

## KEY POINTS

### Number of dwelling units approved

- The seasonally adjusted number of dwelling units approved declined by 3.5% to 12,069 in June, the lowest level in almost two years.
- On an annual basis, the pace of decline was steeper at 15.5% as compared to 13.3% in May. The annual rate of decline in dwelling approvals has now been in double-digit territory for six consecutive months.
- The overall decline in dwelling approvals in June reflected a 4.2% fall in the private sector 'other dwellings' segment and a 3.2% decline in private sector houses.
- The trend number of dwelling approvals fell by 1.6% in June, the eighth consecutive month of decline.

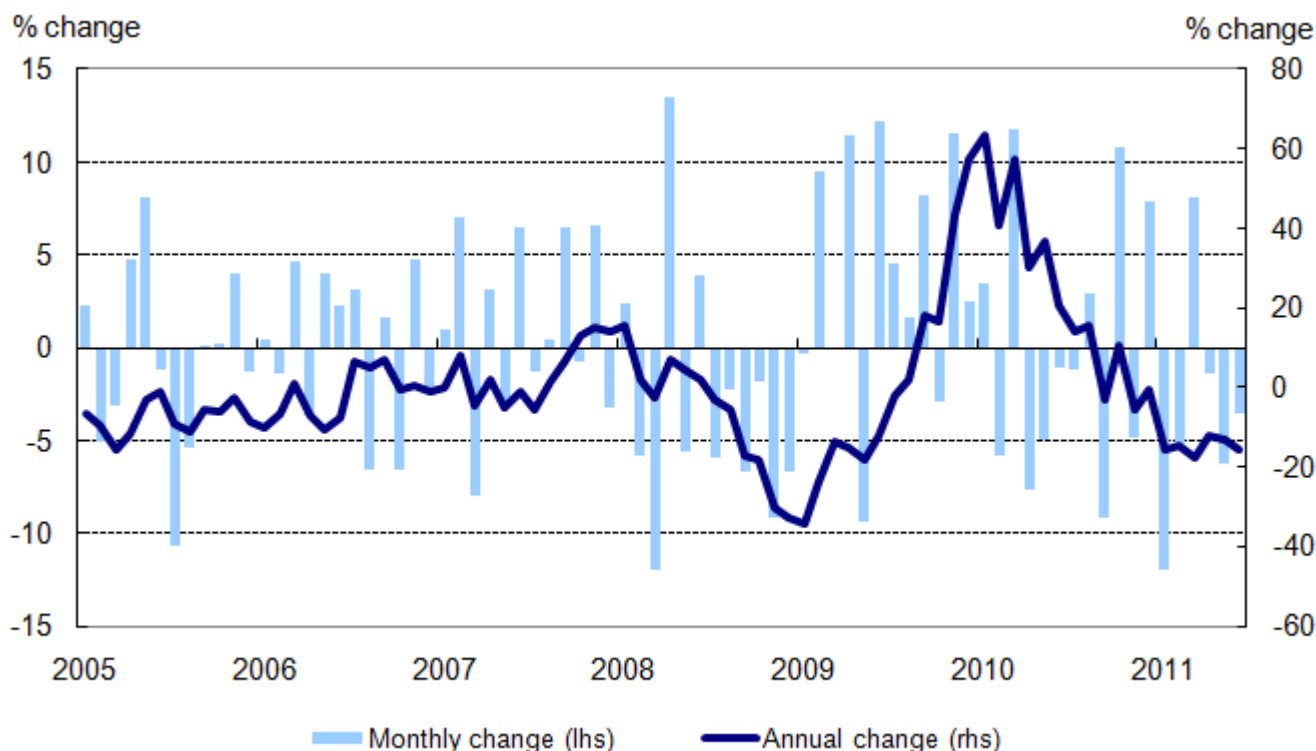
### Value of building

- The seasonally adjusted value of total building approvals declined by 2.2% in June to be 14.4% down on an annual basis.
- The seasonally adjusted value of new residential building approvals fell by 4.0%, while the value of approved alterations and additions decreased by 4.2%.
- The seasonally adjusted estimate for the value of non-residential building rose by 1.3%, although this was from a weak base and followed a 23.4% decline over the two months to May 2011.

### The states

- The trend number of dwelling units approved fell in New South Wales (-4.3%), Victoria (-2.0%), Western Australia (-1.0%), Tasmania (-0.6%), Queensland (-0.4%) and South Australia (-0.2%) while increases were recorded in the Australian Capital Territory (5.2%) and the Northern Territory (2.1%).

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



## Implications

- The decline in total building approvals in June which followed falls over the previous two months was significantly below than consensus forecast of a 3.0% increase.
- Both the “other dwellings” segment (mainly comprising apartments) and private sector houses exhibited weakness. The fall in housing approvals provides further evidence that the housing sector is faltering under the weight of consumer and investor caution, higher interest rates and moderating house prices. It is also consistent with the findings of the Australian Industry Group’s Performance of Construction Index (Australian PCI®) which points to a continuation of contracting activity and new orders in the house building sector.
- Dwelling approvals are likely to face a range of headwinds in 2011, including subdued demand from first home buyers, restrictive credit conditions, stretched affordability and the risk of higher interest rates. As a result, a continuation of subdued dwelling approvals is likely over coming months.