

CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy



PRESENTED BY



SEPTEMBER 2023 IN BRIEF

EMPLOYMENT: It's now been a run of four months with positive employment growth but total employment remains 1.6% below where it was a year ago. **MORE > Pages 3 - 6**

BUILDING APPROVALS: It is encouraging to see Trend approvals appear to have stabilised in recent months. **MORE > Page 9**

TOURISM: The data from Cairns Airport for July shows a very solid pick up in both international and domestic passenger numbers. **MORE > Pages 10-11**

REAL ESTATE: The upward movement in real estate prices continues with both houses and units about 11% higher than they were a year ago. **MORE > Pages 12-14**

POPULATION: Higher than average growth rate for Cairns. **MORE > Page 16**

UNEMPLOYMENT RATE

3.6%	4.1%	2.6%
NATIONAL	QLD	CAIRNS

PEOPLE EMPLOYED

14,046,100	2,849,300	141,500
NATIONAL	QLD	CAIRNS

PROPERTY PRICES

↑ \$312,000	↑ \$499,000
+11% y/y	+11% y/y
UNITS	HOUSES

MEDIAN RENTS

↑ \$413 P/W	↑ \$512 P/W
+10% y/y	+3% y/y
2-BED UNIT	3-BED HOUSE

AIRPORT PASSENGERS

489,291	↓	456,366
JULY '19		JULY '23
CAIRNS AIRPORT		

BUILDING APPROVALS

79 APPROVALS IN JUNE

↓ -38%

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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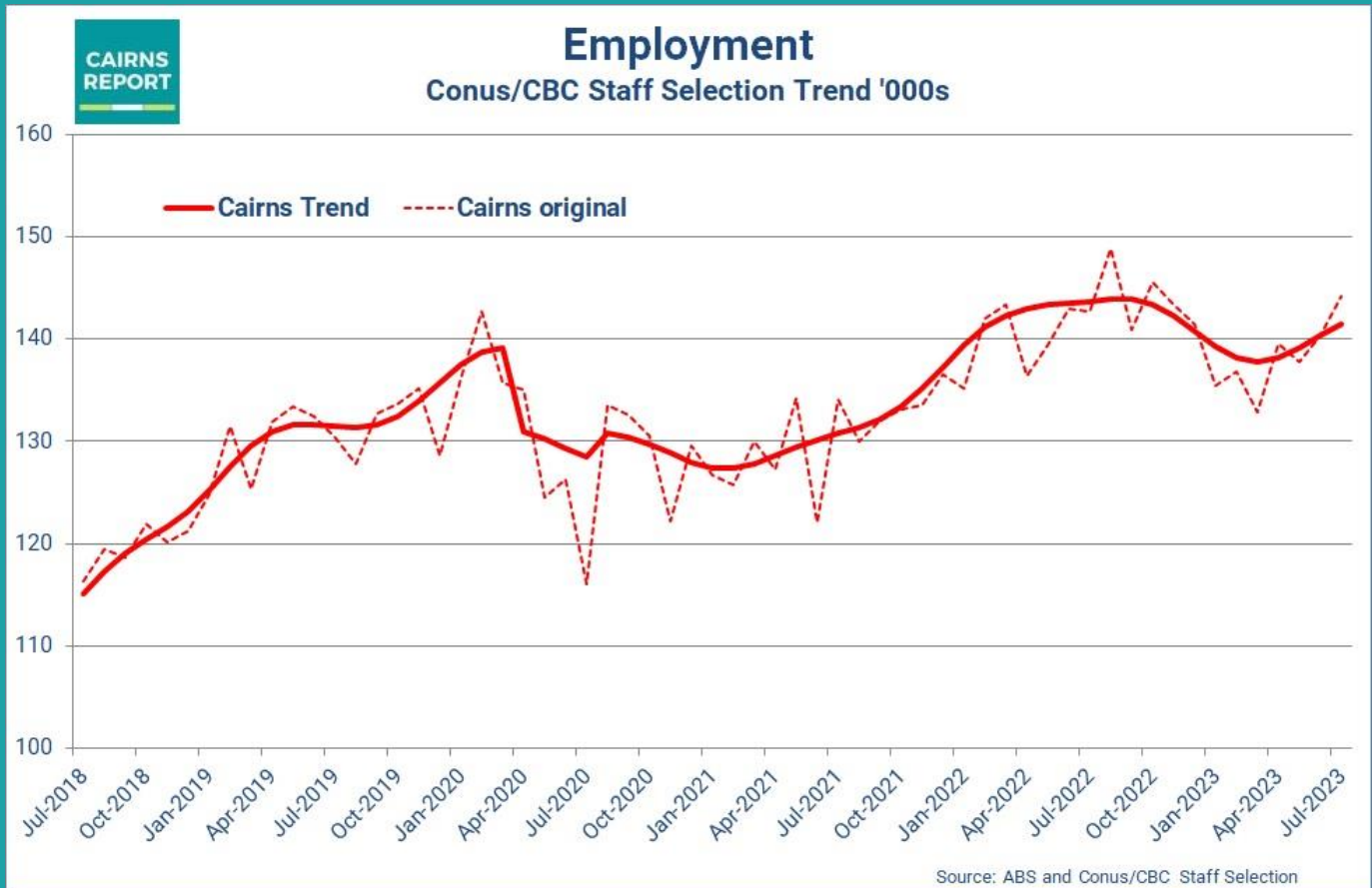
It's now been a run of four months with positive employment growth for Cairns; up another 1,200 in July.

