

DECEMBER 2022

CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy



PRESENTED BY



Despite headwinds from afar, Cairns ends year on a high

While interest rates are tipped to climb to about 4% by mid-2023, there are plenty of positive signs for the local economy in this final *Cairns Report* of 2022.

Our real estate market has remained remarkably strong despite those rate rises and our unemployment rate is at the record low of just 3%. Building approvals are holding steady (with plenty in the pipeline) and domestic tourism expenditure in FNQ remains high while everyone is waiting for a lift in the number of international tourists, which we knew would take some time. All in all, a strong finish to 2022. Here at *Cairns Report*, we believe the fundamentals are strong enough in FNQ to soften any external economic blows our region will face in 2023.

UNEMPLOYMENT RATE

3.4% 3.4% 3.0%

NATIONAL QLD CAIRNS

PEOPLE EMPLOYED

↑ 13,623,700 ↓ 2,771,700 ↑ 142,300

NATIONAL QLD CAIRNS

PROPERTY PRICES

↑ \$295,000 ↑ \$459,000

+14% y/y
UNITS

+15% y/y
HOUSES

MEDIAN RENTS

↑ \$388 P/W ↑ \$499 P/W

+5% y/y
2-BED UNIT

+8% y/y
3-BED HOUSE

AIRPORT PASSENGERS

456,312 ↓ 395,555

OCT '19

OCT '22

CAIRNS AIRPORT

BUILDING APPROVALS

104 APPROVALS IN SEPTEMBER

↑ +7.4%

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: Arlington Esplanade
at Clifton Beach.
Pic: Belle Property Cairns

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belle PROPERTY

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HOLDING REDLICH

Employment grew far more in October than the market had been expecting with another 16,800 added across the nation.

Despite a small dip in Trend employment (-200) in Queensland, the pace of annual employment growth (+3.9%) is still outstripping that seen nationally (+3.6%). Queensland has added 103,100 to the number employed in the last 12 months with 86,100 of those being full-time positions.

PEOPLE EMPLOYED

13,623,700	2,771,700	142,300
NATIONAL	QLD	CAIRNS
↑	↓	↑
	LAST MONTH	
13,606,900	2,772,000	142,000

Here in Cairns, Trend employment lifted by another 300 in October which takes us to yet another new record high. It is worth noting that over the course of the past 12 months while Cairns has added 8,500 to the number employed the number of full-time positions has increased by 9,000.



The national unemployment rate fell further to 3.4% as employment grew and participation remained stable.

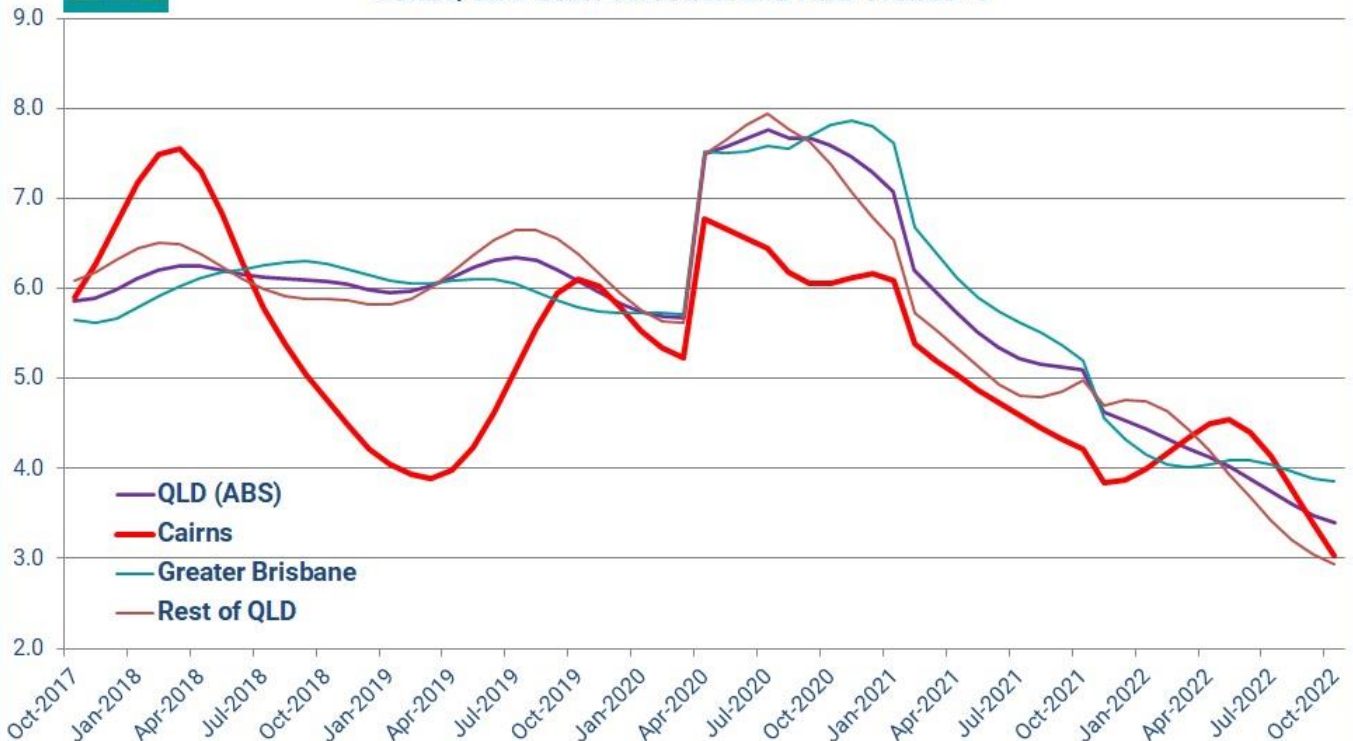
State-wide, a small decrease combined with a drop in the participation rate saw the Trend unemployment rate in Queensland drop to 3.4% which is its lowest level since the monthly labour force series started in February 1978. With a continued drift lower in participation in Cairns, from what had been record highs, the Trend unemployment rate has fallen to new record lows (after some downward revisions to previous months). The unemployment rate in Cairns has fallen a full

