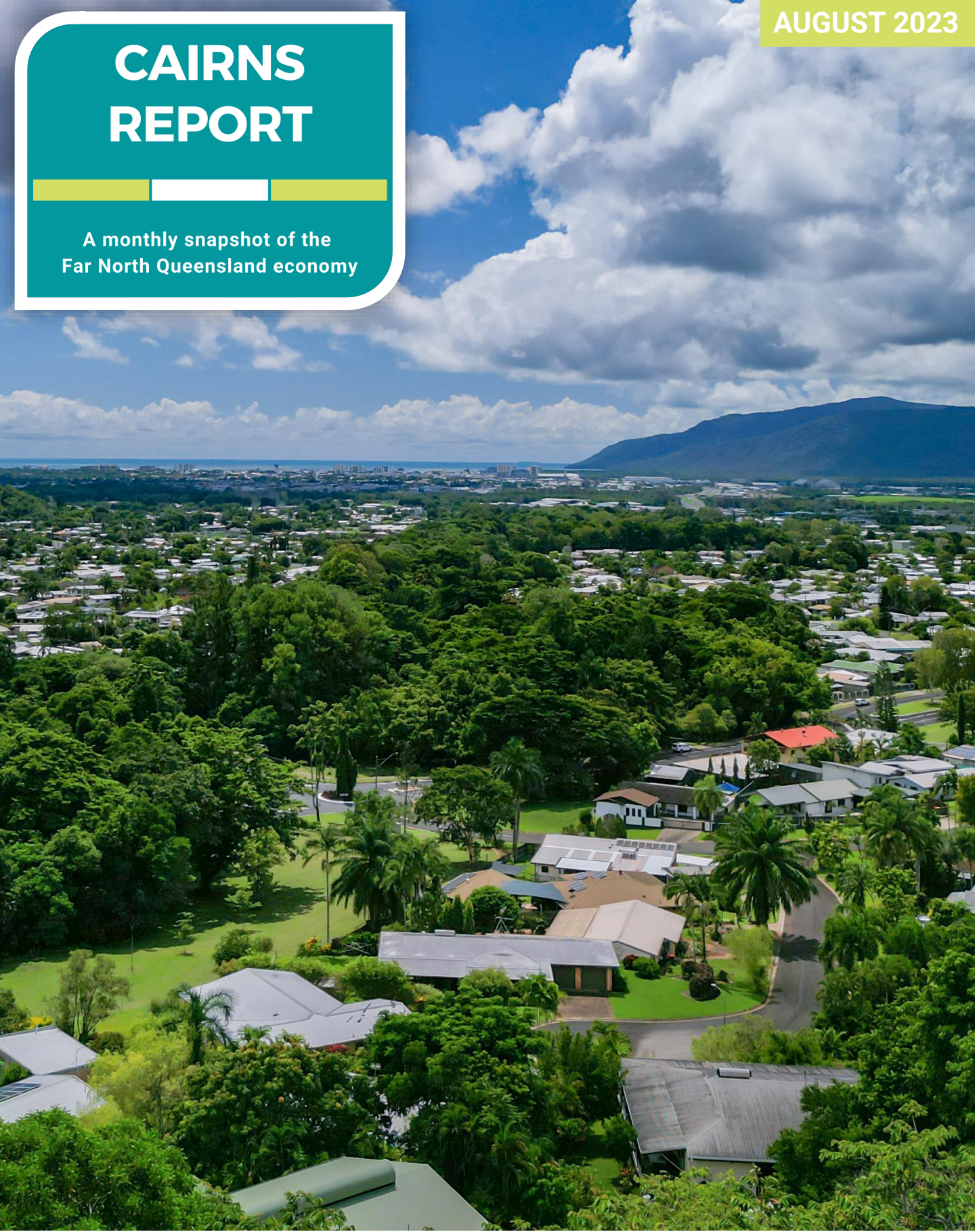


CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy



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EMPLOYMENT: For the third consecutive month Trend employment in Cairns lifted again in June (+800). **MORE > Pages 3 - 6**

BUILDING APPROVALS: Trend regional building approvals continue to drift lower, back to levels very similar to those experienced before the pandemic. **MORE > Page 9**

TOURISM: The data from Cairns Airport for June shows that the slow and steady improvement in passenger numbers continues. **MORE > Pages 10-11**

REAL ESTATE: The interest rate hiking cycle would appear to be at, or close to, its peak and yet we continue to see no apparent impact from rate hikes on real estate values in Cairns. **MORE > Pages 12-14**

UNEMPLOYMENT RATE

3.5%	3.8%	2.9%
NATIONAL	QLD	CAIRNS

PEOPLE EMPLOYED

14,045,800	2,852,400	139,400
NATIONAL	QLD	CAIRNS

PROPERTY PRICES

↑ \$300,000	↑ \$495,000
+9% y/y	+10% y/y
UNITS	HOUSES

MEDIAN RENTS

↑ \$401 P/W	↑ \$496 P/W
+6% y/y	unchanged y/y
2-BED UNIT	3-BED HOUSE

AIRPORT PASSENGERS

386,845	↑	387,733
JUNE '19		JUNE '23
CAIRNS AIRPORT		

BUILDING APPROVALS

65 APPROVALS IN MAY
↓ -49%
 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: View from Bayview Heights
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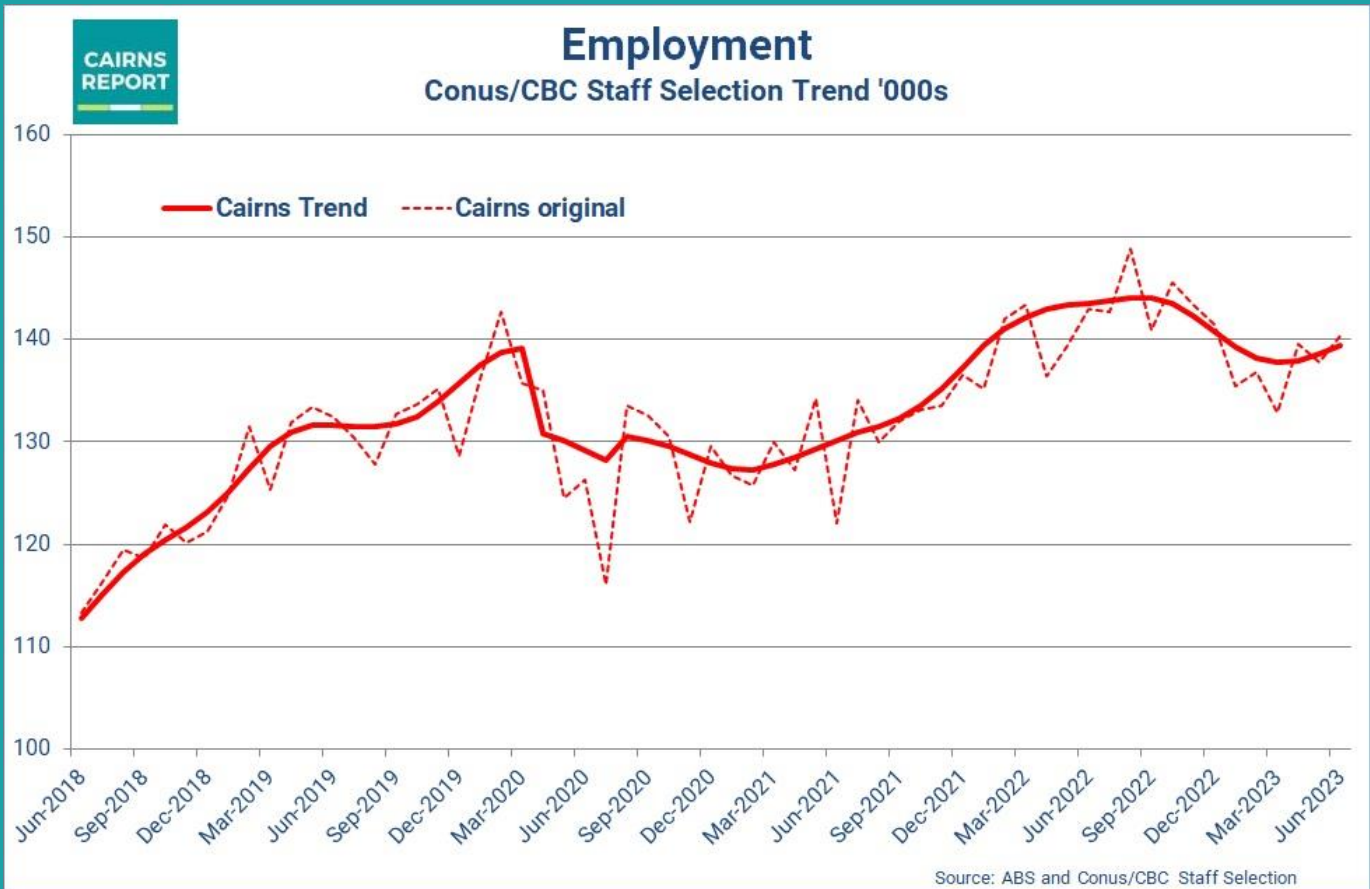
For the second consecutive month Trend employment in Cairns lifted again in May (+500).

