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Grant Thornton



**BUILDING APPROVALS:** Trend approvals in Cairns continue to move a little lower, emphasising the fact that although approvals remain robust compared to pre-COVID, the interest rate hiking cycle has taken some shine off the sector in recent months.

**TOURISM:** Passenger numbers through the Cairns Airport rallied somewhat in March after a seasonally weak February. Our Trend series appears to have stabilised but remains about 80,000 per month below the same month before COVID.

**EMPLOYMENT:** There has clearly been some easing in labour force dynamics in Cairns but an unemployment rate at just 4.6% is still historically low for the region.

**REAL ESTATE:** The steady price appreciation in both houses and units continued in the first quarter and the rental vacancy rate remains very tight at just 0.8%.

## UNEMPLOYMENT RATE

|             |             |             |
|-------------|-------------|-------------|
| <b>3.5%</b> | <b>3.8%</b> | <b>4.6%</b> |
| NATIONAL    | QLD         | CAIRNS      |

## PEOPLE EMPLOYED

|                   |                  |                |
|-------------------|------------------|----------------|
| <b>13,883,100</b> | <b>2,801,400</b> | <b>135,900</b> |
| NATIONAL          | QLD              | CAIRNS         |

## PROPERTY PRICES

|                    |                    |
|--------------------|--------------------|
| <b>↑ \$293,000</b> | <b>↑ \$479,000</b> |
| +7% y/y            | +12% y/y           |
| UNITS              | HOUSES             |

## MEDIAN RENTS

|                    |                    |
|--------------------|--------------------|
| <b>↑ \$398 P/W</b> | <b>↑ \$493 P/W</b> |
| +5% y/y            | +4% y/y            |
| 2-BED UNIT         | 3-BED HOUSE        |

## AIRPORT PASSENGERS

|                |          |                |
|----------------|----------|----------------|
| <b>365,031</b> | <b>↓</b> | <b>324,089</b> |
| MAR '19        |          | MAR '23        |
| CAIRNS AIRPORT |          |                |

## BUILDING APPROVALS

83 APPROVALS IN FEBRUARY

**↓ -20%**

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

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Cover: Crystalbrook Riley in Cairns.

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For the seventh consecutive month we see a decline in Trend employment in Cairns. It is clear that employment in Cairns hit its medium-term highs in the middle of last year and we have seen a steady decline since then.

However, we should also note that full-time employment remains quite strong for the year, and although it edged lower again this month it is still up 4.4% on the year. The weakness we are seeing over the past 7 months is being driven principally by a decline in part-time positions. Indeed, when we dig into these numbers more deeply we see that the weakness has almost exclusively come from a sharp decline in female part-time employment while full-time

## PEOPLE EMPLOYED

|            |            |         |
|------------|------------|---------|
| 13,883,100 | 2,801,400  | 135,900 |
| NATIONAL   | QLD        | CAIRNS  |
| ↑          | ↑          | ↓       |
|            | LAST MONTH |         |
| 13,851,400 | 2,795,000  | 135,900 |




employment has lifted. Male employment has also fallen slightly but in this case it has been driven by a slight drop in full-time jobs with only a very small increase in part-time work.

Nationally it was another strong month with almost 32,000 people added in March. Full-time employment was particularly strong. It's a similar story in Queensland with another 6,400 added and a new record high reached.

