

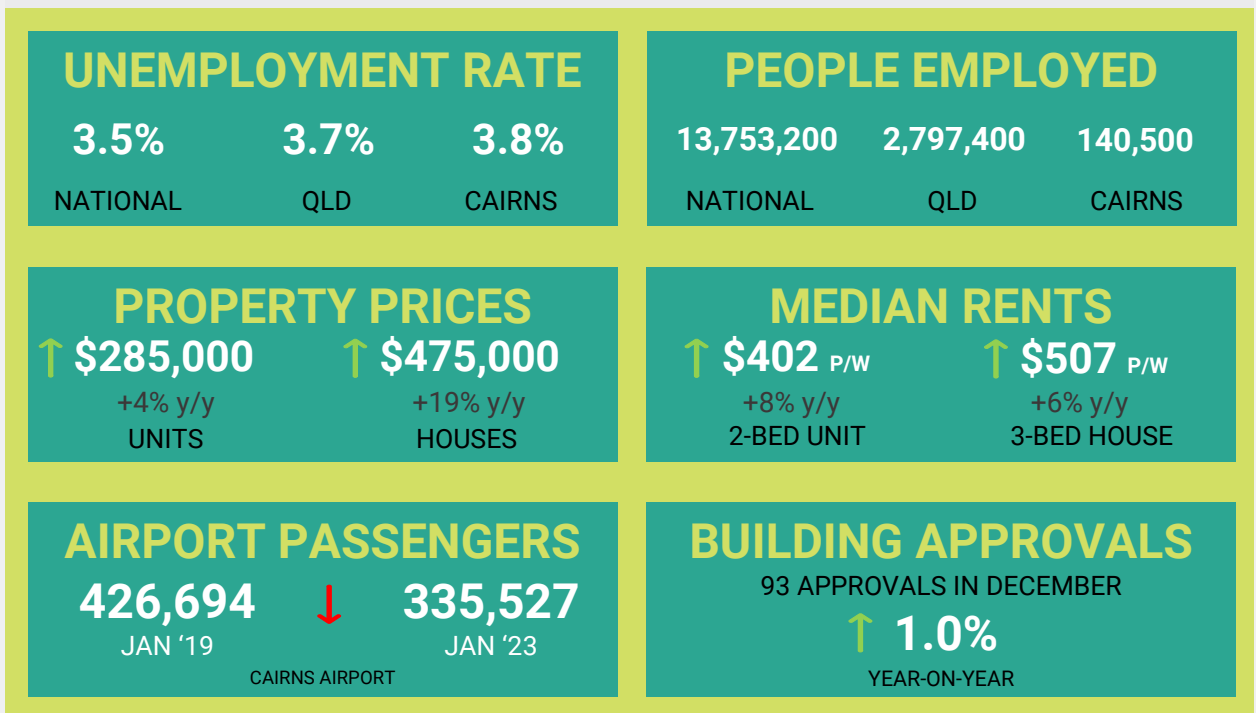


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### All eyes on inflation

As featured in this edition of *Cairns Report*, local building approvals remain strong and steady, well above the level seen in the pre-COVID period. But as data analyst Pete Faulkner notes, we need to remain cautious. While the ongoing strength of approvals and the substantial construction pipe-line already in place are positives for the region, it is also true that market expectations for interest rates have moved higher in recent weeks as inflation appears rather more stubborn than hoped. The market is now pricing the Cash Rate to move close to 4.25% by the final quarter of this year before starting a slow decline from there. This implies there could be another 90 basis points of rate hikes still to come over the next 7 or 8 months.



All data relates to Cairns unless otherwise stated. The most current data set available before publication is used throughout The Cairns Report. © The Cairns Report 2023. For media or reproduction purposes, please credit The Cairns Report.



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Cover: Cairns cityscape.

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Trend employment in Cairns dropped again a little in January (down 900) and now sits almost 3,500 below the highs seen in September last year.

Employment growth in Cairns has slowed in recent months and is now just +0.9 y/y, which is quite weak when compared to +3.1% in both Queensland and nationally.

