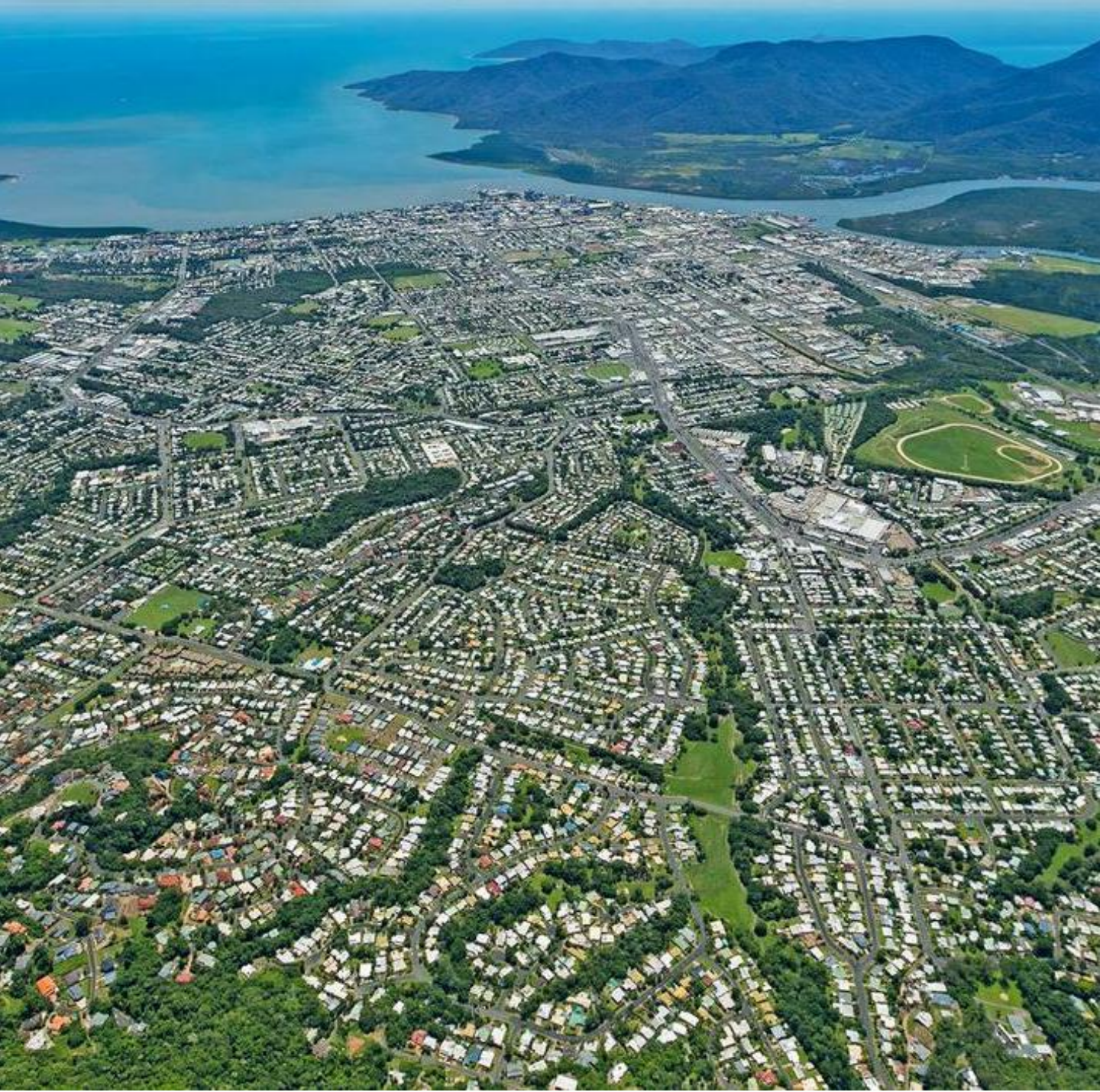


FEBRUARY 2023

# CAIRNS REPORT

A monthly snapshot of the  
Far North Queensland economy



PRESENTED BY



HOLDING REDLICH



Grant Thornton



## What's in store for Cairns in 2023?

Welcome to the first edition of *Cairns Report* for 2023, in what is set to be a fascinating period ahead for the city's economy. Nicholas Slatyer from Belle Property Cairns predicts on page 13 of this edition that 2023 is "likely look a lot like 2022 - quite balanced and predictable," and we tend to agree. The local employment scene remains very strong, the property market is holding up well compared to some declines in southern capitals, building approvals have eased slightly but there's plenty in the pipeline and recent flight announcements such as Virgin's foray into direct Cairns-Japan services from July bode well for the steady return of international tourists. Interest rates continue to rise, so a "balanced and predictable" local economy would be welcomed.

### UNEMPLOYMENT RATE

3.5%	3.6%	3.3%
NATIONAL	QLD	CAIRNS

### PEOPLE EMPLOYED

13,765,200	2,786,500	142,300
NATIONAL	QLD	CAIRNS

### PROPERTY PRICES

↑ \$279,000	↑ \$472,000
+4% y/y	+18% y/y
UNITS	HOUSES

### MEDIAN RENTS

↑ \$402 P/W	↑ \$496 P/W
+9% y/y	+1% y/y
2-BED UNIT	3-BED HOUSE

### AIRPORT PASSENGERS

413,137	↓	342,792
DEC '19		DEC '22
CAIRNS AIRPORT		

### BUILDING APPROVALS

84 APPROVALS IN NOVEMBER

↓ -9.7%

YEAR-ON-YEAR

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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Cover: Cairns cityscape.

