

CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy



PRESENTED BY





More reasons to be buoyant about the Cairns economy

There's talk of a global recession in the air, but it's hard to be anything but positive about the Cairns economy right now – and going forward. The start of interest rate hikes has taken some heat out of real estate to our south but the impact isn't evident in Cairns yet, perhaps another example of our counter-cyclical market at work. Similarly, building approvals in this edition of *The Cairns Report* are higher once again. The pipeline of residential building combined with recent Federal election promises and Queensland Budget initiatives will see a substantial amount of civil construction work slated for the region over coming years. Airport traffic, too, is nearly back to pre-COVID levels even without much international visitation, which will ramp up over coming months.

UNEMPLOYMENT RATE

3.5%

NATIONAL

4.0%

QLD

5.4%

CAIRNS

PEOPLE EMPLOYED

↑ 13,599,300 ↑ 2,780,100 ↑ 141,700

NATIONAL

QLD

CAIRNS

PROPERTY PRICES

↑ \$276,000 ↑ \$449,000

+9% y/y

UNITS

+18% y/y

HOUSES

MEDIAN RENTS

↑ \$380 P/W

+12% y/y

2-BED UNIT

↑ \$499 P/W

+19% y/y

3-BED HOUSE

PASSENGERS

375,780

MAY '19



317,267

MAY '22

CAIRNS AIRPORT

BUILDING APPROVALS

130 APPROVALS IN MAY

↑ +5%

COMPARED TO A YEAR AGO

All data relates to Cairns unless otherwise stated.

The most current data set available before publication is used throughout The Cairns Report.

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Far North Queensland economy


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Pic: Paul Furse/Front Row Foto

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belle PROPERTY



Grant Thornton



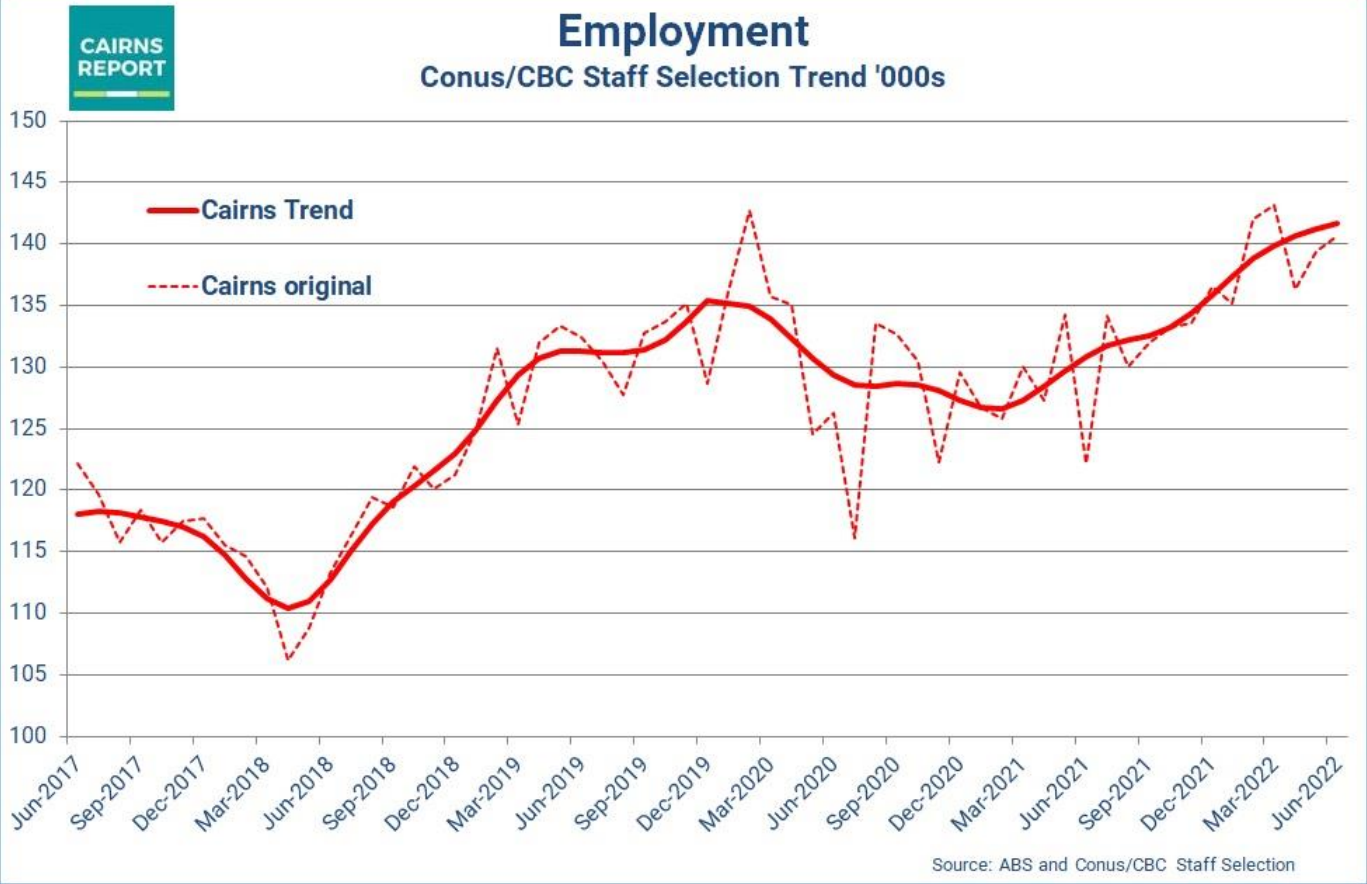
HOLDING REDLICH

It barely seems possible, but the Australian labour market got even tighter in the latest figures!

Another 88,400 were added to those employed nationally in June, while in Queensland we saw employment growth at a more modest rate (+13,400) and all of these were part-time positions. Nevertheless, the pace of annual employment growth in Queensland (+4.6%)

is significantly faster than at the national level (+3.3%). Once again, we saw Trend employment lift in Cairns (+500), but another rise in participation saw the local unemployment rate move up, as we delve into on the next page.

PEOPLE EMPLOYED		
13,599,300	2,780,100	141,700
NATIONAL	QLD	CAIRNS
↑	↑	↑
LAST MONTH		
13,510,900	2,766,700	141,200



Nationally, the unemployment rate fell to a 48-year low of 3.5%, while in Queensland it remained stable at 4% as participation hit a 128-month high.