UNEMPLOYMENT RATE

3.4%	3.4%	3.0%
NATIONAL	QLD	CAIRNS
↓	↓	↓
	LAST MONTH	
3.5%	3.5%	3.4%

percentage point so far this year and now sits at just 3.0%. The decline in the unemployment rate to such historically low levels is being driven to a great extent by females. The female Trend unemployment rate has dropped to just 1.8%; a move that has been due to strong employment growth and a participation rate that has dipped a little from highs earlier in the year.

Unemployment Rate
Conus/CBC Staff Selection and ABS Trends %



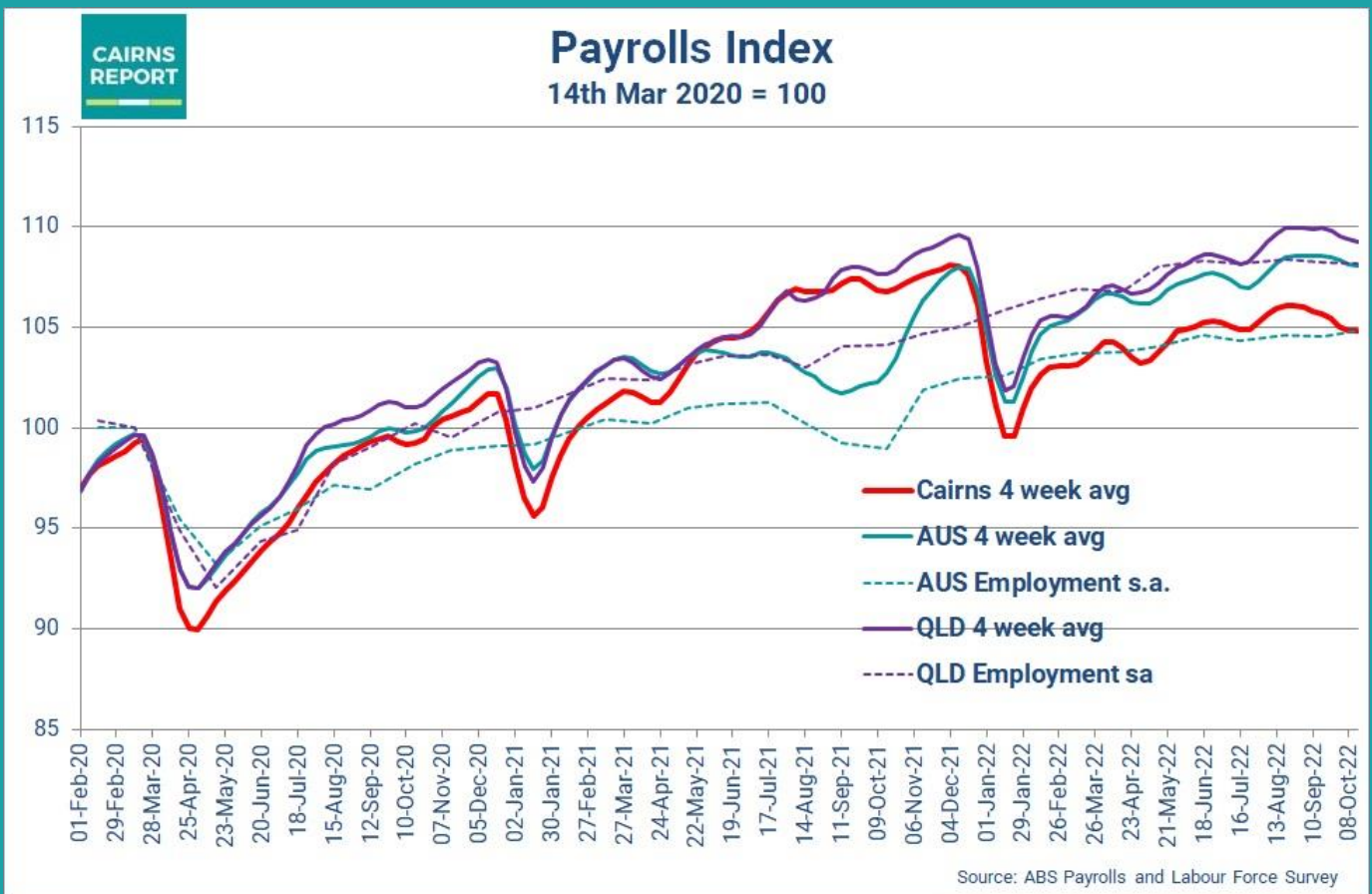
Source: ABS and Conus/CBC Staff Selection



