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BUILDING APPROVALS: Approvals in Cairns are tracking lower, but they remain well above pre-COVID levels.

TOURISM: In the five years prior to the COVID pandemic, international passengers accounted for an average of 13% of all passengers through Cairns Airport. It's now just below 11% which shows us that despite the relatively small international passenger numbers things are starting to return much closer to a pre-COVID 'normal'.

EMPLOYMENT: Full-time employment in Cairns is up almost 7% for the year, though overall employment has declined since the peaks seen last September.

REAL ESTATE: The interest rate rises still appear to have had a very limited impact on property prices here in Cairns, especially when compared to southern markets.

UNEMPLOYMENT RATE

3.5%	3.7%	4.2%
NATIONAL	QLD	CAIRNS

PEOPLE EMPLOYED

13,831,400	2,788,100	137,500
NATIONAL	QLD	CAIRNS

PROPERTY PRICES

↑ \$289,000	↑ \$471,000
+5% y/y	+16% y/y
UNITS	HOUSES

MEDIAN RENTS

↑ \$392 P/W	↑ \$506 P/W
+6% y/y	+6% y/y
2-BED UNIT	3-BED HOUSE

AIRPORT PASSENGERS

348,209	↓	262,825
FEB '19		FEB '23
CAIRNS AIRPORT		

BUILDING APPROVALS

81 APPROVALS IN JANUARY

↓ -16.0%

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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CAIRNS REPORT

A monthly snapshot of the Far North Queensland economy

Publisher & editor
Gavin King

Data analysis & commentary
Pete Faulkner, *Conus*

Contributors
Nicholas Slatyer, *Belle Property Cairns*
Andrew Cornes, *Grant Thornton*



Cover: Coral Princess docking in Cairns.
Photo: Ports North

info@cairnsreport.com.au

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National Trend employment again lifted, employment growth remains robust at 3.1% pa. While it appears certain that the tightening from the RBA is cooling the labour market, it still remains tight and any weakening is very gradual at the moment.

The story is very similar in Queensland. Trend employment growth continues with another 2,300 added and a new record high reached, although employment growth has slowed to just 2.1% pa. Of particular note is the fact that full-time employment growth in Queensland remains strong and is growing at 2.9% pa. Here in Cairns, Trend employment dropped in February (down 1,100)

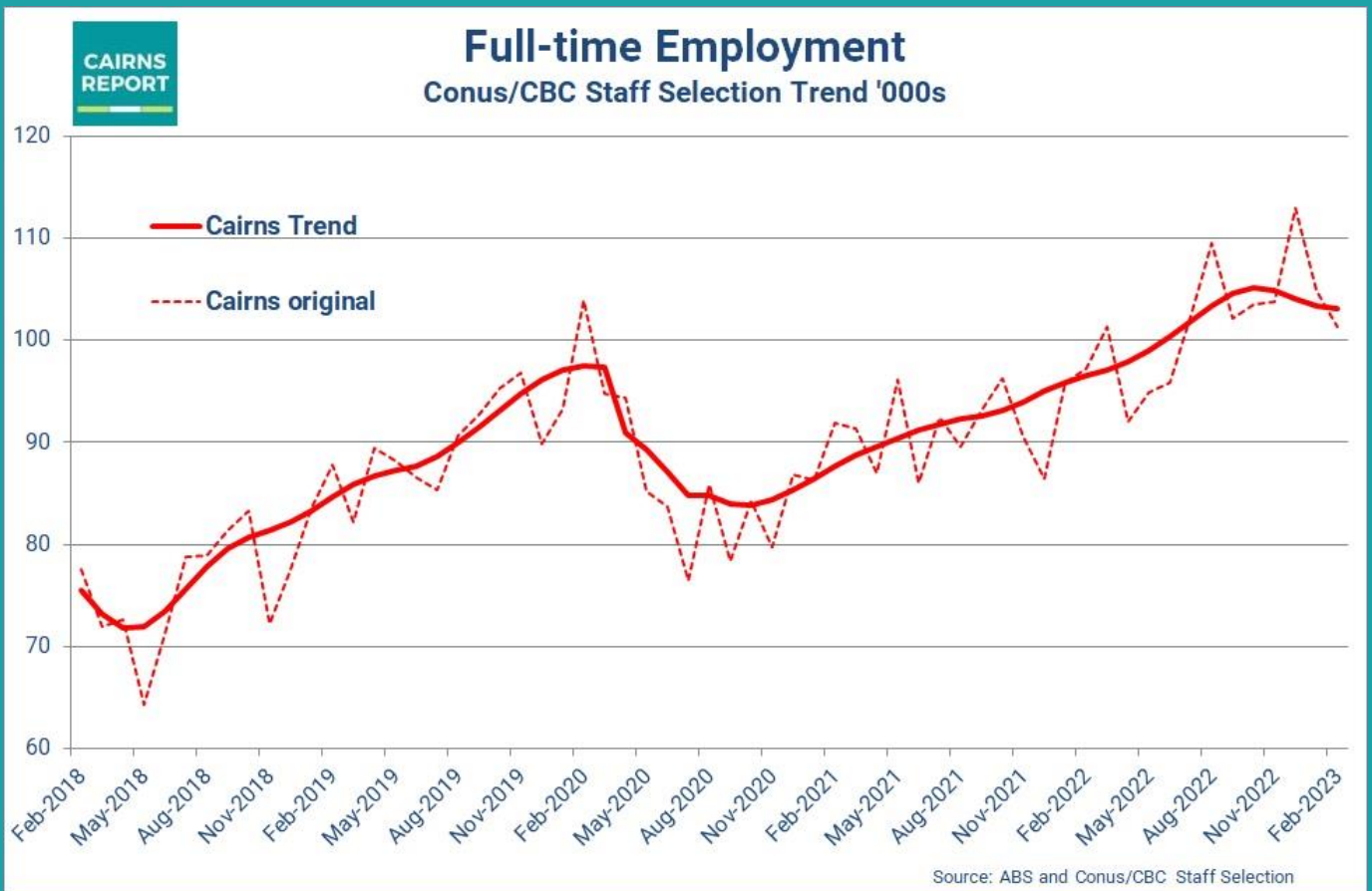
PEOPLE EMPLOYED

13,831,400	2,788,100	137,500
NATIONAL	QLD	CAIRNS
↑	↑	↓
	LAST MONTH	
13,811,600	2,785,800	138,600

for the fifth consecutive month and now sits 6,400 below the highs seen in September last year. Employment growth in Cairns is now negative for the year (-2.4% y/y), which is weak when compared to +3.1% nationally and +2.1% in Queensland. On the following page, we take a closer look at the growth in full-time employment in Cairns.