However, employment remains 1.6% below where it was a year ago as the size of the labour force has fallen. This is especially true for the female cohort where the participation rate (the proportion of those of working age who are in the labour force, either employed or unemployed and looking for work) has dropped 6.7 pts over the course of the year. Employment growth this month

PEOPLE EMPLOYED

14,046,100	2,849,300	141,500
NATIONAL	QLD	CAIRNS
↑	↑	↑
	LAST MONTH	
14,028,900	2,841,400	140,300

skewed heavily towards full-time male employment (+700) while females added more part-time positions (+700) and shed a few full-time roles. This is a trend we have been seeing for some time as the labour market appears to be moving back to a more 'normal' post-COVID position.



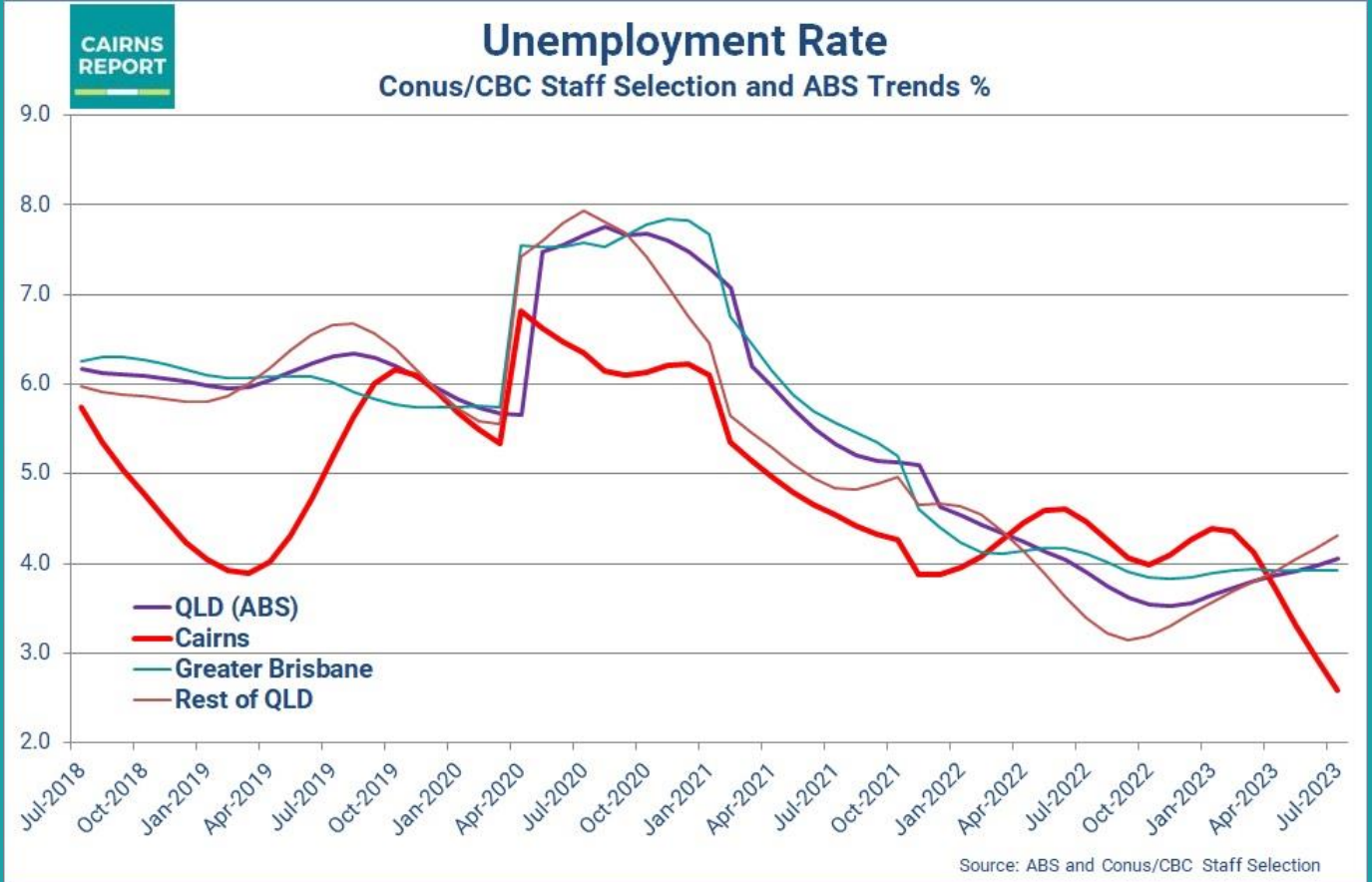
Last month we sounded a note of caution about the original ABS unemployment data for Cairns and the fact that it suggested an unemployment rate of just 2.9% in June.