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**belle** PROPERTY

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Here in Cairns, Trend employment dropped a little in December (down 700), although it remains close to record highs.

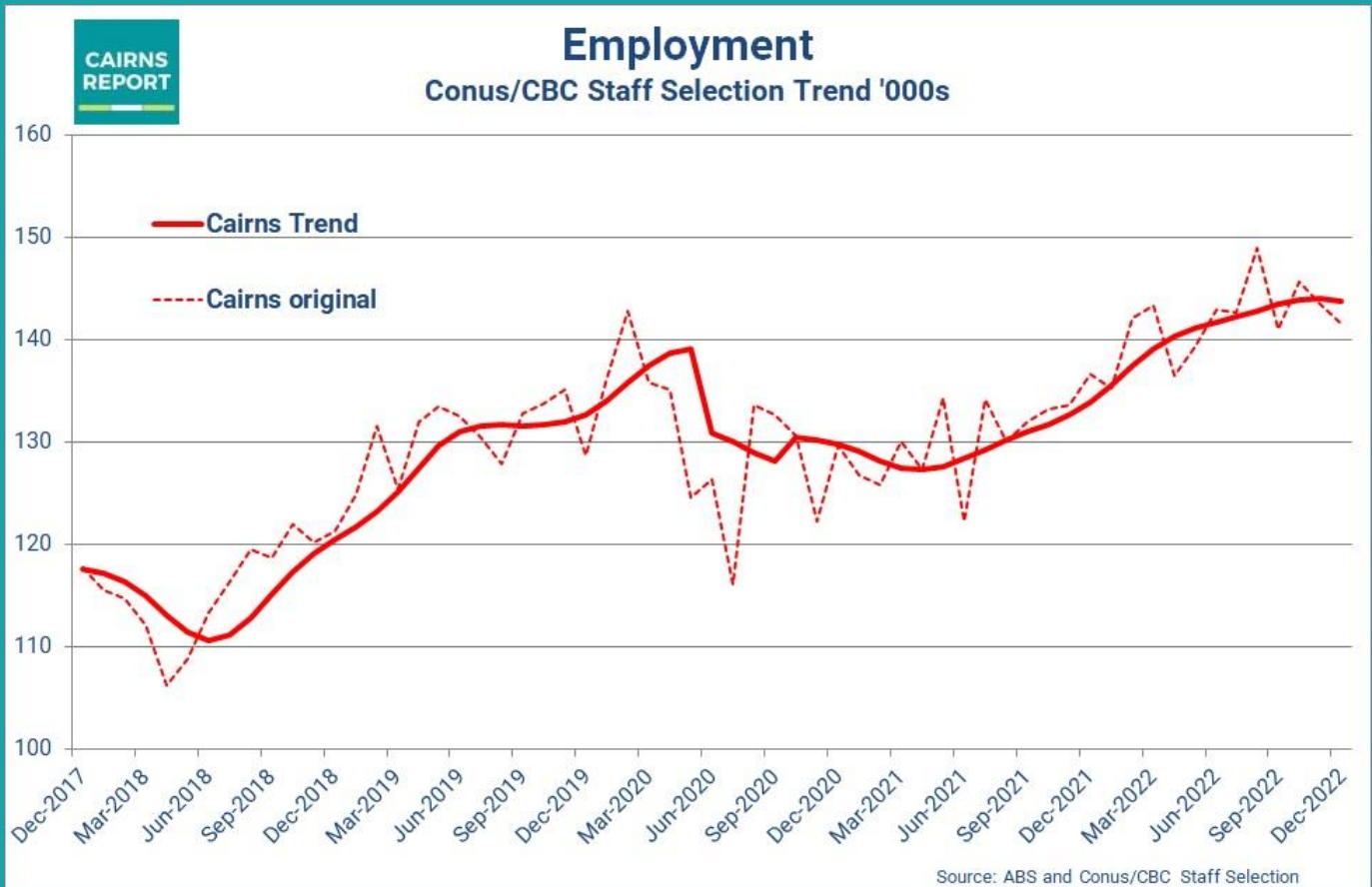
Even though employment growth in Cairns has slowed in recent months it is still relatively strong at +3.6% y/y, compared to +3.3% and +3.5% in Queensland and nationally respectively. Even more impressive is the fact that full-time positions have increased by 11,200, a growth rate of 11.8% over the year. Nationally employment was a little weaker in December than

## PEOPLE EMPLOYED

13,765,200	2,786,500	142,300
NATIONAL	QLD	CAIRNS
↑	↑	↓
	LAST MONTH	
13,738,700	2,786,000	143,000

previous months (seasonally adjusted employment fell slightly, while Trend employment was still up but by a smaller amount) and we saw a small dip in participation from record highs.

The story was very similar in Queensland where employment was also a little weaker than in past months.




With a continued drift lower in participation in Cairns from record highs, the Trend unemployment rate has fallen to new record lows (after some upward revisions to previous months).