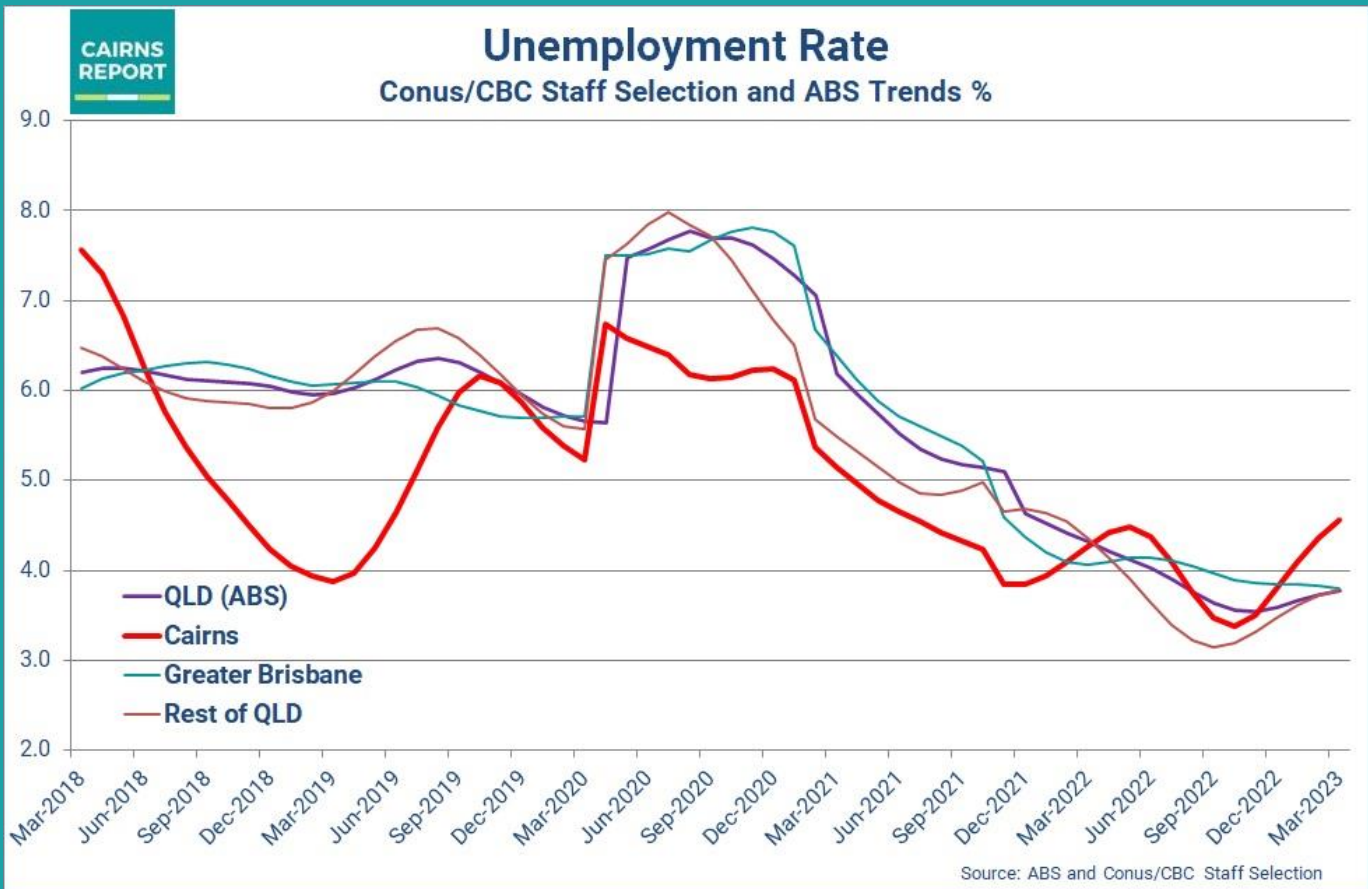


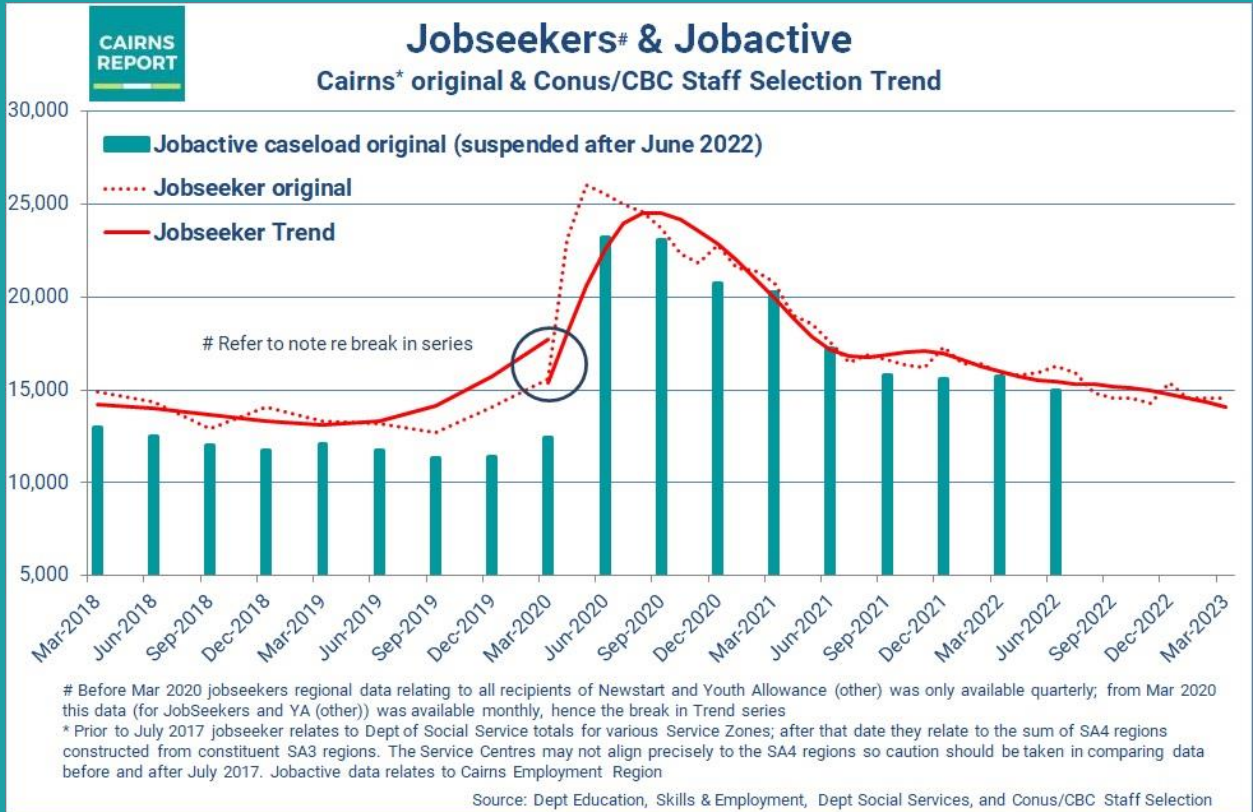
Our commentary for Cairns this month is very similar to last. Despite a continued drift lower in participation in Cairns, driven largely by quite steep declines in female participation, the Trend unemployment rate has again risen slightly (after some upward revisions to previous months). The unemployment rate in Cairns edged up to 4.6% in March. 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 4.6%, having been just 3.7% a year ago, while the male unemployment rate sits at 4.5% which is down