The growth was split evenly between full and part-time employment, although the gender makeup was quite different. Male gains came in full-time positions while females saw all their improvement from the part-time sector. Over the course of the year almost all the decline in employment has come in the female cohort and that in turn has been driven by a steady decline in female participation (reversing the moves we saw during the COVID period). Nationally, Trend employment lifted strongly in June (along with some upward revisions to previous

PEOPLE EMPLOYED

14,045,800	2,852,400	139,400
NATIONAL	QLD	CAIRNS
↑	↑	↑
	LAST MONTH	
14,006,800	2,839,600	138,600

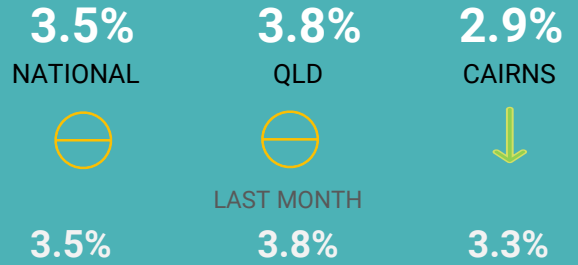
months) with another 39,000 added. Hours worked per capita saw another increase and is now toying with breaching levels not seen in more than 15 years. Trend employment lifted strongly in June (along with some upward revisions to previous months) with another 39,000 added. Hours worked per capita saw another increase and is now toying with breaching levels not seen in more than 15 years.



When it comes to the Cairns Trend data we must sound a word of caution.

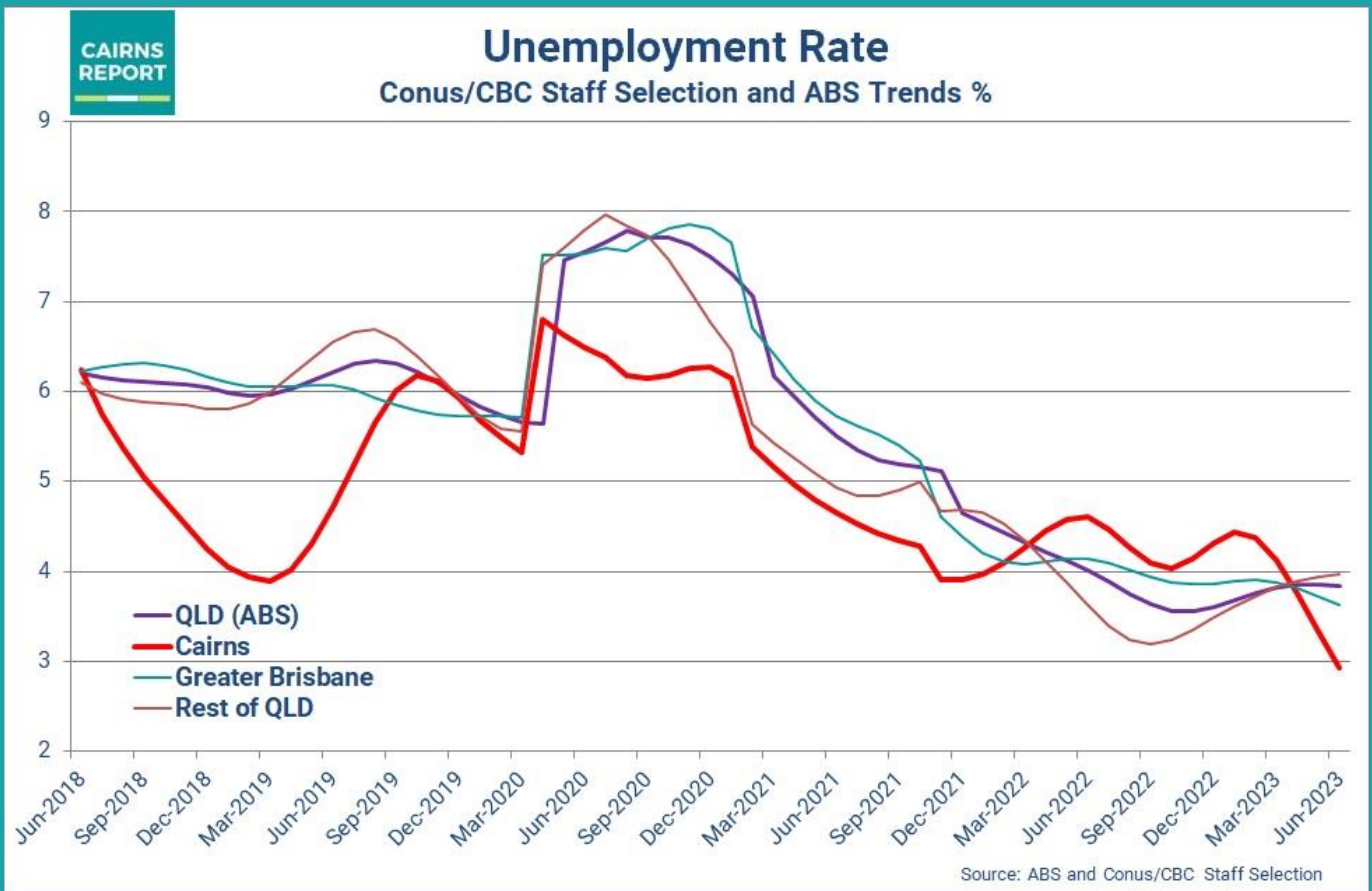
The original ABS data for the number unemployed in recent months, on which our Trend analysis is based, has shown some uncharacteristic issues with null returns (i.e. the original data is showing zero people unemployed) within certain sub-sets of the Cairns labour force. While we can try to adjust for such occurrences, which are more common in some smaller regional data-sets, we have to accept that such inconsistencies can distort the Trend analysis until such time as we see more reliable original data (hopefully by next month). As a result, we would not place too much emphasis on the headline Trend