The Cairns unemployment rate fell 0.8 percentage points in 2022 and now sits at just 3.3%. Much of the gain seen in the female work force earlier in the year has reversed out by December, with female employment up just 100 for the year (male employment was up 4,800).

Nationally, the unemployment rate was stable at 3.5% (after a small

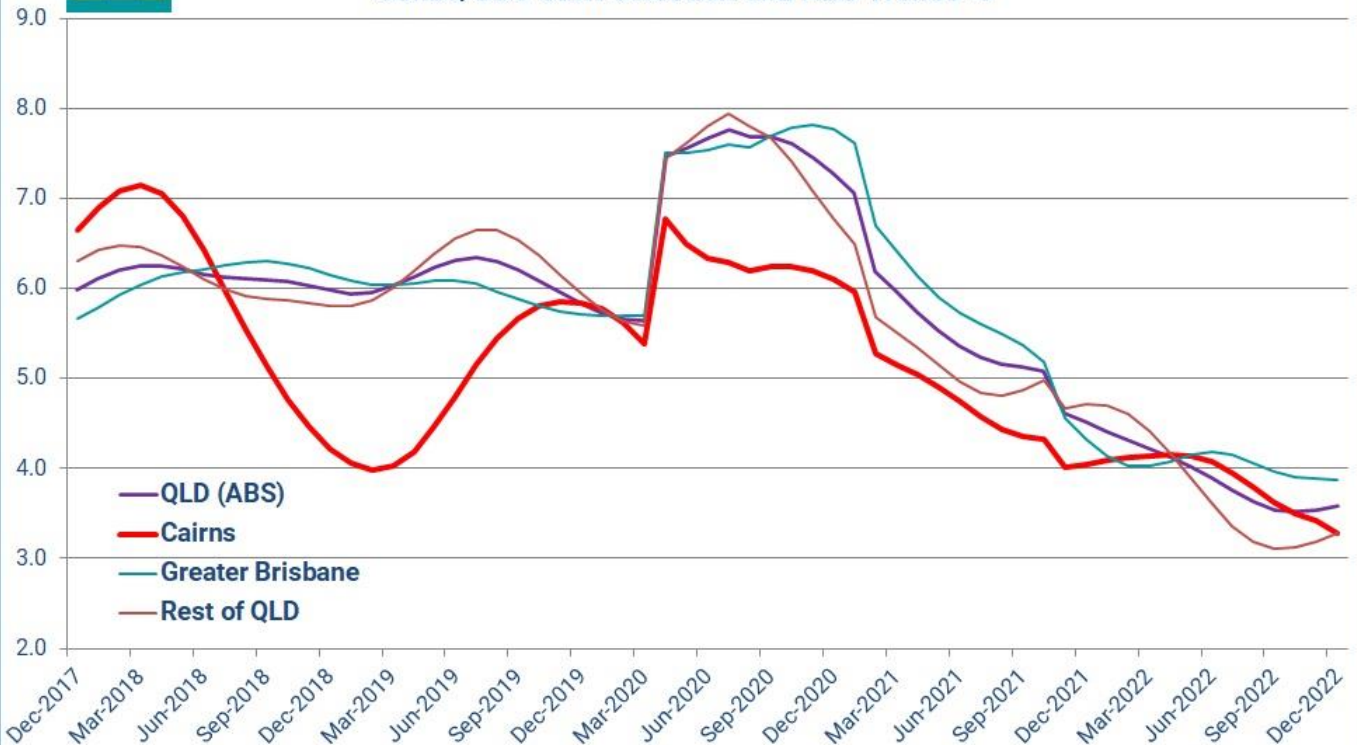
## UNEMPLOYMENT RATE

<b>3.5%</b>	<b>3.6%</b>	<b>3.3%</b>
NATIONAL	QLD	CAIRNS
		
	LAST MONTH	
<b>3.5%</b>	<b>3.5%</b>	<b>3.4%</b>

upward revision to the previous month).

State-wide we saw the unemployment rate edge higher to 3.6%, also on the back of some small upward revisions to previous months.

