

SEPTEMBER 2022

# CAIRNS REPORT

A monthly snapshot of the  
Far North Queensland economy



PRESENTED BY



## Are we settling in to a new normal in the Cairns economy?

Some positive milestones in this *Cairns Report* may point to a new normal for our city's economy. One of the green boxes below contains a unique first for the *Report* since our launch in April 2021 - the Airport Passengers box features a green arrow pointing upwards. We compare current monthly stats with the corresponding pre-pandemic month to provide context – and passenger numbers were higher than the 2019 benchmark for the first time since COVID-19 struck. And that's without many international travellers in the mix. In other good news, if you were to combine current employment levels with the participation rate back in December, Cairns would have an unemployment rate of less than 1%! Global headwinds persist, but our economy remains stable and strong.

### UNEMPLOYMENT RATE

3.4%      3.8%      4.8%

NATIONAL

QLD

CAIRNS

### PEOPLE EMPLOYED

↓ 13,558,400    ↓ 2,774,000    ↑ 141,600

NATIONAL

QLD

CAIRNS

### PROPERTY PRICES

↑ \$280,000      ↑ \$450,000

+12% y/y

UNITS

+19% y/y

HOUSES

### MEDIAN RENTS

↓ \$376 P/W      ↓ \$496 P/W

+9% y/y

2-BED UNIT

+16% y/y

3-BED HOUSE

### AIRPORT PASSENGERS

386,845      ↑      410,180

JULY '19

JULY '22

CAIRNS AIRPORT

### BUILDING APPROVALS

135 APPROVALS IN JUNE

↑ +8%

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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Cover: Riley on  
Cairns Esplanade

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**belle** PROPERTY

Grant Thornton

HOLDING REDLICH



We noted last month that it barely seemed possible that the Australian labour market could get any tighter.

Well, this month we did indeed see something of a pull-back. Across the nation 40,900 fewer employed were counted with a good deal more full-time positions disappearing (-86,900).

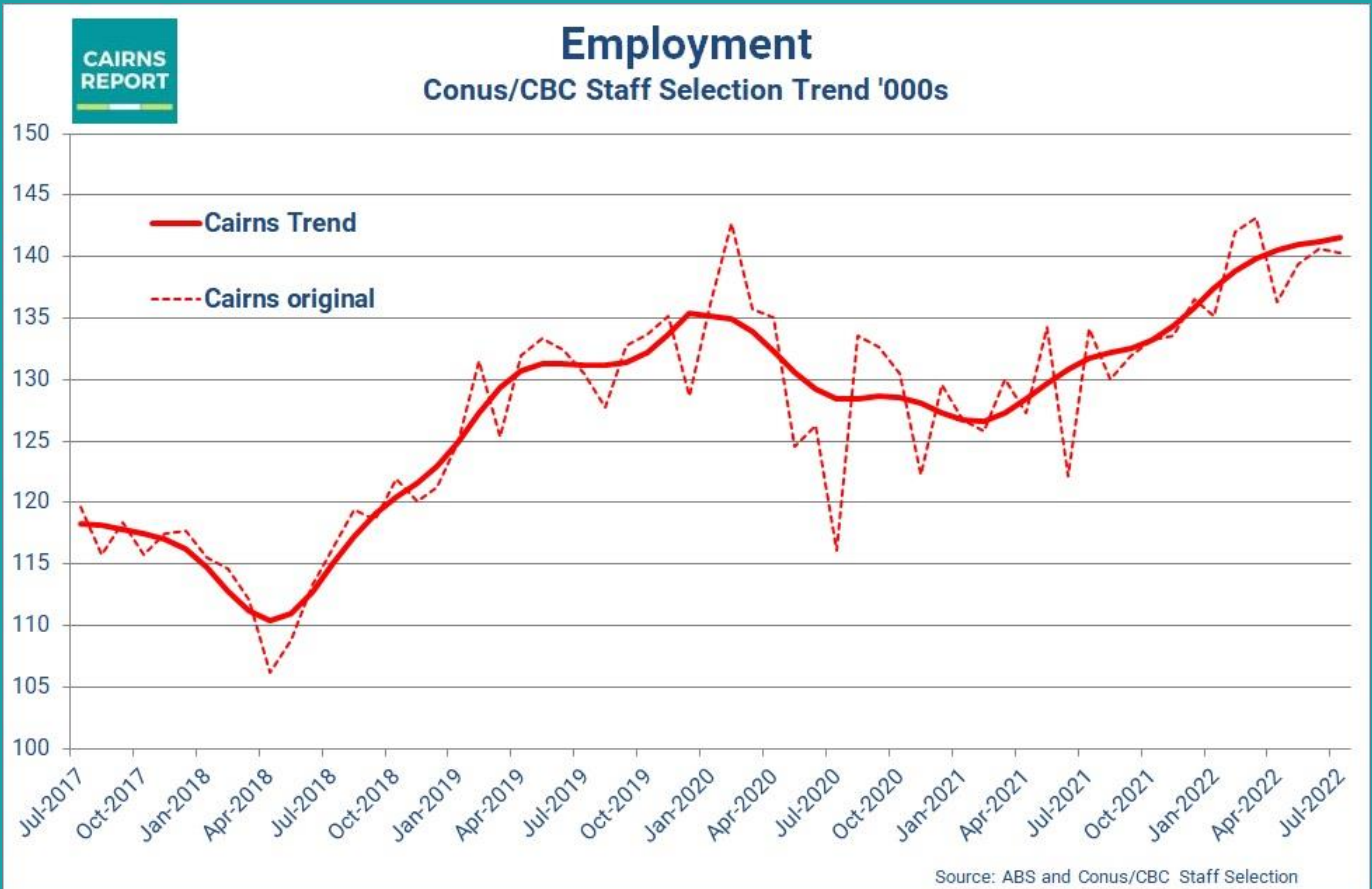
A similar story played out in

## PEOPLE EMPLOYED

13,558,400	2,774,000	141,600
NATIONAL	QLD	CAIRNS
↓	↓	↑
LAST MONTH		
13,599,300	2,780,100	141,300

Queensland, where employment fell by 6,200 (full-time down by 13,800).

Here in Cairns, Trend employment once again lifted in Cairns with an extra 300 jobs added into the mix.



Nationally, the unemployment rate dropped again (to 3.4%) as the participation rate fell back from record highs.