UNEMPLOYMENT RATE



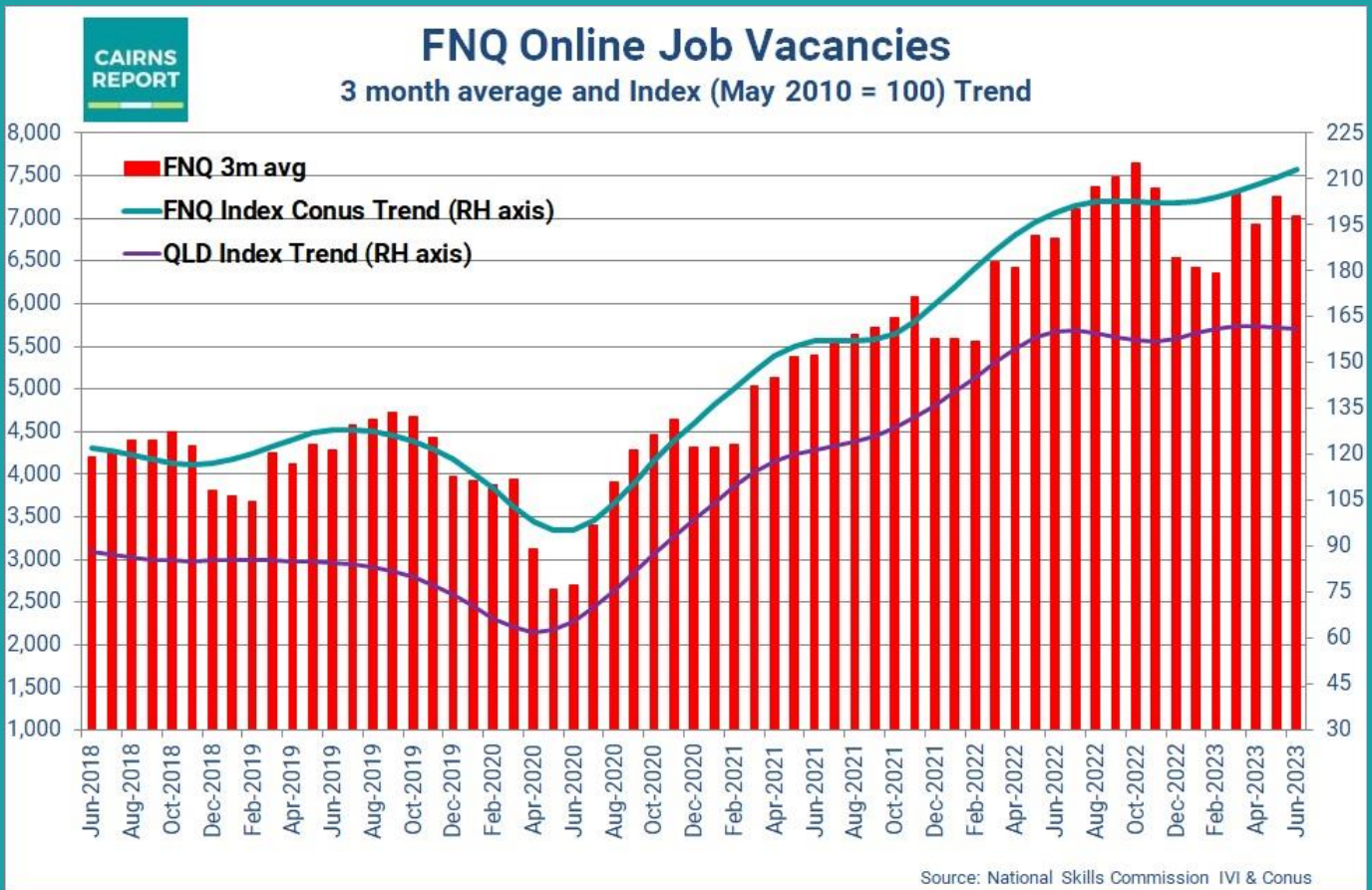
unemployment rate figure for June (2.9%) but rather focus on the strong employment numbers and not be surprised if, in coming months, we see the unemployment rate once again settle around 4%.

Nationally, the Trend unemployment rate has been at 3.5% for the past 11 consecutive months and Queensland has been below 4% for more than a year – a very strong labour market indeed!