The most recent data (to the middle of October) from the ATO and ABS show that at the national and State levels Payrolls appear to have stabilised.

This doesn't seem to match well with the strength of the

Labour Force data and suggests that the variation is largely due to seasonality issues (the payrolls data, unlike the Labour Force, is not seasonally adjusted).



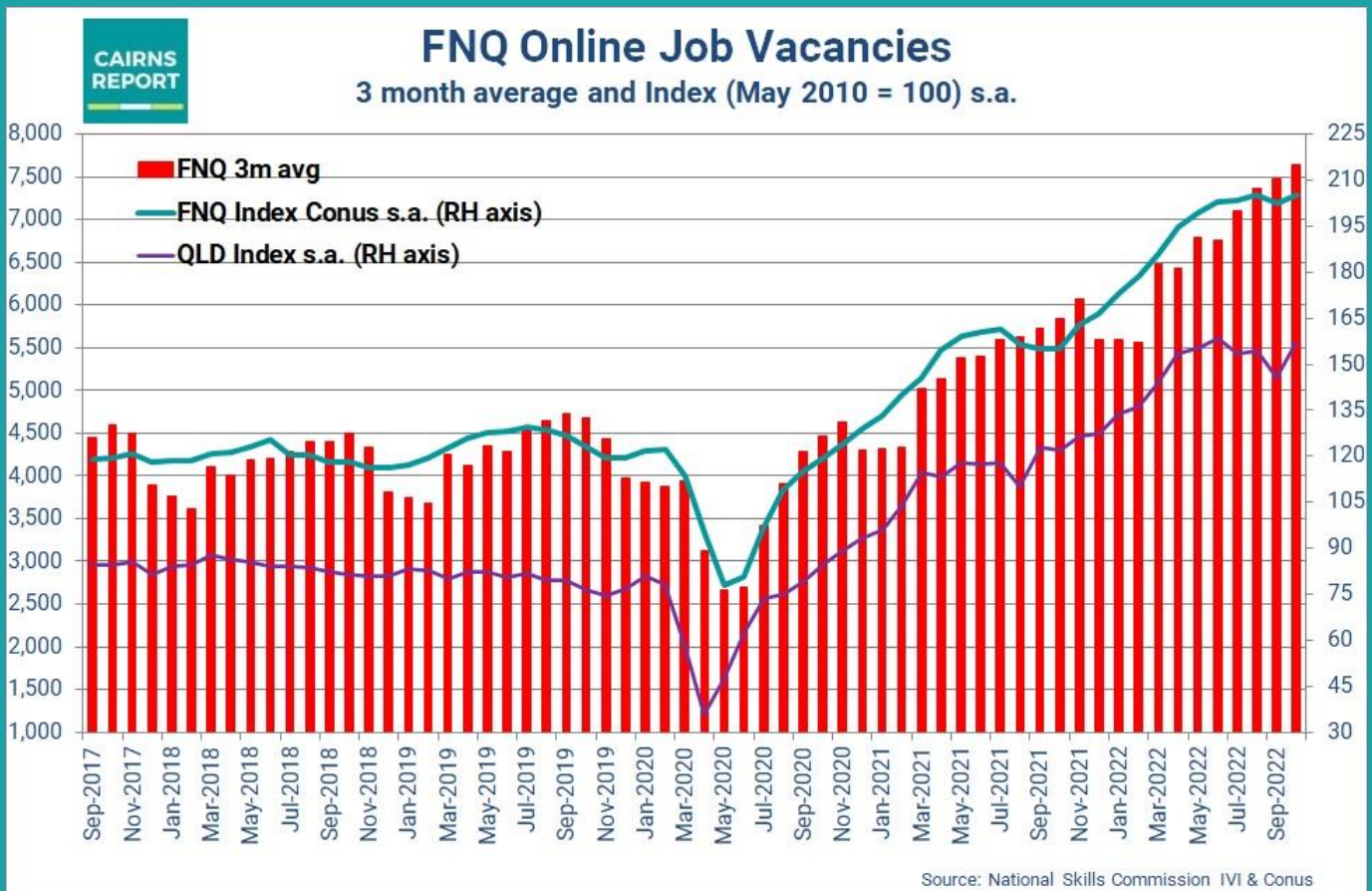
EXPLAINER

The Australian Taxation Office receives payroll information from employers with Single Touch Payroll (STP) enabled payroll and accounting software each time the employer runs its payroll. The ATO provides selected employer and job level data items from the STP system to the Australian Bureau of Statistics to produce the payroll data featured on this page. Some industries, such as agriculture, forestry, fishing and construction have high proportions of owner managers who are not included in payroll reporting.