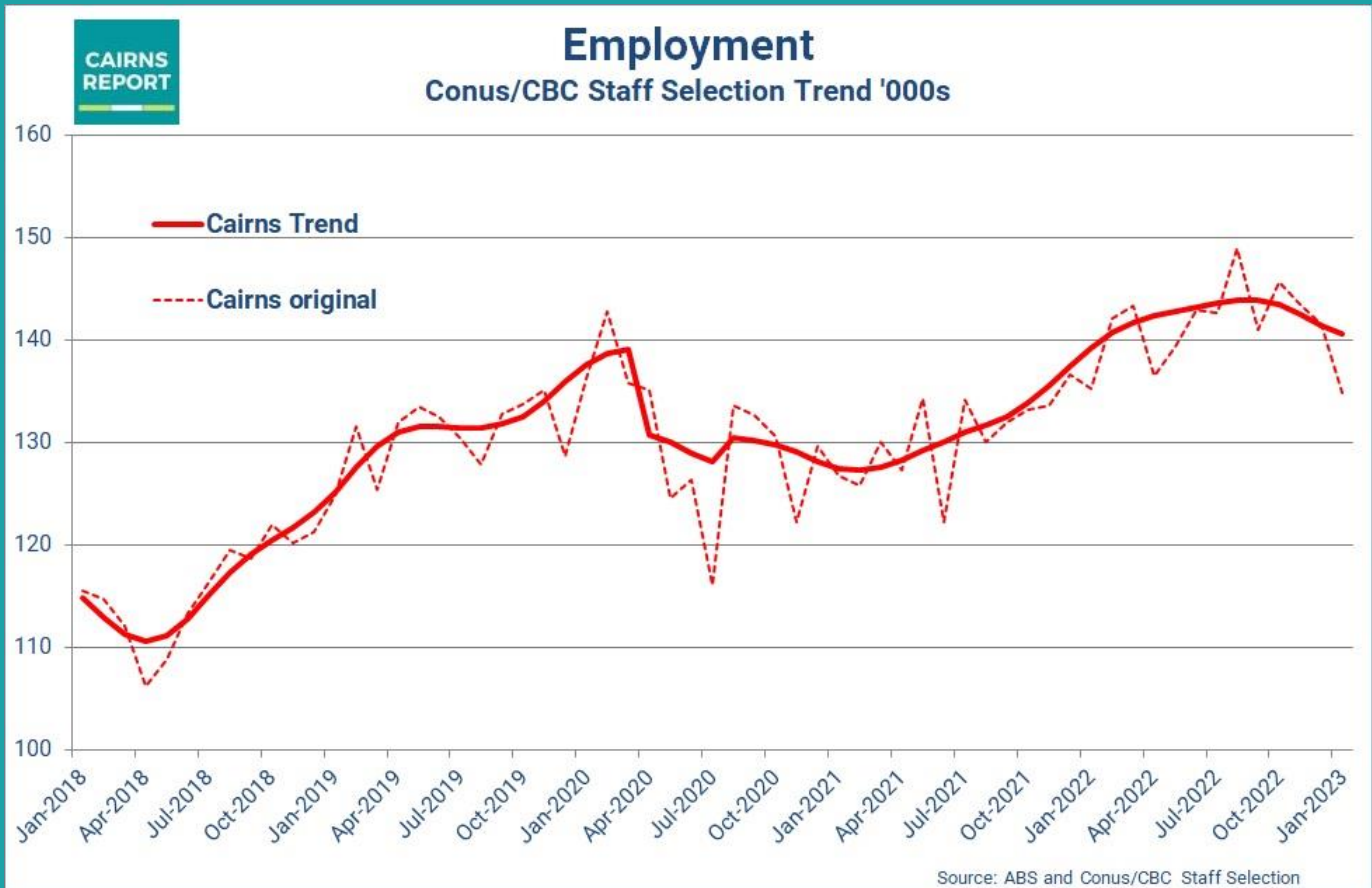
Nevertheless, the fact remains that full-time Trend employment is now at record highs, increasing by 1,400 since September and growing at almost 12% y/y.

Nationally, the January labour force data was viewed by commentators as being weak, but the Trend series showed employment was up 11,300 (+3.1% y/y). While it appears certain

## PEOPLE EMPLOYED

13,753,200	2,797,400	140,500
NATIONAL	QLD	CAIRNS
↑	↑	↓
	LAST MONTH	
13,741,900	2,792,600	141,400




the tightening from the RBA is cooling the labour market, it still remains tight and any weakening is gradual at the moment. As if to highlight the variability of the seasonally adjusted series, in Queensland employment lifted on this measure by 17,900 while the Trend series showed employment growth slowing to just 4,900 (+3.1%).



Despite a continued drift lower in participation in Cairns, from what had been record highs, the Trend unemployment rate has risen slightly to 3.8% in January.

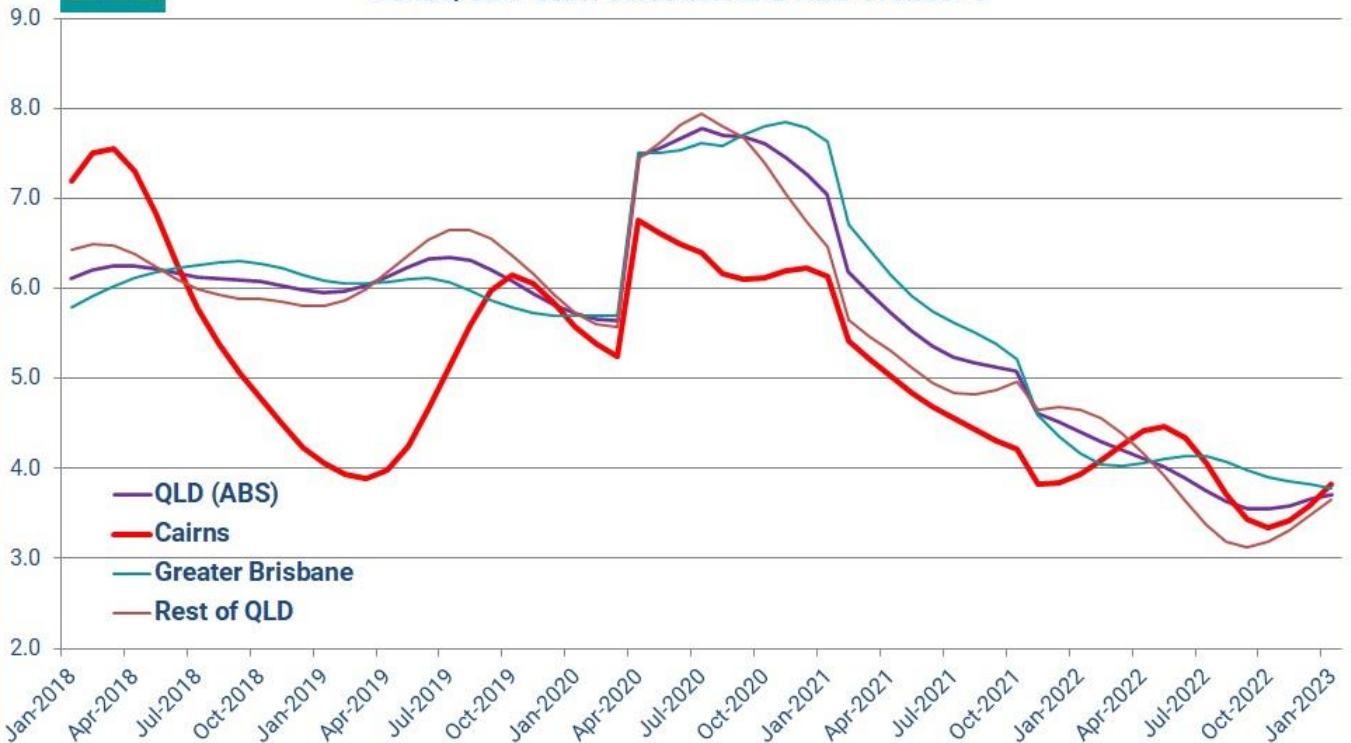
The gains seen in the female work force during much of 2022 has been reversed out by January, with female employment now down 1,300 from a year ago (male employment is up 2,600). The suggestion is that at least some of the strength seen in the female work force during 2021 and the first half of 2022 was due to the effects of COVID and that, as those effects have diminished, so too the extraordinary strength in the