## UNEMPLOYMENT RATE

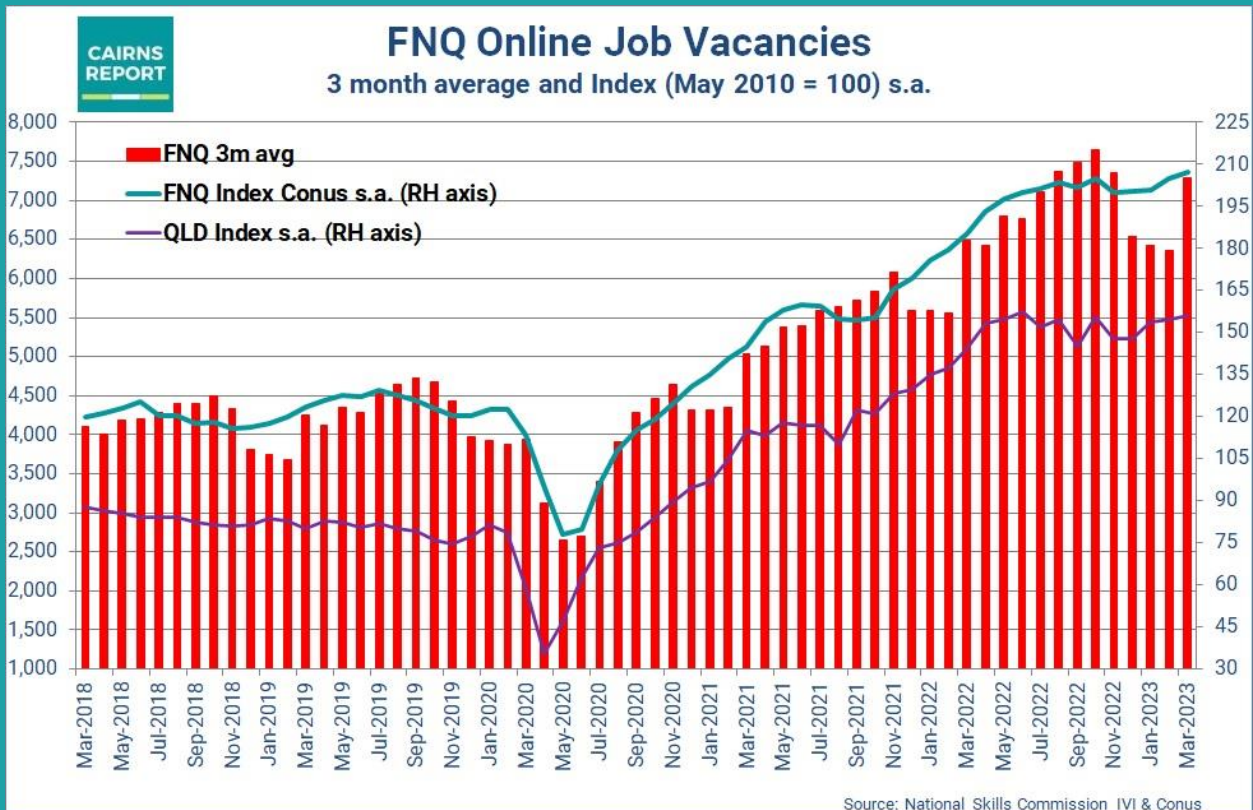
|   |   |   |
|---|---|---|
| <b>3.5%</b>   | <b>3.8%</b>   | <b>4.6%</b>   |
| NATIONAL  | QLD   | CAIRNS  |
|  |  |  |
|   | LAST MONTH  |   |
| <b>3.5%</b>   | <b>3.8%</b>   | <b>4.4%</b>   |

from 4.8% a year ago. There has clearly been some easing in labour force dynamics in Cairns but an unemployment rate at just 4.6% is still historically low for the region. Prior to the pandemic we were witnessing a strong labour market in Cairns with, at the time record high employment, but even then the unemployment rate never got below 5%.

