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Rise in Building Approvals Masks Underlying Weakness

Total building approvals were up in March 2011, although the core detached housing segment of the market continued its downhill run, said the Housing Industry Association, the voice of Australia's residential building industry.

HIA Senior Economist, Andrew Harvey, said that total residential building approvals increased by 9.1 per cent in March 2011 although they were down by 8.9 per cent over the quarter. Total approvals in the three months to March 2011 are 15.8 per cent lower than in the corresponding period one year earlier.

"Today's numbers are driven by a significant rise in approvals in the highly volatile private sector other dwellings segment which were up by 26.1 per cent in March. However, detached dwelling approvals went backwards, falling by 1.3 per cent in the month," noted Andrew Harvey.

"Although detached housing approvals have fallen again, it is good to see at least some positive news in the apartment sector. Nevertheless, we are conscious that the March increase in approvals follows two months of double-digit falls," said Mr Harvey.

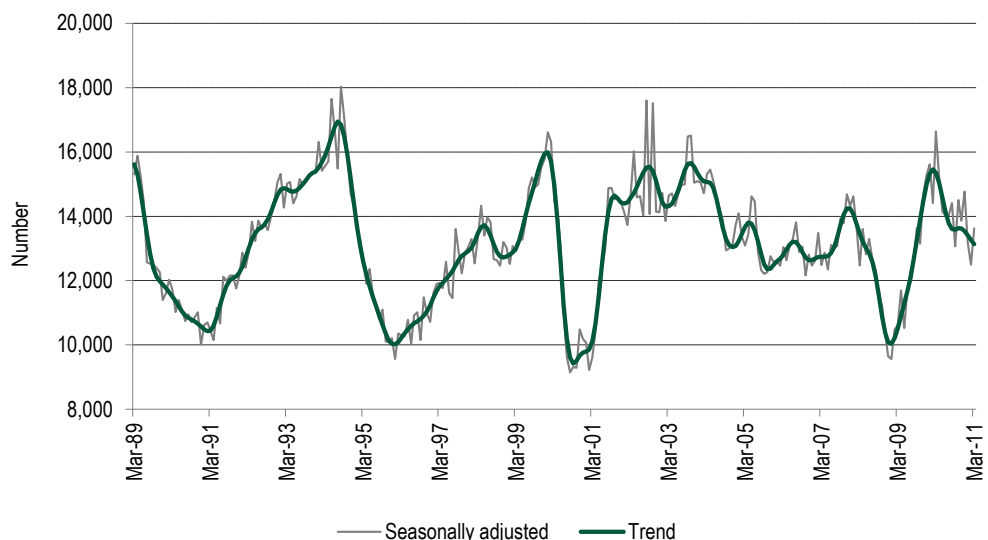
"Furthermore, it is unclear as to what extent we will see these other dwelling approvals flow through to building starts. With ongoing tight credit conditions and stagnant residential prices there is a real risk that even though approved, a larger number than usual of these projects may not proceed," said Andrew Harvey.

"In terms of the jurisdictions much of the March increase is due to a 26.8 per cent increase in Victorian approvals, which have rebounded after large falls in January and February. However, it is disappointing to see that Queensland's approvals continue to fall, reaffirming the Sunshine State's position as the weakest residential building market in Australia," added Mr Harvey.

In addition to the 26.8 per cent rise in Victorian approvals (seasonally adjusted), increases were seen in NSW (up by 8.5 per cent), Western Australia (up by 3.4 per cent) and Tasmania (up by 5.8 per cent). The jurisdictions that experienced a decrease in approvals in March 2011 were Queensland (down by 15.0 per cent) and South Australia (down by 22.5 per cent). In trend terms approvals in the ACT were up by 0.3 per cent while Northern Territory approvals were up by 3.2 per cent.

Building Approvals - Australia

Source: ABS 8731



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