## UNEMPLOYMENT RATE

<b>3.5%</b>	<b>3.7%</b>	<b>3.8%</b>
NATIONAL	QLD	CAIRNS
		
	LAST MONTH	
<b>3.5%</b>	<b>3.7%</b>	<b>3.6%</b>

female labour market has eased. However, in January the male unemployment rate stands at 3.9% while for females it is just 3.7%. Nationally, the Trend series was stable at 3.5% (where it has sat for the past 6 months). Statewide we saw also saw the Trend unemployment stable, at 3.7%.

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



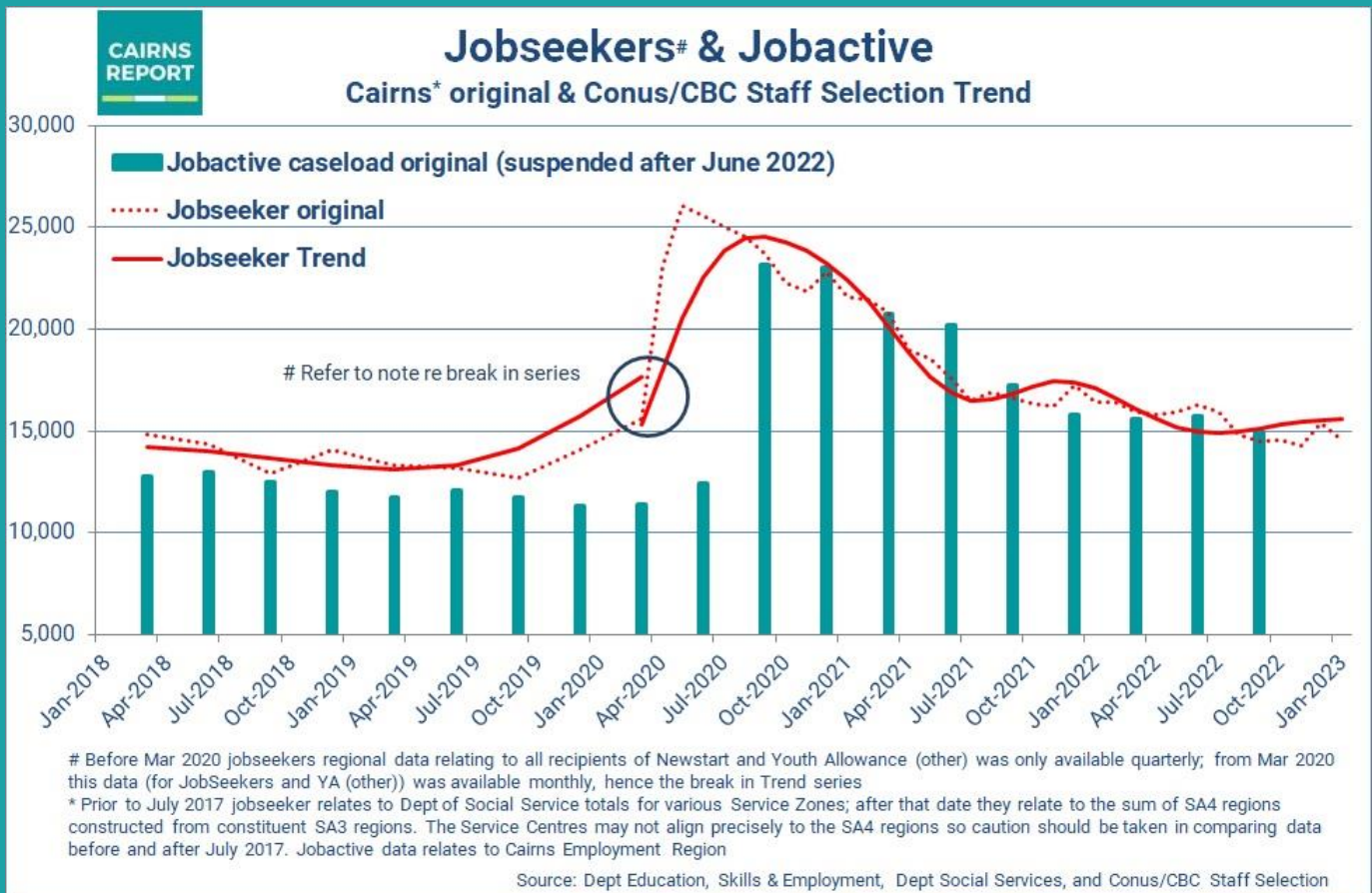
Source: ABS and Conus/CBC Staff Selection



The JobSeekers data is quite stable and close to post-COVID lows.