This month the oddities in the Cairns data have largely disappeared (although not entirely) so we can feel more confident in our Trend estimates. That more confident estimate now suggests an unemployment rate of just 2.6% in Cairns, a new record low, and, surprisingly, no revision to the June numbers. Despite our concerns about the original data it now seems to be clear that the unemployment rate in Cairns has fallen sharply in recent months. While a large part of the

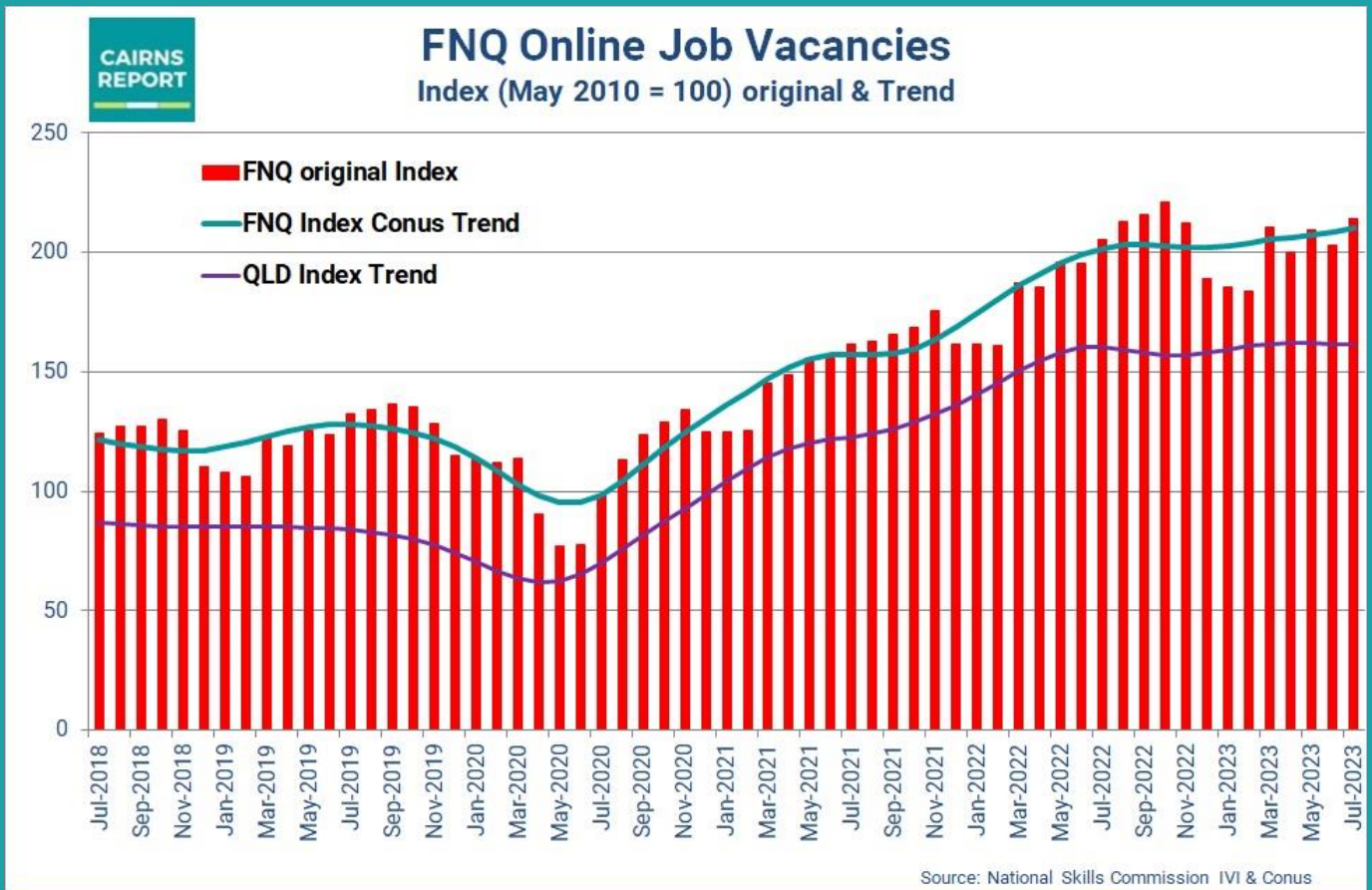
UNEMPLOYMENT RATE

3.6%	4.1%	2.6%
NATIONAL	QLD	CAIRNS
	LAST MONTH	
3.6%	4.1%	2.9%

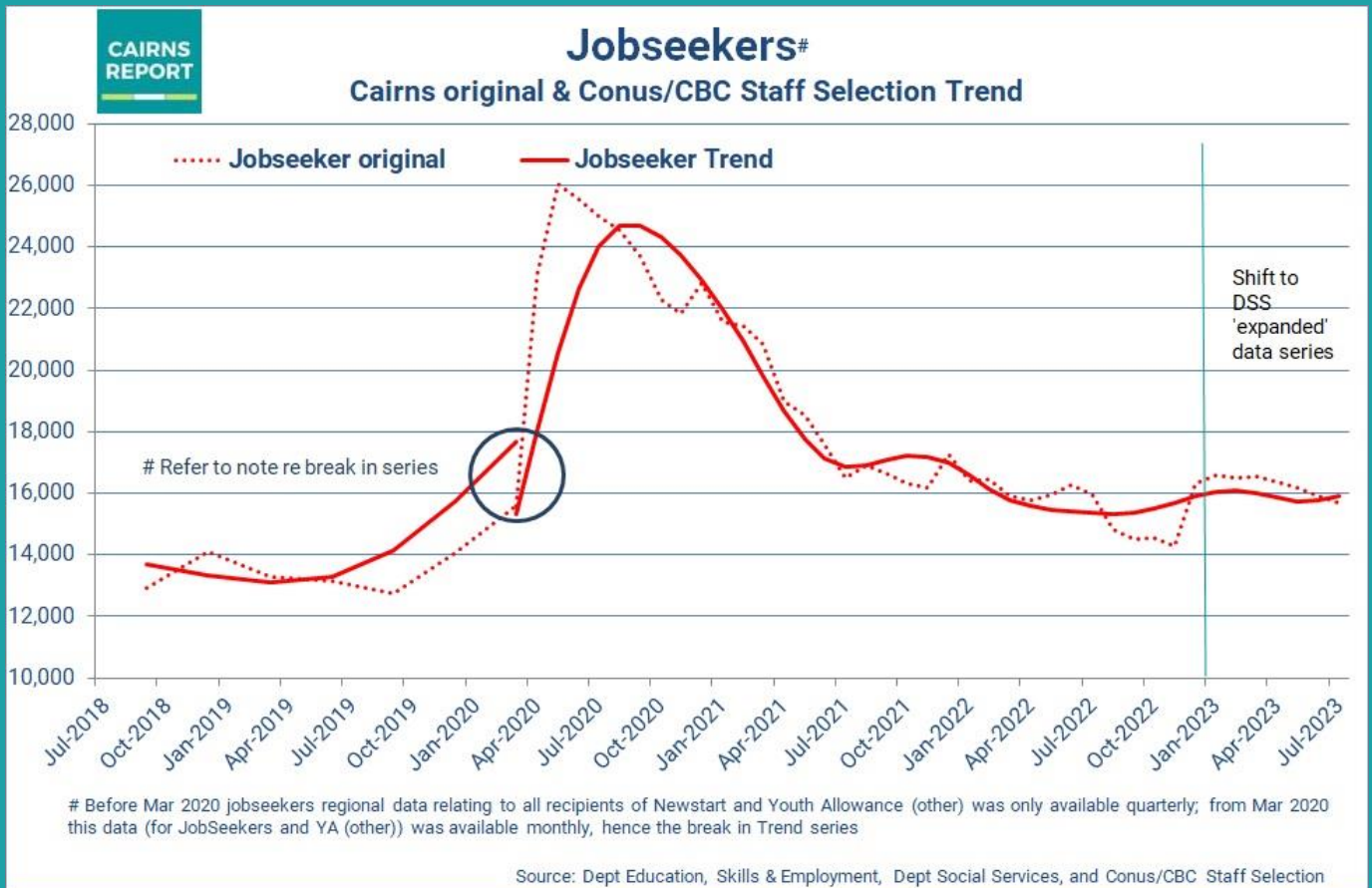
reason for this historically low unemployment rate is the decline in participation already mentioned, we cannot ignore the fact that the number of people unemployed has fallen by 2,600 since January.