The slight decline we had previously seen in internet job vacancies across Queensland reversed in October with the seasonally adjusted index almost back to previous highs. In Far North Queensland a similar move was observed

with the seasonally adjusted index back to previous highs. There remains very high levels of job vacancies to fill and given the extremely high level of employment it is obvious the labour market in the Far North remains very tight.



The gradual slowing in the pace of residential building approvals in Cairns that we have been noting in the Cairns Report for the past few months continued into September.

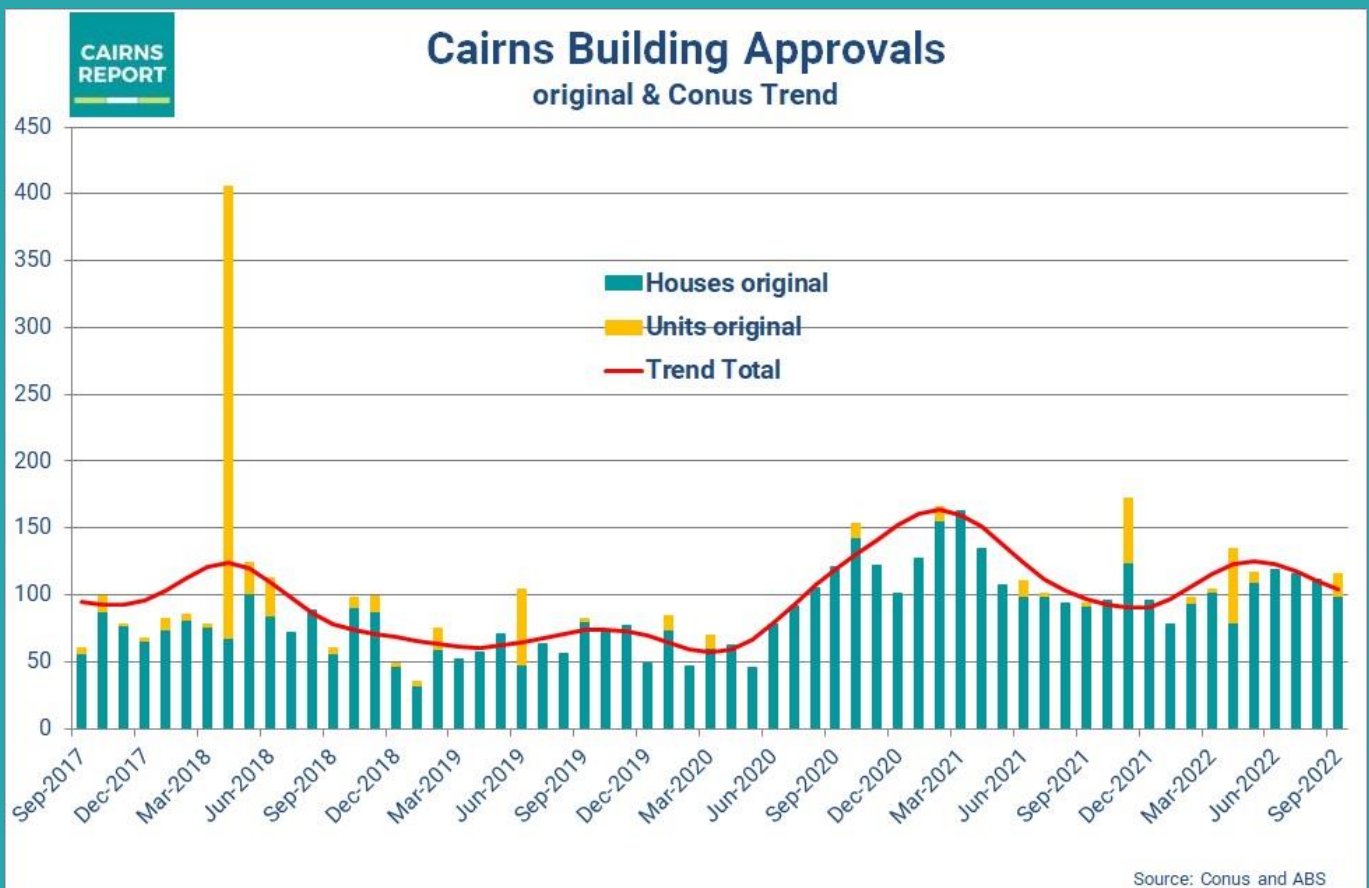
The Trend has dipped once again (to 104) which is its lowest level since January this year, although it remains well above the average for the two years pre-COVID of just 75. It now appears clear that the recent spate of rate increases has acted to cool the demand for new builds (as the RBA

HOUSES

▲ +7.4%

Building approvals change year-on-year
Latest trend approvals = 104

intends). Nevertheless, the significant number of approvals seen in the last couple of years ensures that there exists a substantial pipe-line of projects to come online in coming quarters. The construction sector can expect to remain busy well into 2023.