If we are looking for positives to take away from this month's employment data for Cairns, we see that full-time employment is still up almost 7% for the year. Although here too we are down from the highs seen in September.

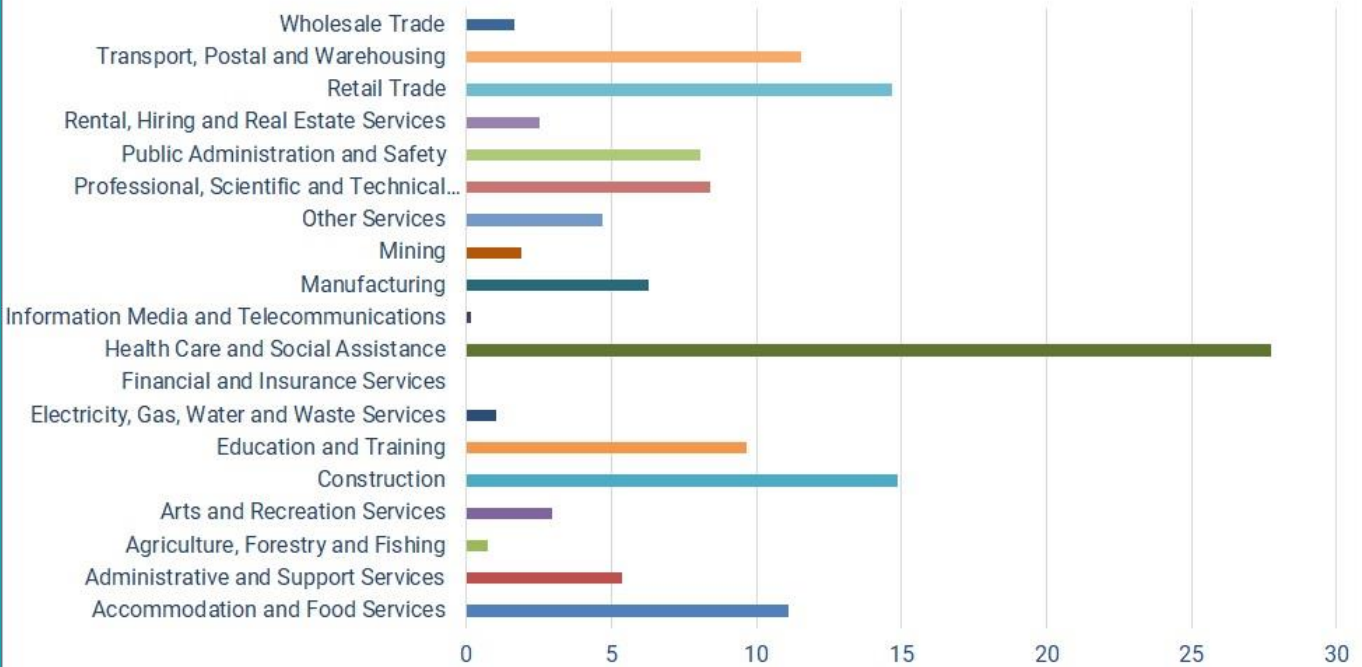


Our Trend analysis of the quarterly industry employment data to February 2023 confirms that the Healthcare & Social Assistance sector remains the largest single employer in the region, with almost 28,000 people having jobs in the sector. Over the space of the past two years, we have seen increases in Healthcare & Social Assistance (up 8,200) as well as Transport

(up 5,500) and Construction (up 4,500). Other significant sectors such as Retail (virtually unchanged) and Accommodation & Food Services (down 1,800) are still showing some signs of the impact of the pandemic. The Public Administration sector, which had seen a COVID-induced employment surge in 2020, has now fallen back to levels similar to pre-COVID.

Cairns Employment by Industry

Feb quarter 2023
Conus Industry Trend '000s






Source: Conus derived from ABS

Despite concerns about labour market weakness a few months ago the national unemployment rate remained stable at 3.5% (where it has been since August 2022).

At the State level we see the unemployment rate in Queensland remains stable at 3.7% and has been between 3.5% and 3.7% since August last year.

Despite a continued drift lower in participation in Cairns, driven largely by quite steep declines in female participation, the Trend unemployment rate has risen slightly (after some upward revisions to previous months). The unemployment rate in Cairns edged

UNEMPLOYMENT RATE

3.5%	3.7%	4.2%
NATIONAL	QLD	CAIRNS
		
	LAST MONTH	
3.5%	3.7%	3.9%

up to 4.2% in February. The decline in female participation has seen female part-time work drop sharply (while full-time employment is up) and it is this loss of part-time employment that has driven the female unemployment rate up to 4.3%, having been just 3.2% a year ago, while the male unemployment rate sits at just 4.0% which is down from 4.9% a year ago.

