Box A
Regional Developments in Dwelling Approvals

Dwelling approvals have increased since their trough in early 2012, leading to a recovery in dwelling activity over recent quarters. However, there have been pronounced regional differences in the growth in approvals, both between and within the states. Dwelling approvals have picked up noticeably in New South Wales, while increases have also been recorded in Western Australia, Queensland and South Australia (Graph A1). In Victoria, approvals have been on a downward trend but remain at high levels. These differences reflect variation in factors such as economic conditions, population growth, government incentives for home buyers, sentiment in the established housing market and supply-side constraints.

Dwelling approvals in New South Wales have been rising since 2009, following an extended period during which the population grew by more than the dwelling stock. The increase in approvals has been concentrated in Sydney, particularly in higher-density dwellings (Graph A2). The increase in higher-density approvals has been broad based across Sydney, but is largest in the suburbs of the inner and middle rings of the city; liaison with developers suggests that for the inner city in particular, demand has been supported by foreign investors. Approvals for detached dwellings have also increased, driven by activity in the outer regions of Sydney, particularly in the south west. Elsewhere in New South Wales, dwelling approvals have remained at a relatively low level. For the state as a whole, there has been an increase in demand from first home buyers, which is likely to reflect the increase in government incentives to first home buyers purchasing new homes relative to the incentives available for purchases of established homes (Graph A3).

In Victoria, dwelling approvals have remained at a relatively high level over the past year or so, albeit below that recorded during 2010. Approvals for higher-density dwellings in Melbourne have been elevated for several years, particularly in inner Melbourne (Graph A4). Liaison suggests that foreign
Investors have been active in this market, while the availability of inner-city sites previously used for commercial property has facilitated development. In contrast, approvals for detached houses have fallen for a number of years across the state, but particularly in outer Melbourne where approvals had been at a high level. Total approvals for detached houses in Victoria are now around their lowest level in over a decade. This decline follows some demand being brought forward in 2009 and 2010 as a result of government stimulus measures that had increased assistance payments for the purchase of new dwellings. Approvals in regional Victoria, which are largely for detached houses, have also fallen to relatively low levels.

In Western Australia, the increase in dwelling approvals over the past year or so has been driven by a pick-up in approvals for detached houses in Perth, particularly in the outer regions of the city. Approvals for higher-density dwellings have also increased over the past year, although these types of dwellings make up a much smaller proportion of new housing than in the eastern states. Liaison with builders and developers suggests that the pick-up in demand for new dwellings has been primarily driven by first home buyers.

In both Western Australia and Queensland, dwelling approvals in mining regions have declined since late last year, but remain close to the historically high levels of recent years, which were in line with the large increase in employment owing to mining investment (Graph A5).
for the Sunshine Coast, weighed down by subdued economic conditions (Graph A6). Despite some pick-up in recent quarters, dwelling approvals in Queensland overall have remained at low levels over the past year or so, reflecting slower population growth and the expiry of the state government’s Building Boost Grant in April last year.

While approvals in South Australia have increased over the past year, they remain at low levels, with broadly similar trends in Adelaide and regional areas. Nonetheless, demand in South Australia is likely to have been supported by a shift in the focus of home buyer incentives towards new homes (particularly for first home buyers). Dwelling approvals in Tasmania have fallen over the past few years, with slowing population growth and subdued economic conditions weighing on new housing demand in that state.