Passenger numbers through Cairns Airport increased a little in October, although the seasonally adjusted Trend series shows the recent move higher has, at least temporarily, stalled with the Trend dipping slightly this month.

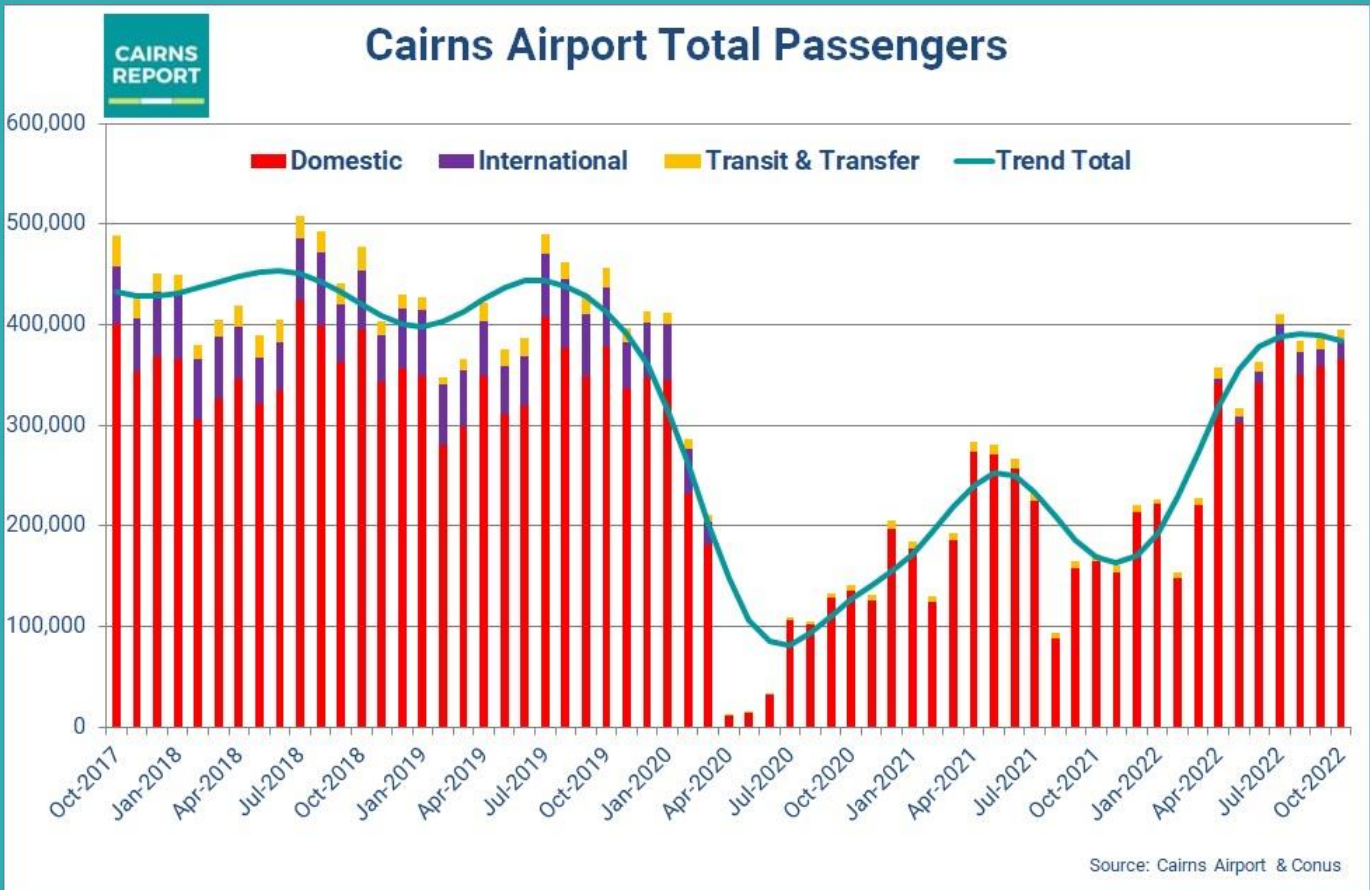
The increase in international passenger numbers remains lacklustre with just over 19,000 out of a total of more than 395,500. There still exists a good deal of uncertainty about foreign travel for both visitors and Australians and, as a result,

PASSENGERS

456,312 ▼ **395,555**

OCT '19 OCT '22

many are choosing not to travel abroad still. As border requirements become clearer and less onerous, we can expect to see that situation improve. The recent changes for visitors entering Japan are a good example and should see numbers on the direct Cairns-Tokyo and Osaka flights pick-up in coming months.