The Trend for Online Job Vacancies hit another record high in July and continues to support the feeling that, despite some decline in participation rates in recent months, the Cairns labour market remains very tight.

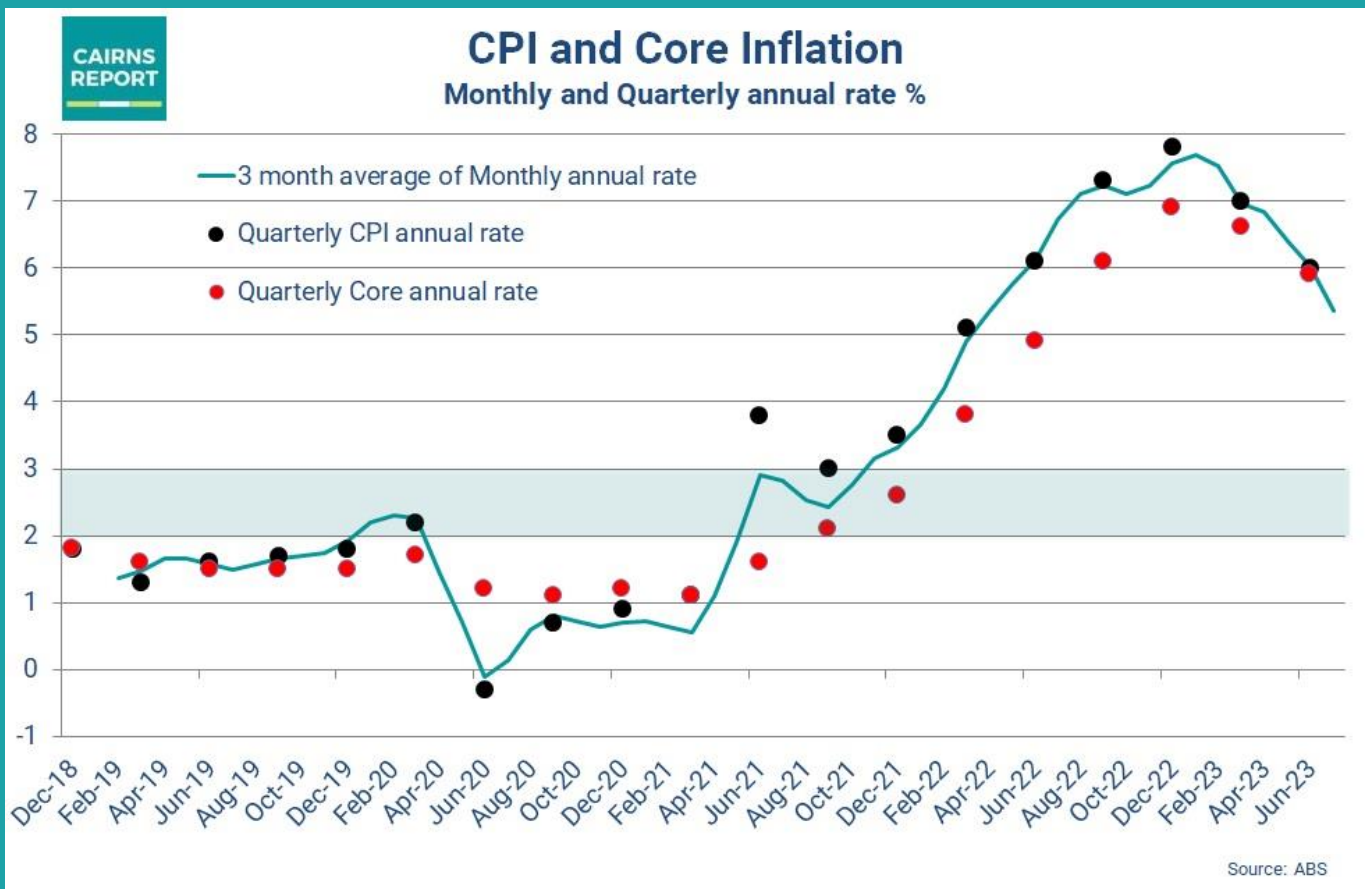


JobSeekers moved very slightly higher in July, but the Trend has settled at levels similar to where they were pre-COVID, particularly when we consider that a more detailed, 'expanded', reporting methodology from the Dept of Social Services added about 2,000 to the original data from December onwards.