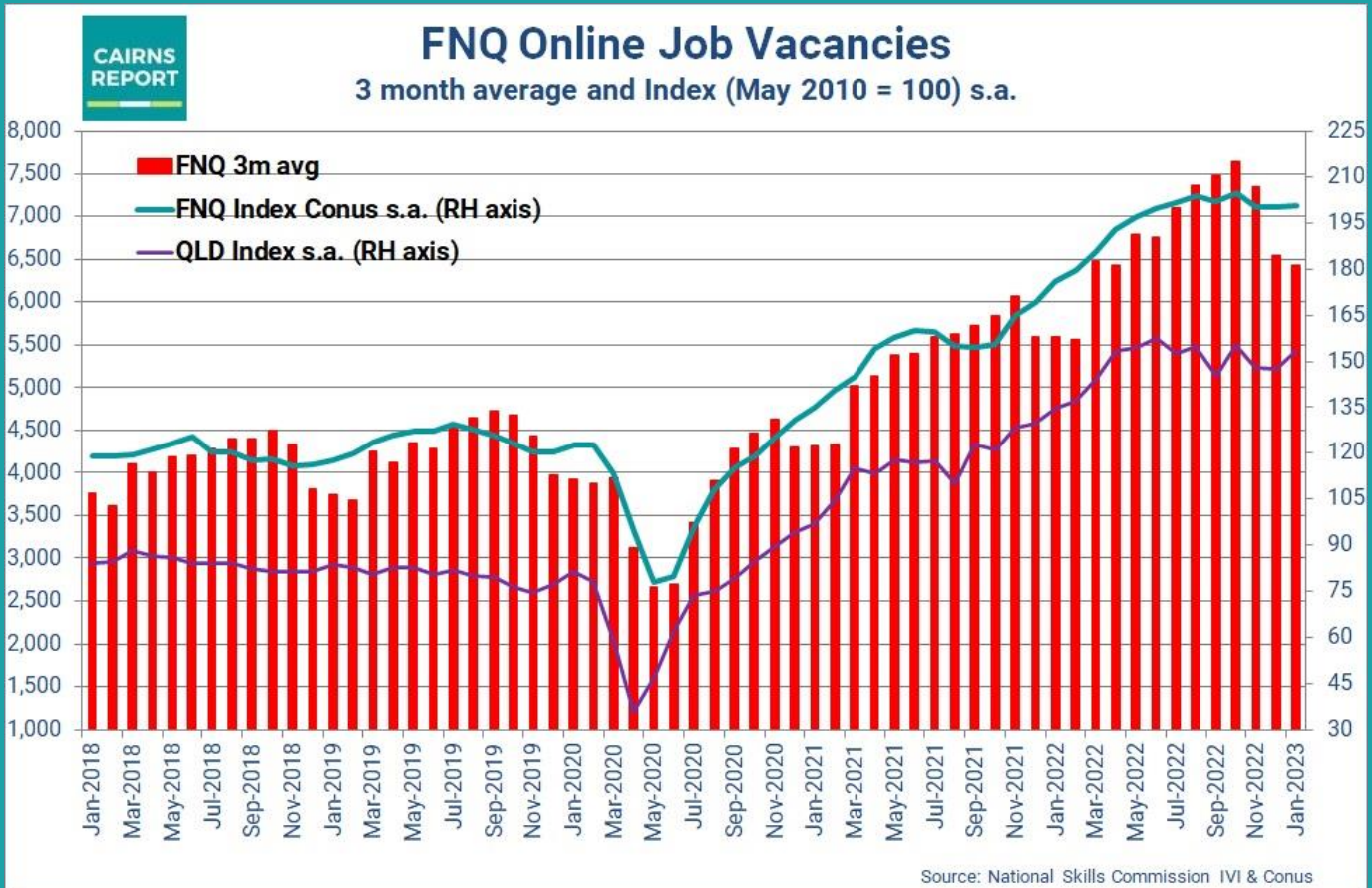
Combined with the internet vacancy data on the following page, it all points to a Cairns labour market that may have seen its short-term peak

towards the end of last year but remains tight; a conclusion supported by continuing anecdotal evidence of employers still struggling to find workers.



## Internet job vacancies fell slightly in January after a sharp decline in December.

However, this is due mainly to seasonal factors around the holidays and end of year and the Trend series has barely moved and remains very close to highs.





Although we might be seeing some minor impacts of the recent spate of rates rises on building approvals data in Cairns, the effect (if it exists at all) is very limited at this stage.