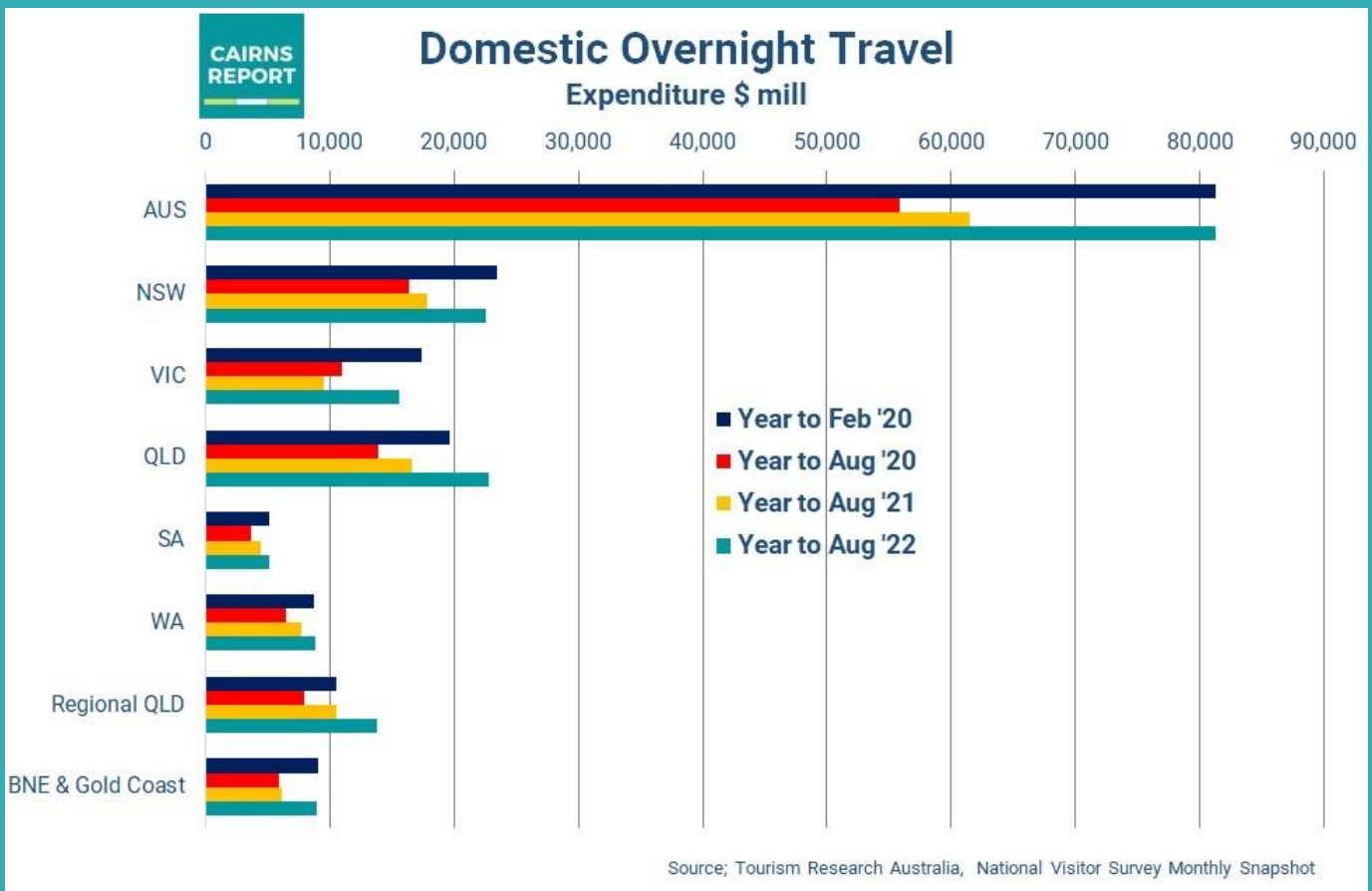


The monthly overnight domestic tourism data to August this year show domestic tourism expenditures across Australia remain very strong.

The annual figure for the previous 12 months is now slightly above that seen in the year prior to the COVID pandemic. Queensland has been a particularly strong performer over the past few years and domestic tourism expenditure for the past 12 months now sits some 17%

higher than it was for the last pre-COVID year. Regional Queensland has performed even better and in the 12 months to August total domestic expenditure was 34% above the level for the year to March 2020.

Data at the more regional level (at this stage only available to June 2022) shows that domestic overnight tourism expenditure in TNQ was up 21.5% since the year to March 2020, Queensland was up 4% while Australia was down 12%!



Interest rates have again moved higher with expectations it will get to about 4% by the second half of 2023, the real estate market in Cairns has remained remarkably strong.