**Unemployment Rate**  
Conus/CBC Staff Selection and ABS Trends %



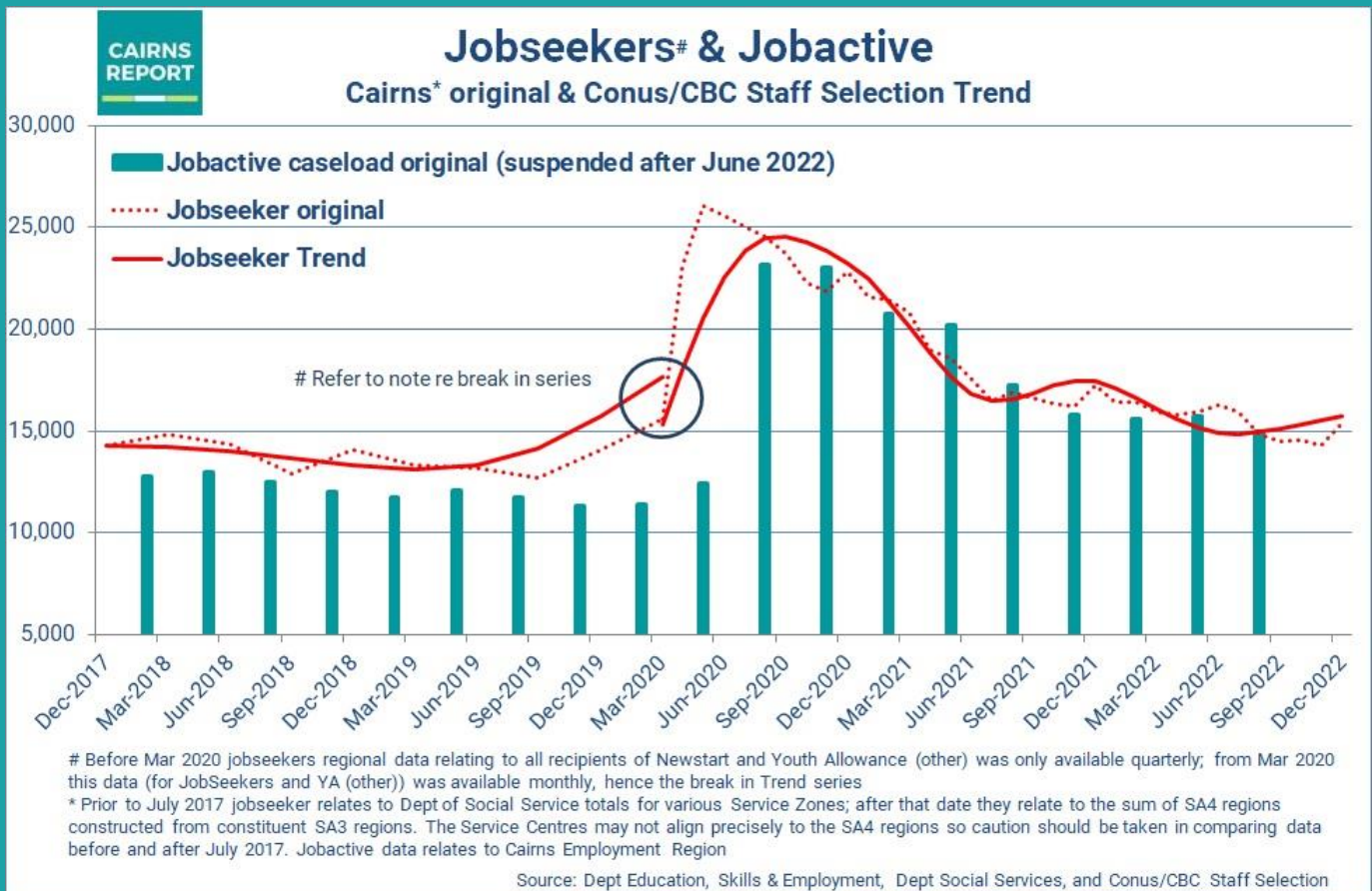
Source: ABS and Conus/CBC Staff Selection



The JobSeeker numbers in Cairns have edged a little higher over the last few months of last year and the Trend measure has moved higher.

Given how tight we know the labour market has become the fact that the pace of decline in the number of JobSeekers has slowed (or perhaps now reversed) suggests that we have reached a bottom in this

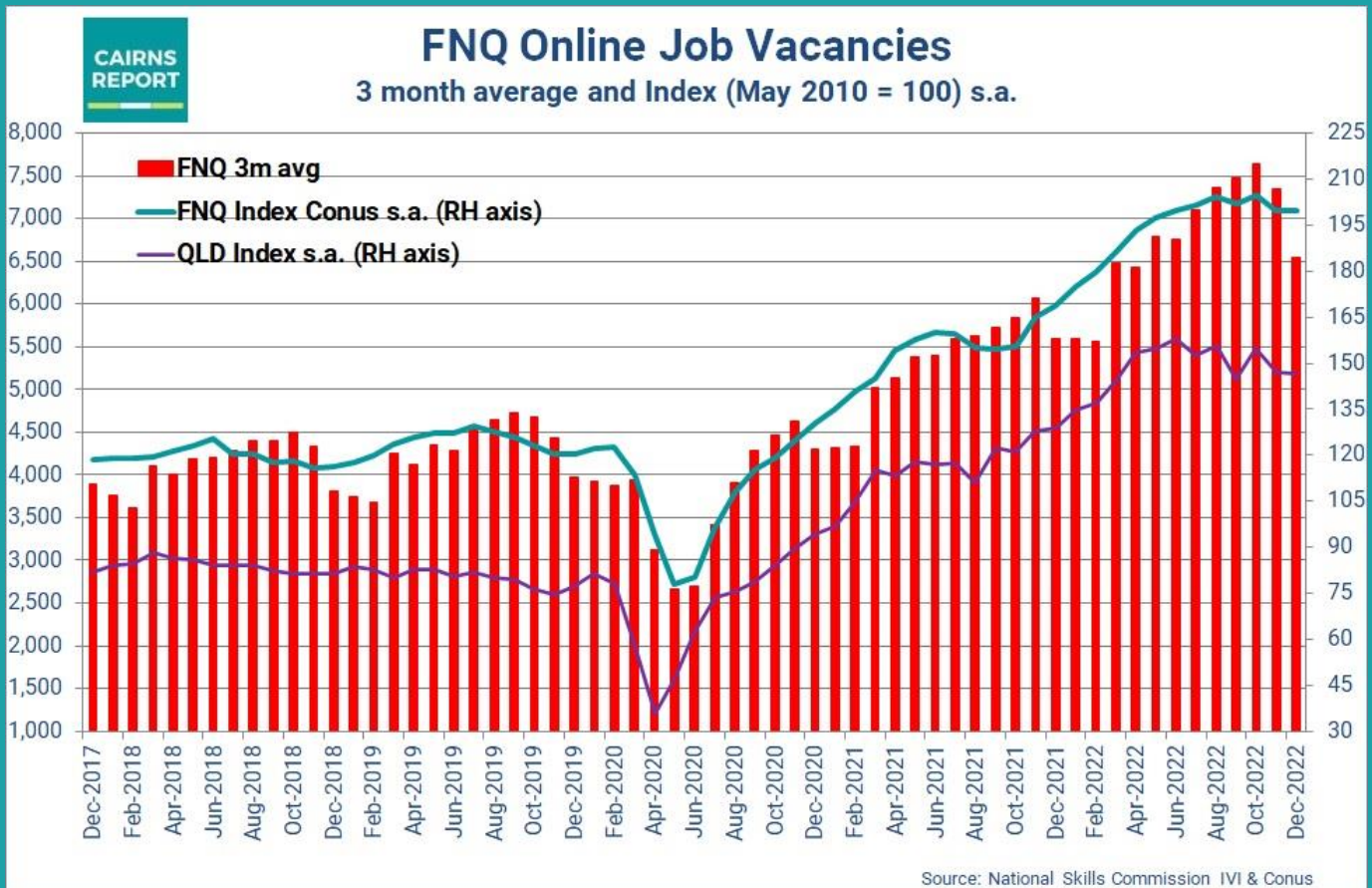
measure. Although this new bottom appears to be higher than the pre-COVID level we need to be aware that there have been structural and technical changes to the way that Jobseekers are counted and defined.