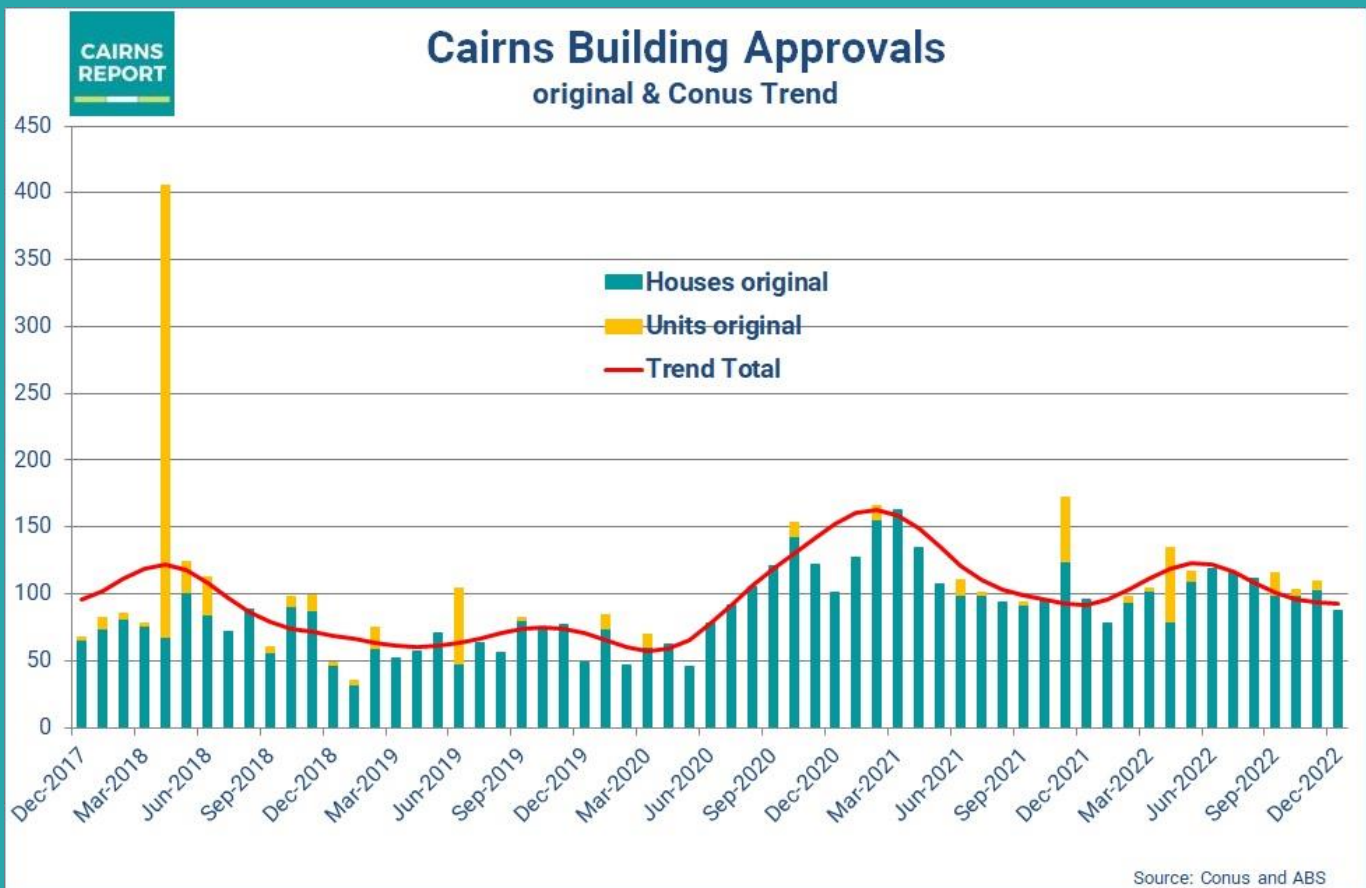
The level of Trend approvals in December, 93 approvals, was unchanged from last month and very slightly above the level from a year ago (December is a traditionally weak month). We noted last month that the Trend estimate for November appeared to be suspiciously low

and was in all likelihood just statistical noise; that suggestion now appears to have been accurate. Approvals in Cairns remain well above the level seen in the pre-COVID period.