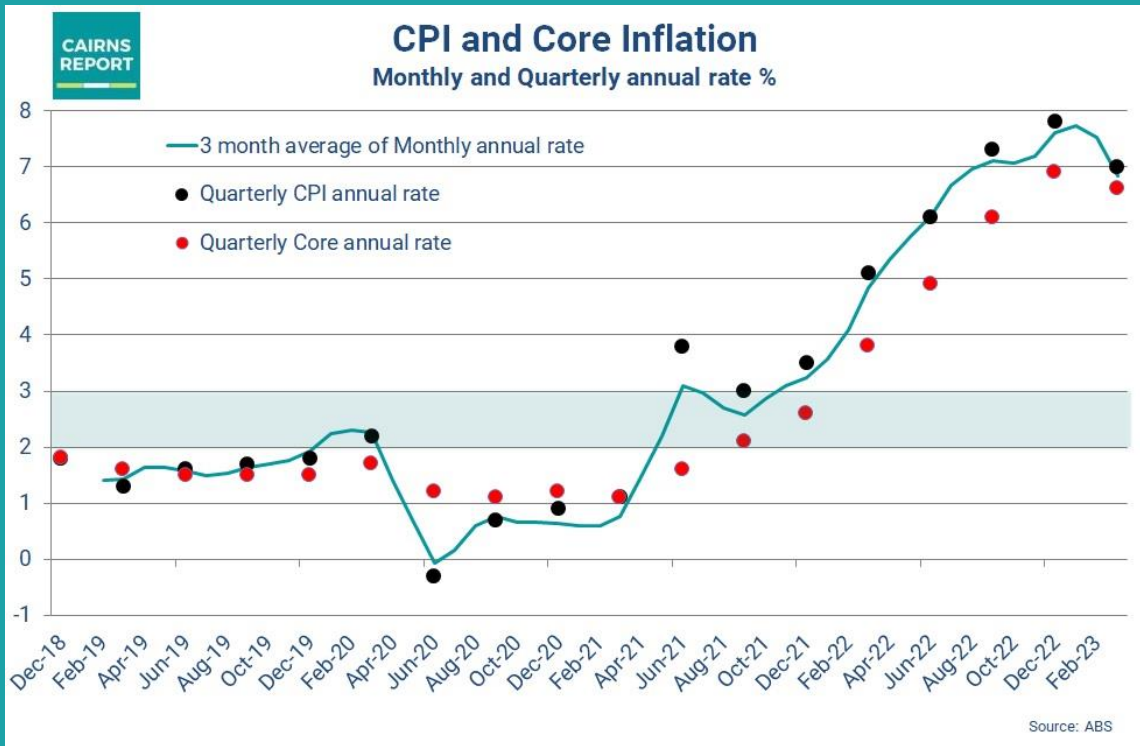




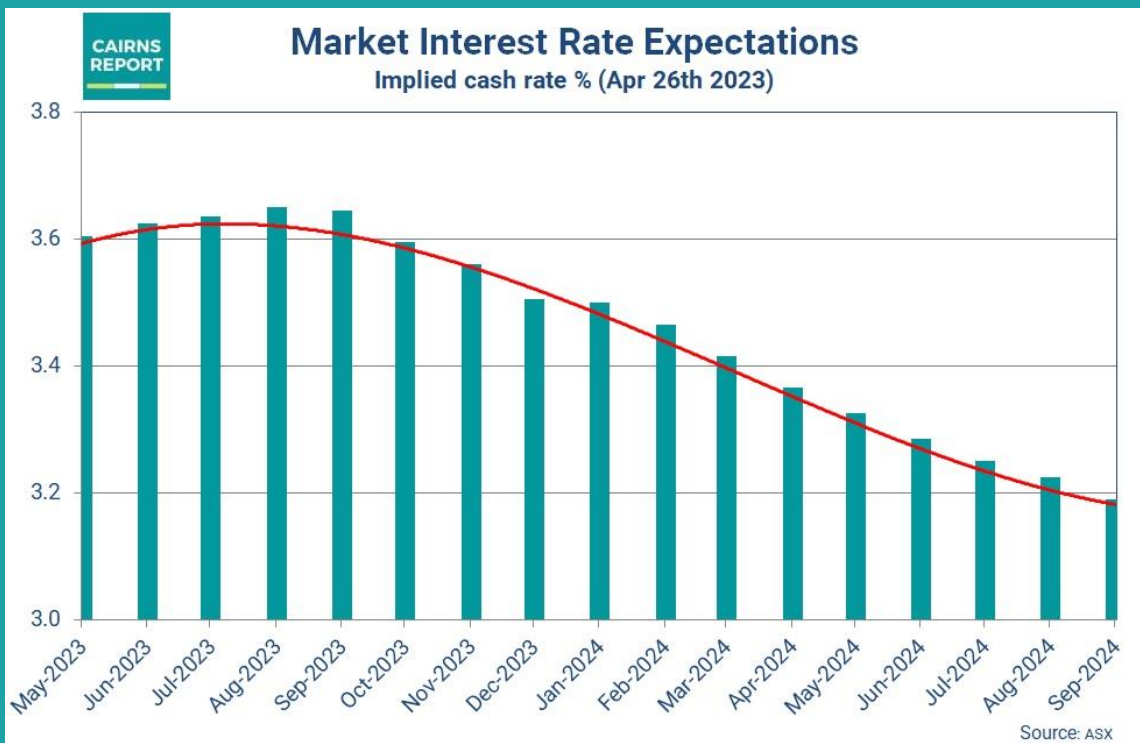
**JobSeekers, and especially the Online Job Vacancies data for the past few months, continue to show a tight Cairns labour market and anecdotally employers are still finding it hard to recruit staff.**







We noted last month that events in the US banking sector eased back market expectations of further rate hikes here in Australia and indeed the Reserve Bank did pause at 3.6% in April. However, the Bank surprised most observers by raising rates at its May meeting, taking the cash rate to 3.85%. The March quarter CPI data came in at 7% which, while significantly below the 7.8% of the previous quarter, is still well above the RBA’s target band and will be no impediment to raising rates further in coming months if they see the need.