Unemployment Rate
Conus/CBC Staff Selection and ABS Trends %



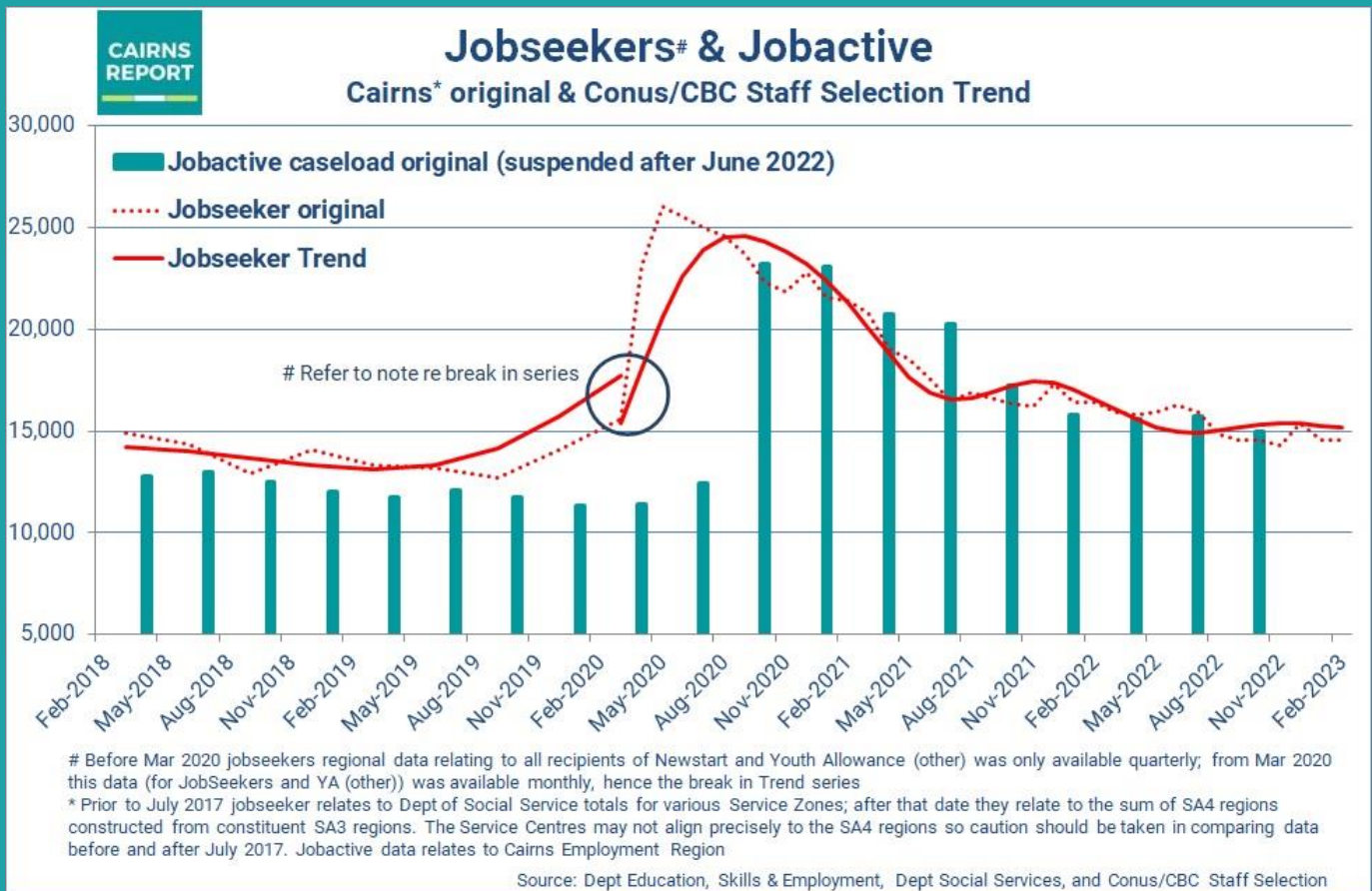
Source: ABS and Conus/CBC Staff Selection



The JobSeekers data remains stable, close to post-COVID lows.

It is clear that the Cairns labour market has eased in recent months, but it is also clear that there still exists a good deal of tightness and we are certainly

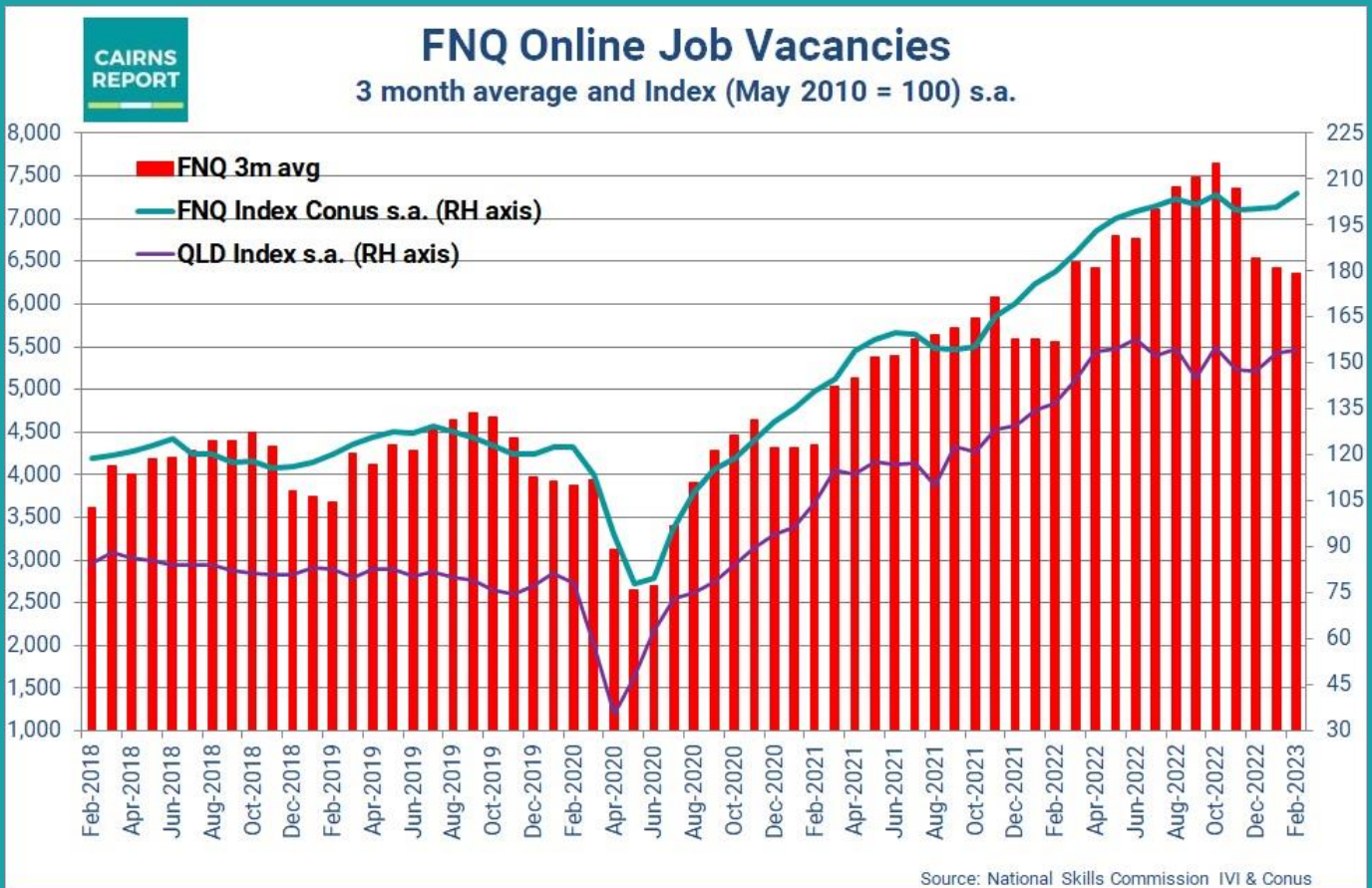
not seeing a dramatic easing of labour market conditions.