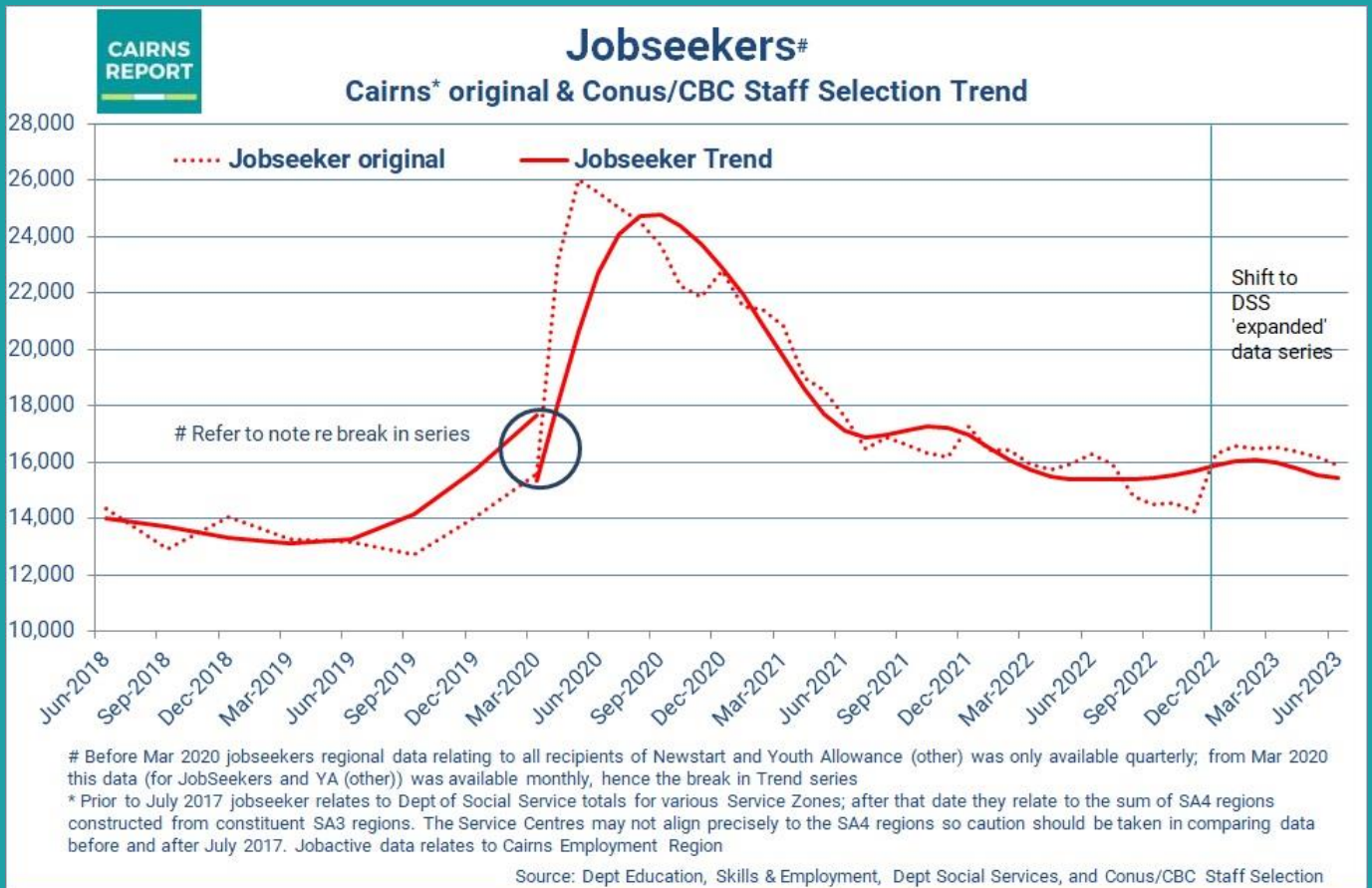


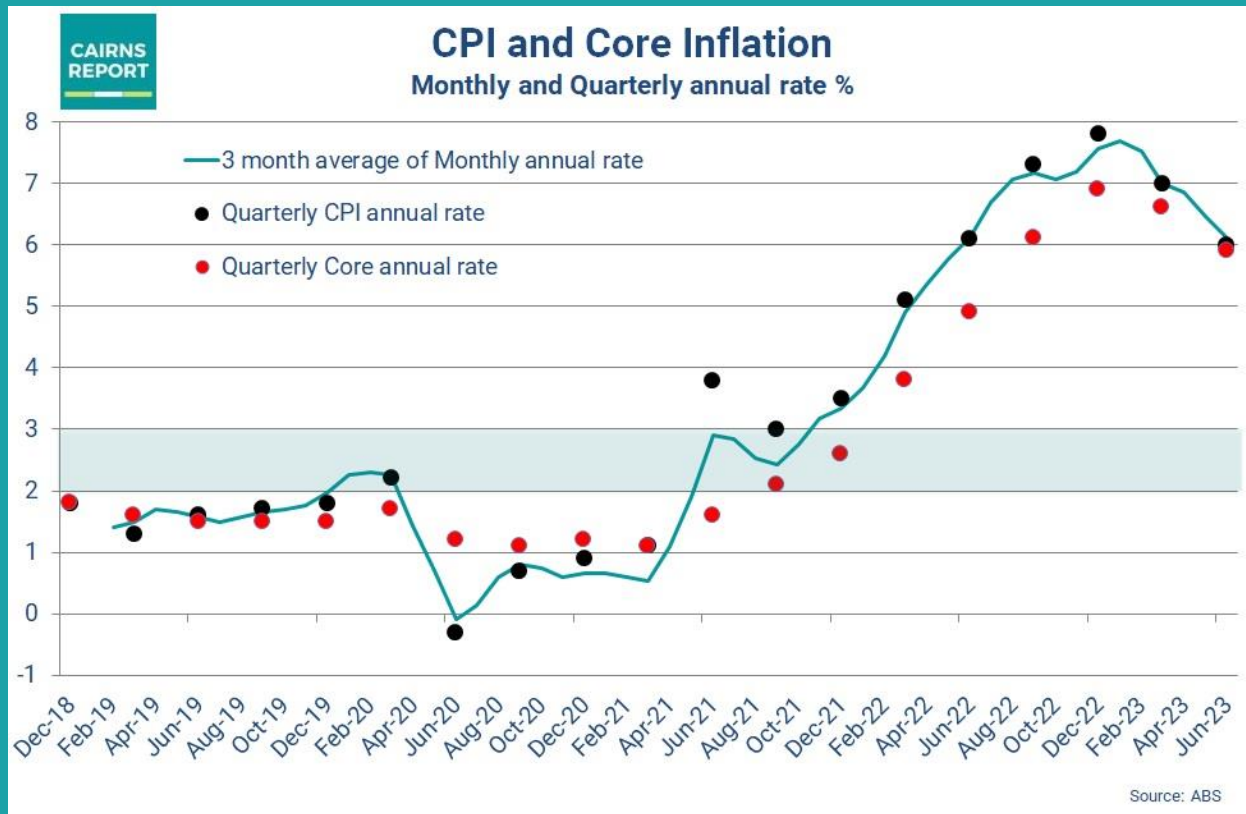
The Trend for Online Job Vacancies once again hit a new high in June.

The data is certainly showing, and anecdotal evidence supports, that the labour market in Cairns remains tight; the decline in employment has been driven not by weak demand for labour but rather by a decline in (especially female) participation.

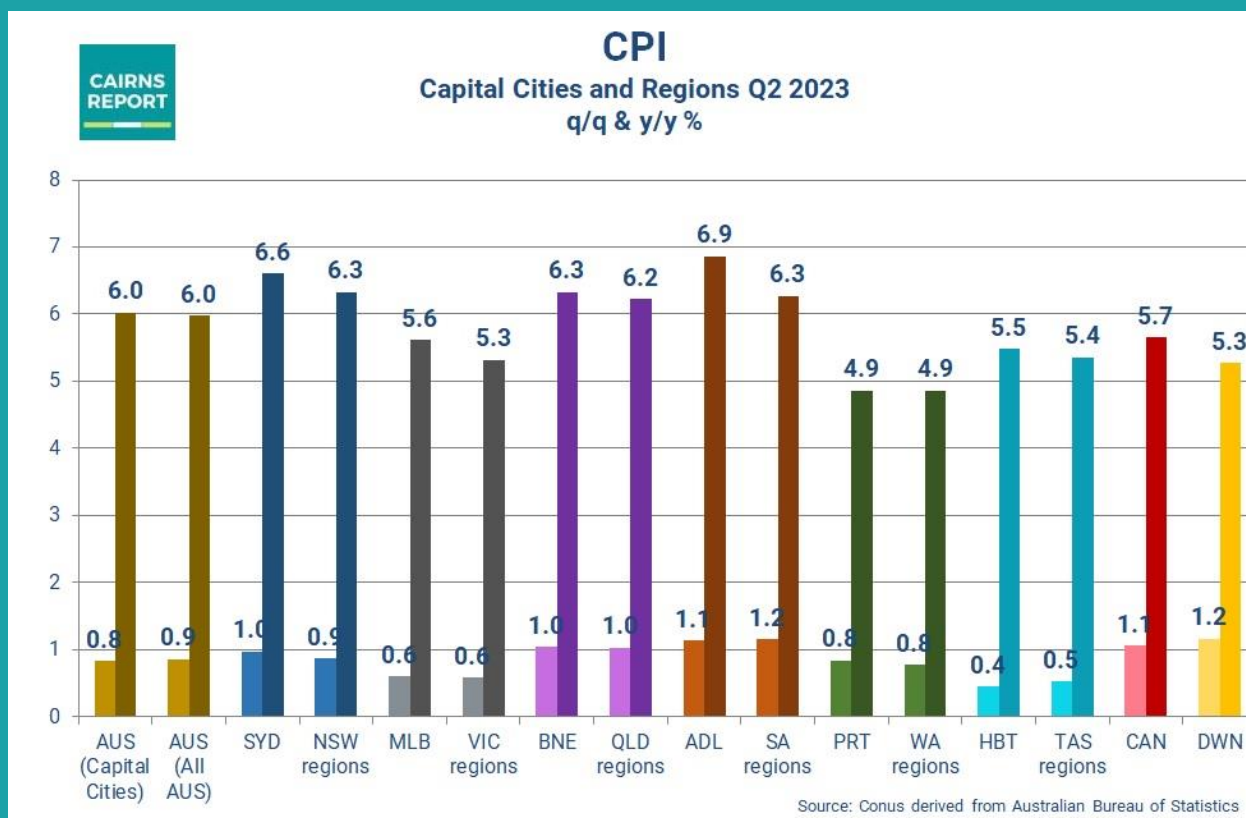


JobSeekers once again fell in June and the Trend has settled at levels similar to where they were pre-COVID, particularly when we consider that a more detailed, 'expanded', reporting methodology from the Dept of Social Services added about 2,000 to the original data from December onwards.