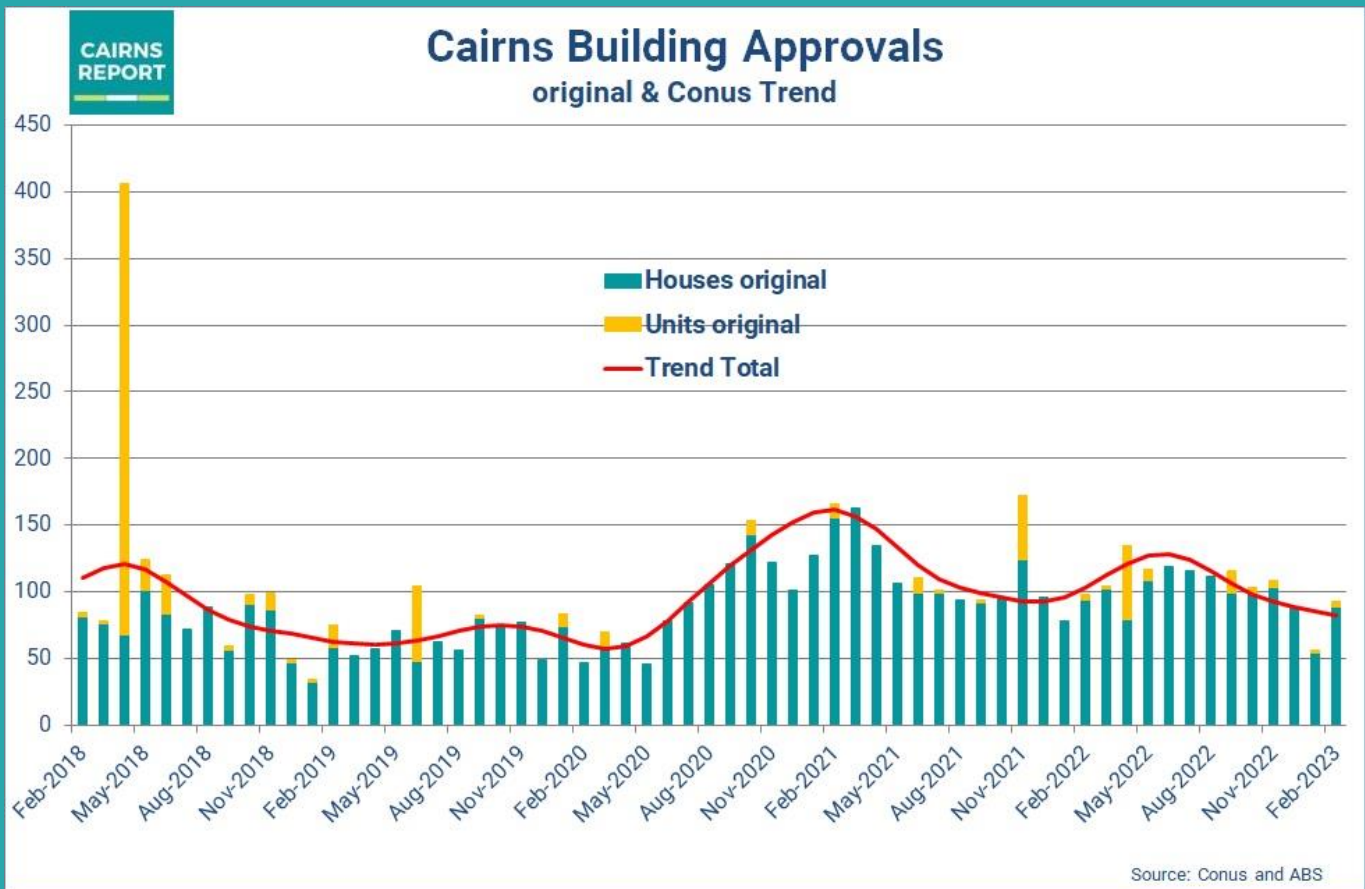
Although we saw a lift in actual approvals numbers in Cairns in February (as we had expected after a seasonally weak January) the Trend series continues to move a little lower to 83.

This emphasises the fact that, although approvals remain robust compared to pre-COVID, the interest rate hiking cycle has certainly taken some of the shine off the sector in recent months.

## HOUSES

▼ -20%

Building approvals change year-on-year  
Latest trend approvals = 83



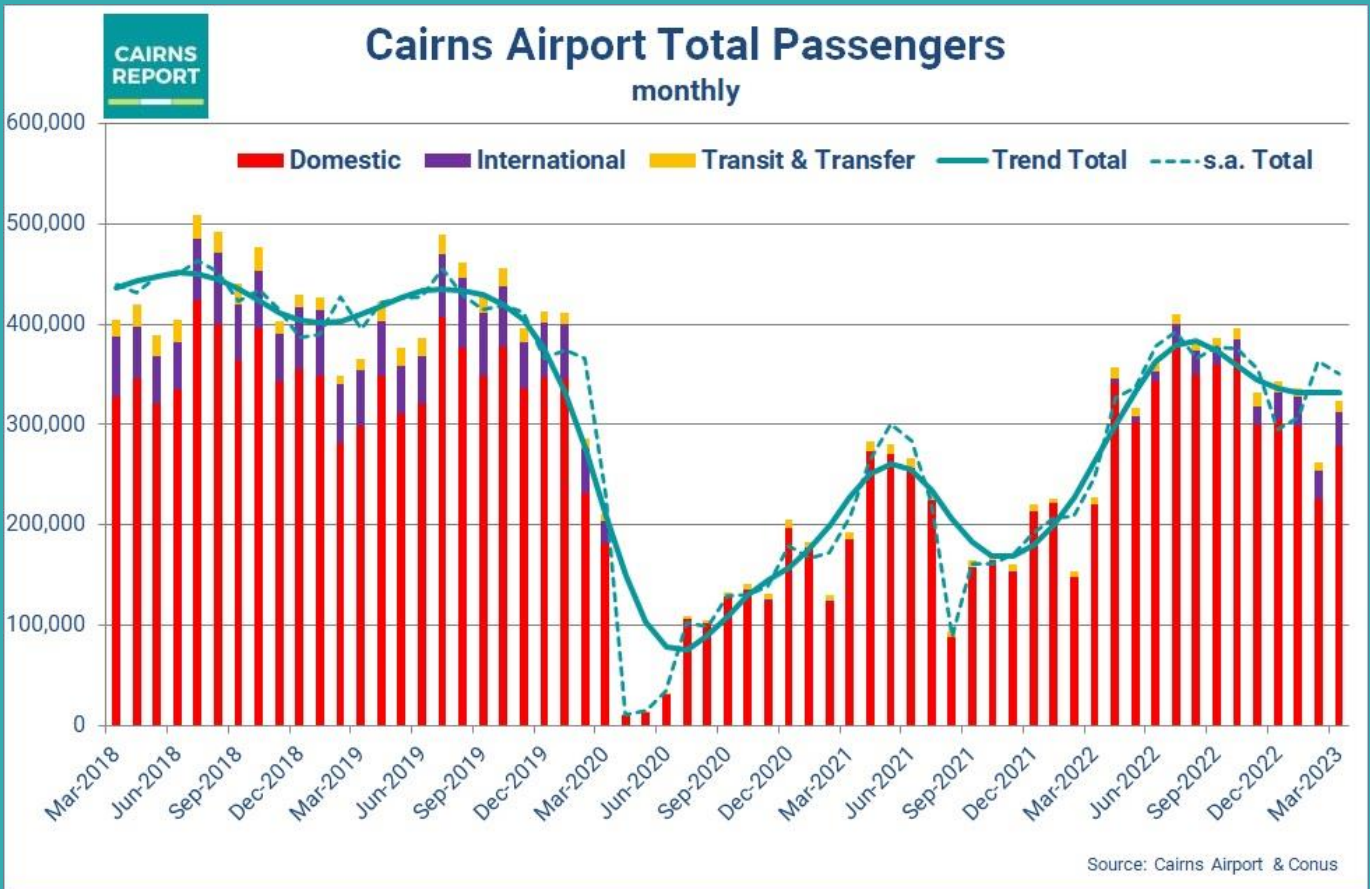
Passenger numbers through the Cairns Airport rallied somewhat in March after a seasonally weak February. Our Trend series appears to have stabilised but remains about 80,000 per month below the same month before COVID. Clearly most of this short-fall is from the international sector where passenger numbers, despite having recovered quite strongly, remain about 40% below their pre-COVID levels. Last month we noted that in the five years prior to the COVID pandemic international passengers had accounted for