We noted last month that internet job vacancies fell slightly in January, and they did so again in February.

However, this is due to the seasonal effects at this time of year and when we consider the seasonally adjusted Trend data

series we see that this measure sits at an all-time high (having just exceeded the previous high from back in Jan 2012).



Approvals in Cairns for January were low (as would be expected at this time of year) but the seasonally adjusted measure shows that the steady decline seen over recent months is not all seasonally related.

We are certainly seeing approvals in Cairns tracking lower, although they remain well above pre-COVID levels. This decline is hardly surprising when we consider that, once again, the RBA has hiked rates since last month.

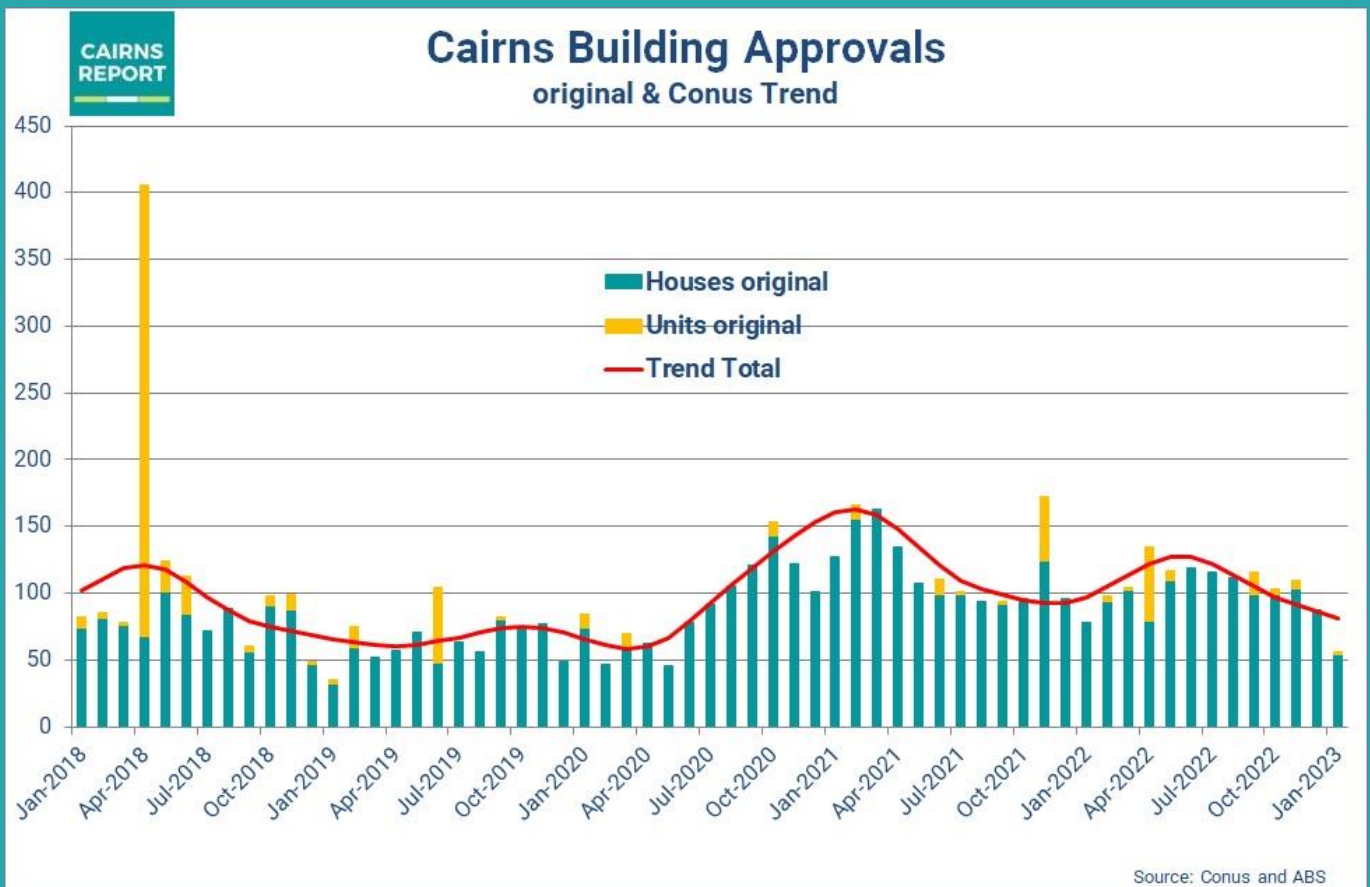
However, recent turmoil in the US banking sector and the resultant slowing (or at least lessening) of Fed rate hikes has seen a sharp reversal of market sentiment about rates in Australia.

HOUSES

▼ -16%

Building approvals change year-on-year
Latest trend approvals = 81

In our March edition we noted that the Cash Rate was expected to peak somewhere in the region of 4.25% towards the end of this year before seeing some gradual declines through the first half of 2024. As we write, the markets are now pricing in virtually no further hikes to the Cash Rate and cuts starting as early as July. The projected rate for the end of this year is now 50bps below where it was projected to be just a month ago!