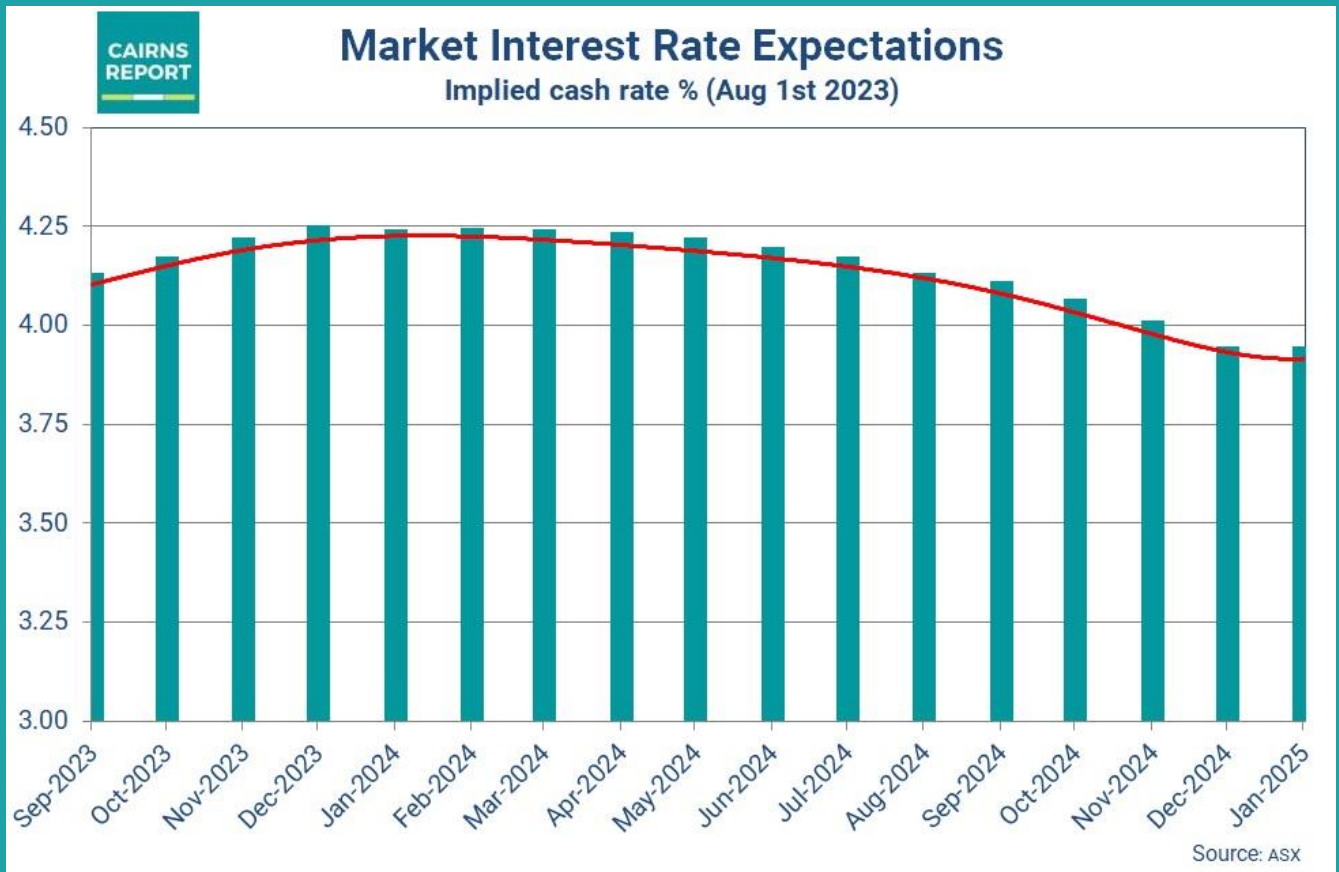




We noted last month that there were clear early signs that inflation pressures were beginning to ease, and indeed the recently released second quarter data supported that view. Headline CPI fell to 6.0% with the RBA's preferred measure, the Trimmed Mean, down to 5.9%. While both of these still sit comfortably above the RBA's 2-3% target range, the results were better than the markets (and in all likelihood the Bank) had been expecting.



As a result of the CPI result and the RBA holding rates unchanged at their August meeting, we saw market participants respond by shifting down their expectations for any further rate hikes and moving slightly earlier their projection of when rates might start to come back down again.



Trend regional building approvals in Cairns continues to drift lower (59 in May) and, as was the case last month, are now down almost 50% for the year.

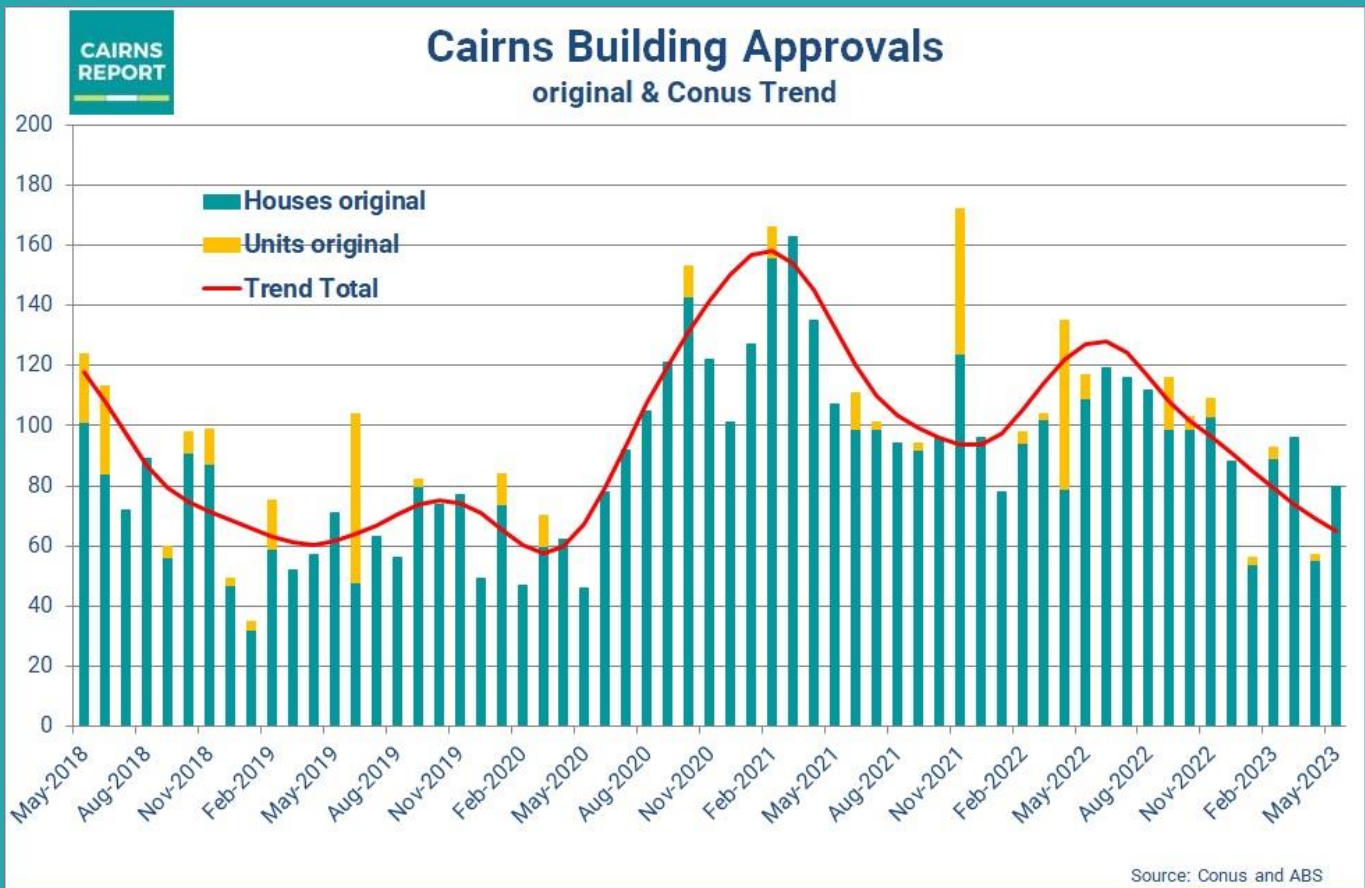
As we noted last month, the steady decline we have seen over the past two years has taken the level of Trend approvals back to levels very similar to those we were experiencing before the pandemic. The COVID-induced ramp up in building approvals has run its course.