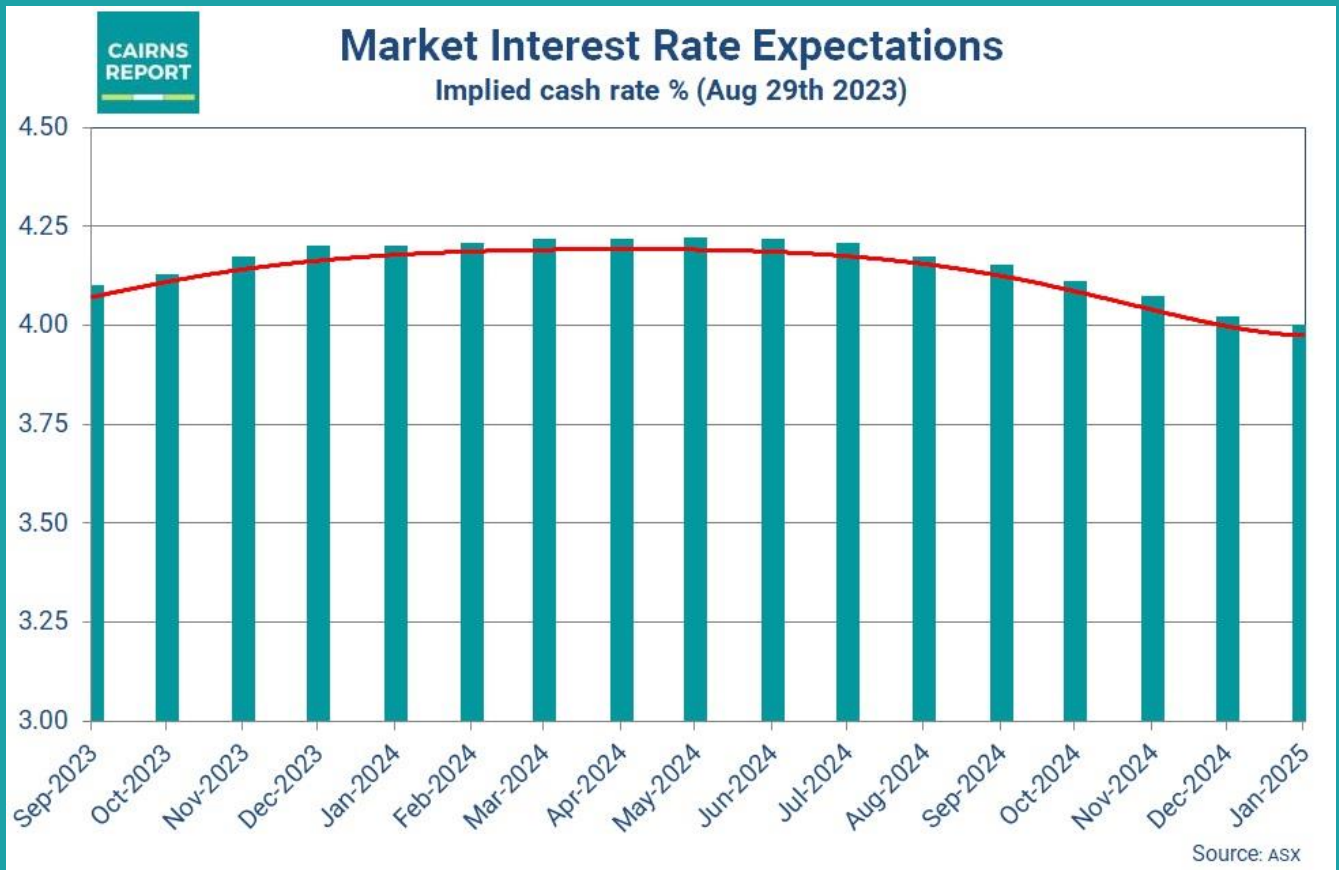
The decline we saw in the second quarter CPI data reported in last month's issue was backed up this month by a further decline in the monthly inflation data.

The July indicator shows headline inflation dropping from 5.4% in June (the quarterly CPI in June was at 6.0%) to just 4.9% yy in July. The result of these two inflation plots is that the RBA will likely stay on hold at their September meeting leaving the Cash Rate at 4.10%.