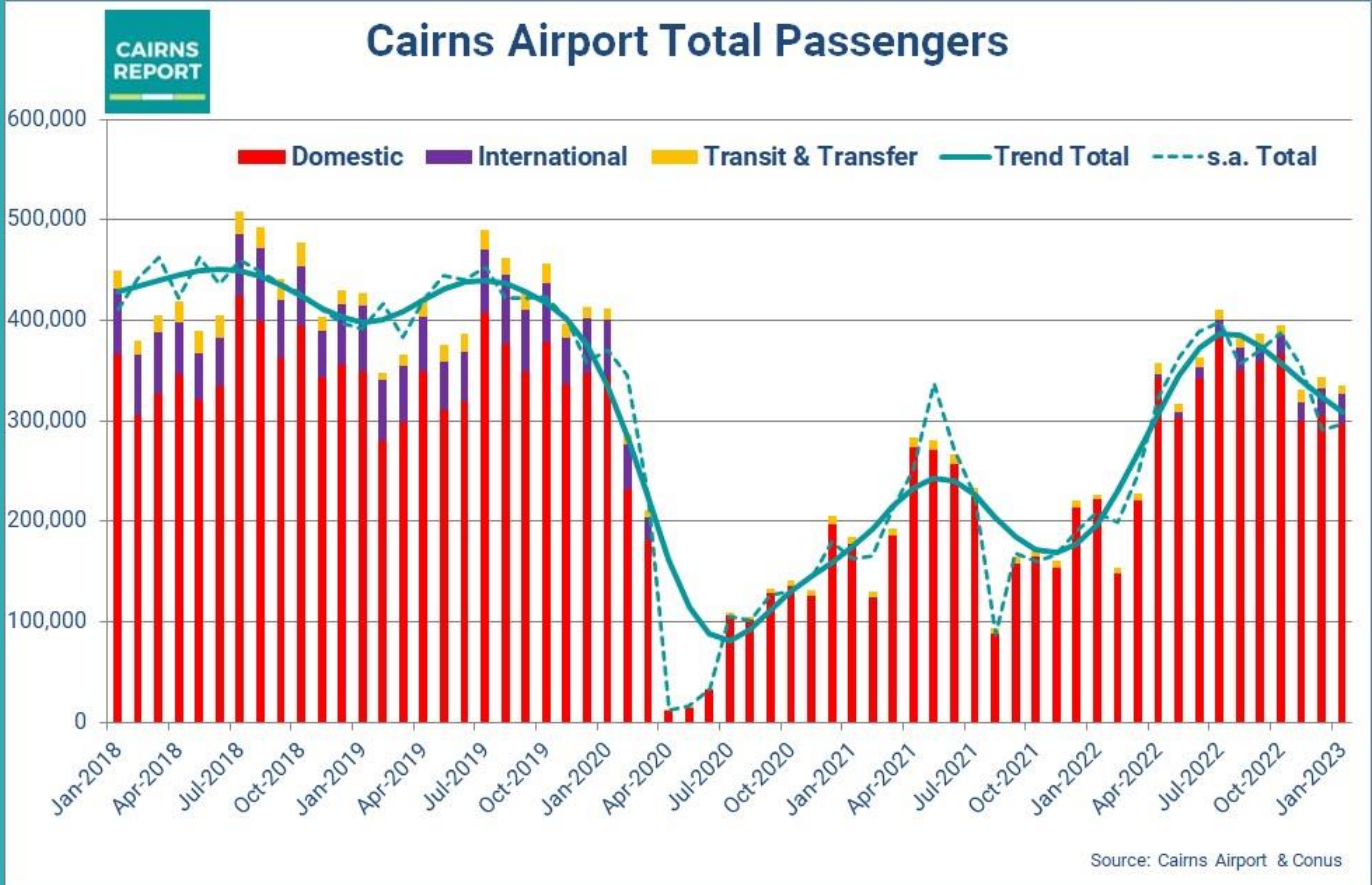
Passenger numbers through the Cairns Airport have again eased in February, which is to be expected at this time of year; a fact reflected in the fact that the seasonally adjusted series actually edged a little higher in the month.

Nevertheless, it's clear that the domestic tourism surge seen post-COVID has started to ease as Aussies look to return to overseas holidays and we are yet to see a significant return of international visitors to the region. In the five years prior to the COVID pandemic

international passengers accounted for an average of 13% of all passengers through the Airport (a figure that had fallen from more than 20% in 2005-06). Having fallen to virtually zero at the height of travel restrictions this measure now sits just below 11% which shows us that despite the relatively small international passenger numbers things are starting to return much closer to a pre-COVID 'normal'.