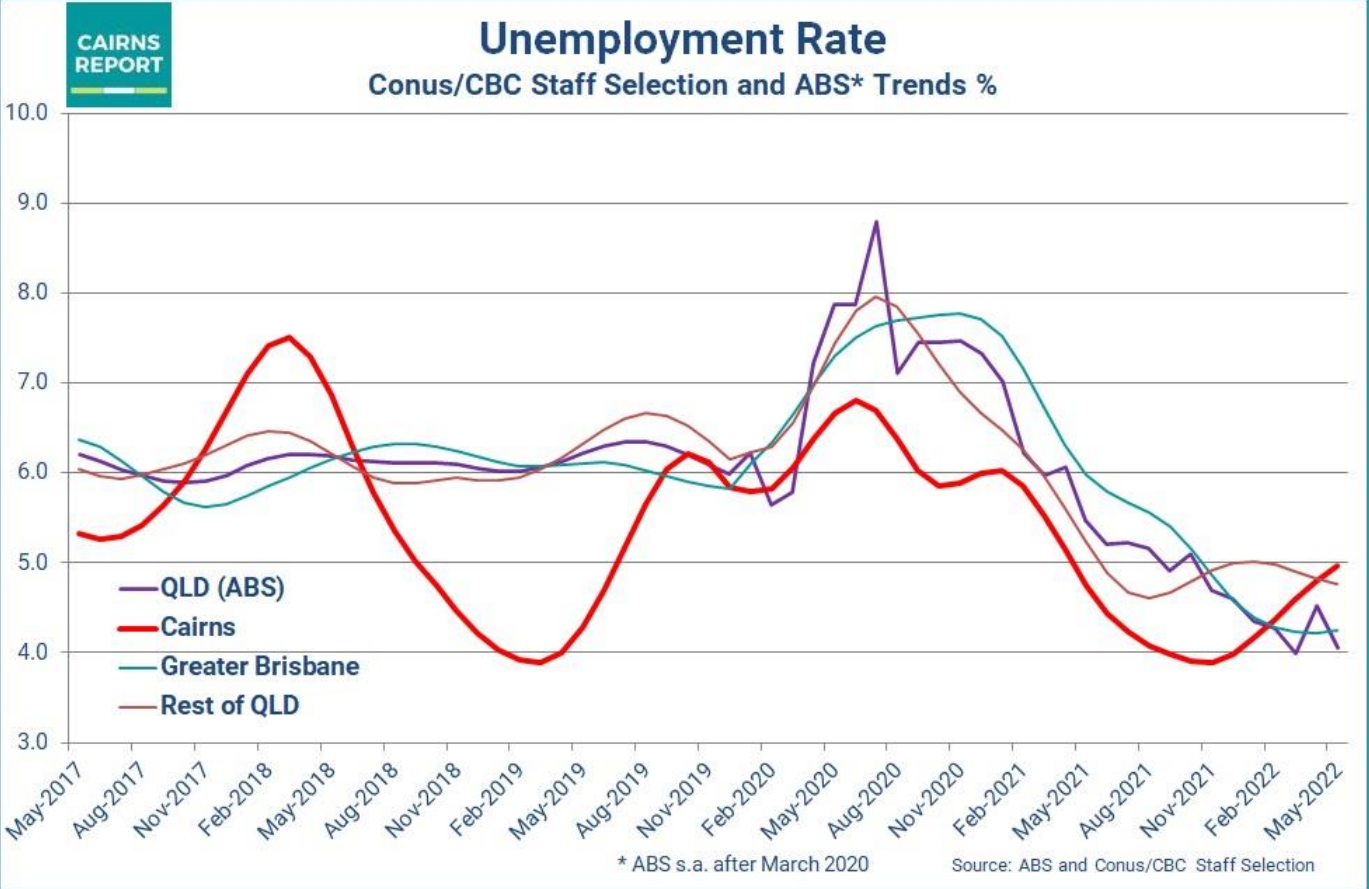
Here in Cairns, further sharp increases in participation, to their highest levels in more than 12 years, and some revisions to previous months saw the Trend unemployment rate move up to 5.4%.

As the Trend unemployment rate lifts it can be hard to reconcile with the facts that employment is still growing and online job

UNEMPLOYMENT RATE

3.5%	4.0%	5.4%
NATIONAL	QLD	CAIRNS
↓	⊖	↑
LAST MONTH		
3.9%	4.0%	5.2%

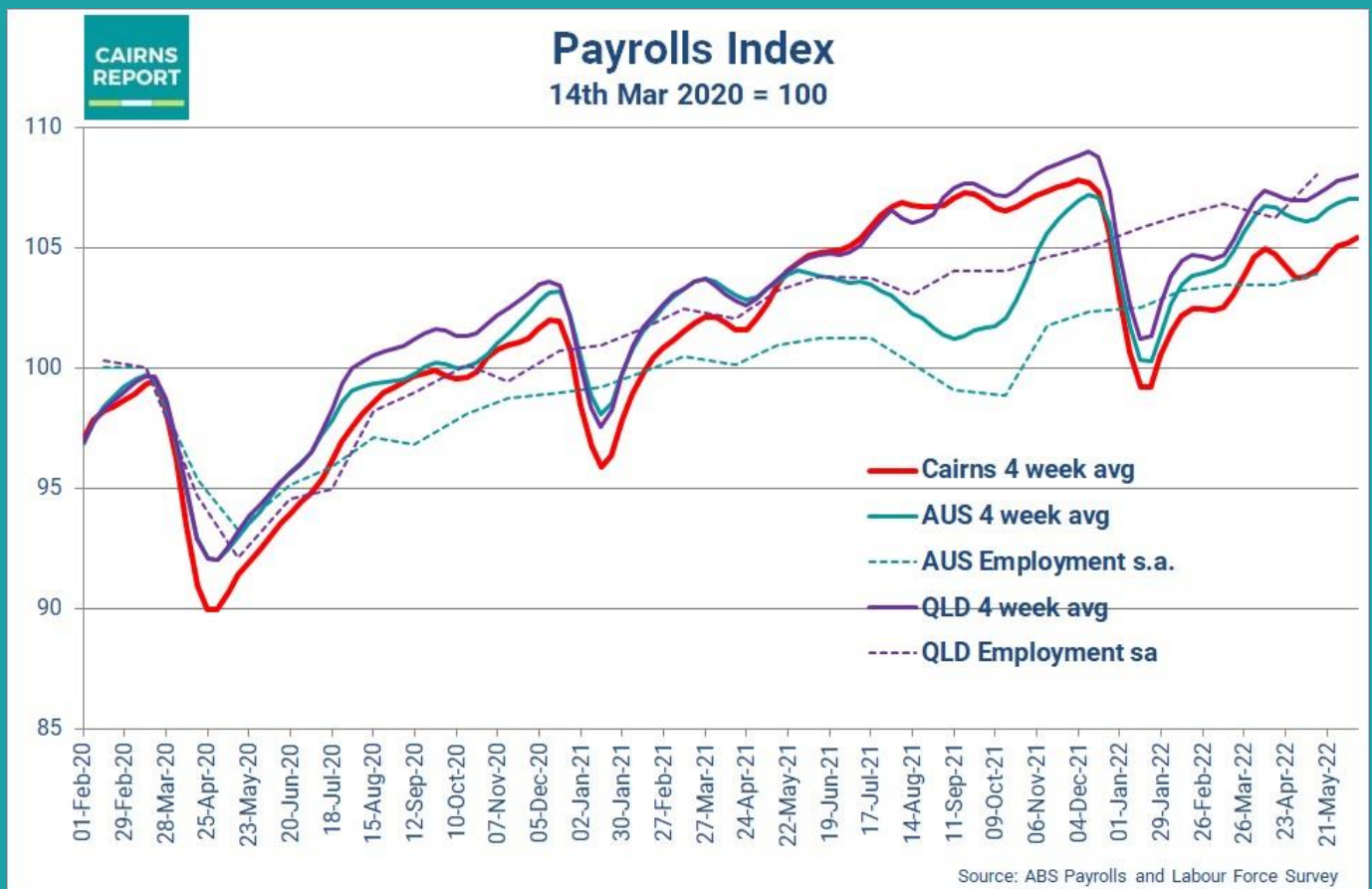
vacancies keep climbing. The reality is that the labour market in Cairns remains very tight; as anyone trying to recruit staff will testify to. Were it not for the lift in participation we’ve witnessed since January, the current employment numbers would equate to an unemployment rate of just 1.7%!