At this stage the markets are pricing the chance of one more 25bp hike before the end of the year at less than 50%, and that rates will then stabilise with little chance of rates being below their present level until the second half of 2024.

What is abundantly clear from the RBA's commentary is that the Bank is in no hurry to cut rates sharply given the fact that they still do not expect to see core inflation back within their target range until 2025.



On the back of a spate of unit approvals (primarily in Cairns City) we see Trend approvals move a little higher in June.

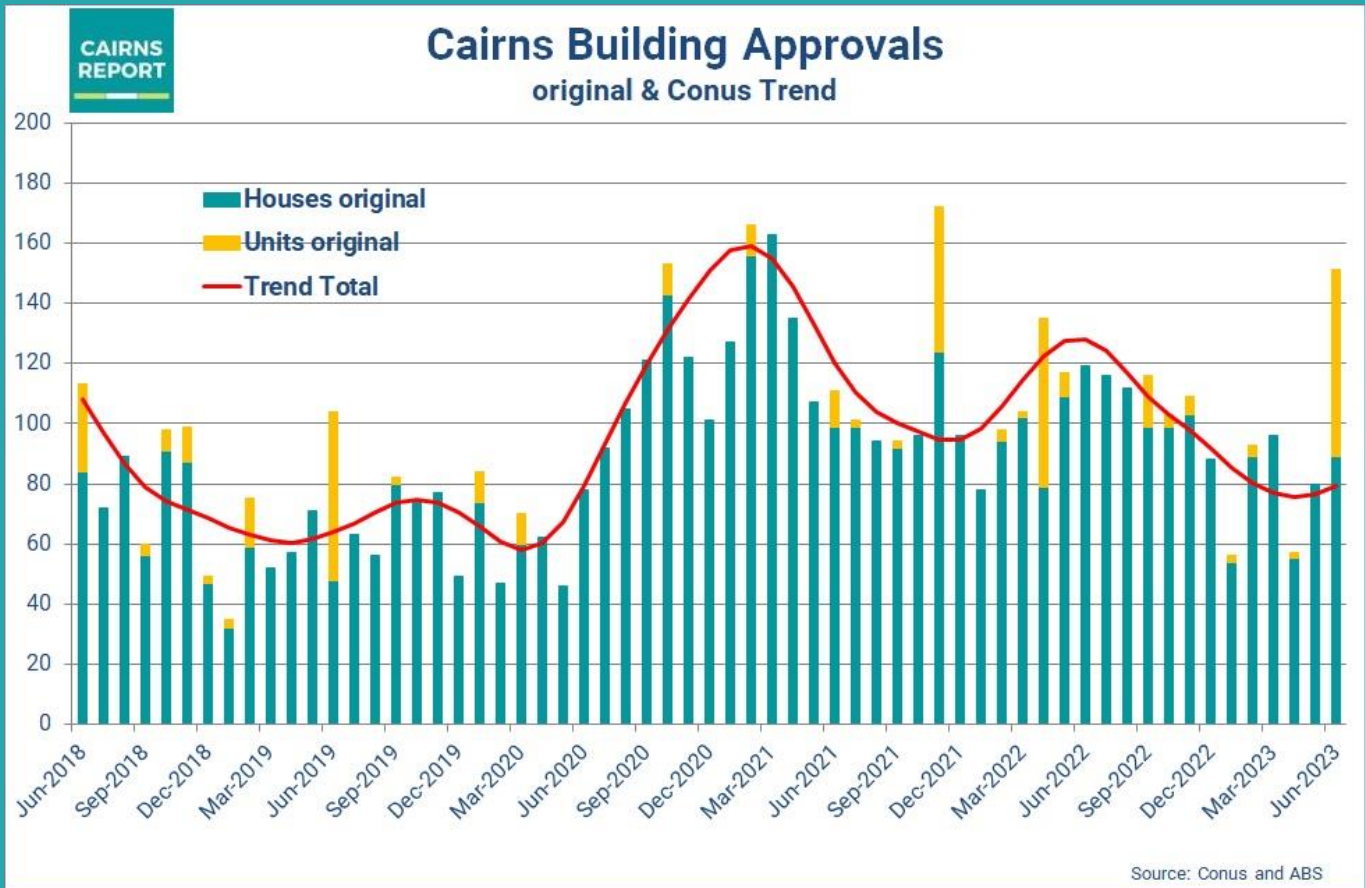
Obviously, these 'lumpy' unit approvals numbers tend to have a short-term distortion effect which we might expect to see wash-through the data in coming months. Nevertheless, it is encouraging to see that the Trend approvals figure does appear to have stabilised in

recent months. We continue to focus on the pipe-line of approvals which has built up in the past 18-24 months as being supportive of the construction sector, and any further move back up in the Trend series will merely cement that positive outlook.