**Internet job vacancies fell sharply in December - largely a seasonal effect - although even the seasonally adjusted Trend series moved somewhat lower.** It would certainly seem that vacancies may have peaked in the final quarter of last year, and this lines up well with the slight dip in employment we have seen in the last few months.

Nevertheless, the level of vacancies remains very elevated in the Far North suggesting that the labour market is still tight; a conclusion that is borne out by anecdotal evidence with many employers still struggling to find workers.



We are finally seeing clear impacts of the recent spate of rates rises on building approvals data in Cairns.

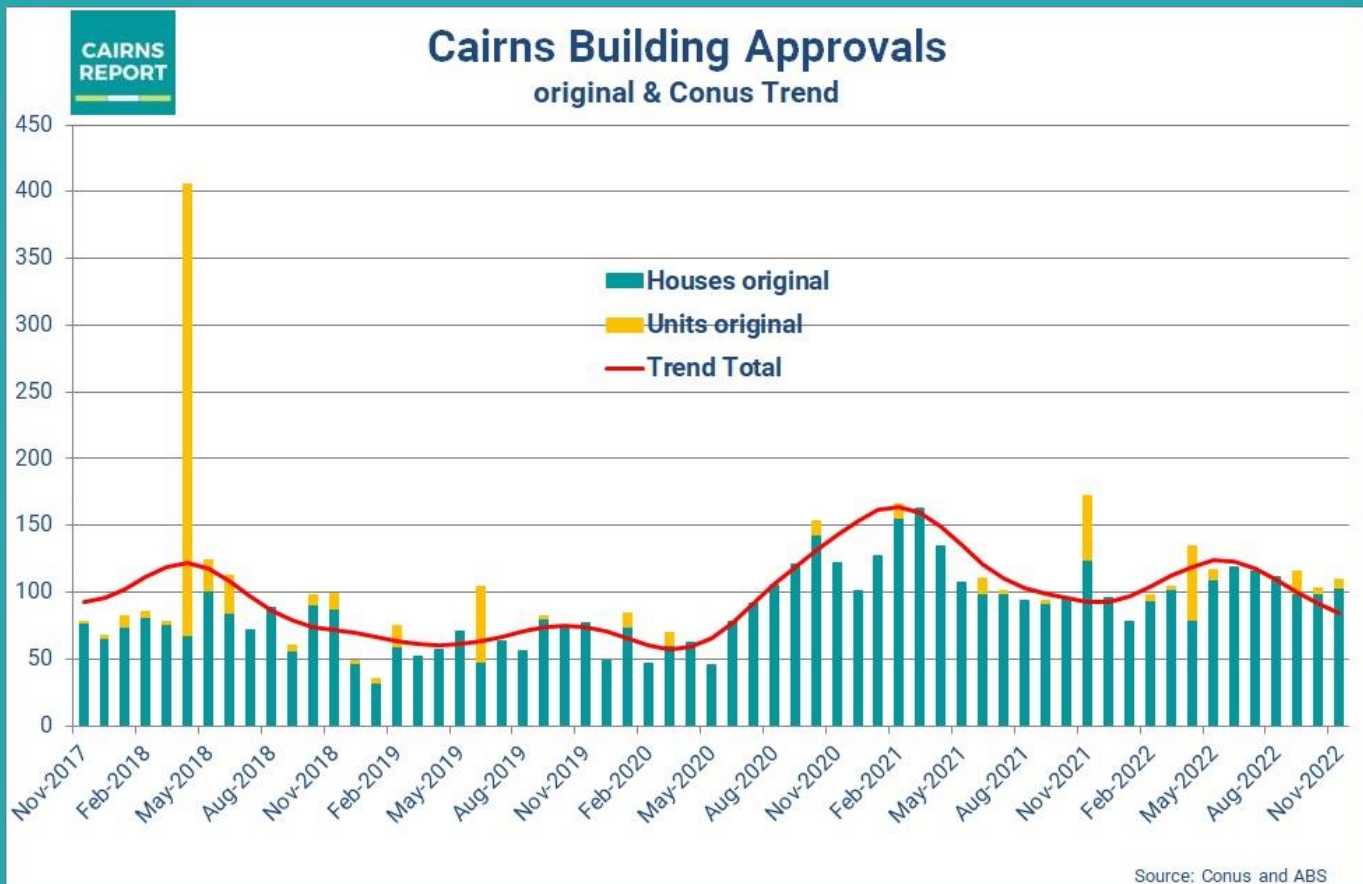
The level of Trend approvals in November (84 approvals) sits at its lowest level since the early days of the COVID pandemic. However, we should also note that actual approvals remain a touch over 100 so this low Trend plot could well be a statistical bit of noise which could get revised away in coming months. Nevertheless, it remains clear that the pace of approvals has certainly eased. The number of approvals