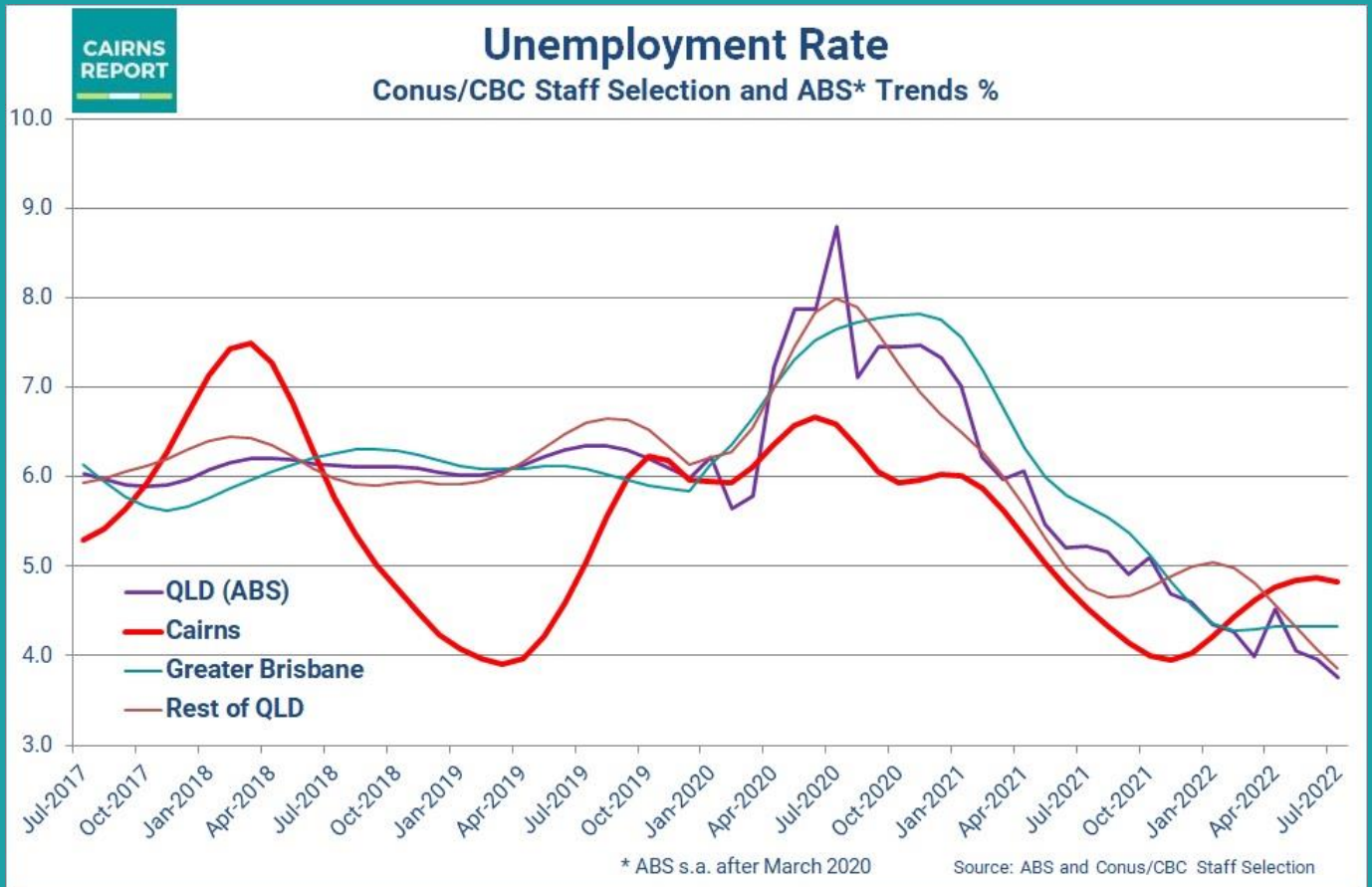
Statewide, a decline in the participation rate saw the unemployment rate drop to its lowest level since Sept 2008 at just 3.8%.

Despite another move up in participation in Cairns, to its highest levels in more than 12 years, the Trend unemployment rate managed to edge a little lower to 4.8%.