Although there does appear to have been a slow-down in the volume of sales (this data is somewhat delayed, so care is needed when looking at the most recent quarters) we are yet to see any significant reduction in pricing levels. Indeed, this month we have seen the median house and unit prices both move sharply higher, and they are now

15% and 14% higher than a year ago. Compare this to the medians in Sydney and Melbourne which, according to CoreLogic, have fallen between 6 and 9% over the past year. The relative value to be seen in Cairns remains a compelling reason for the ongoing market strength.

MEDIAN PRICES

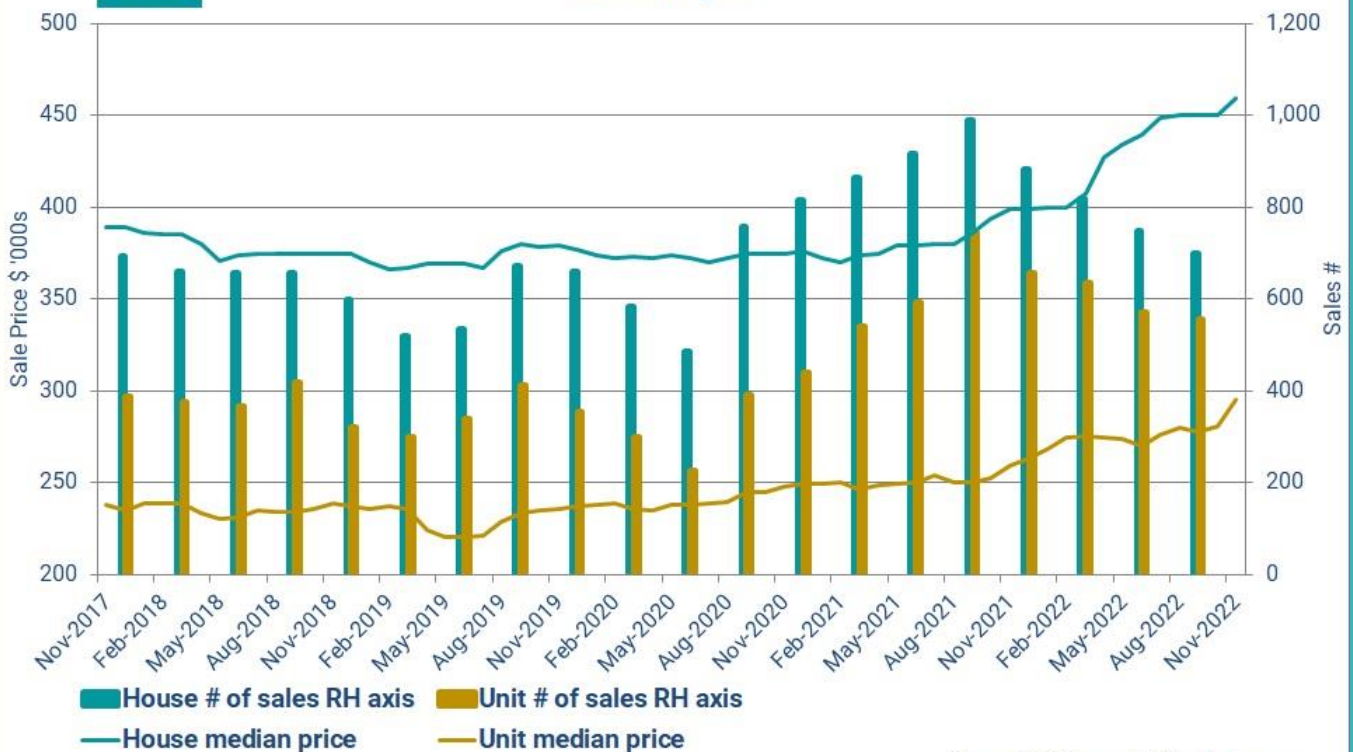
▲ \$295,000 ▲ \$459,000

UNITS
+14% y/y

HOUSES
+15% y/y

Source: SQM Research

Real Estate; Sales and Prices Cairns region



Source: SQM Research & Pricefinder.com.au



Even though the rental vacancy rate in October eased very slightly (to 0.7%) the trend in rents continues upward.