## HOUSES

▲ 1.0%

Building approvals change year-on-year  
Latest trend approvals = 93

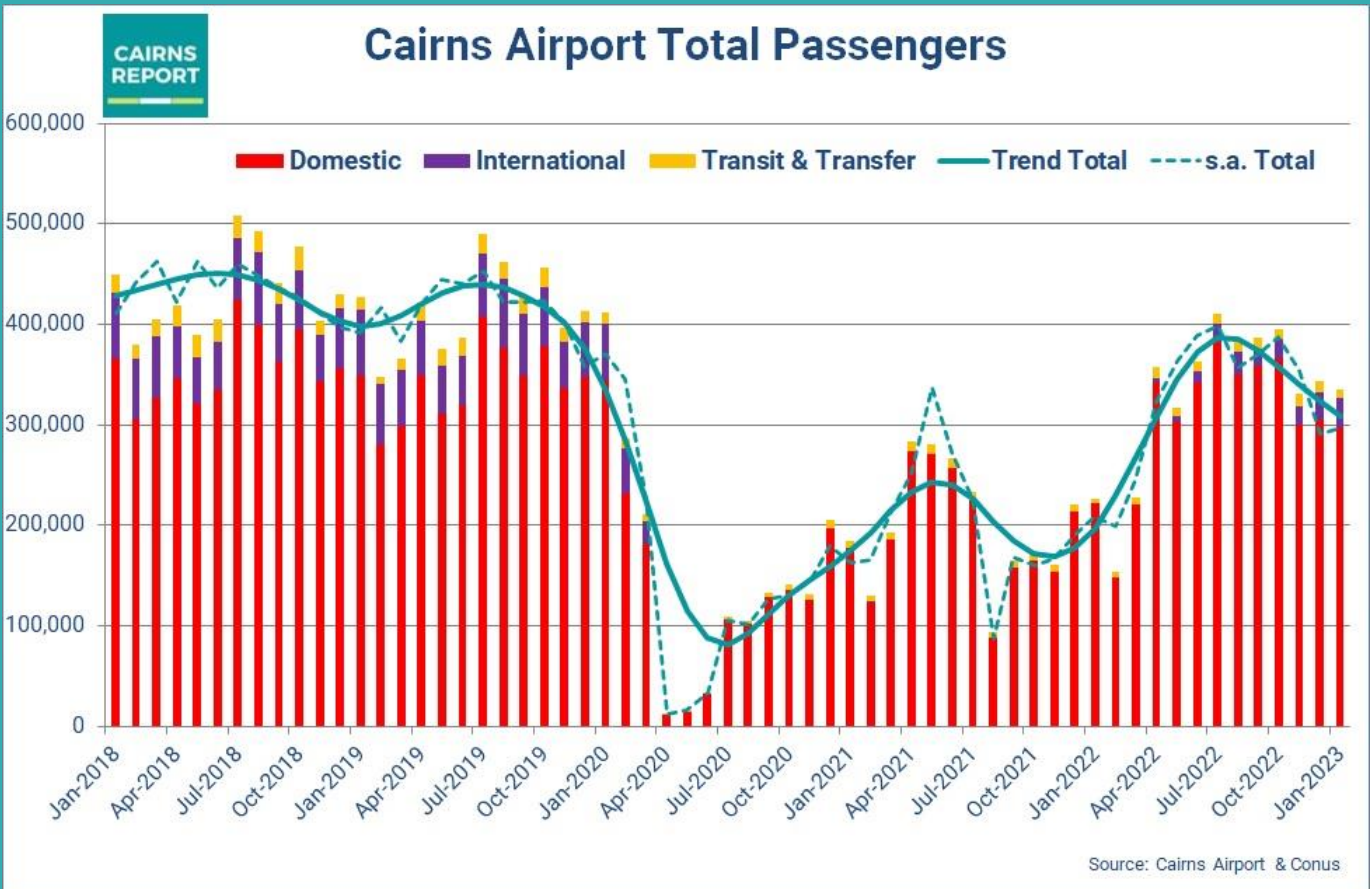


Our commentary on airport data this issue is almost a carbon-copy of last month's Report, with passenger numbers through the Airport have again eased a little in January.

Part of this is simply a seasonal factor, but the Trend 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 numbers remains lacklustre with just over 29,400

**PASSENGERS**  
**426,694** ▼ **335,527**  
 JAN '19 JAN '23

out of a total of more than 335,500. It's clear the slow increase in international visitors is unable to match the sharper drops in domestic visitors. International numbers will improve as people become more comfortable travelling overseas; the big question is to what extent the domestic figures can hang on to the solid performance witnessed through 2021 and 2022.

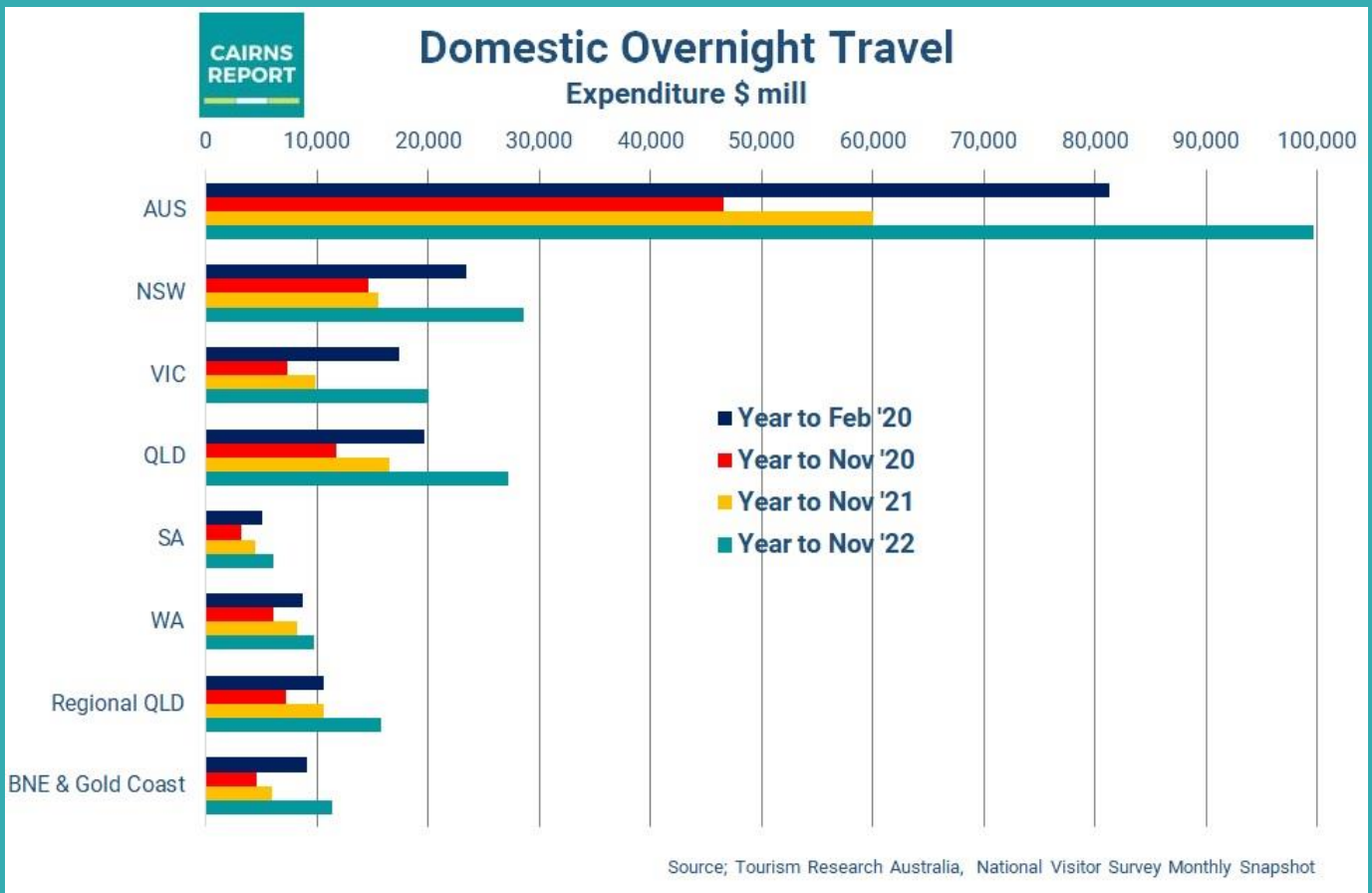




The somewhat delayed monthly overnight domestic tourism data to November 2022 shows domestic tourism expenditures across Australia were still very strong at that stage.