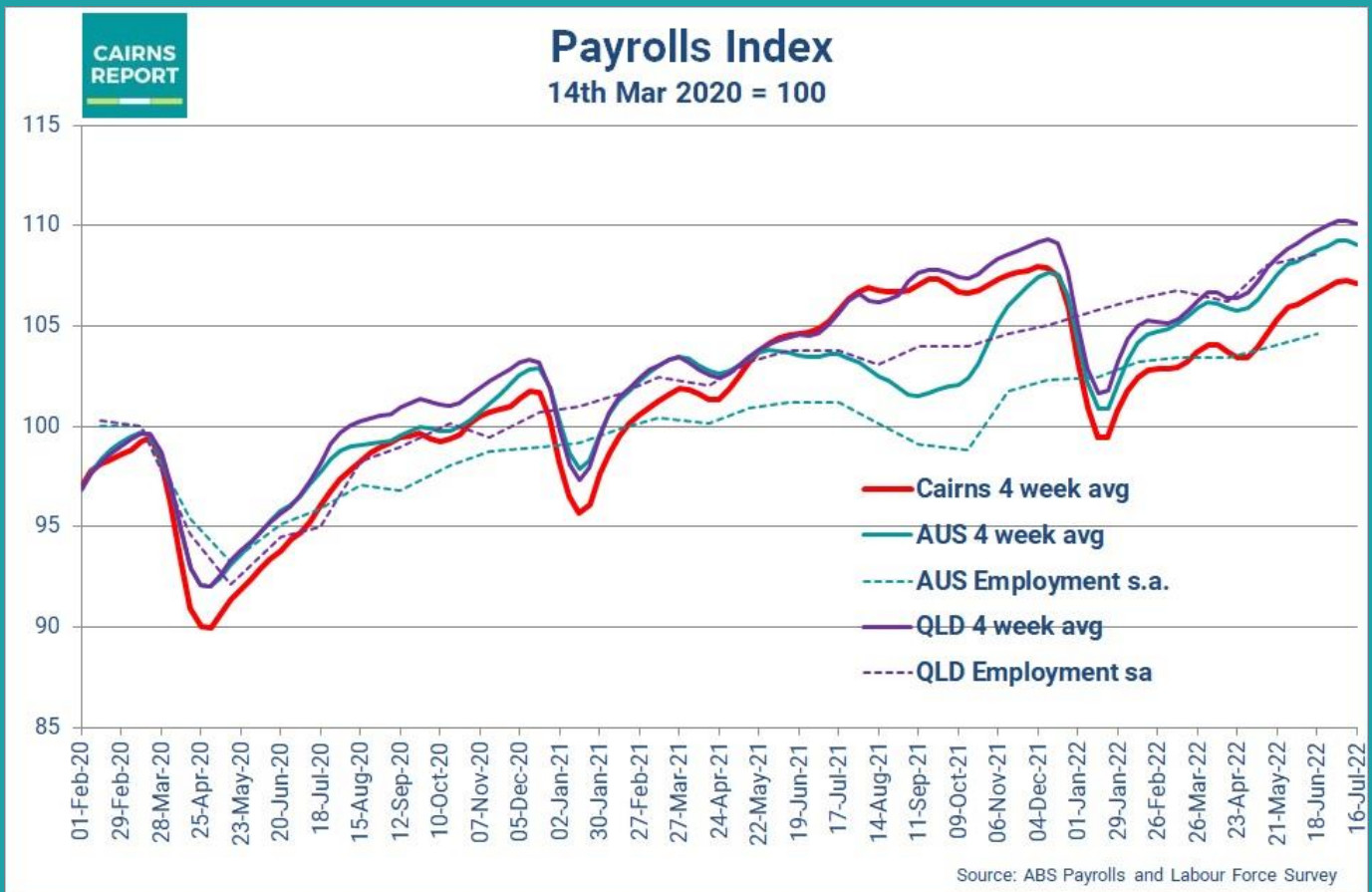
## UNEMPLOYMENT RATE

<b>3.4%</b>	<b>3.8%</b>	<b>4.8%</b>
NATIONAL	QLD	CAIRNS
↓	↓	↓
	LAST MONTH	
<b>3.5%</b>	<b>4.0%</b>	<b>4.9%</b>

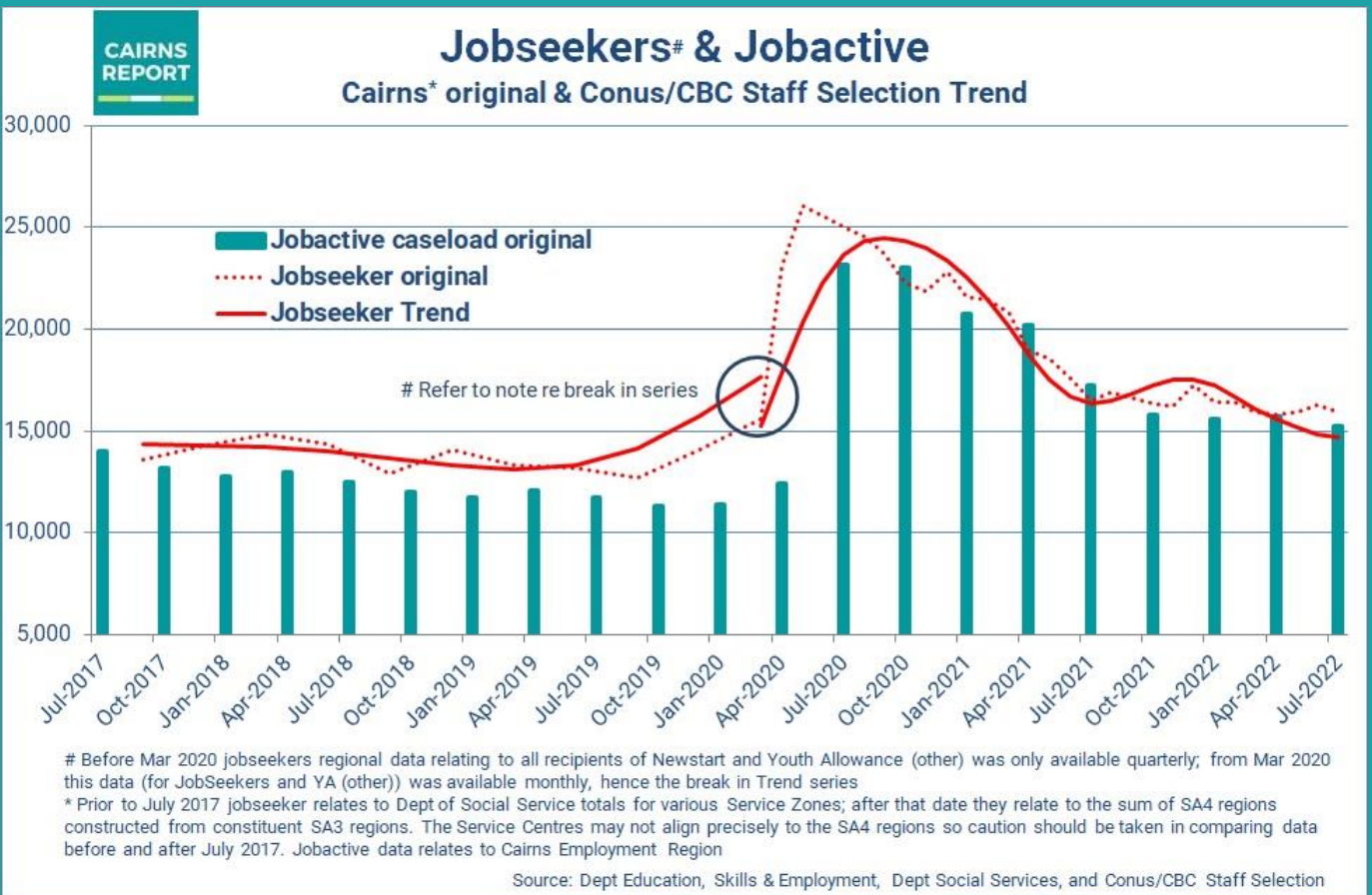
As noted in *The Cairns Report* editorial at the start of this edition, we'd be looking at an unemployment rate below 1% if the participation rate stayed as relatively low as it was as recently as December!



The most recent data (to the middle of July) from the ATO and ABS show that at the national and State levels **Payrolls eased a little in July**. This is supported by the fact that the monthly Labour Force Survey data also showed a slight pull-back in employment that month.

