

## KEY POINTS

### Number of dwelling units approved

- The seasonally adjusted number of dwelling units approved rose by 11.4% to 13,800 in August, after growth of 1.8% in the previous month.
- On an annual basis, the pace of decline moderated to -5.5% as compared to -14.3% in July. The annual rate of decline in dwelling approvals has now been in double-digit territory for eight consecutive months.
- A 35.1% increase in the volatile private sector ‘other dwellings’ segment (which largely comprising apartments) drove the rise in total dwelling approvals during the month. Private house approvals remained subdued, falling by 1.0% in August to be 9.5% down over the year.
- The trend number of dwelling approvals rose by 0.7% in August, the second consecutive month of growth.

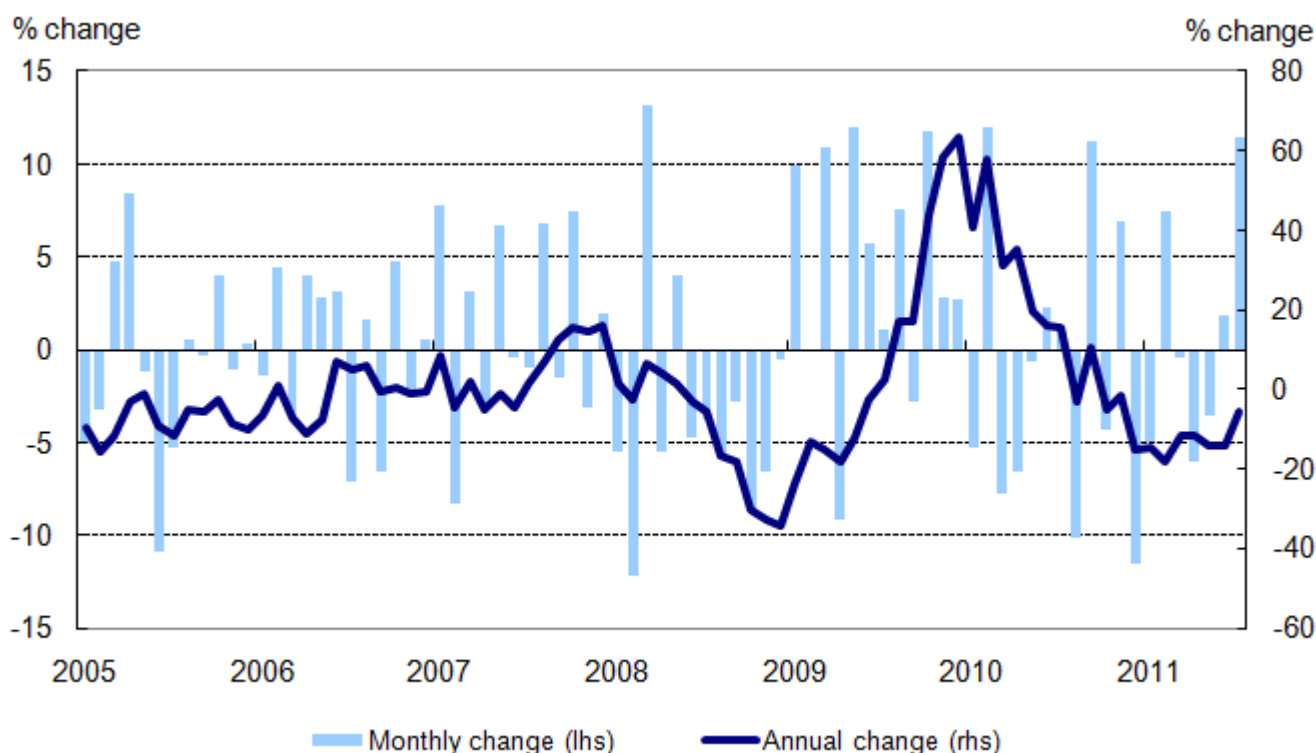
### Value of building

- The seasonally adjusted value of total building approvals increased by 14.2% in August to be 4.7% higher on an annual basis.
- The seasonally adjusted value of new residential building approvals rose by 12.7%, while the value of approved alterations and additions fell by 0.4%.
- The seasonally adjusted estimate for the value of non-residential building approvals increased by 20.3%, largely driven by rises in approvals in public sector health care facilities and industrial premises.

### The states

- By state, the number of dwelling units approved increased in trend terms rose in New South Wales (5.2%) and Queensland (+1.6%) but decreased in South Australia (-6.2%) and Victoria (-0.2%), and remained flat in Western Australia (-1.4%).

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



## Implications

- Despite the solid rise in total building approvals in August, the result is deceptive.
- The increase in approvals during the month, which was above market expectations of a 0.6% increase, was driven by a strong increase of 35.1% in the volatile high density apartments category (private sector other dwellings), and follows a fall in this category of 20.0% between May and July 2011.
- Private sector house approvals, which provide a more reliable guide of conditions in the housing market, remained subdued in August reflecting on-going consumer and investor caution, high interest rates and moderating house prices. This is consistent with 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.
- Housing approvals are likely to continue to face a range of headwinds, including subdued demand from first home buyers, restrictive credit conditions, stretched affordability and the risk of higher interest rates. As a result, the weak housing construction trend is likely to persist in coming months.