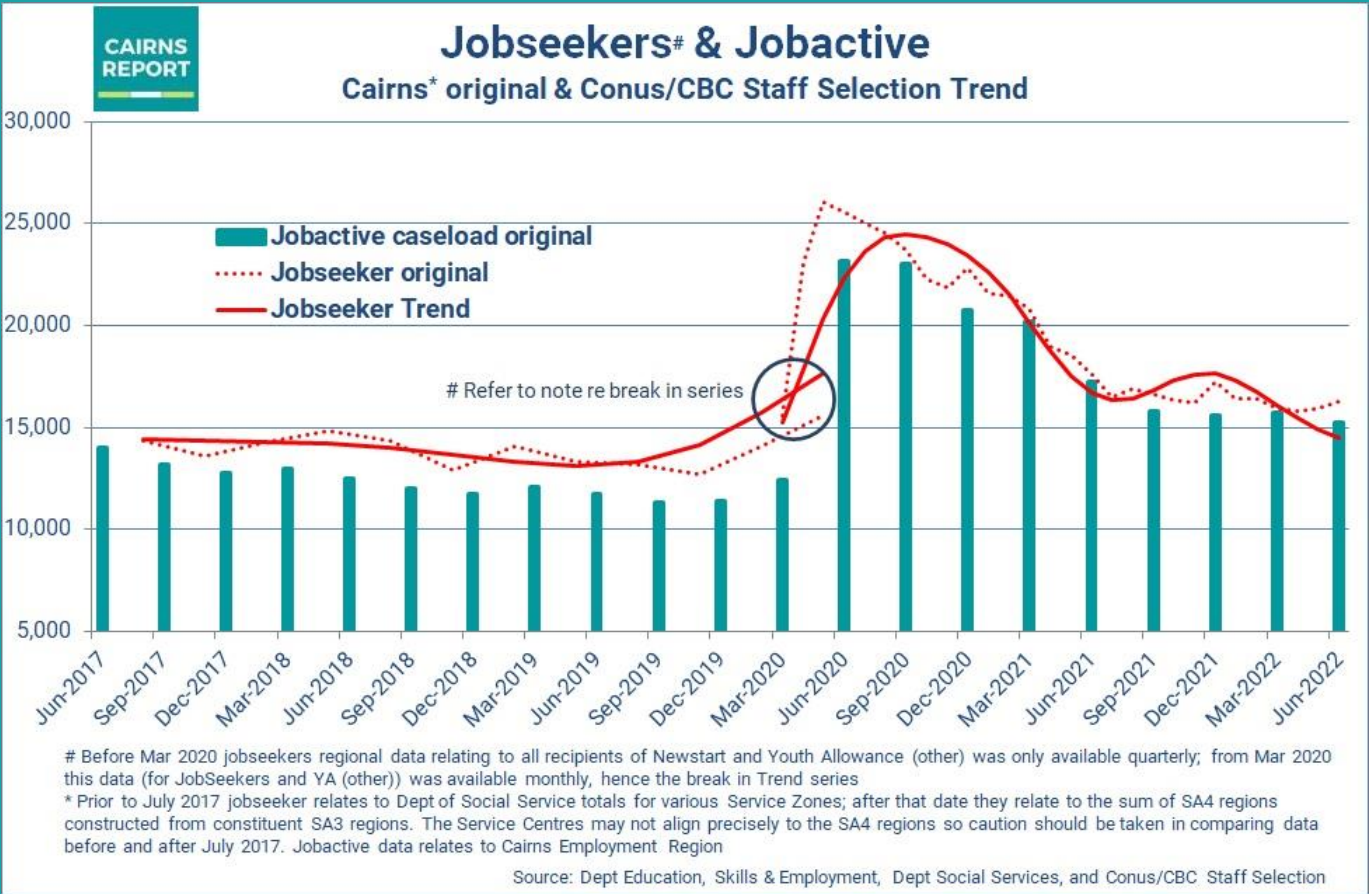
The most recent data (to the middle of June) from the ATO and ABS show that at the national and State levels Payrolls have started to move higher again.