HOUSES

▼ -49%

Building approvals change year-on-year
Trend approvals for May = 65

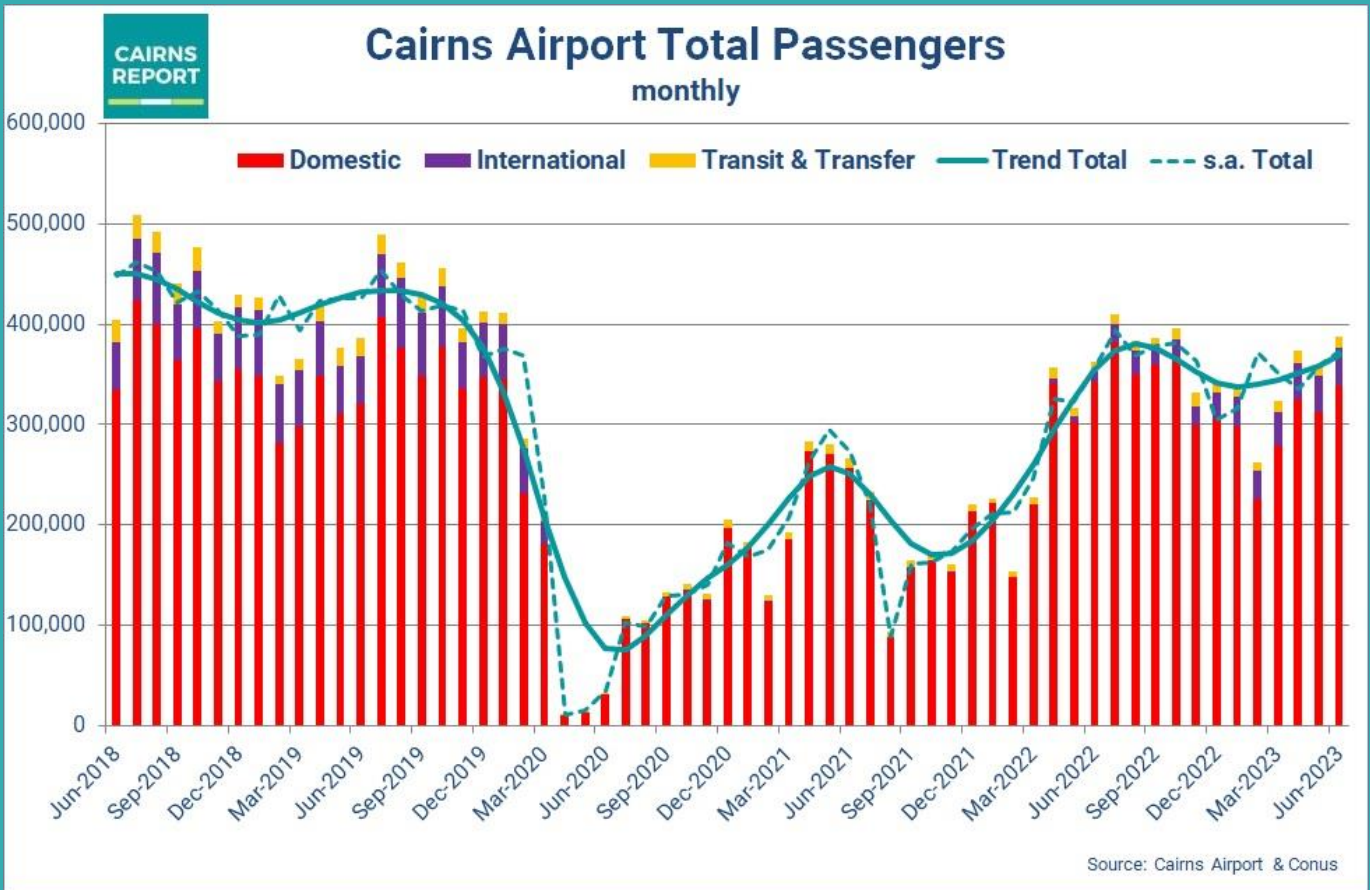
Nevertheless, the pipeline of approvals built up during the period to the middle of last year should keep the construction sector busy until the end of this year and certainly anecdotal evidence suggests that the construction sector remains tight.



The data from Cairns Airport for June shows that the slow and steady improvement in passenger numbers continues. Our Trend estimate suggests that total monthly numbers are now approaching 370,000, although this is still some 60,000 below pre-COVID levels at this time of year. Clearly most of this short-fall is from the international sector where passenger numbers, despite continuing to recover, remain

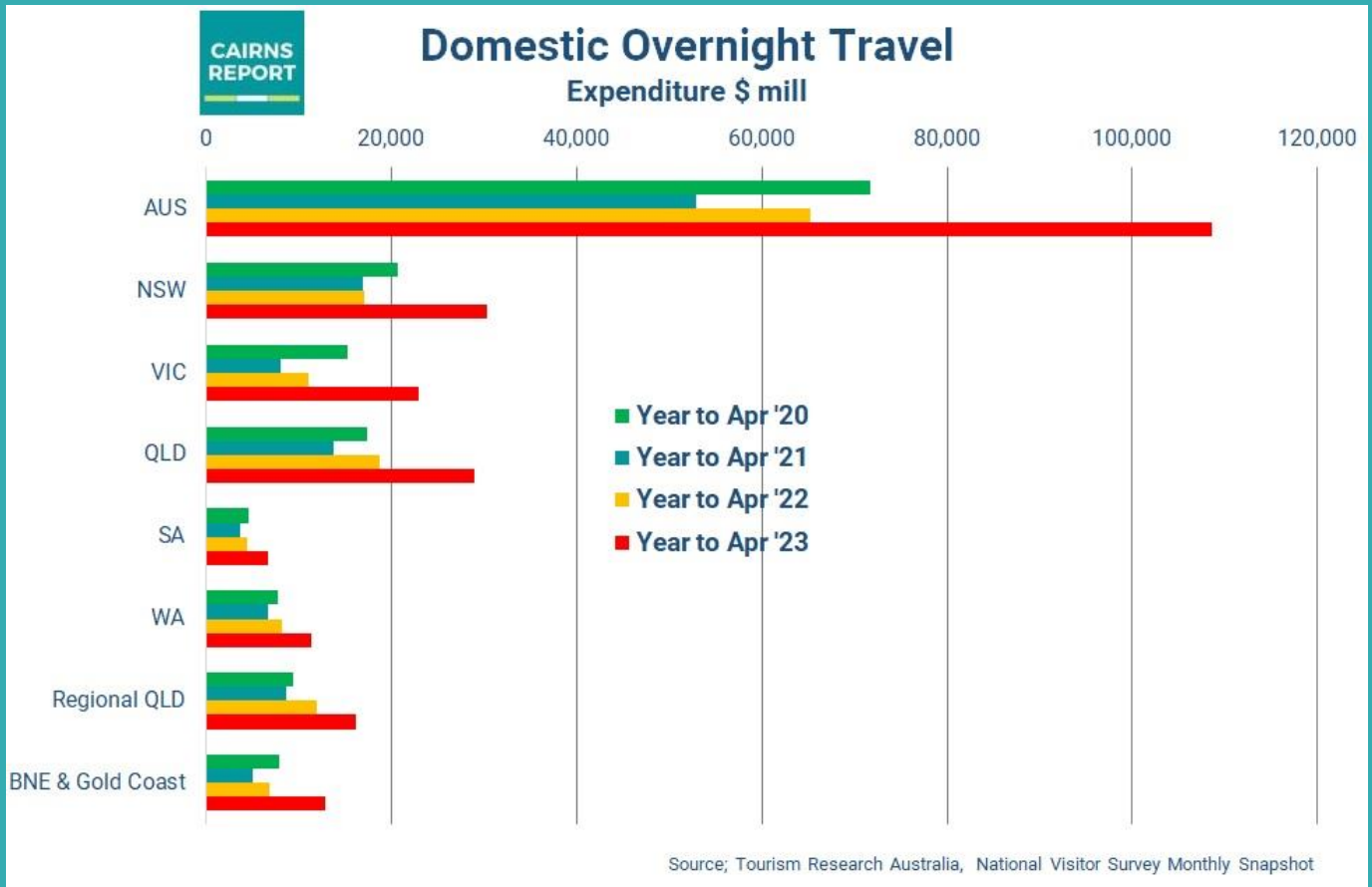
about 20% below their pre-COVID levels. This short-fall was 25% when we wrote last month, so clearly things are improving. If we consider the running annual total, international passenger numbers now sit at about 50% of where they were at this time in 2019.