PASSENGERS
348,209 ▼ **262,825**
 FEB '19 FEB '23

Cairns Airport Total Passengers



Source: Cairns Airport & Conus

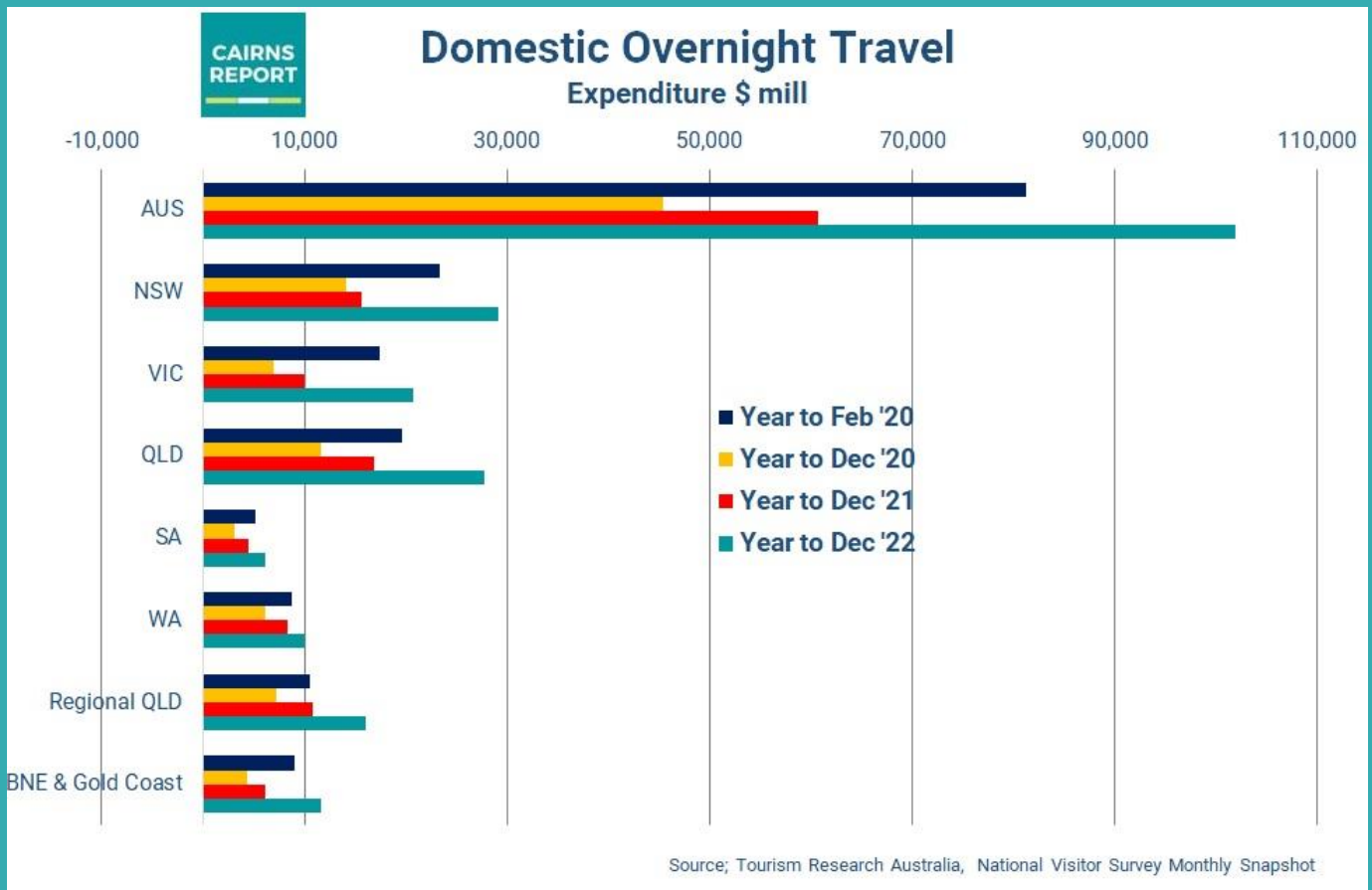


The rather delayed monthly overnight domestic tourism data to December 2022 shows domestic tourism expenditures across Australia were still very strong at that stage.

The national annual figure for the previous 12 months is 29% 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 47% higher than it was for the last pre-COVID year. Regional Queensland has performed even better and in the 12 months to December total domestic expenditure was 56% above the level for the year to March 2020.

On the next page, we dig deeper into the tourism expenditure for Tropical North Queensland.

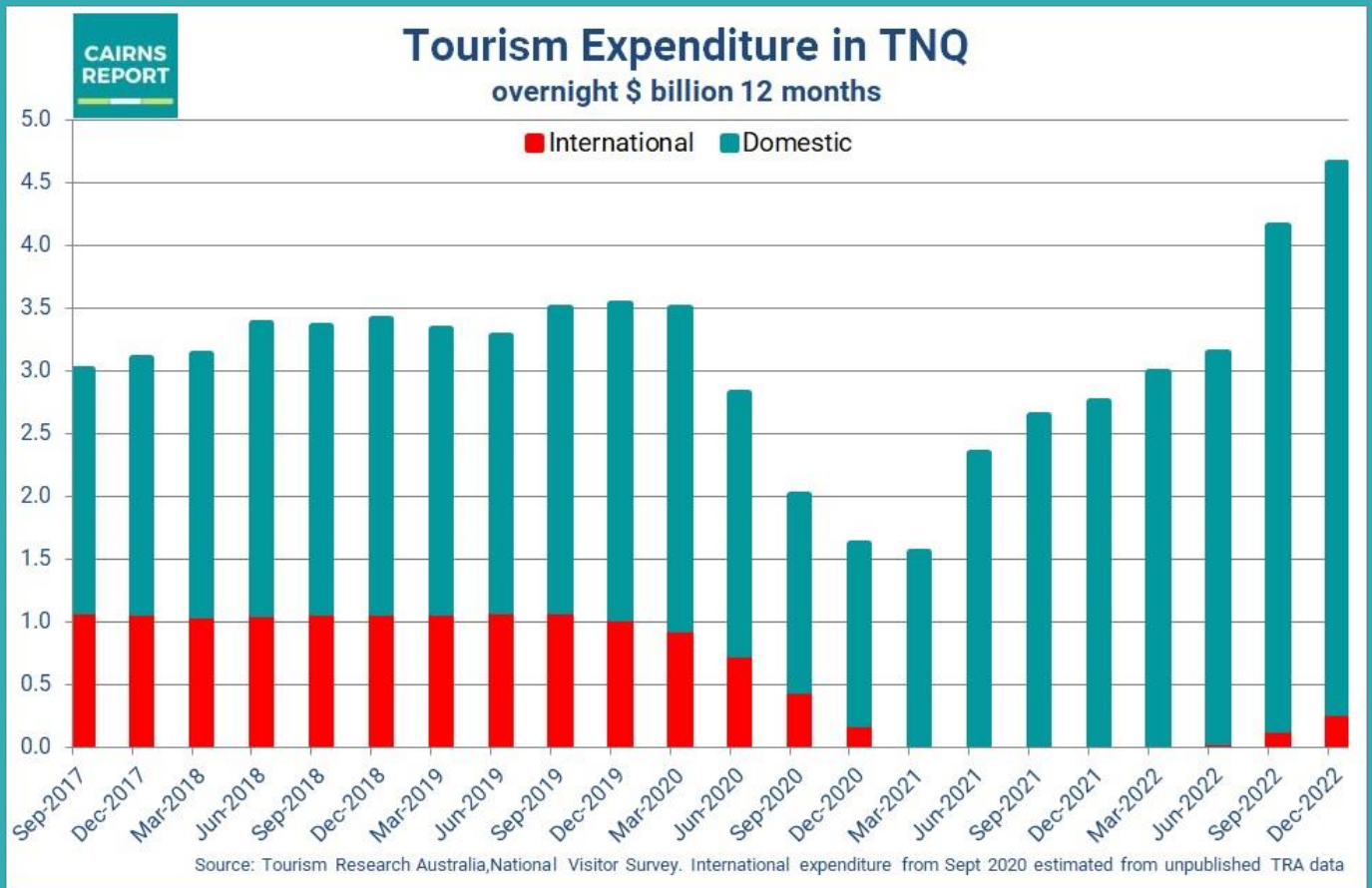


Data at the regional level to December 2022 shows that domestic overnight tourism expenditures were up 60% y/y to \$4.38 billion and hit another record high.