## HOUSES

▼ -9.7%

Building approvals change year-on-year  
Latest trend approvals = 84

remains above the level we had become used to in the years prior to COVID which suggests there is still a healthy pipeline of work yet to be completed. We are certainly not about to see the construction sector going into decline, particularly given the outlook for interest rates now sees the cash rate peaking at just a little over 3.75% in the third quarter of this year.

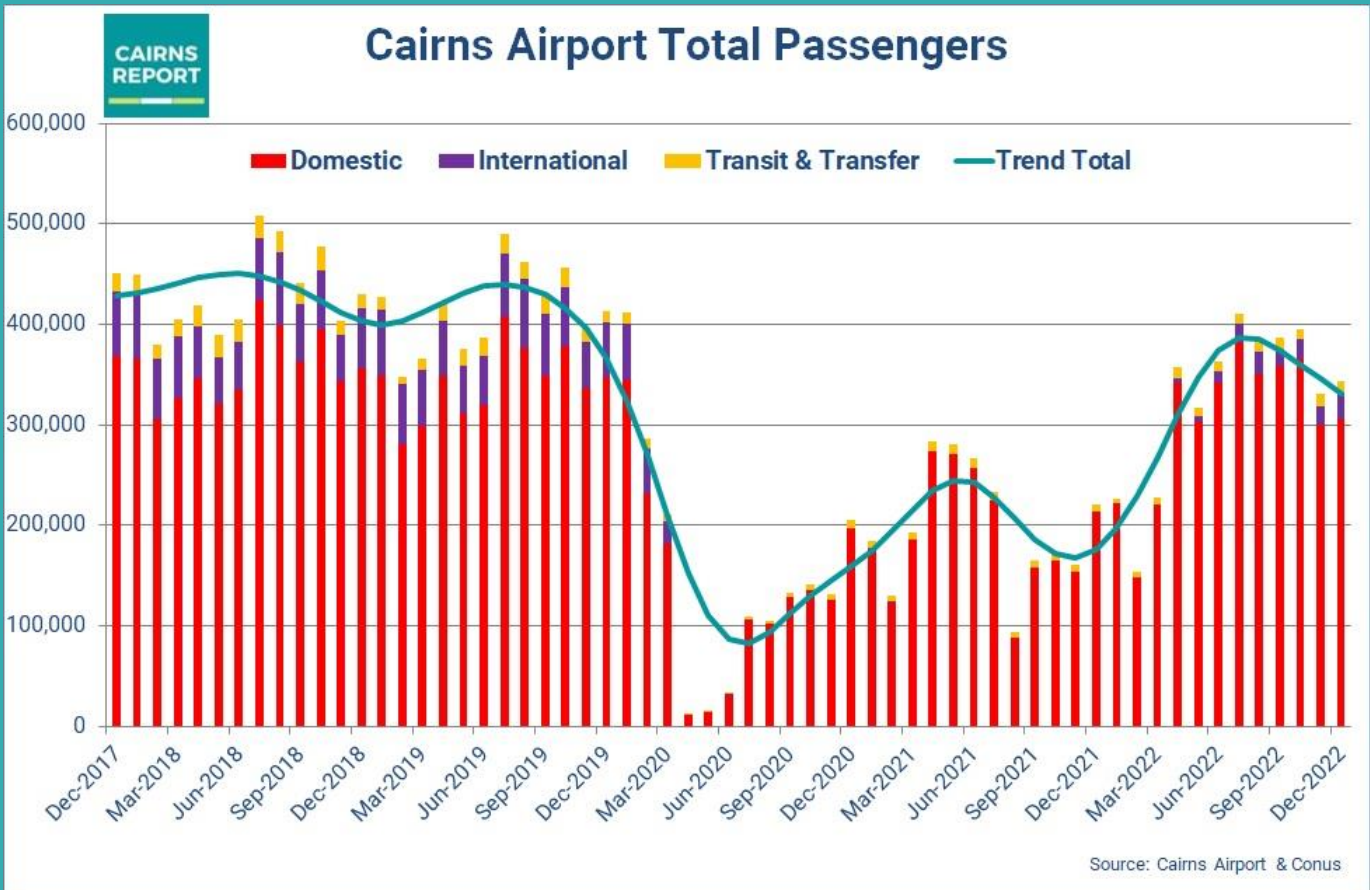


Passenger numbers through Cairns Airport have eased a little over the past few months.