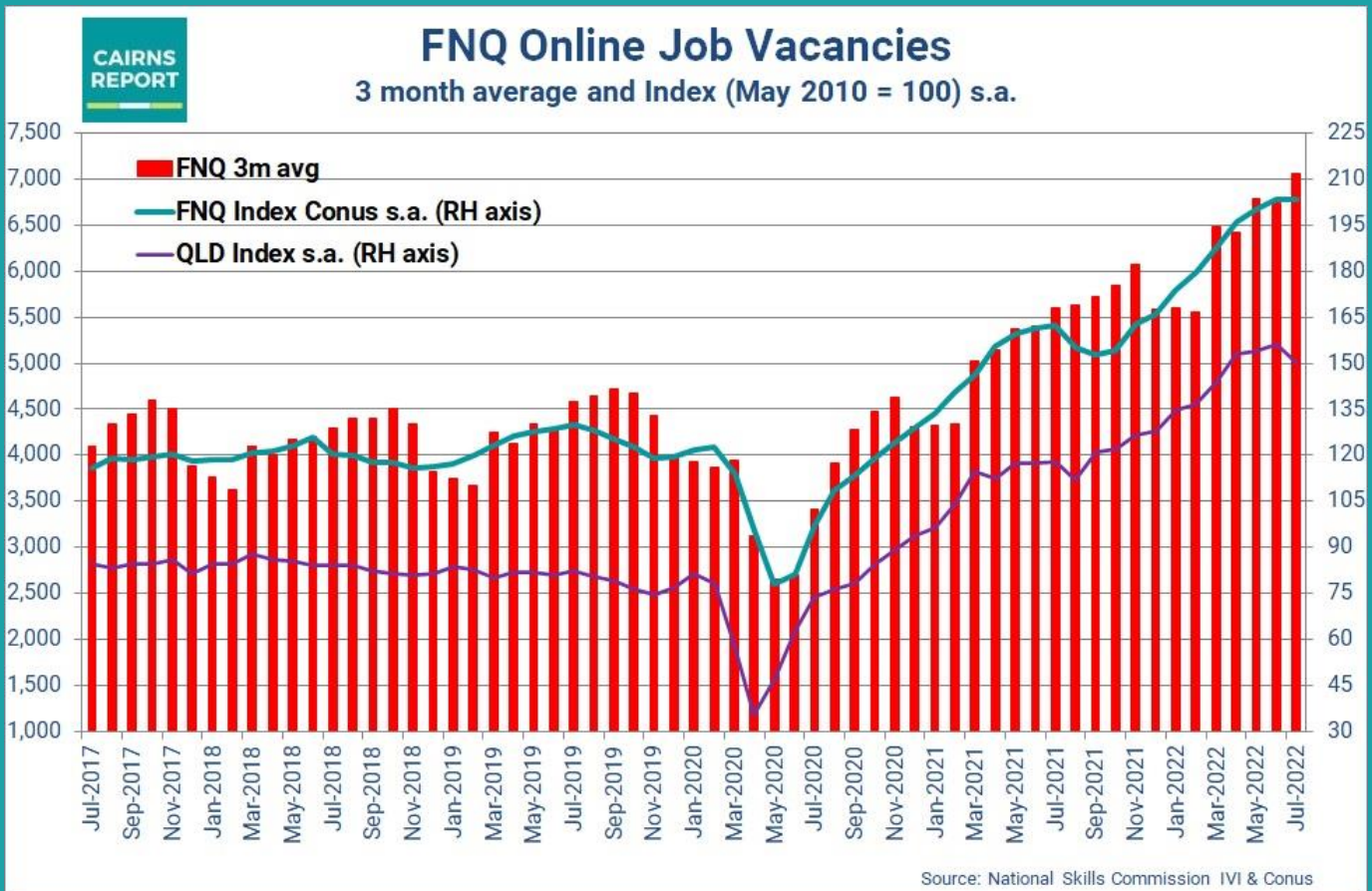


The JobSeeker numbers in Cairns fell slightly in July, and the Trend series now sits at its lowest level since February 2020.





The continued rise in Online Job Vacancies being advertised in Cairns highlights (once again) the very strong jobs scene in the region, and the challenges in filling them.



The improvement in Trend approvals that we noted in the last Cairns Report continued into June.

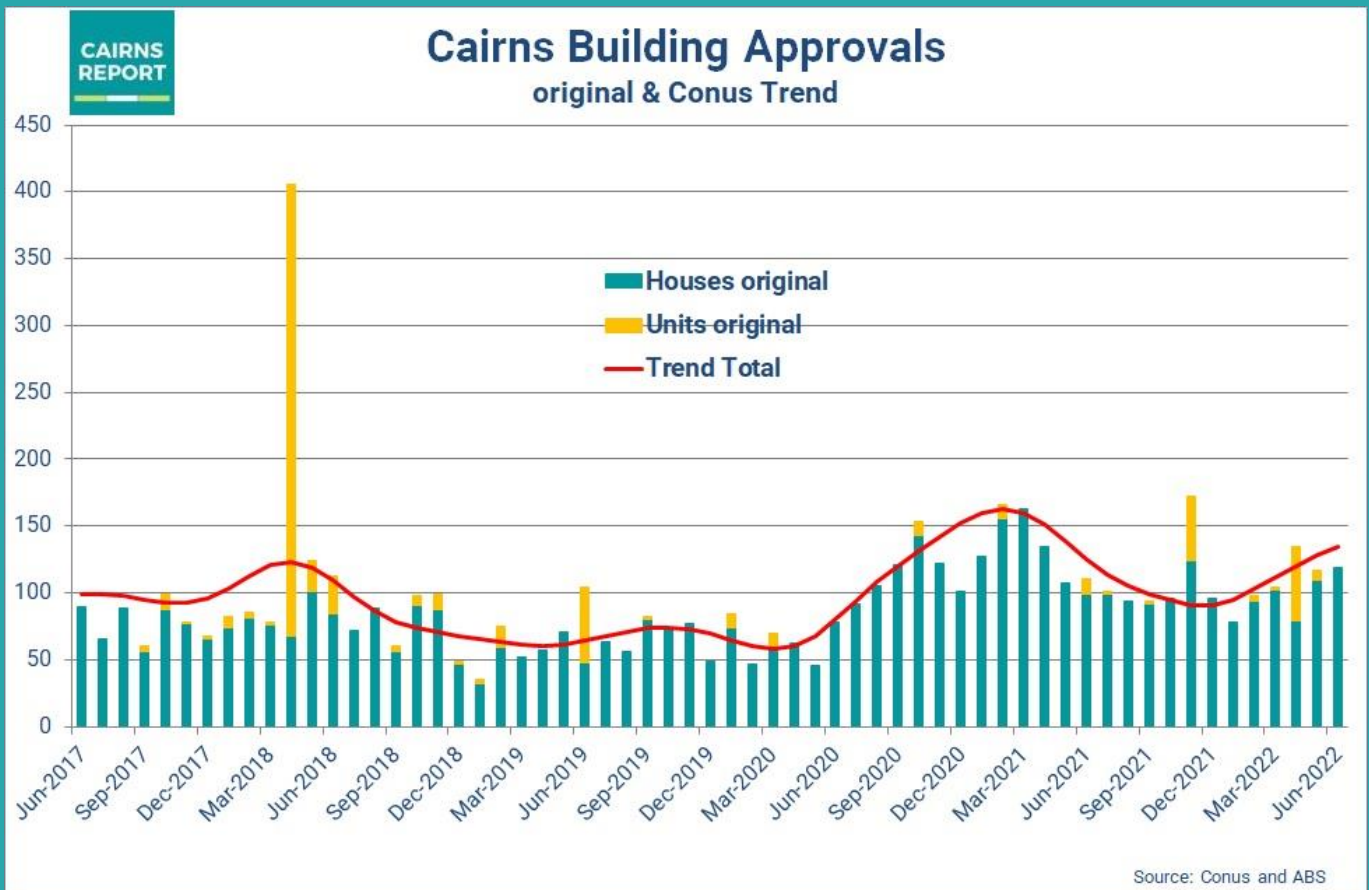
Trend approvals now sit at 135 per month and are up 8% from the same period a year ago. There is no evidence yet that the moves up in interest rates already seen from the RBA are having any impact to slowdown approvals in Cairns. Even if we do see some slowdown in the final half of this year, such a strong pipeline of approvals as we've seen over the past 2 years should ensure a robust period over