**PASSENGERS**

**365,031** ▼ **324,089**

MAR '19 MAR '23

an average of 13% of all passengers through the Airport (a figure that had fallen from more than 20% in 2005-06) and that this measure had returned to almost 11% by February. Despite the improvement in passenger numbers in March that measure still remains below 11% this month too. The recovery to 'normal' at the Airport is still a work in progress.





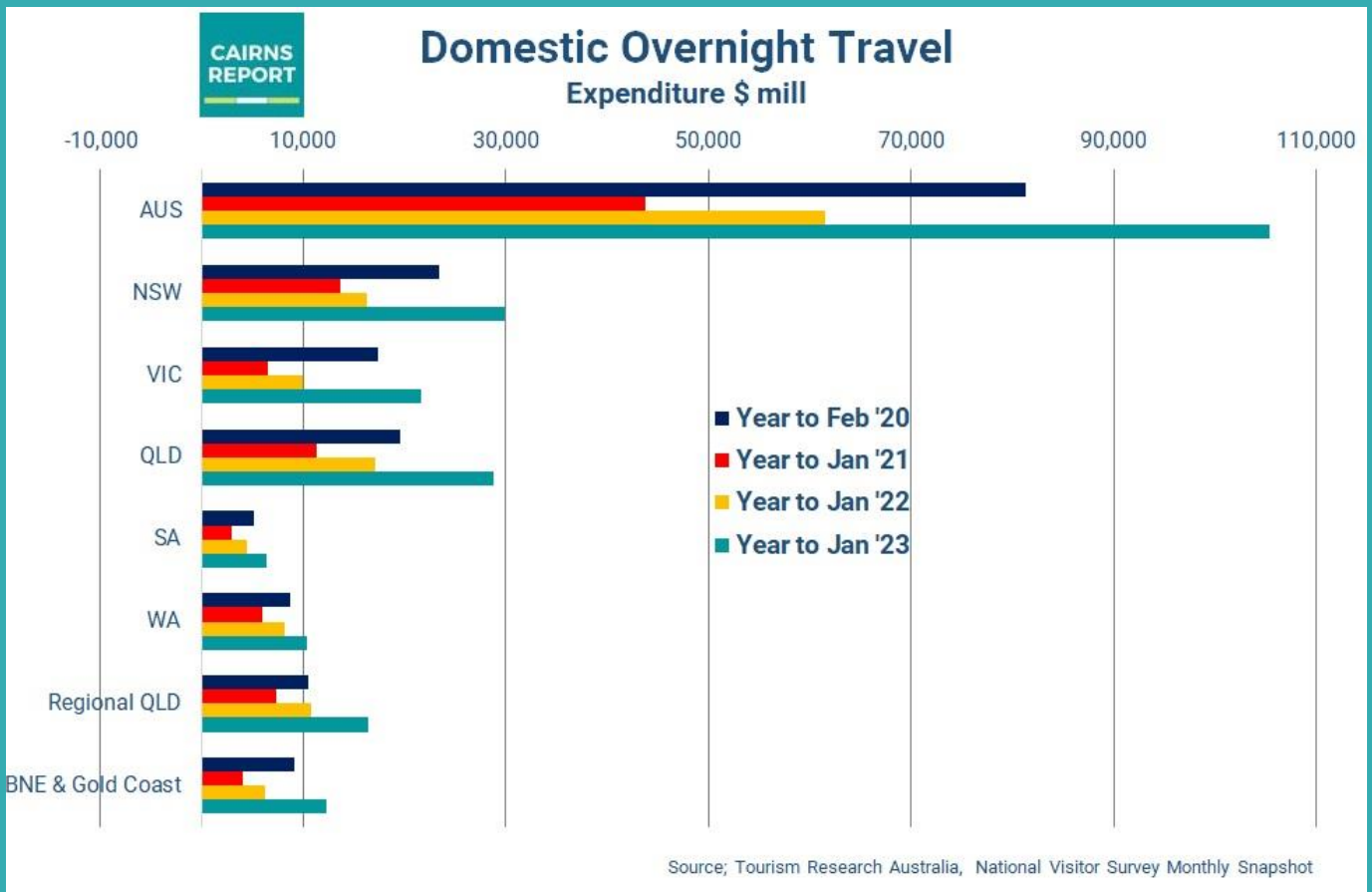
**The monthly overnight domestic tourism data to January 2023 shows domestic tourism expenditures across Australia remain strong.**

The national annual figure for the previous 12 months is 30% above that seen in the year prior to the COVID pandemic (year to February 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 January total domestic expenditure was 56% above the level for the year to February 2020.



We have been saying for some time that the interest rate increases we have seen in recent months have been having only limited impact on real estate prices here in Cairns; and that still appears to be the case.