The national annual figure for the previous 12 months is more than 26% above that seen in the year prior to the COVID pandemic (year to March 2020). Queensland has been a particularly strong performer over the past few years and

domestic tourism expenditure for the past 12 months now sits 38% higher than it was for the last pre-COVID year. Regional Queensland has performed even better and in the 12 months to November total domestic expenditure was almost 54% above the level for the year to March 2020.



Interest rates have again moved higher since our last issue and the most recent inflation data suggests that they have yet further to go.

Indeed, the futures market is now suggesting a peak cash rate close to 4.1% by the final quarter of 2023 before rates start a gradual decline in the first quarter of 2024. It appears that we are starting to see some of the effect of those moves playing out in the Cairns real estate market, but the impact still appears to be limited here in the Far North.

While sales volumes have come off a little in recent quarters (this

data is very delayed so care needs to be taken when considering the most recent numbers) they are still significantly elevated from the pre-COVID period. Prices too continue to advance; median house prices in particular are strong, up 19% for the year, and unit price growth has slowed (+4% y/y) but remains positive.

## MEDIAN PRICES

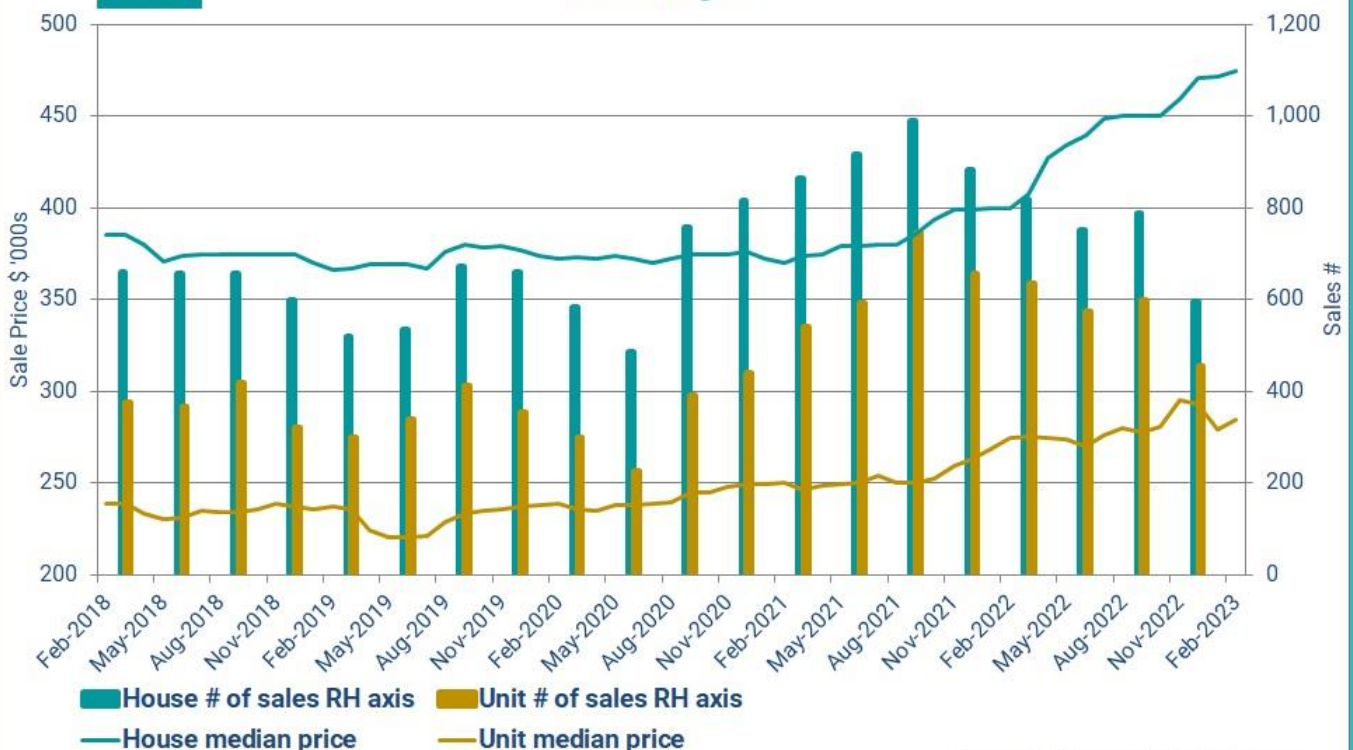
▲ **\$285,000** UNITS +4% y/y

▲ **\$475,000** HOUSES +19% y/y

Source: SQM Research

## Real Estate; Sales and Prices

Cairns region



Source: SQM Research & Pricefinder.com.au



## RENTAL VACANCY RATE

The rental vacancy rate has tightened a little, and moved back below 1% (0.8%) which indicates just how tight the rental market remains.

**0.8%**

JAN '23

**0.6%**

JAN '22

**2.1%**

JAN '20

**2.4%**

JAN '18

Source: SQM Research





Given the low vacancy rate, it is not surprising that we continue to see rents increasing.

Median 3-bedroom house rents are now up 6% for the year and back above \$500 p/w while 2-bedroom units are again more than \$400 p/w and up 8% for the year.