## HOUSES

▲ +8%

Building approvals change year-on-year  
Latest trend approvals = 135

the next 12-18 months for the construction sector. If we see recent Federal election promises eventuate and add to Queensland Budget initiatives already announced, we will see a substantial amount of civil construction work slated for the region in coming years.





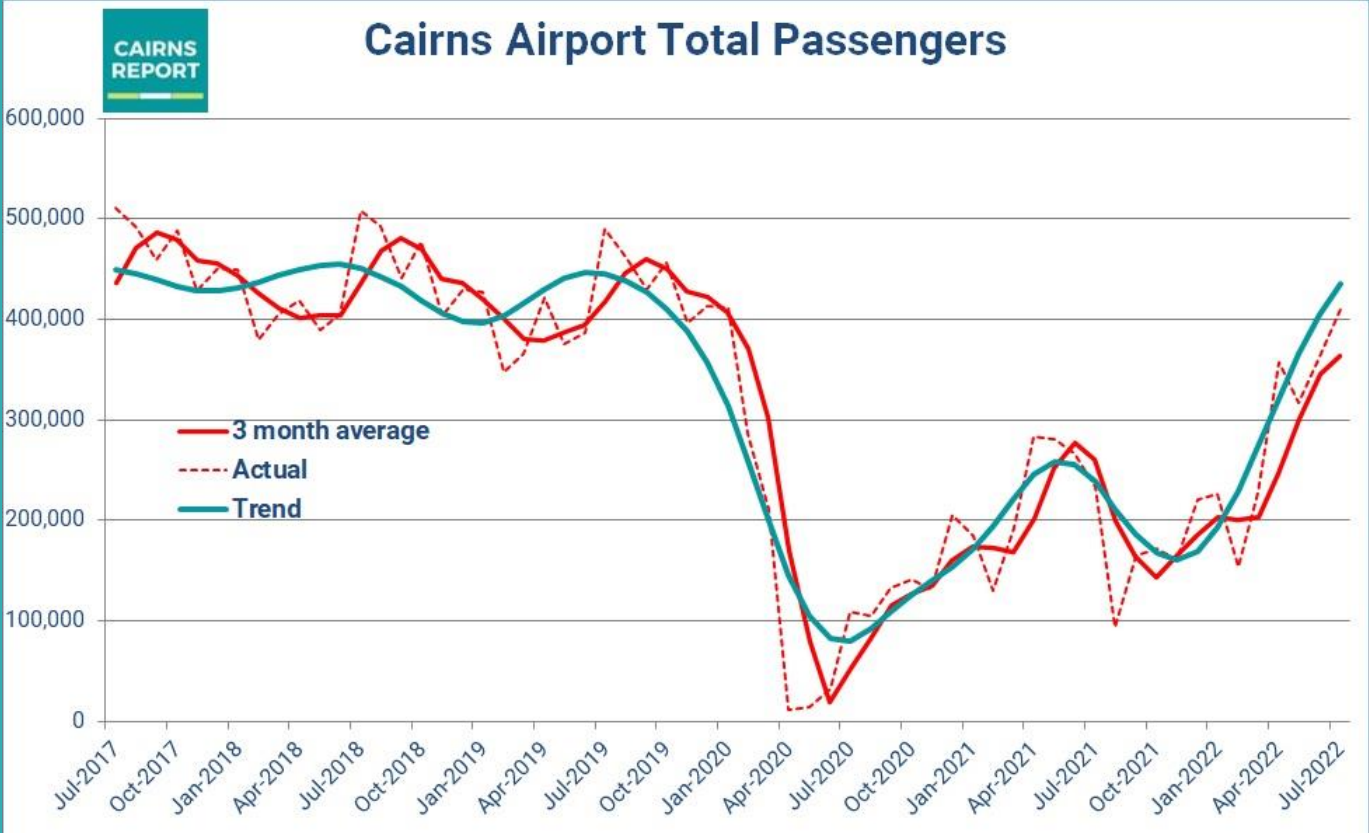
**Passenger numbers through Cairns Airport moved sharply higher again in July.**

Despite international passenger numbers still being very low (just under 18,500 out of a total 410,180 for the month), the total for the month was at its highest level since January 2020. Even more telling is the fact that the Trend series (which adjusts for seasonal variability in the original data) is

now at its highest level since August 2019 and sits just 2.2% below the Trend in July 2019. The fact that, even with virtually no international flights, passenger numbers through the Airport are back to almost where they were long before the COVID pandemic struck is testament to the strength of the domestic market.