There doesn't even appear to have been much of a stall in the steady price appreciation with both houses and units seeing further increases in the first quarter and now sitting 7% (units) and 12% (houses) above their levels of a year ago.

## MEDIAN PRICES

▲ **\$293,000** UNITS  
+7% y/y

▲ **\$479,000** HOUSES  
+12% y/y

Source: SQM Research



## RENTAL VACANCY RATE

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

As we note on the following page, the low vacancy rate continues to keep rents elevated.

0.8%

MAR '23

0.6%

MAR '22

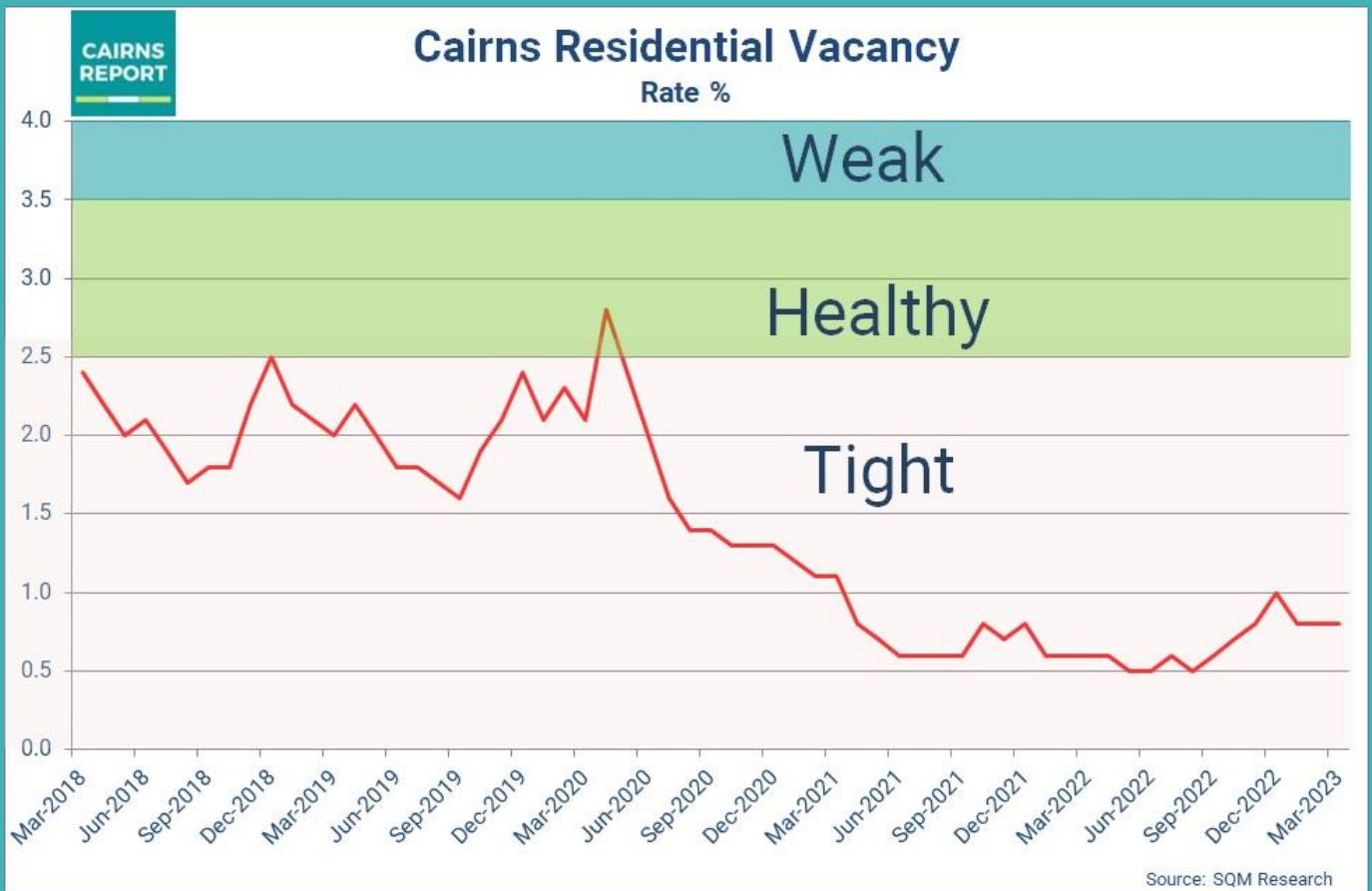
2.1%

MAR '20

2.4%

MAR '18

Source: SQM Research





As our chart makes clear, increases in rentals have certainly slowed (or even reversed) in recent months but the fact that the vacancy rate remains so low is keeping rents elevated.

Median 3-bedroom house rents are still 4% above their level of a year ago, despite having come off from recent highs above \$500 pw.

Likewise, median 2-bedroom unit rents may have eased but remain 5% above a year earlier.