Were it not for the Christmas ramp up in payrolls last year (which is not seasonally adjusted out of the Payrolls data) we see that the overall

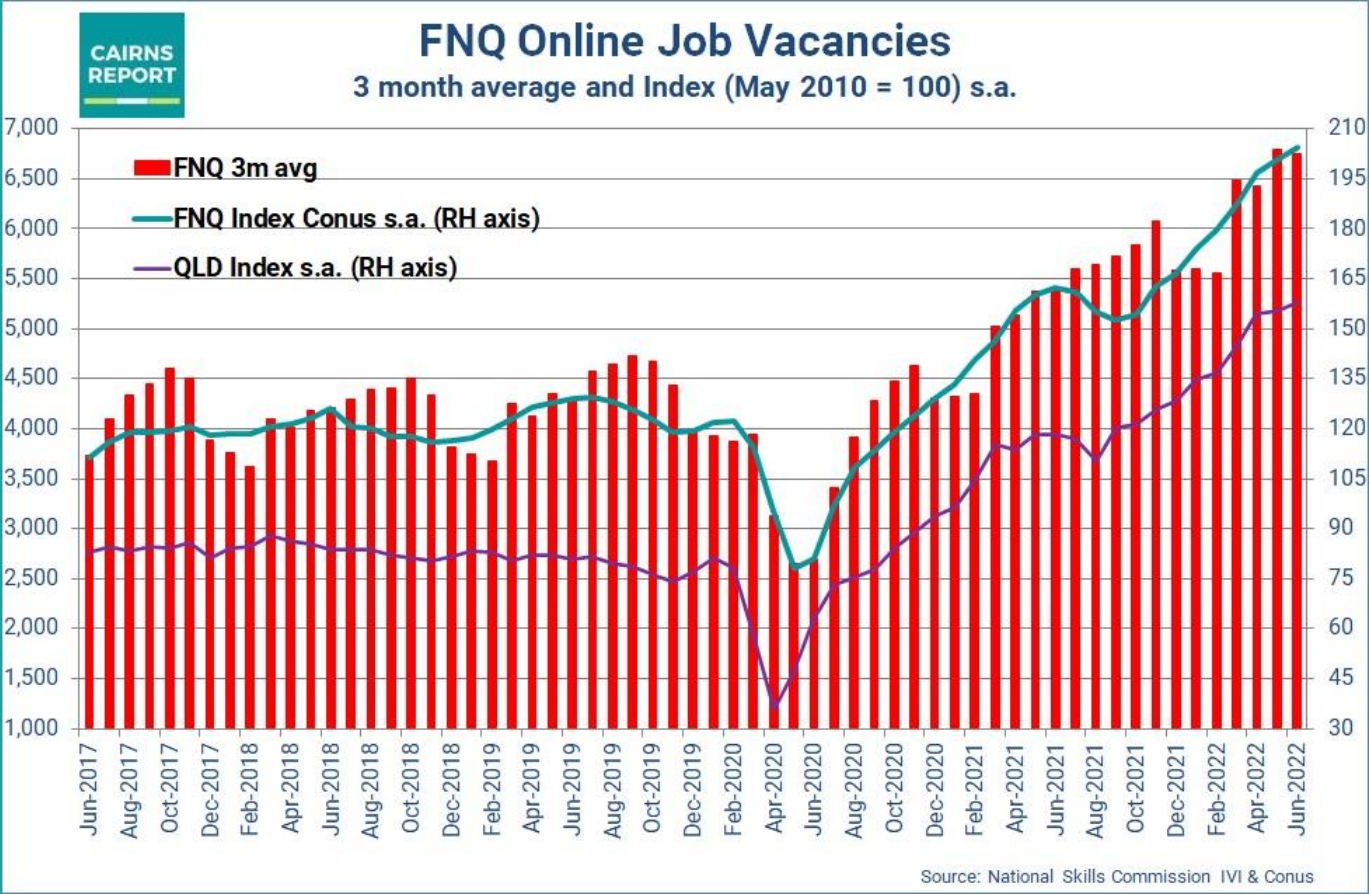
trend in employment is tracking closely to the Payrolls data at both the State and National level.



While the JobSeeker numbers in Cairns lifted slightly in June, the seasonally-adjusted Trend continued its gradual decline and now sits lower than at any time since the pandemic.



As mentioned on previous pages, the labour market remains extremely tight, with Online Jobs Vacancy data for FNQ remaining high in June.



In the past few months, we have started to see residential building approval numbers in Cairns move higher once again.

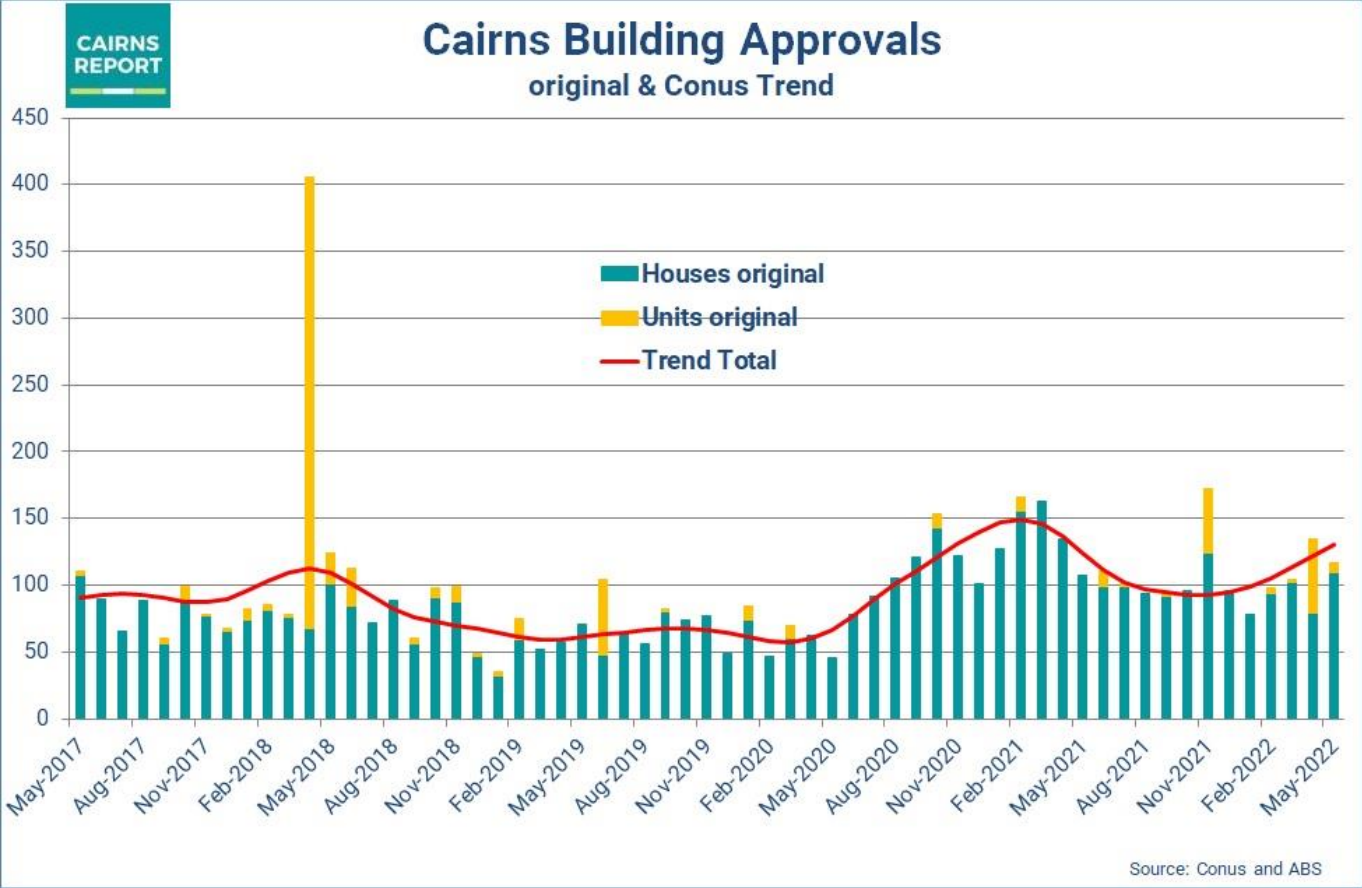
Having settled at about 100 per month for most of the second half of last year this first half of 2022 has seen a gradual increase to a Trend figure of 130 in May. As interest rates continue to move higher in coming months there is an expectation that this may take some of the heat out of the property market; indeed, that is already being seen in cities to our South (although as we note later in the Cairns Report, this slowdown is not yet evident in Cairns). Nevertheless, such a strong pipeline