Part of this is simply a seasonal factor, but even the seasonally adjusted series is showing a decrease since peaking in August. It's clear that the domestic tourism surge seen post-COVID has started to ease as Aussies look to return to overseas holidays. The increase in international passenger

**PASSENGERS**  
**413,137** ▼ **342,795**  
 DEC '19 DEC '22

numbers remains lacklustre with just over 26,600 out of a total of more than 342,750 and it's clear that the slow increase in international visitors is unable to match the sharper drops in domestic visitors.

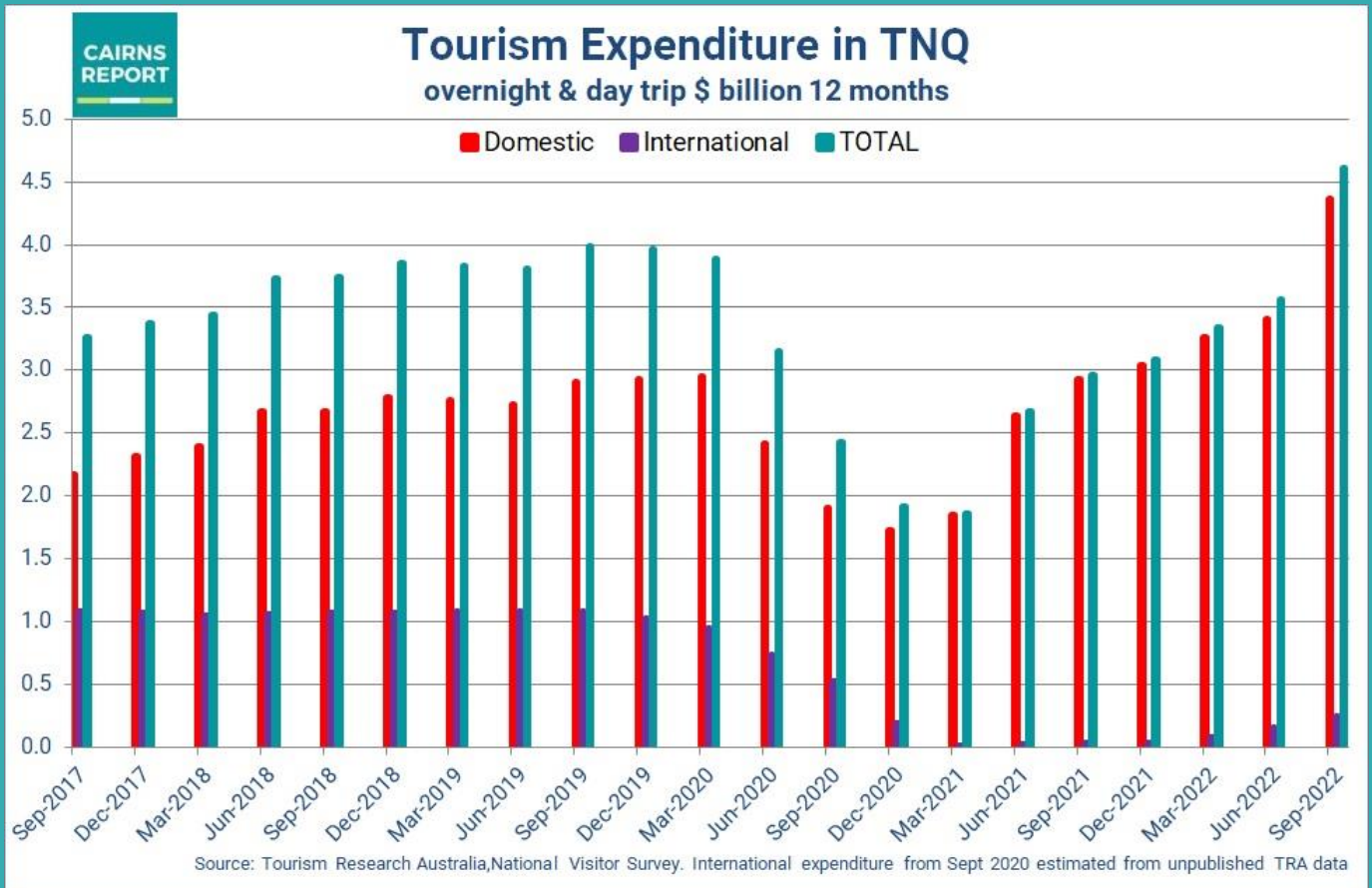




**The monthly overnight domestic tourism data to October last year shows domestic tourism expenditures across Australia remain very strong.**

The annual figure for the previous 12 months is significantly above that seen in the year prior to the COVID pandemic (year to March 2020). Data at the more regional level to September 2022 shows that domestic overnight tourism expenditure in TNQ was up

48.2% since the year to March 2020, Queensland was up 21.4% while Australia was up just 7.7%! When we consider all tourism expenditures, both domestic and international, we see that across the nation they are down 5.8% from March 2020, they are up 3.1% in Queensland and up 18.6% across TNQ. Clearly the region has done exceptionally well over the past few years despite the impacts of COVID.