International regional expenditures were also up strongly, although at \$276 million they remain well down from pre-COVID levels which were in excess of \$1 billion.

Total tourism expenditure in TNQ reached almost \$4.7 billion for the year to Dec 2022 which represents an increase of almost 70% from the year to Dec 2021 and is up almost 32% from the year to Dec 2019.

The national annual figure for the previous 12 months is 29% 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 47% higher than it was for the last pre-COVID year.



The series of interest rate rises appear to be having some effect in the Cairns real estate market. However, as we note in our commentary on building approvals, that may be about to change with a significant reversal of sentiment about the future direction of interest rates. Despite these rate increases, and the obvious impact they have been having on the real estate markets in capital cities to our south, there still appears to have been only very limited impact felt here in Cairns. While prices look like they may have halted their

increases, they remain well above levels a year ago and are showing no signs of the kind of precipitative falls seen elsewhere; median house prices in particular are strong, up 16% for the year, and even though unit price growth has slowed (+5% y/y) it remains positive.

MEDIAN PRICES

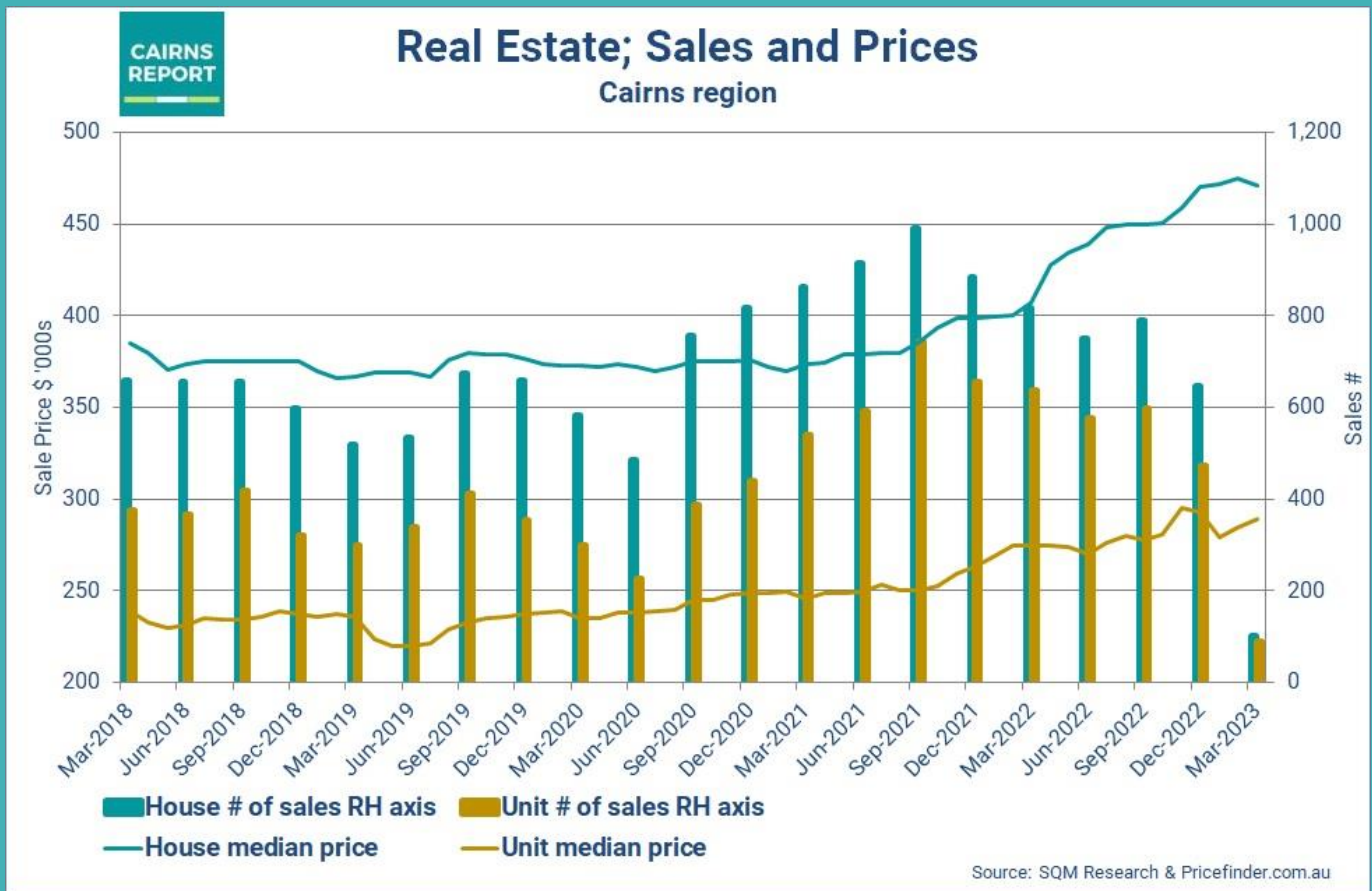
▲ **\$289,000**

UNITS
+5% y/y

▲ **\$471,000**

HOUSES
+16% y/y

Source: SQM Research



RENTAL VACANCY RATE

The rental vacancy rate remains very tight at just 0.8% which indicates just how stressed the rental market is.

It is therefore not surprising that we continue to see rents increasing, as we can see on the following page.