of approvals already in the system should ensure a robust period over at least the next 12-18 months for the construction sector in our region. This pipeline of residential building will combine with recent Federal election promises and Queensland Budget initiatives which will see a substantial amount of civil construction work slated for the region in coming years.

HOUSES

↑ +5%

Building approvals change year-on-year
Latest trend approvals = 130



Passenger numbers through Cairns Airport have continued to recover.

In the most data available to June, the number of domestic passengers using the Airport was 0.3% higher than in the same month in 2019; although when we include international passengers the total was still 6.4% lower.

Nevertheless, it is clear that the domestic tourism boom has

meant that numbers passing through the Airport are almost back to pre-COVID levels and this will only improve as more international flights come on-line in coming weeks and months.

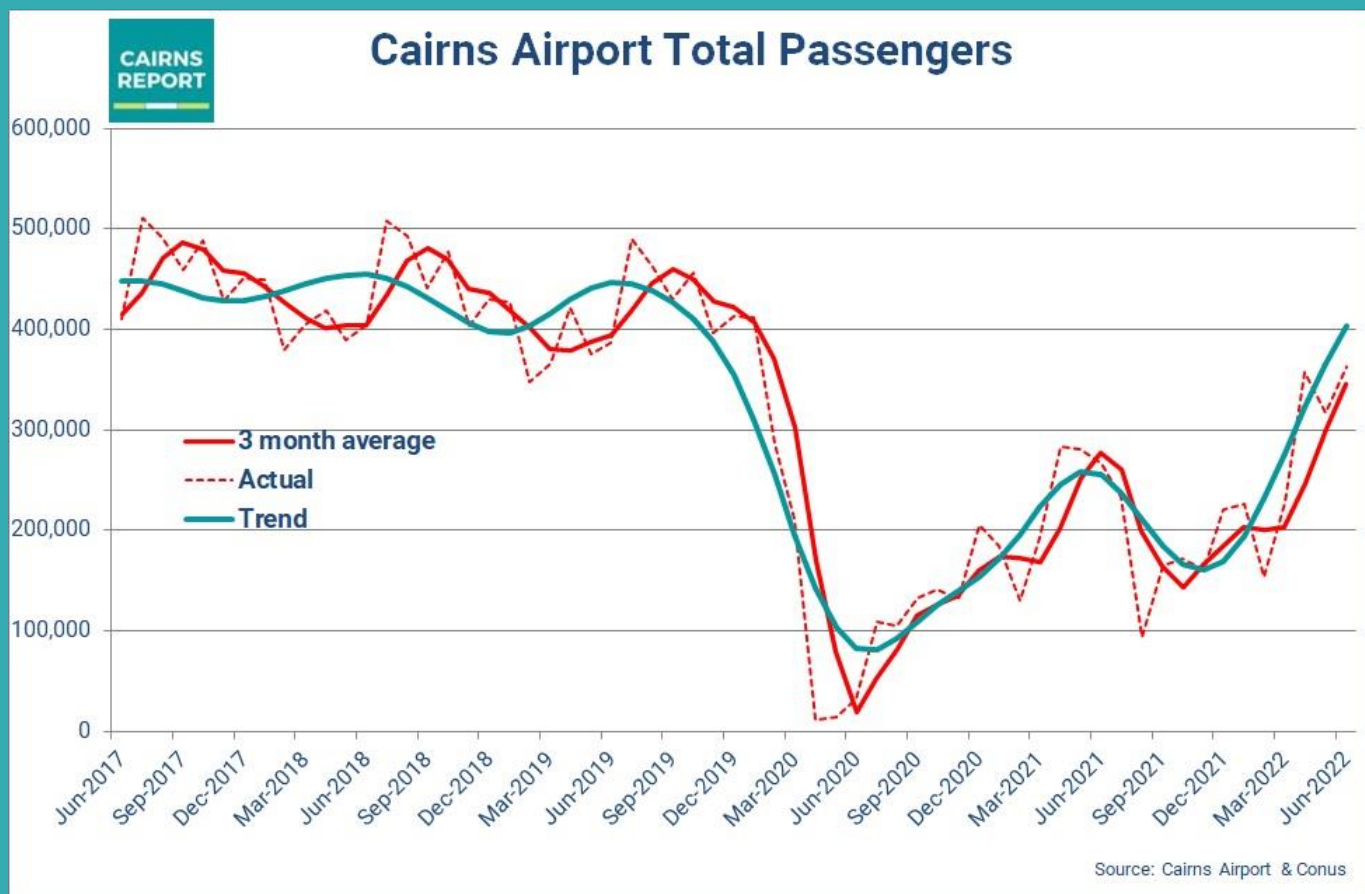
PASSENGERS

386,845

JUNE '19

**362,209**

JUNE '22



In the last edition of *The Cairns Report*, we noted that the annual expenditure data to March 2022 for domestic tourism in the Far North was at record highs, up 10.7% from the pre-COVID high.