**PASSENGERS**  
**386,845** ▲ **410,180**  
 JUNE '19 JULY '22

**Cairns Airport Total Passengers**



Source: Cairns Airport & Conus

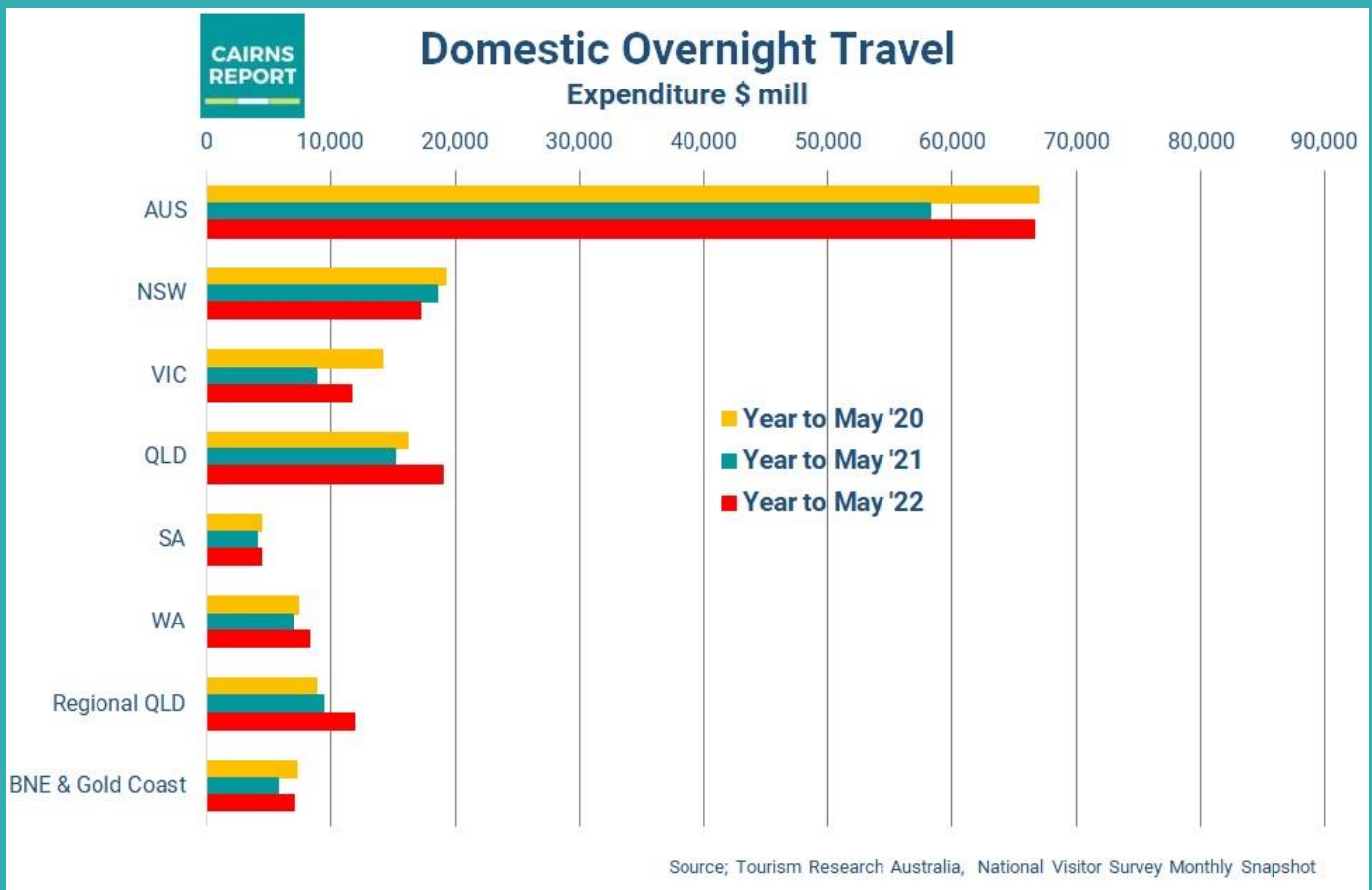


**The monthly domestic tourism data to May this year confirms what anyone in the tourism sector could tell you; domestic visitor numbers remain very strong.**

Across Regional Queensland the total of domestic tourism expenditure for the 12 months to May was up almost 35% over the same time a year ago; this

compares to a 0.5% decline across Australia as a whole and only a 17.5% increase for Queensland.

When we see the final data for the second quarter of this year (probably not released until the end of September) we can expect to see a very positive result for Tropical North Queensland.