0.8%

FEB '23

0.8%

FEB '22

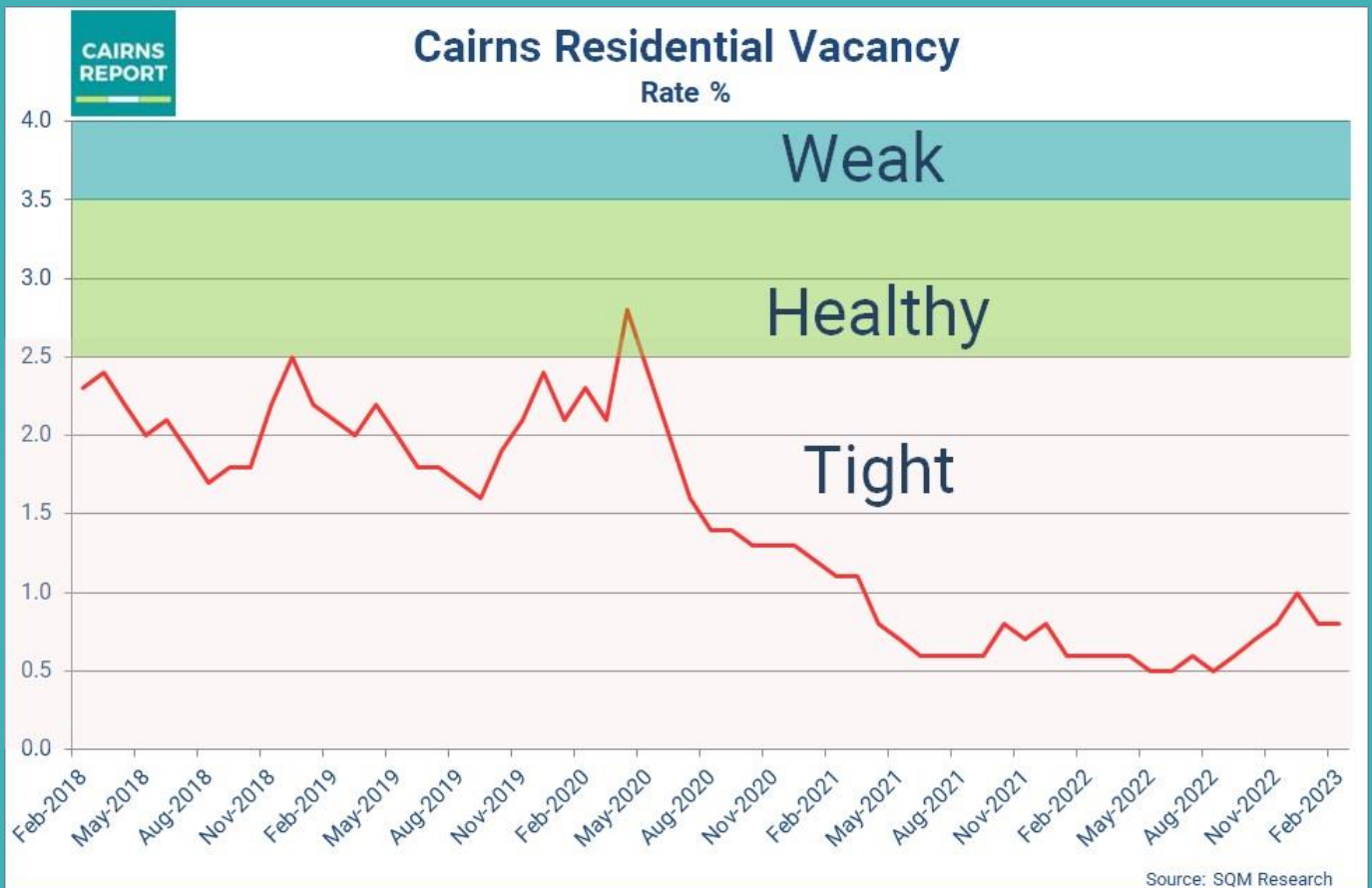
2.6%

FEB '20

2.4%

FEB '18

Source: SQM Research



Median 3-bedroom house rents are now up 6% for the year and have moved solidly above \$500 pw while 2-bedroom units, despite dipping slightly below \$400, are still up 6% for the year.

If we do indeed see a change in the direction of rates (or even just no further rises) it would appear that the Cairns real estate market will have ridden out the tightening cycle in remarkably good shape. Given how tight the market remain, and the ongoing pressure from

regional migration (and the return of international migration) we would not be surprised if we see another significant move higher in the Cairns real estate market as we move through the rest of 2023. Of course, that could all change quickly if the market's sense about rates proves to be a false dawn!

MEDIAN RENTALS

\$392
UNITS p/w
+6% y/y

\$506
HOUSES p/w
+6% y/y

Source: SQM Research

Cairns Median Weekly Rents



Source: SQM Research





Everything is relative. We had a more normal first quarter in so much as January and February sales volumes were a bit lower and we started to see some more listings coming on in March. That's how it normally was for us pre-COVID.

Looking back at the numbers we did something like 3 times more sales in '21 & '22 compared to the years prior and this year that number was about 2 times. Relatively speaking, still very good.

As has been very well reported, the sheer lack of available property to buy has been keeping the market stable but in March I started to notice something new. Every second property I looked at to discuss selling had been purchased in the 18-24 months prior. People are selling for a variety of reasons from profit to rushing in and buying something unsuitable. It's not a mass exodus by any means but it is something I haven't seen before. It might be exacerbated by the fact that we do so much in "lifestyle" areas where the majority of buyers are not families.

The good news is that every one of those properties went up in value and we do have plenty of buyers in the wings.



Nicholas Slatyer
*Belle Property
Cairns*



Andrew Cornes
Partner – Audit & Assurance
Grant Thornton



The Cairns economy seems to be quite resilient and not showing any significant changes from last month. Tourism seems to have had a good period across the Easter weekend and school holidays more generally even if not as strong as previous years. This may be a leading indicator that the domestic interest rate increases seen each month across most of the last year has started to weigh on the consumers decisions to travel or stay home.

As we come out of April into the quieter times of May and June, we will need to assess what the forward bookings look like and whether consumer sentiment remains cautious. National indicators suggest confidence is returning and there will be a lot of analysis over the next month in the run up to the first full budget of the new government. More can be said on this next month.

This last month saw the start of Bonza airlines flying in and out of Cairns. It's refreshing to see a new airline cross our skies and present new opportunities for travellers.

We haven't yet seen any real changes in property prices or the length of time property is taking to sell although the market has definitely cooled down from the peaks of recent years. Demand remains strong and supply is limited across our region and building new stock takes time. The so called "mortgage cliff" is getting ever closer (April to July) so we will have to see how those low-rate fixed rate positions unwind over the coming months and whether the impact is real or another Y2K event.

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CAIRNS REPORT

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