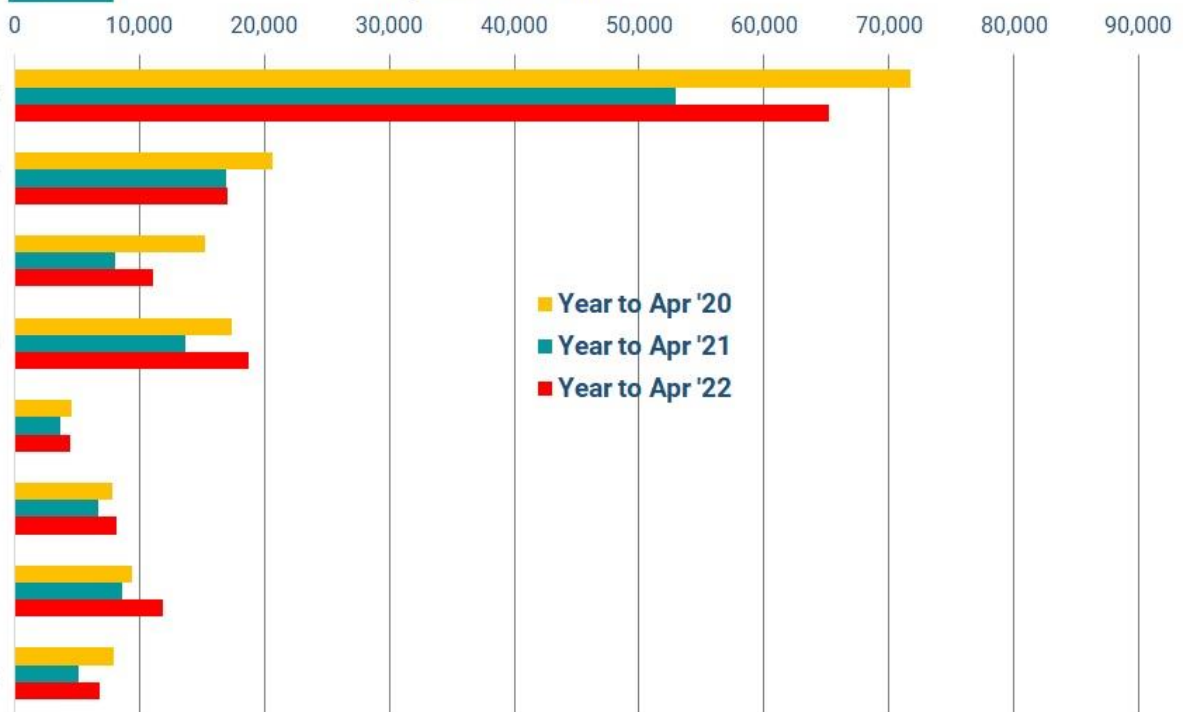
Since the release of that data, we have seen the April domestic tourism expenditure numbers for regional Queensland and they confirm that this surge in the domestic market continues.

The 12-month sum of monthly data to April shows domestic tourism expenditure in Australia was up 23% from the same period a year ago. The rise was 36% in Queensland and 38% across regional Queensland. The very strong passenger numbers we saw through Cairns Airport over the Easter period in April suggest that the Far North did at least as well as regional Queensland generally.



Domestic Overnight Travel

Expenditure \$ mill



Source: Tourism Research Australia, National Visitor Survey Monthly Snapshot

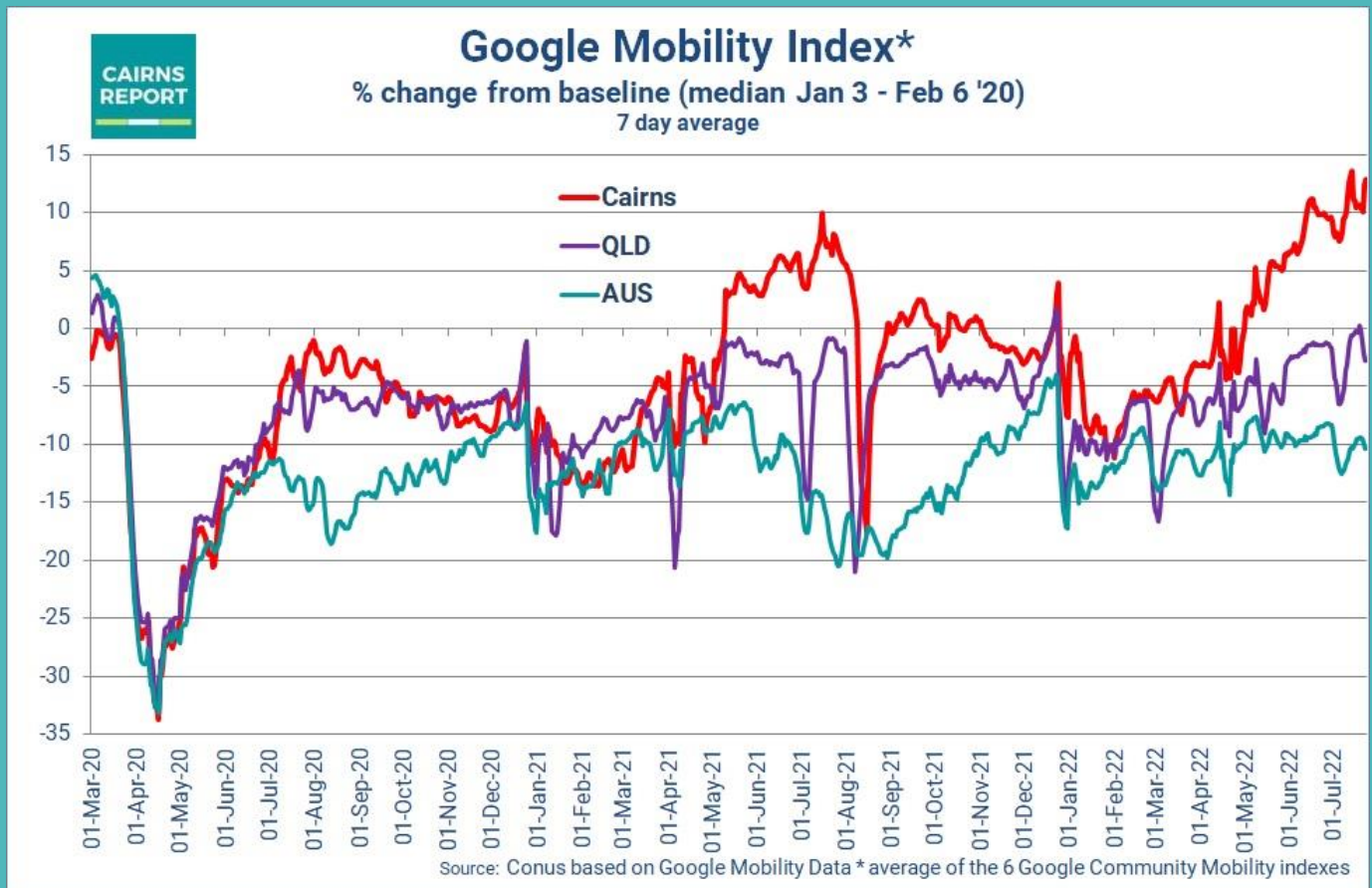


The Google Mobility data to July 23rd demonstrates just how strong the recovery has been in Cairns recently.