PASSENGERS
386,845 ▲ **387,733**
 JUNE '19 JUNE '23



The monthly snapshot tourism data for April showed that regional Queensland saw a solid bounce back in domestic expenditure following the seasonal declines witnessed in February and March. Nevertheless, this figure was still down almost 28% from the very high expenditure recorded in April last year. We are seeing clear signs that Australians are starting to holiday abroad in greater numbers and this is having the effect of

depressing what had been extremely high domestic holiday spending. The data for the first quarter of this year showed a slight decline of domestic tourism expenditure in TNQ (down \$87 million) and these April regional results would suggest that we should not be surprised to see some further falls in the second quarter data (which we will not get for another 2 months).



As we noted earlier in this edition of *Cairns Report*, the interest rate hiking cycle would appear to be at - or close to - its peak and yet we continue to see no apparent impact from rate hikes on real estate values in Cairns.

Once again prices for both units and houses have moved higher this month. The median price for a house in Cairns is rapidly approaching the \$500,000 having spent an extended period around \$375,000 prior to COVID; this is a 33% increase over the

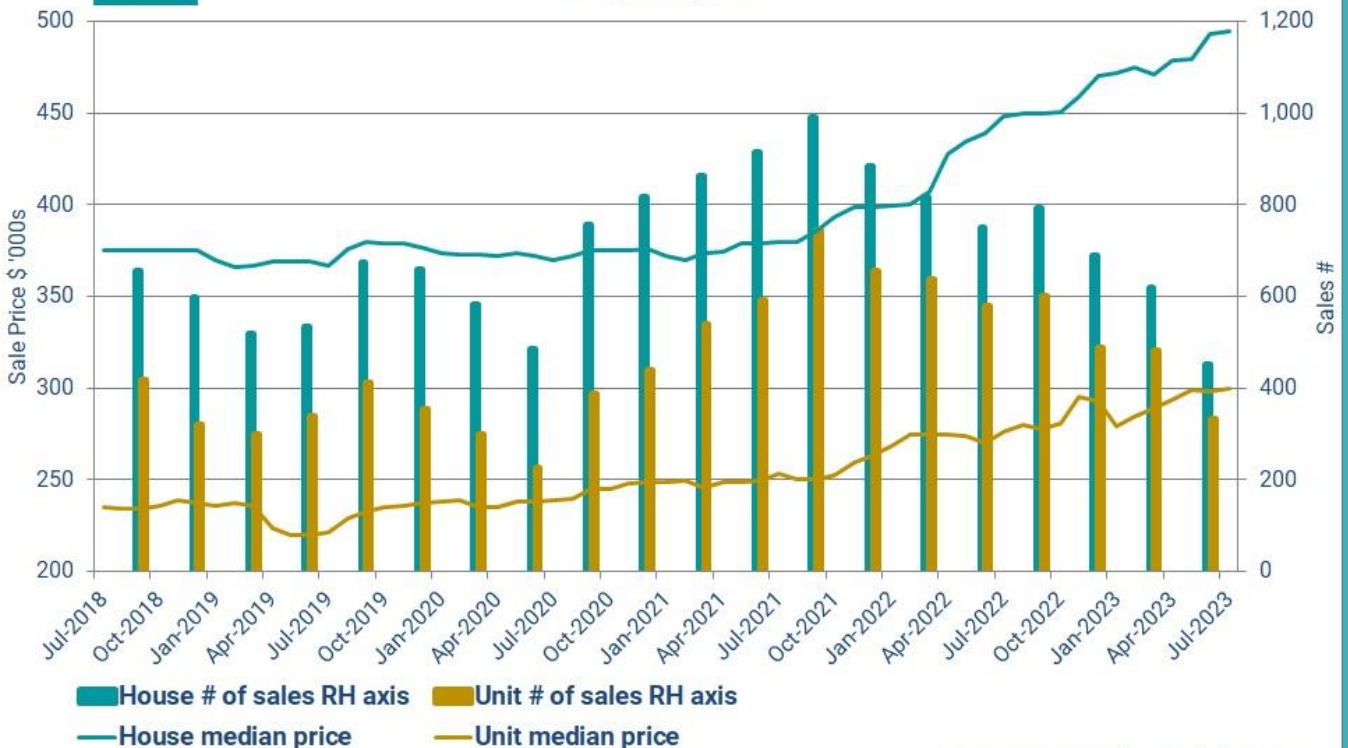
past two-and-a-half years. Similarly median unit prices have gone from \$240,000 before COVID to \$300,000 now; a 25% increase. If we have indeed seen the last of the rate hikes then the Cairns real estate market will have ridden out the hiking cycle in remarkably good shape.

MEDIAN PRICES

▲ \$300,000 UNITS +9% y/y
 ▲ \$495,000 HOUSES +10% 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 in Cairns has been rising slowly over recent months and in June sat at 1.0%, as high as it has been in the past 2 years, although it is still historically very tight.