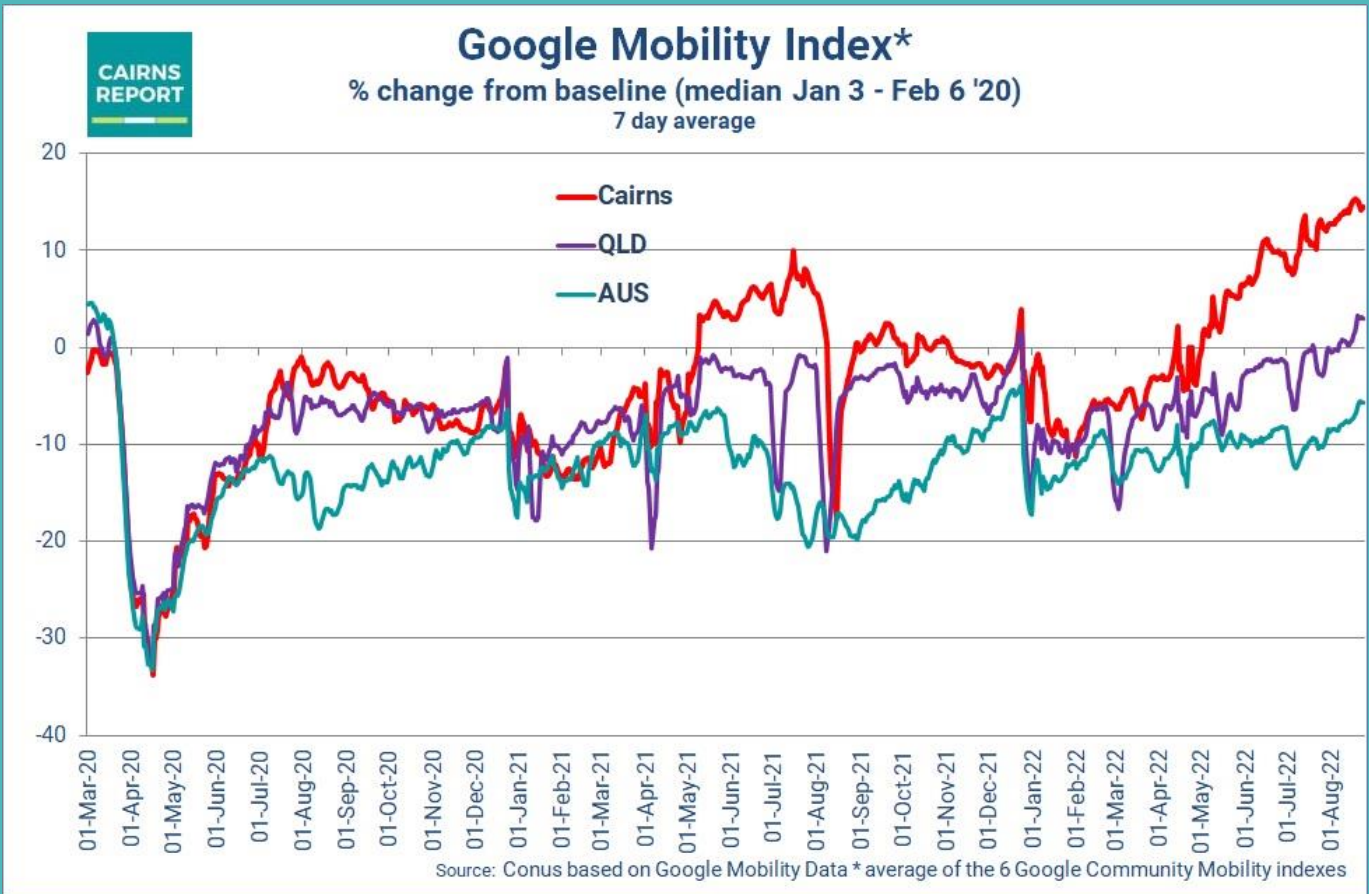


The latest Google Mobility data continues to show how busy Cairns is at the moment.

Domestic visitors are still flocking here in numbers, international travellers are once again being seen in town (albeit still in small numbers) and locals are getting out and about enjoying what Cairns has to offer. The gap with the rest of Queensland and the nation more broadly may have closed a little in recent weeks but Cairns remains one of the busiest regions across Australia.

**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.





With further interest rate hikes again this month (and likely still more to come) there has been a distinct cooling in the property market across much of Australia.

However, at least so far, there appears to have been little to no impact in the Cairns market. As a result, median house prices have hit another record high in August of \$450,000, an increase

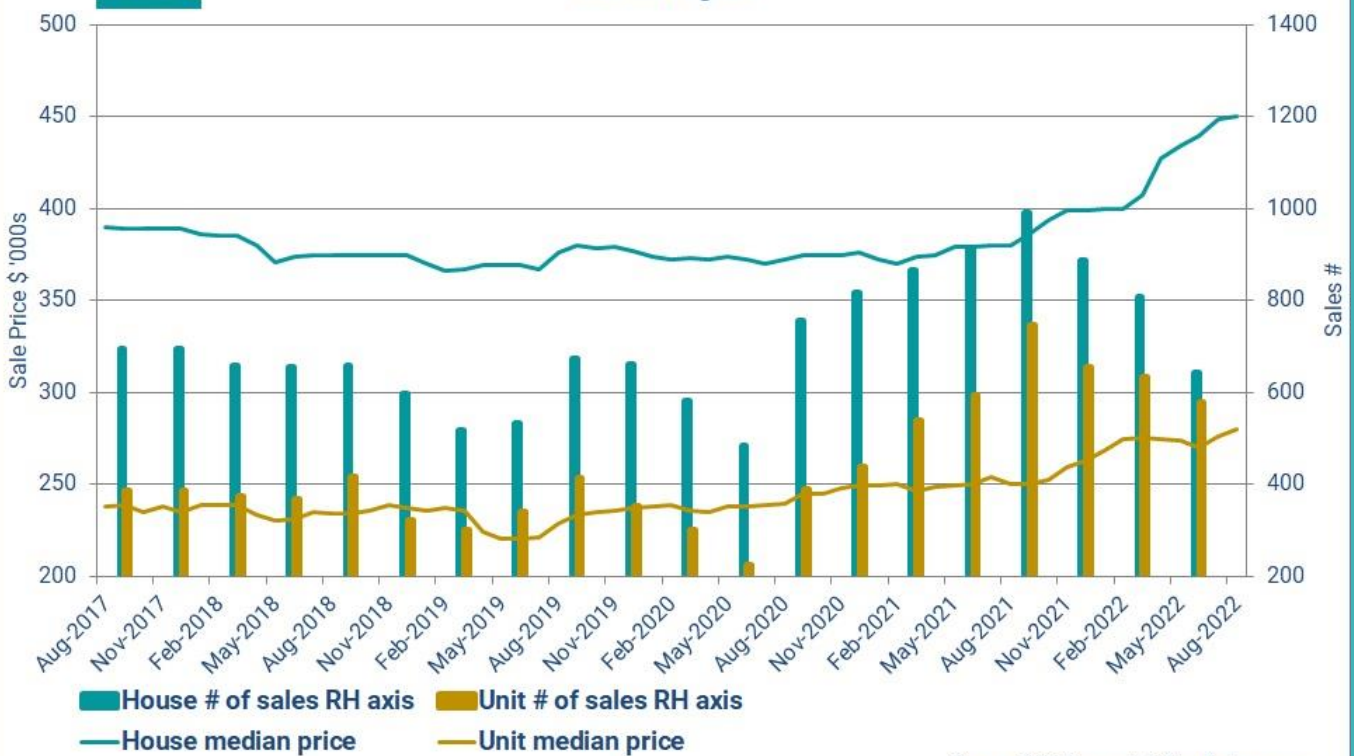
of 19% over the course of the past year. Likewise, median unit prices, while not rising at quite as fast a pace, are up 12% for the year at \$280,000.

**MEDIAN PRICES**

▲ **\$280,000** UNITS *+12% year on year*  
 ▲ **\$450,000** HOUSES *+19% year on year*

Source: SQM Research

**Real Estate; Sales and Prices**  
Cairns region



Source: SQM Research & Pricefinder.com.au



Like house and unit prices in Cairns, the rental market also remains strong.

