

Dwelling approvals fell a seasonally adjusted 9.5% in December (mkt exp +0.5%), following a downwardly revised increase of 0.3% in November (originally 1.6%).

The trend growth estimate, which looks through the monthly volatility, ebbed 0.1%.

Seasonally Adjusted, %	MoM	YoY
Total Dwelling Approvals	-9.5	-24.0
Private Dwellings	-10.6	-23.1
- Houses	-0.5	-4.4
- Dwellings Ex Houses	-25.3	-44.2

The December drop was driven by a 25.3% plunge in multi-dwelling approvals, while private sector house approvals declined 0.5% following a 4.3% fall in November.

Both housing and unit approvals remain low by historical standards and were little changed in trend terms.

*States*

Dwelling approvals were mixed across states, with strong declines in Victoria and South Australia, a smaller fall in Tasmania and gains in other states. This included Western Australia, which was the only state with a positive annual growth rate.

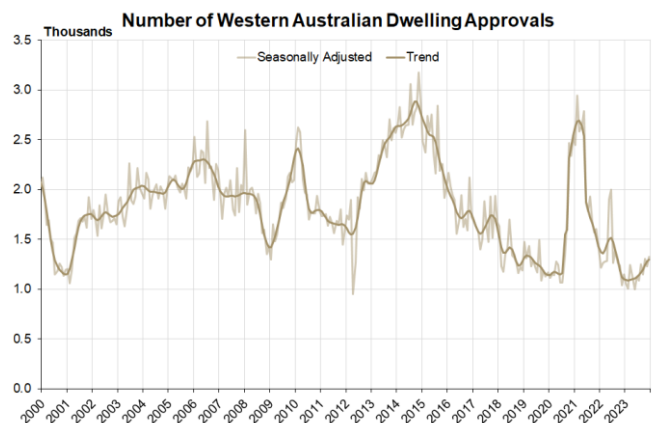
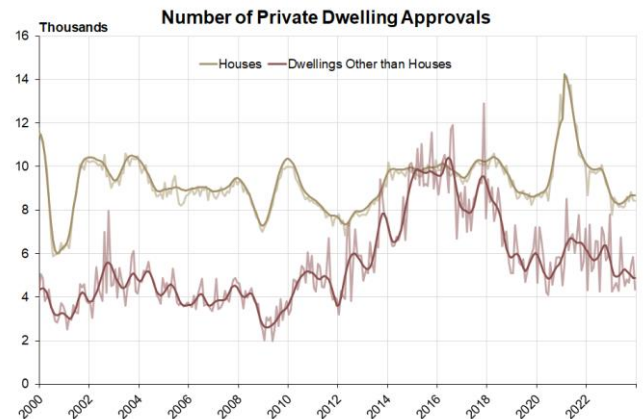
Trend growth was positive in Western Australia (+1.6%) and New South Wales (+3.2%), but negative in the other states led by Tasmania (-4.3%).

Seasonally Adjusted (%)	MoM	YoY
Western Australia	7.9	15.1
New South Wales	2.0	-36.0
Victoria	-18.4	-30.4
Queensland	8.2	-3.6
South Australia	-11.8	-8.6
Tasmania	-2.7	-23.7

Private sector house approvals picked up in Victoria (+1.2%) and Western Australia (+2.2%). These were also the only mainland states that saw a positive trend in their growth rate in December, of 1.4% and 1.8%, respectively.

The strongest decline in private house approvals was recorded in South Australia (-5.3%), followed by New South Wales (-2.6%), while Queensland saw a more moderate decline of just 0.4%.

In trend terms, growth in private sector house consents was negative in Queensland (-1.3%), New South Wales (-1.1%) and South Australia (-0.7%).



*Comment*

Volatility in dwelling approvals continues to be driven by high-rise activity.

However, looking through the month-to-month volatilities, dwelling approvals remain very soft. Particularly with private sector house approvals falling in three of the past four months.

The subdued outlook for new home building, coupled with low completion rates of dwellings already under construction, and high levels of immigration supporting the strong demand for housing, is fuelling further growth in home prices. This was confirmed by news of another solid rise in the CoreLogic home value index in January despite mortgage rates remaining high.

The housing demand and supply imbalance is likely to be with us for some time, exerting upward pressure on prices. The silver lining is that January saw further signs that the increase in home prices is running out of steam in Sydney and Melbourne, where house prices are at extreme levels.

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