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## Building approvals lowest in 5 years

"Building approval data released today shows that the slowdown in building activity accelerated at the end of 2018," stated HIA Principal Economist, Tim Reardon.

ABS data released today shows that a total of 13,995 homes (seasonally adjusted) were approved for construction in the month of December 2018.

"This represents a 23.7 per cent decline in approvals for the three months to December 2018 compared to the same time frame in 2017," added Mr Reardon.

"This was led by a 40.1 per cent fall in approvals for apartments for the quarter. Houses fell by just 7.8 per cent. This brings approvals back to 2013 levels.

"The boom in approvals of apartments is now over.

"Apartment approvals averaged almost 30,000 per quarter for the three years of 2015-17, in stark contrast to the 17,778 record for this December quarter.

"This weak result is the consequence of a range of measures including punitive rates of tax on foreign investors, record supply of apartments, falling house prices and the credit squeeze.

"The credit squeeze that is impacting the market at the moment has accelerated the slowdown in approvals.

"HIA research has found that the time taken to gain approval for a loan to build a new home has blown out from around two weeks to more than two months.

"Policy makers and lenders alike need to be cognisant that ordinary home buyers are now facing blow-outs in loan processing times and also much greater rates of flat-out loan rejection.

"The slowdown in approvals will flow through to a slowdown in building activity on the ground later this year.

"We've long been anticipating the current downturn in new home building, but there is a risk it could develop more quickly and strongly than expected.

"In particular policy makers and lenders will need to respond judiciously to the pending release of the Banking Royal Commission's recommendations," said Mr Reardon.

Total seasonally adjusted dwelling approvals in December 2018 fell in Tasmania (-24.3 per cent), New South Wales (-8.6 per cent), Victoria (-8.1 per cent) and Queensland (-5.8 per cent). Increases were recorded in South Australia (+5.6 per cent) and Western Australia (+1.1 per cent). In trend terms, total dwelling approvals in December increased by 1.7 per cent in the Northern Territory and were down by 21.3 per cent in the Australian Capital Territory.

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