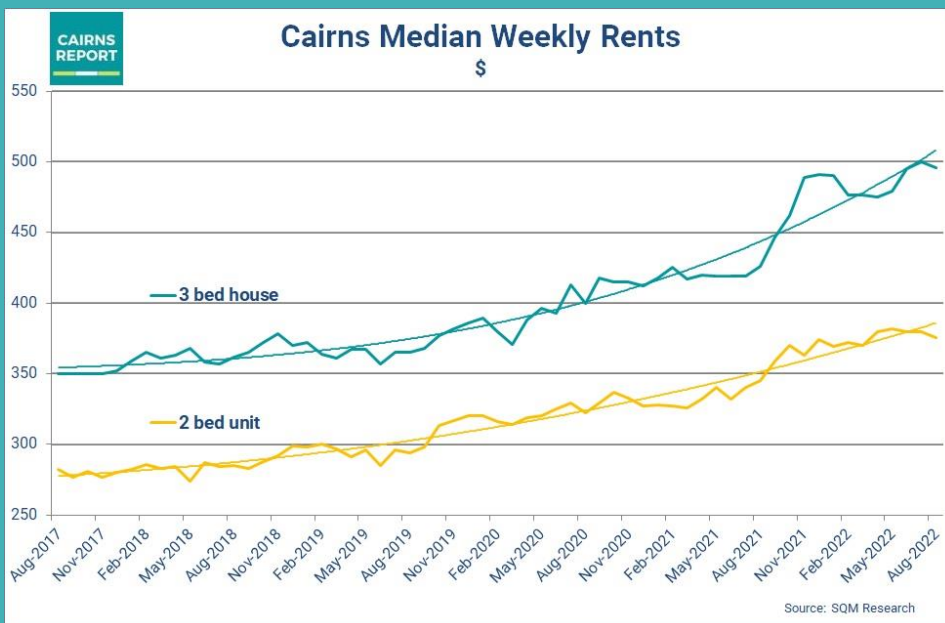
However, we have seen a very slight increase in the rental vacancy rate to 0.6% and this month there has certainly been some moderation in rents. For both houses and units, median rents fell a little during August although they still remain 9% to 16% higher than a year ago.

## MEDIAN RENTALS

**\$376**  
UNITS  
+9% y/y

**\$496**  
HOUSES  
+16% y/y

Source: SQM Research





Rebecca Macmillan  
 *Holding Redlich*

While some may have been sceptical that any tangible outcomes would flow from the recent Jobs and Skills Summit held in Canberra, it was pleasing to see some results announced on the migration front.

I welcome the increase of permanent migration back to 195,000, after it was reduced way back in March 2019 in order to “tackle the impact of increasing population in congested cities”.

Importantly for Cairns, regional migration will receive an increase of 9000 places to 34,000 this financial year and state/territory nomination places will increase by 20,000 up to 31,000.

The Federal Government will also extend post-study work rights for foreign graduates of Australian universities by two years in areas of skills shortages.

It should be noted however that visa processing continues to be a problem with some offshore employer sponsored applications taking more than 12 months to process.

The Government will provide \$36.1 million in additional funding to increase staff capacity by 500 people in the next 9 months – but as with all job vacancies at the moment, it’s going to be a huge challenge finding that volume of new staff.







Whilst there is no doubt that the Cairns property market has slowed, I'm pretty certain that the market has shifted as much as it is going to for the foreseeable future.

Volume since March is down from the peaks, but there is plenty of evidence to suggest that the market remains buoyant. There is nothing wrong with a bit of the mania coming out of the market because what we have now feels nice and balanced.

Interest rate rises are constantly being quoted as signs of a slowing market. The resulting uncertainty will remain a problem until a cap is placed, but I am yet to meet an actual buyer that has adjusted their thinking because of it. Likewise, I haven't met a seller that is in distress and needs to sell. I think by nature Cairns' locals are conservative and haven't been carelessly upgrading their houses, getting higher and higher mortgages. Many people moving here have low/no mortgage, and our gross rents are high, which means very little negative gearing... So all in all, limited potential mortgage stress. Cairns still feels very much on the shopping list, with interstate buyers remaining prevalent. If we market a sought-after property, we can get 30+ email enquiries in the first week and 15+ groups to an open home. It does slow down quickly after the initial sugar hit, however, so it is more important than ever to have a strategy that maximises the price whilst capitalising on the initial interest. Marketing without a price may annoy people monitoring the market (actual buyers will always enquire), but it does allow us to test the price.

There is a very positive feeling in our office at the moment. Holiday rental, long-term rental, and sales are all humming along nicely. It feels sustainable and underpinned by a strong local economy (try and book a popular restaurant on the day of...). A good time to sell or a good time to sit back and watch, either way my phone is on if you want to discuss: 0409 002 233.



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*Belle Property Cairns*

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Wes Eccles  
Grant Thornton



It is no secret that the building and construction sector nationally is struggling in the wake of unprecedented market forces, including rising input costs, delays in the availability of materials and rising interest rates. The number of companies entering external administration and controller appointments in the construction sector has increased by 35% in FY2022 compared to FY2021.

Our clients in Cairns are reporting that there hasn't been any relief from continuous price rises to most materials. This has been caused by strong demand and supply shortages resulting in lengthy delays in the availability and delivery of materials.

Builders must have the appropriate safeguards in place to protect themselves from rising costs (such as entering into partially fixed contracts and passing rising costs on to customers), and those that are, are reaping the benefits from strong consumer demand. Building approval numbers in Cairns remain strong, with dwelling approval numbers (class 1) for July and August 2022 up by 36% compared to the same time last year.

Our clients in Cairns have also reported difficulties passing the rising costs onto customers, but lenders are slowly accepting partially fixed contracts. By passing the price rises on to customers, the output price for the construction sector nationally increasing by 12% between March 2022 and June 2022 (IBISWorld).

Rising inflation continues to increase the cost of borrowing which is expected to constrain the building and construction sector as customers are subject to tighter lending terms. The inflationary and material price increase pressures are expected to continue while the demand for materials exceeds supply.

Builders in Queensland are also beginning this financial year facing increased compliance costs to meet more complex reporting standards following rule changes by the Queensland Building and Construction Commission (QBCC). This is likely to impact thousands of small builders, including builders in Cairns. Grant Thornton Cairns has a dedicated team to assist to any business within the building and construction sector in navigating the above challenges, whether that be addressing cashflow issues, assisting with QBCC's updated reporting standards, restructuring advisory services or general business advisory. I am happy to receive any enquiries: Wesley.Eccles@au.gt.com

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