It appears that we are starting to see some of the effect of interest rate rises playing out in the Cairns real estate market.

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) the evidence of pricing levels appears confused. Median house prices in January were up 18% y/y while units managed just 4% y/y having fallen quite sharply in recent months.

## MEDIAN PRICES

▲ \$279,000 UNITS +4% y/y

▲ \$472,000 HOUSES +18% y/y

Source: SQM Research



## RENTAL VACANCY RATE

**1.0%**

DEC '22

**1.5%**

DEC '20

**2.7%**

DEC '18

Source: SQM Research

The rental vacancy rate in Cairns has eased in recent months and now sits at 1.0%, its highest level since early 2021.





Unit rents in Cairns are up strongly (+9% y/y) and sit at record highs of more than \$400 p/w for 2-bed units.

Houses, on the other hand, despite strong price rises, have seen rents ease and they are now just 1% above the level of a year ago (and back below \$500 pw for a 3-bed house).

As expectations (and the reality) of further interest rate increases play out in the market we may see a tug-of-war between higher mortgage rates

on the one hand playing out against a still very low rental vacancy rate on the other. Certainly the effect of interest rates rises on the real estate market in Cairns is looking quite different to that seen in capital cities to our South.

## MEDIAN RENTALS

**\$402**  
UNITS p/w  
+9% y/y

**\$496.5**  
HOUSES p/w  
+1% y/y

Source: SQM Research

### Cairns Median Weekly Rents



Source: SQM Research





Nicholas Slatyer  
Belle Property  
Cairns

In mid-2022 I wrote that I hoped Cairns would “skate through” a nationwide downturn in property prices. At the time, CBA was predicting an end to interest rate rises around now – which is definitely not going to eventuate given the 7.8% inflation in the last quarter of 2022 (the highest rate since 1990).

Fortunately, I was partially accurate. Cairns’ property prices are proving resilient with the beaches and inner suburbs a real standout. Time on market is incredibly low, with almost every property priced up to \$1m selling in under a month and it is common for sales to occur in just a couple of weeks. It’s fascinating to remind ourselves how good this is. Let’s say a \$650k, 4 bed, 2 bath house with a pool in Freshwater is the most sought-after house in Cairns. There was a time when that house could have taken 6-8 weeks to sell. In 2023 you would be lucky to see it last 2 weeks.

Interest rates have less considered effects on the market. For the last few years, buyers have been targeting 4-5% net returns for their investment properties, which was appealing compared to the 0% you earned in the bank. You can now easily achieve 4%+ with a term deposit... Luckily, most of our buyers are owner-occupiers and lifestyle buyers (less interested in returns), or we would be in a spot of bother.

For the last few months, we have been marketing off-plan apartments at “Pinnacle” in Smithfield – which is the re-purposed student lodge near the Campus Village shopping center. The developers are turning 3-bed student rooms into 2-bed residential apartments, priced at around \$300k. You can never be 100% sure how a project will be received by the market, so it has been nice to see such strong uptake. We have sold 23 of the 36 available (almost exclusively to owner occupiers) and construction is on track for a late 2023 completion.

The biggest factor in our price stability is the sheer lack of available property for sale. As I have said previously, we have been monitoring stock levels since early 2020, and January 2023 saw the lowest availability to date. I have buyers who are watching the market like a hawk and cannot find what they want... so what happens when the right house does pop up? They pay whatever is necessary to secure the property.

On that note, I can’t reiterate enough how strong the top end of the market is. With ’22 done and dusted, here is how the number of residential sales over \$1m compared to previous years:

2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
208	176	50	44	52	50	51	29	32	18	17

We keep hearing from some buyers that they are waiting for the “big correction” in prices. Personally, I don’t see that happening. 2023 will likely look a lot like 2022 - quite balanced and predictable.

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**Anthony Beven**  
*Grant Thornton*



“The economic indicators for the Far North remain strong compared to the rest of the state and the nation, and business confidence remains positive. The end of pandemic travel restrictions has seen strong domestic and international inbound tourist numbers and point to a strong 2023. But more interest rate rises on the horizon, energy price rises and finding staff in a tightening market remain the key challenges, with most businesses looking for staff or expecting to add new staff in the year ahead. The new CQ University campus project in the Cairns CBD and the first medical degree intake this year at James Cook University’s Smithfield campus are exciting developments that will provide new pathways for local people to garner skills and qualifications that are in short supply in the local market.



**Rebecca Macmillan**  
*Holding Redlich*

Now that we’re into the second month of 2023, visa processing times are starting to improve as systems continue to catch up in this post-pandemic environment. The relaxation of the six-month work limitation for Working Holiday Makers has been extended to 30 June 2023, which means WHM’s can work for more than six months for the same employer without breaching the conditions of their visa. Likewise, the relaxation of work rights for student visa holders is still in effect and is scheduled to end on 30 June 2023. As at December 2022, nearly 60,000 people (59,182 to be exact) have been invited to apply for the subclass 189 Skilled Independent Visa this financial year, a significant increase on previous years.



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