As we mentioned last issue; rising interest rates will inevitably impact the real estate market in Cairns. However, given how tight the market remains, and the obvious

demand pressures which have kept prices moving higher over recent months, we can expect that impact to be far less dramatic than in the capital cities. Indeed, any impact may simply be evidenced by a slow-down in price growth rather than a decline in prices as seen elsewhere.

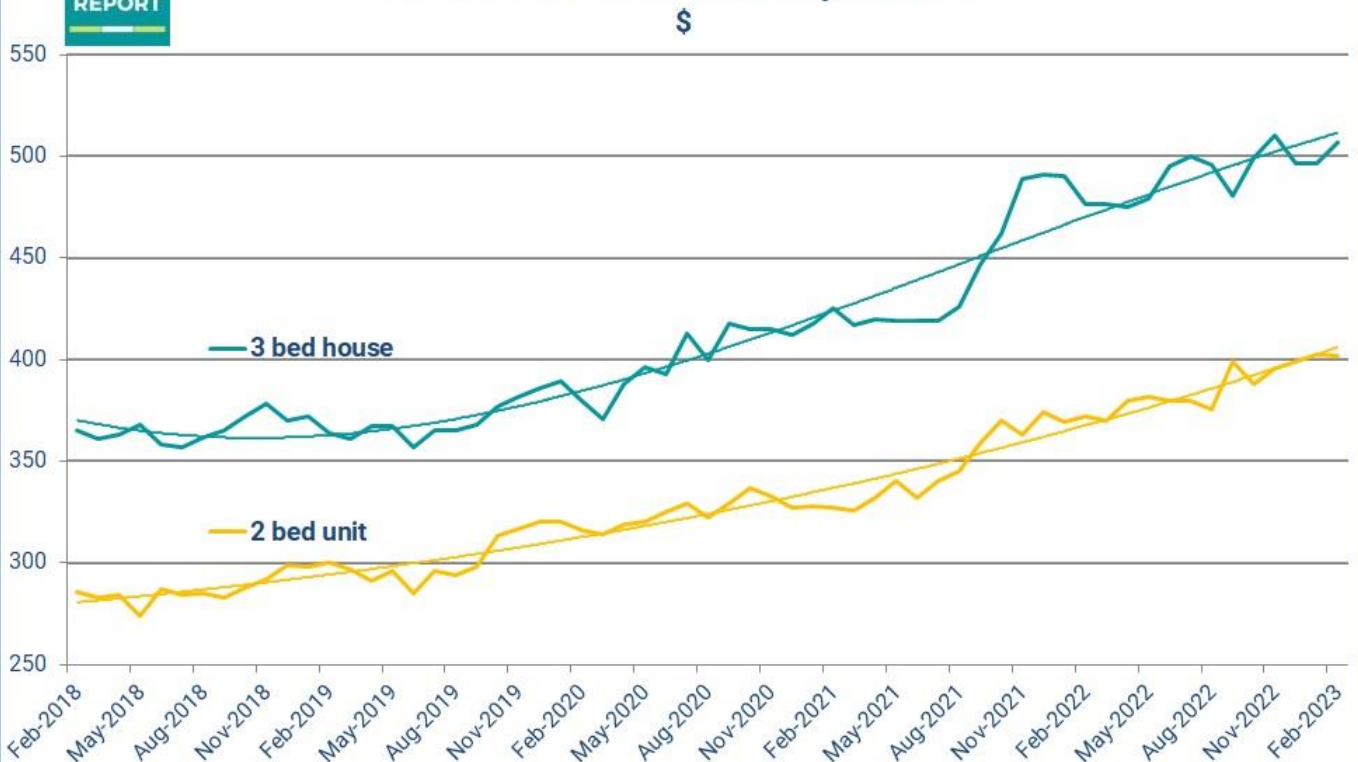
## MEDIAN RENTALS

**\$402**  
UNITS p/w  
+8% y/y

**\$507**  
HOUSES p/w  
+6% y/y

Source: SQM Research

### Cairns Median Weekly Rents



Source: SQM Research



So far, so good for the first quarter of 2023. Prices remain firm across the board, especially on the Northern Beaches and within 5km of the city. The obvious lack of available property to purchase isn't hurting. Having said that, the market has cooled and feels incredibly balanced, which is no bad thing. We were seeing buyers opt out of competitive sales because the market was running so fast. As life normalises, we are reselling some houses that were purchased in the "lockdown rush" of 20/21 and none of those have gone backwards. If anything, looking back on sales that were only 18-24 months ago we could generally do a fair bit better in 2023.



Nicholas Slatyer  
*Belle Property  
Cairns*

The state of the local economy continues to remain strong despite the rapid rises in interest rates over the last 12 months. Whilst Cairns may not remain immune from a prolonged national downturn, we should feel confident we have built up some resilience to the pressures building up. Underpinning all this is that regional Queensland and places like Cairns and its surrounds remain a popular location for internal migration and visitors. This population growth is supporting demand for new properties, maintaining the price of existing houses for sale and also keeping the rental vacancy rates at low levels. Overall, we are seeing little changes in property values. During Autumn there is always a lull in domestic tourists in our region especially compared to 2022 numbers which were quite exceptional, however this month we have seen a continual procession of cruise liners into port and many large vessels have arrived bring a positive vibe to the CBD. The recent announcement of new international flights to Japan from Cairns from the end of June is another big win for the region. As for employment, we continue to see pressures in the job market with the demand for employees across all sectors still strong and overall FTE's again at near record levels. Recruitment and retention of employees is a focus of many organisations at the moment and being innovative about how to treat employees becoming more important too.



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# CAIRNS REPORT

A monthly snapshot of the  
Far North Queensland economy



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