The surge in activity on the back of the Easter and school holidays has been dramatic and the gap between Cairns and the rest of the country has grown ever wider. This will come as no surprise to anyone trying to book accommodation or a restaurant in Cairns recently!

MOBILITY INDEX EXPLAINED

Google mobility data tracks people's phones (those who have location history enabled) and records locations by various classifications such as residential, work, transport, and shops. That data is aggregated and then compared to an index point which was the median level through January 2020. Google Mobility Index reports are created with aggregated, anonymised sets of data from users who have turned on the Location History setting, which is off by default. The Index was created by Google to provide insights into what has changed in response to policies aimed at combating COVID-19.



The real estate market in Cairns continues to show a great deal of strength despite interest rates starting to rise.

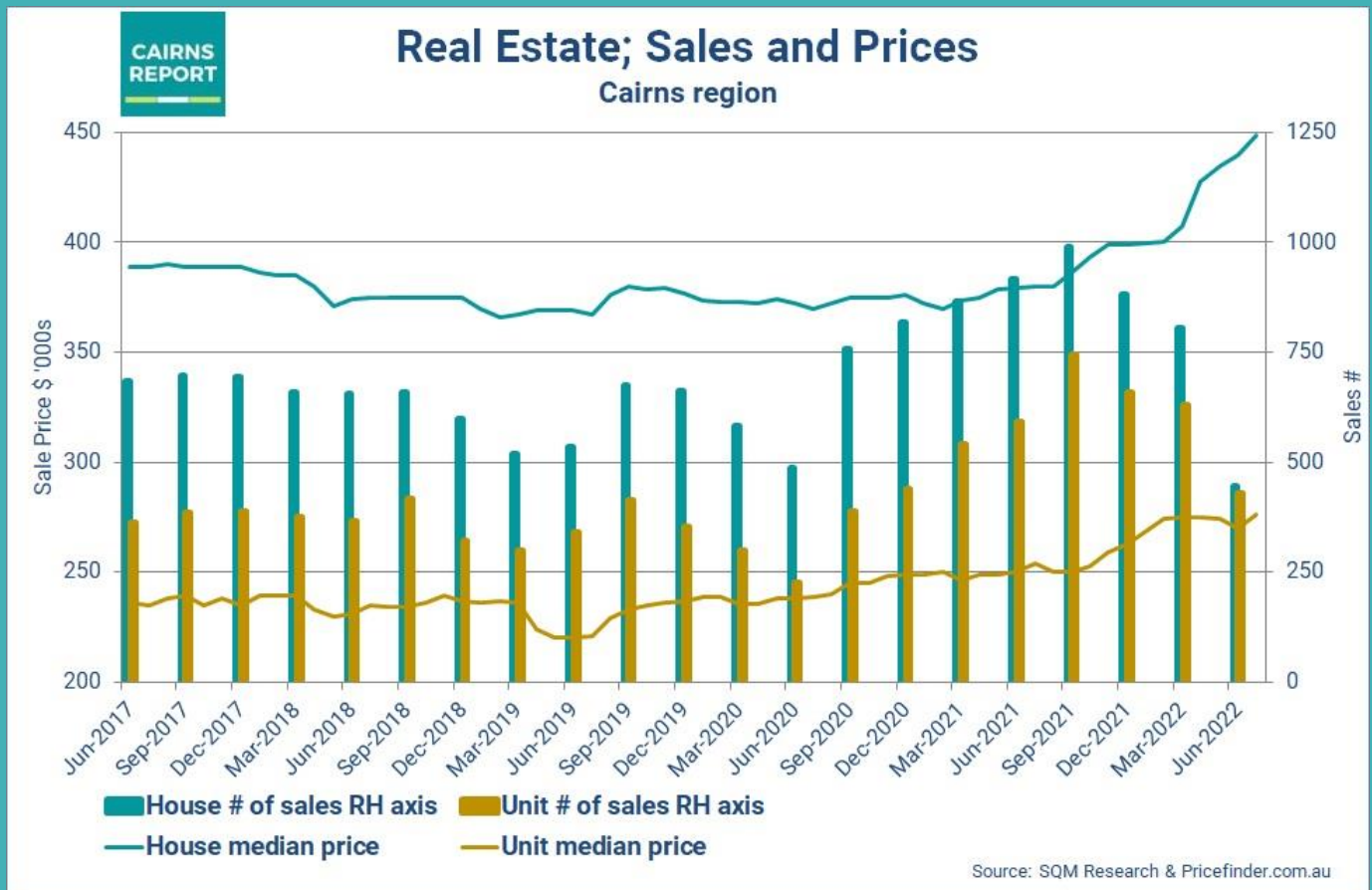
Median house prices are now knocking on the door of \$500,000 at the all-time high of \$448,500, an increase of 19% over the course of the past year. Likewise, median unit prices, while not rising at as fast a pace, are up 9% for the year at \$276,000.

MEDIAN PRICES

▲ **\$276,000** ▲ **\$449,000**
 UNITS HOUSES
 +9% year on year +18% year on year

Source: SQM Research

Although we are seeing something of a slow-down in the volume of sales since the highs in the final quarter of 2021 it is clear that demand remains high.



It goes without saying that the rental market in Cairns is still very robust.

With the vacancy rate stuck at just 0.5% it is no surprise to see rentals continue to grow at a double-digit pace.