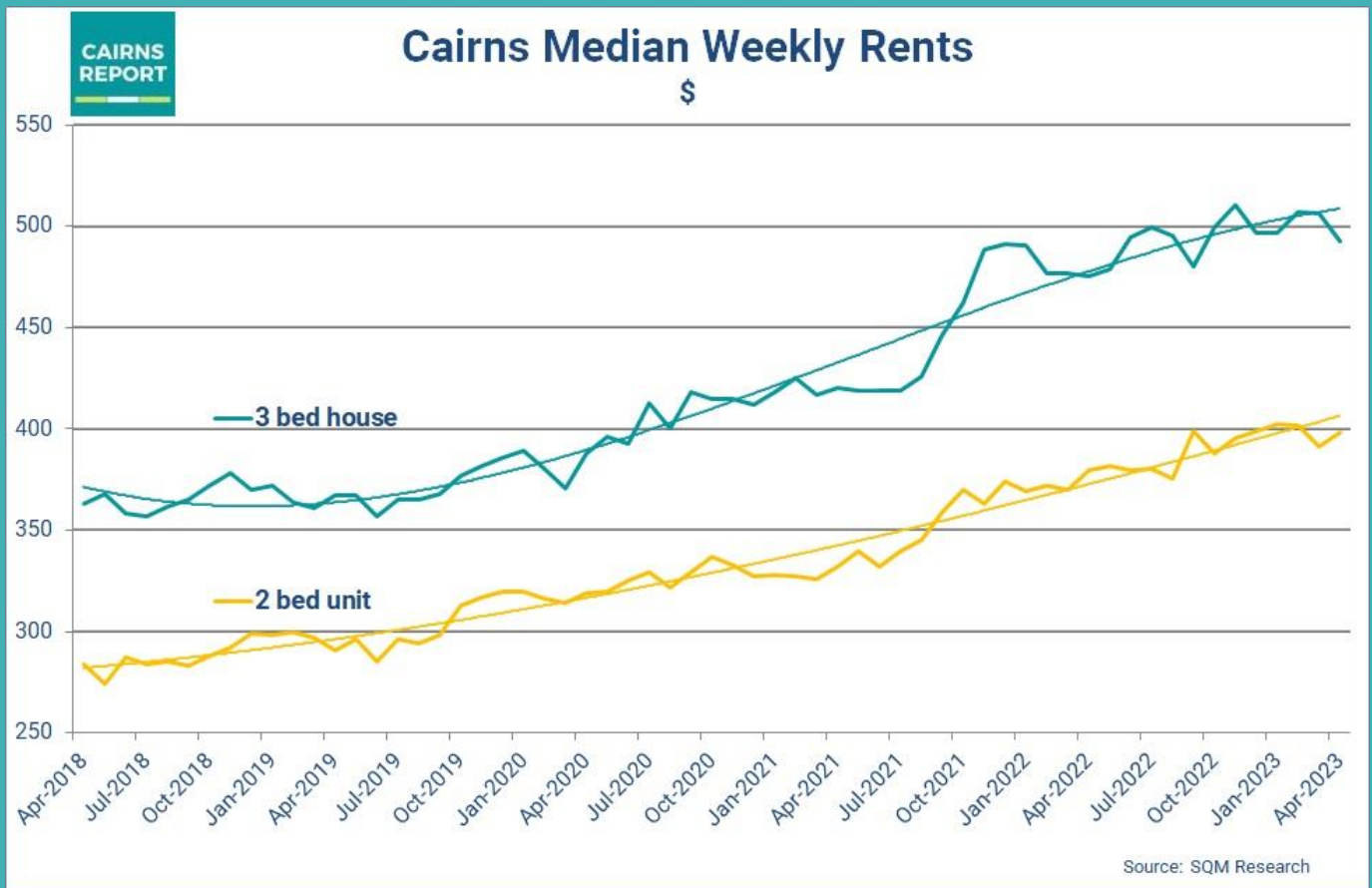
## MEDIAN RENTALS

**\$398**  
UNITS p/w  
+5% y/y

**\$493**  
HOUSES p/w  
+4% y/y

Source: SQM Research

Despite the RBA's recent surprise rate hike, the markets are projecting that rates may start to fall again towards the end of this year. If that does eventuate, then we might expect that the impact of the rate hike cycle will end up having been quite modest in Cairns.





The rental market in Cairns is an ongoing issue which is both a blessing and a curse.

A blessing in that the high rents are taking the edge off interest rate rises for investors but a real burden for people trying to move to Cairns for work (where will they live...?) and the financial pressure it puts on current tenants.

We have just been through the strongest three years of growth that Cairns has seen in over 20 years, yet there is basically no multi-unit development taking place.

Owner-occupiers are depleting the pool of available rental properties and have been for years.

So basically, there is no end in sight.

I asked our Property Managers how they felt on the ground:

- The market feels strong. Lots of enquiries for most properties. Prices are starting to level off a bit, but still generally trending upward
- Demand for rental properties still far outweighs supply and has kept prices rising steadily. It's difficult to see the current situation softening to a point in which renter stress is at pre-covid levels
- Still tight but appears to have cooled a little, it's not such a scramble for tenants to get whatever they can get, so they can be a little more discerning
- Owners have a choice of tenant/s and the overall quality of applicant is very high. Rental arrears is very low because a poor rental reference will make securing a home even harder.
- Prices appear to have plateaued for more expensive properties



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Against a backdrop of geopolitical tension, rising Inflation, higher interest rates and cost-of-living pressures, Treasurer Jim Chalmers will hand down his second Budget on 9 May.

While the economic challenges are being felt by Cairns households and businesses, there are significant opportunities in areas such as energy transition, digitisation, agriculture and defence, which will help to strengthen our economic prosperity and resilience.

Labor has announced that the upcoming Budget will be sensible, with a focus on repairing the economy and preventing a possible recession. While inflation in Australia is expected to have peaked, the government is unlikely to engage in large-scale spending in this Budget.

The focus is expected to be in key areas including defence, aged care, health care, electricity bill relief, and changes to the superannuation system.



Ranjit Singh  
*Holdings Redlich*

With another interest rate rise, we enter a period where investors will most likely become very cautious. It's a rollercoaster ride when it comes to where we've got to on rates.

The Cairns property market is holding up well with a lack of supply but demand for new builds is slowing. Demand for existing stock in highly sought after suburbs continues to be high. Population growth is bringing challenges for affordable housing, with all eyes on the State Government's housing investment fund which is yet to see any investments in regional Queensland.

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# CAIRNS REPORT

A monthly snapshot of the  
Far North Queensland economy



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