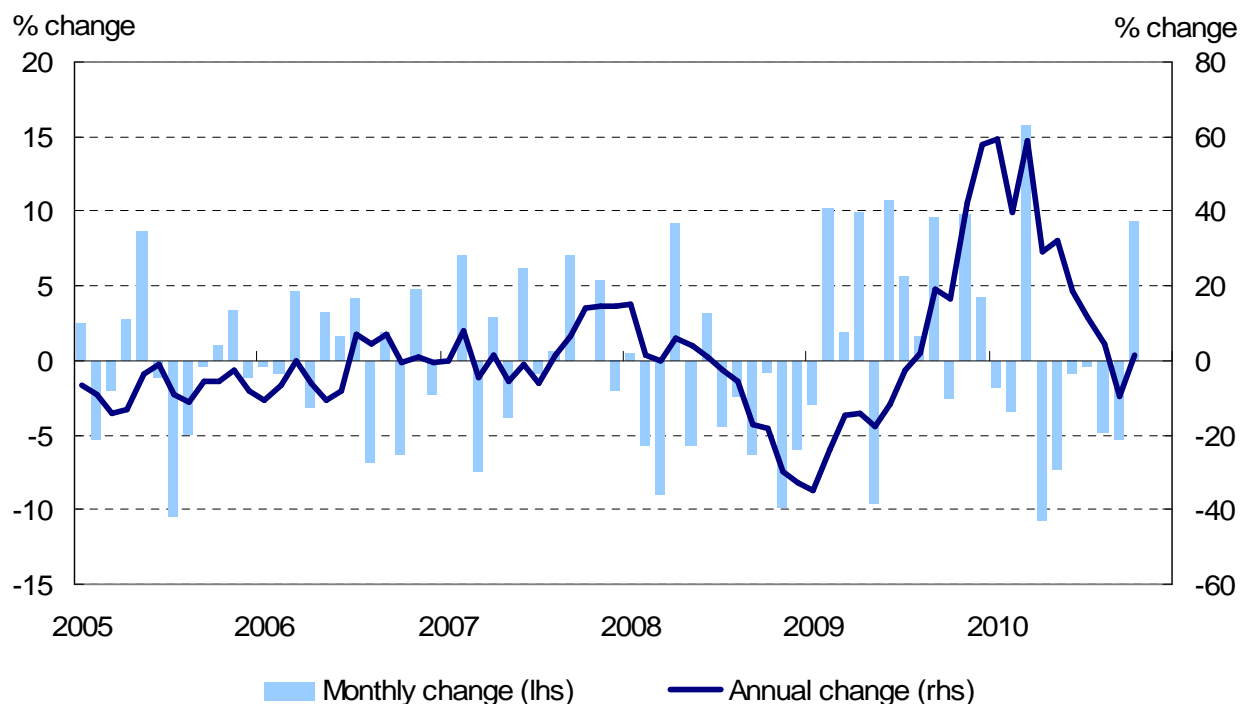
Value of building

- The seasonally adjusted value of total building approvals rose by 4.1% in October, following a 2.2% decline in September.
- The seasonally adjusted value of new residential building approvals increased by 8.2%, while the value of approved alterations and additions increased by 7.9%.
- The seasonally adjusted estimate for the value of non-residential building fell by 3.8%, following a 0.7% decline in September.

The states

- The trend number of dwelling units approved increased in New South Wales (0.2%), Victoria (0.5%) and Western Australia (0.8%). Queensland and South Australia registered falls of 5.0% and 2.6% respectively.

Chart: Monthly & annual growth in number of dwelling units approved



Implications

- The increase in dwelling approvals in October, which exceeded market expectations of a 1.5% rise, was driven by a 23.6% rise in the volatile “other dwellings” component which includes apartments.
- The October increase in private sector housing approvals (which account for almost two-thirds of total dwelling unit approvals) is an encouraging development, although housing approvals remain soft, and are still 15.7% below the level of a year ago.
- The November interest rate rise and the expectation of more increases next year is expected to weigh on housing demand and potentially lead to another round of weakness in housing approvals over the remainder of 2010 and into 2011.