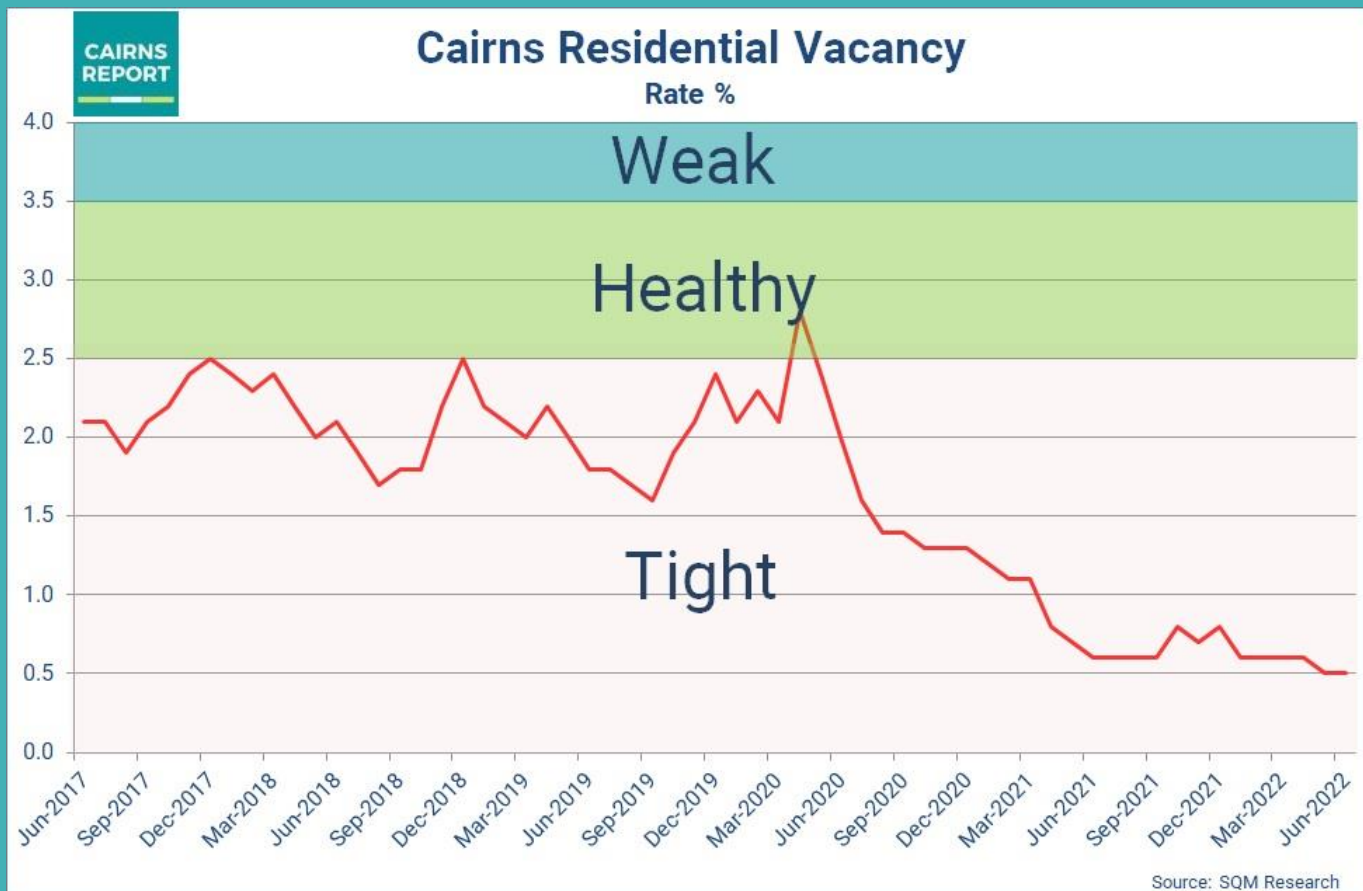
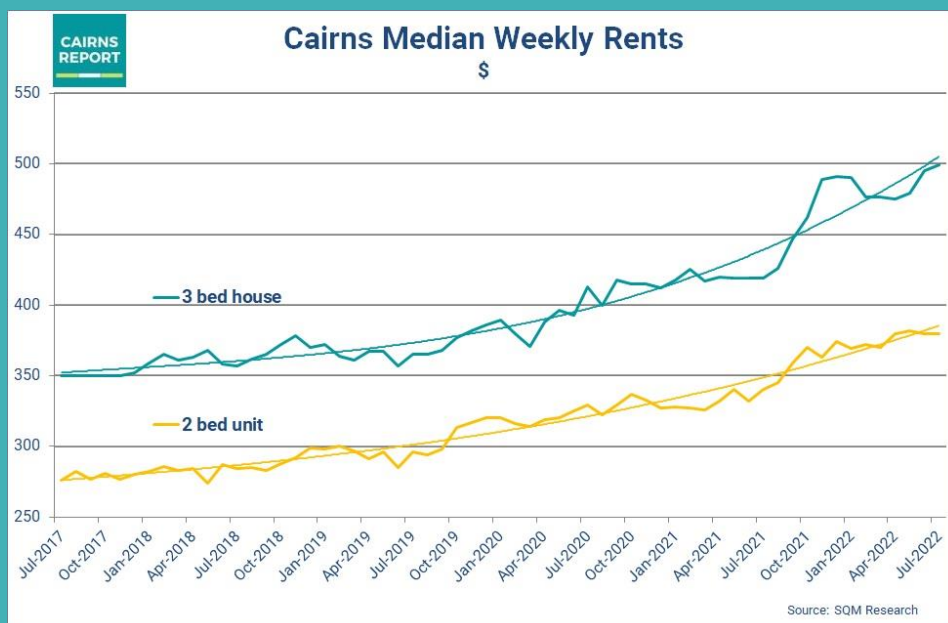
Three-bedroom houses are now fetching \$449 a week (up 18% y/y) while two-bedroom units are also at new highs of \$380 per week (up 12% y/y).

MEDIAN RENTALS

 **\$380**
UNITS
+12% y/y

 **\$499**
HOUSES
+19% y/y

Source: SQM Research



“

The city has such a nice vibe about it right now. It's so nice to see tourists, especially those from overseas, back enjoying our beautiful weather, hospitality and sights.

The Cairns Esplanade is bustling of an afternoon and the return of the Reef Eye ferris wheel provides a spectacular visual for visitors and locals alike.

There's a lot to be excited about going forward especially after the past two years which saw the tourism industry, in particular, suffer significantly through COVID.



Cathy Devietti
Grant Thornton

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For some years now there has been a push by some local councils for visitors to our area to be charged a tourism levy on short-term accommodation stays.

It's not uncommon to see such levies in other international tourist centres but the concept has been controversial in Queensland as neither side of politics wants to be associated with a levy that is inevitably construed and viewed as a new tax.

Cairns Regional Council's renewed call for such a levy should receive widespread support from the industry.

It would however be important that the funds raised through such a levy are re-invested back in the region and there would need to be careful governance structures in place to deal with the flow of funds.

There seems to be some openness for the proposal from the State Government, with Tourism Minister Stirling Hinchliffe welcoming a recent report by Queensland's expert Tourism Industry Reference Panel that recommended the new levy.



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