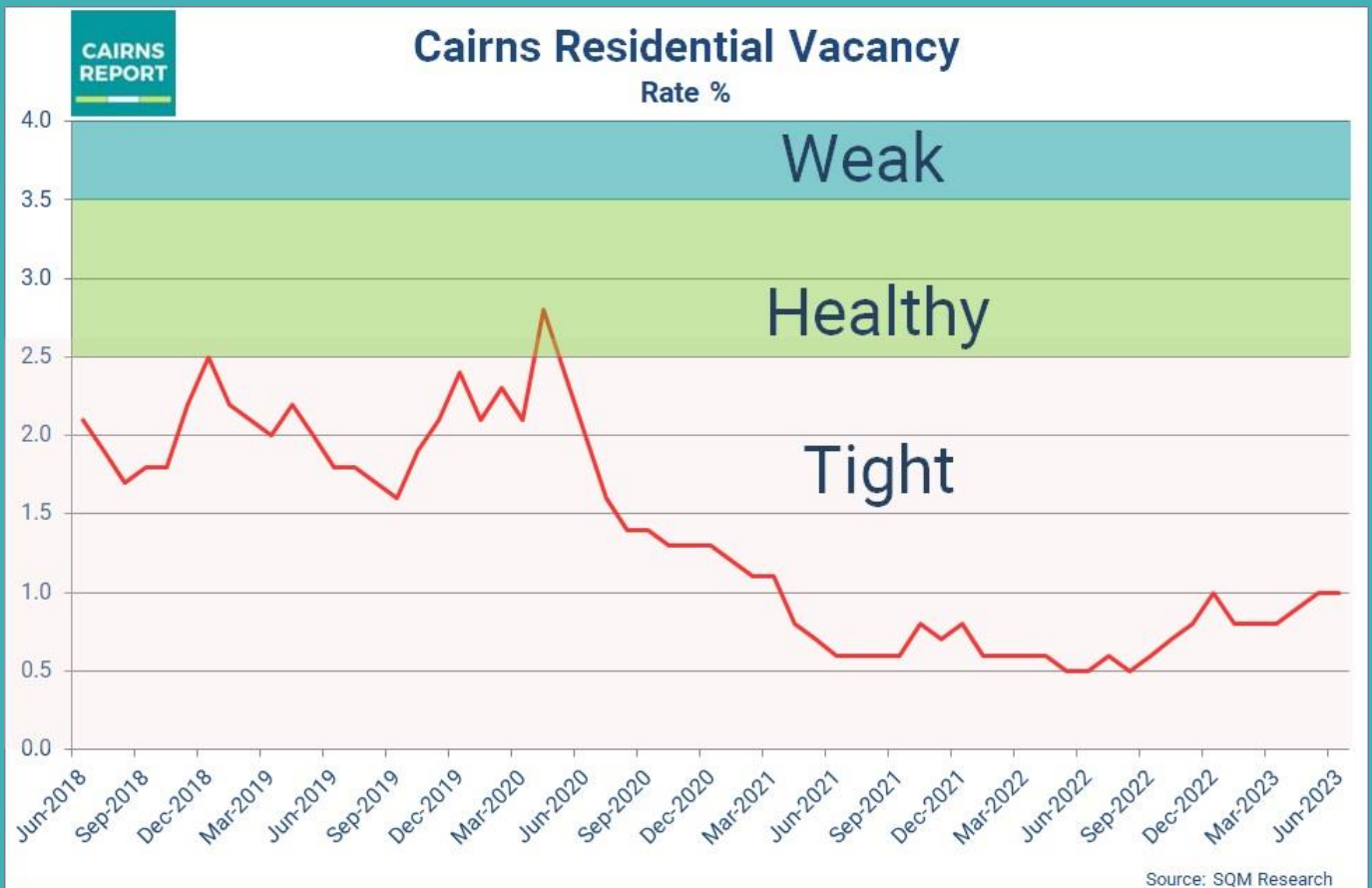
1.0%
JUNE '23

0.6%
JUNE '22

2.3%
JUNE '20

2.3%
JUNE '18

Source: SQM Research



We noted last month that if there has been an impact from the spate of interest rate hikes, it appeared to be playing out in the rental sector and that observation holds true again this month.

Rents for 3-bedroom houses are unchanged from a year ago and appear to have stabilised close to the \$500 pw mark over the past few months. Unit rents, on the other hand, appear to be somewhat more robust and remain 6% higher over the year,

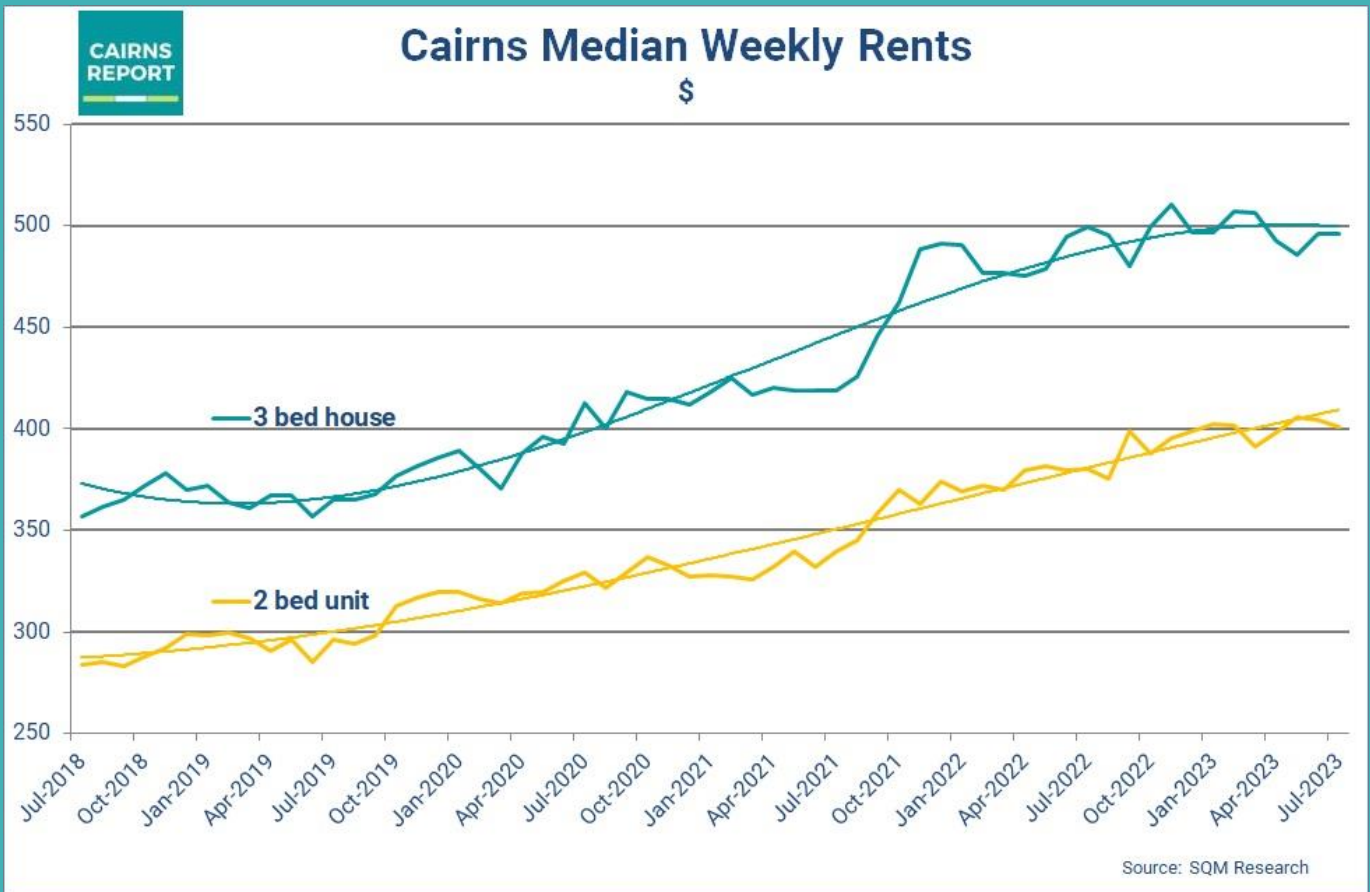
although the previous rate of increases seen in unit rents never quite matched that of houses. The tight rental market in Cairns is very much in play still and we might therefore expect to see rental increases start again in coming months, particularly if interest rates rise no further and the vacancy rate remains so low.

MEDIAN RENTALS

\$401
UNITS p/w
+6% y/y

\$496
HOUSES p/w
unchanged y/y

Source: SQM Research



A photograph of a swimming pool with lounge chairs in a tropical garden. The pool is on the left, and the lounge chairs are on the right. The background is a dense wall of tropical plants and trees.

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PROPERTY

Not a lot has changed in the past month. The RBA announced a pause on interest rates for August 2023 although inflation continues to be a concern. Whilst numbers of building approvals return to pre-COVID figures, there appears to be no slow-down in values of housing in the Cairns region. This appears to indicate that the market has dodged a bullet of sorts. On the downside, however, demand still outweighs supply and the cost of new builds doesn't appear to be declining any time soon. What this means for population growth and attracting people to the region remains to be seen. Our beautiful 'winter in Cairns' weather continues to see an influx of tourists to the area although numbers of international visitors are not yet quite at pre-COVID levels. The plethora of overseas destinations now open leaves travellers spoiled for choice. The signs are however positive with numbers slowly on the rise. More positive news in terms of unemployment figures although the disparity in gender between full-time and part-time positions between males and females seems to show that whilst more employers support parental leave and flexible working opportunities for both, it is the female that is still mostly responsible for traditional family responsibilities.



Cathy Devietti
*Principal – Private
Business Tax & Advisory*
Grant Thornton

Once known for our “peak and trough” rollercoaster property market, I think that the best word to describe Cairns at the moment is “resilient”.
Who would have thought?
We need to remind ourselves that we are in the midst of the largest rise in interest rates in three decades. A move designed to put the brakes on property prices (amongst other things of course). I read a stat that said almost 1 in 5 sales is a resale of a property that last traded in the past 36 months, which feels pretty right on Cairns Northern Beaches for sure. The trading of these properties is expedited in many cases because the sellers are all making money (or at least very square) and there are still plenty of buyers. Desirable properties across all of Cairns are still receiving around 50 enquiries in the first few weeks of marketing.



Nicholas Slatyer
*Belle Property
Cairns*

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