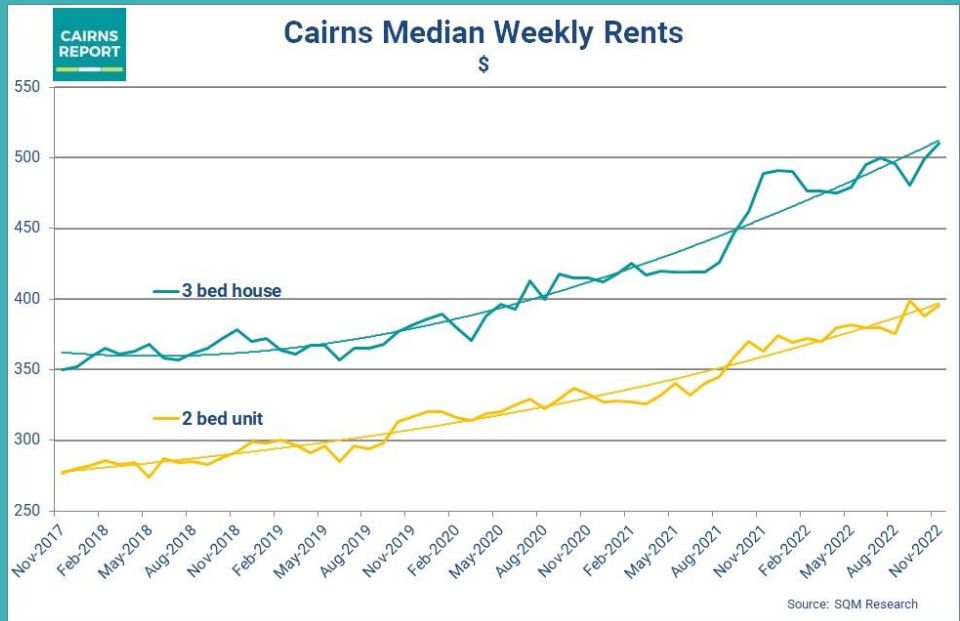
We noted in last month's Cairns Report that the pace of growth in rents had slowed and, despite a strong move up in November, that still appears to be the bigger underlying story here.

MEDIAN RENTALS

\$395
UNITS p/w
+9% y/y

\$510
HOUSES p/w
+5% y/y

Source: SQM Research





The last quarter of the calendar year is traditionally our busiest, as more listings come to market ahead of the wet and buyers rush to finalise matters prior to Christmas. As it stands, stock levels are tight in all price segments and there are still plenty of purchasers about. This, combined with high rents negating the impact of interest rate rises on investors, is keeping our market resilient. In the last month we have been inundated with buyers wanting to inspect properties, in a very noticeable upswing in activity. It appears the majority of small business' in Cairns are extremely busy, which adds to the feeling that Cairns is a bit insulated from significant financial downturn. Want your car serviced...? See you next month. Booking dinner at a popular restaurant...? Better book a week ahead. Dentist...? I was told March 2023 for a checkup. Need a builder for a small job or reno...? Good luck! As annoying as all that seems, as a business owner it is positive. There are plenty of jobs, wages are on the up and there are people around spending money.

It's a similar vibe with property – scarcity will keep prices firm. There is not a single 2-bedroom apartment for sale in Parramatta Park (there were times in the last few years where there was 15+), and just one 2-bedroom apartment for rent in Cairns City. Holiday units in Palm Cove = almost none for sale. As of 1 November, Cairns Greater Region had the lowest level of available property to purchase since pre-February 2020.

At the premium end of the market, we seem to have two buyer profiles. We have the purchaser that needs somewhere to live and is still making strong offers because they have seen the limited stock availability and have watched properties sell quickly. On the other hand, we recently had a spate of "low ball" offers across a cross section of listings. The buyer was often interstate, wasn't under any pressure to move here and didn't understand our market conditions.

All in all, a positive end to the year.

My prediction for next year: most banks are saying that rates will stop rising in the first half of 2023, after which our market will likely run again. If that does actually eventuate, we will likely see unit development, which we desperately need.

Have a safe and happy Christmas and New Year. We are working right through the break, so please don't hesitate to contact us at Belle Property Cairns.



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Shona Cram
Grant Thornton



The latest data shows that domestic tourism expenditure remains strong, however with the news of yet another interest rate rise for Australians this month and talk of further rises to come, it's unclear how long the strong domestic tourism spend will continue.

With debt levels still high off the back of a strong property market, families will need to re-direct funds to their mortgages as minimum repayments as well as the prices of household items continue to increase, despite the RBA's best efforts to stabilise inflation.

Despite this, Far North Queensland is well placed when it comes to the domestic travel market given the continued uncertainty of international travel and the blessing of our natural tropical surroundings, making this region a drawcard for any domestic travellers wishing to escape the southern weather and chase some sunshine.

This, coupled with the strong labour market, means there should still be a large pool of Australians willing and able to travel to our region until international travel becomes more accessible and affordable.

Despite the challenges of talent shortages, the FNQ economy remains in a strong position, yet businesses must continue to be agile in responding to these challenges to remain on this growth trajectory.



Ranjit Singh
Holding Redlich



The Cairns population continues to grow, which has led to an increased level of interest from national property developers in the southside of our city during the second half of 2022. Companies such as Fortress and Ingenia have acquired substantial parcels of land south of Edmonton, while local developments such as Cutter's Rise are developing aged care facilities. This shows that the southside is now becoming the focus for development. The lack of available land on the Northern Beaches is also helping to push interest in the south side along. It will be interesting to see how all levels of government continue to deliver adequate infrastructure in this growth corridor.

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