HOUSES

▼ -38%

Building approvals change year-on-year
Trend approvals for June = 79

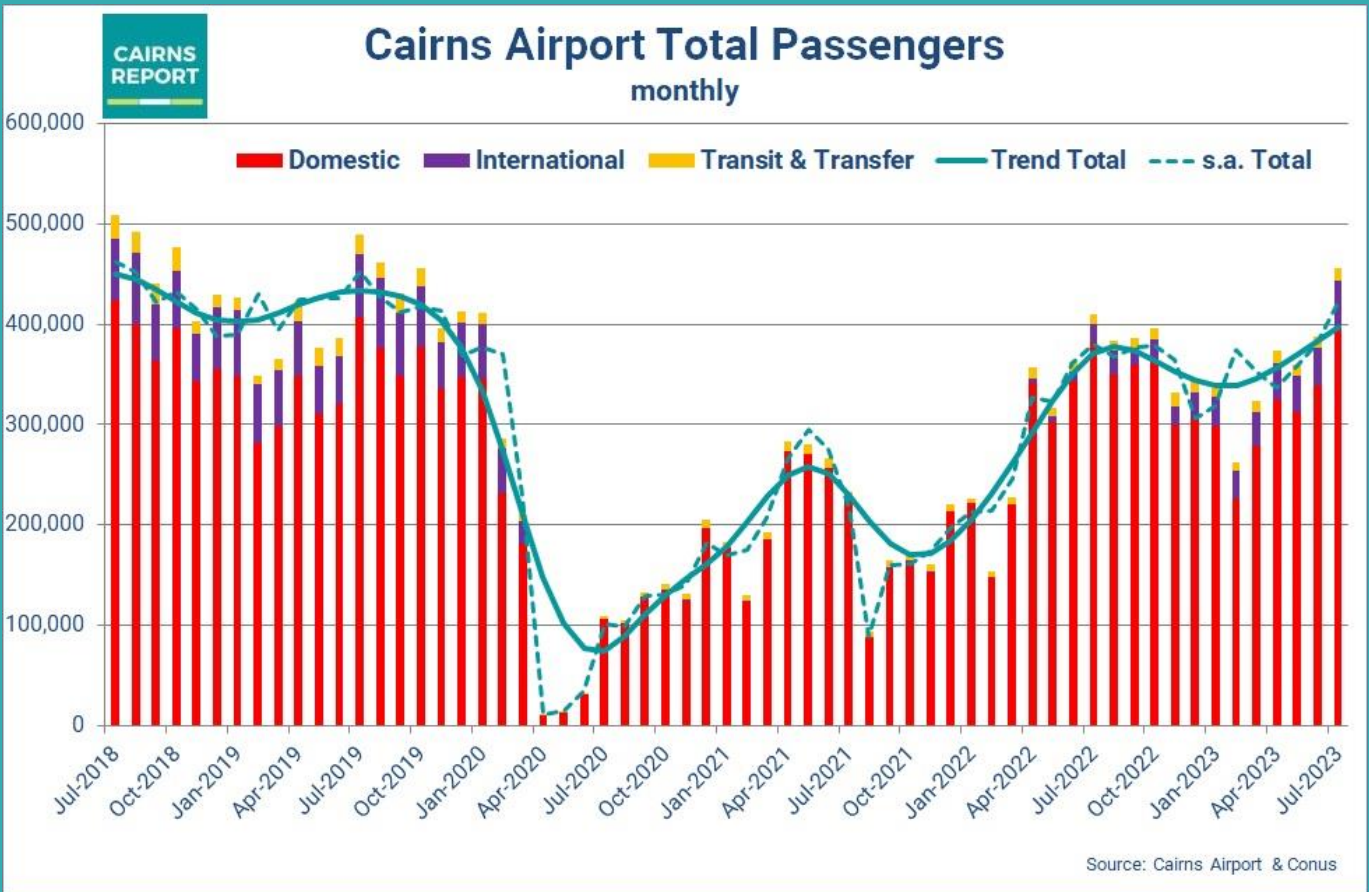


PASSENGERS
489,291 ▼ **456,366**
 JULY '19 JULY '23

The data from Cairns Airport for July shows a very solid pick up in both international and domestic passenger numbers.

Our Trend estimate suggests that total monthly numbers are now approaching 400,000 which is only some 7.5% below pre-COVID levels at this time of year. Most of this shortfall is from the international sector where passenger numbers, despite some encouraging recovery, are still 20% below

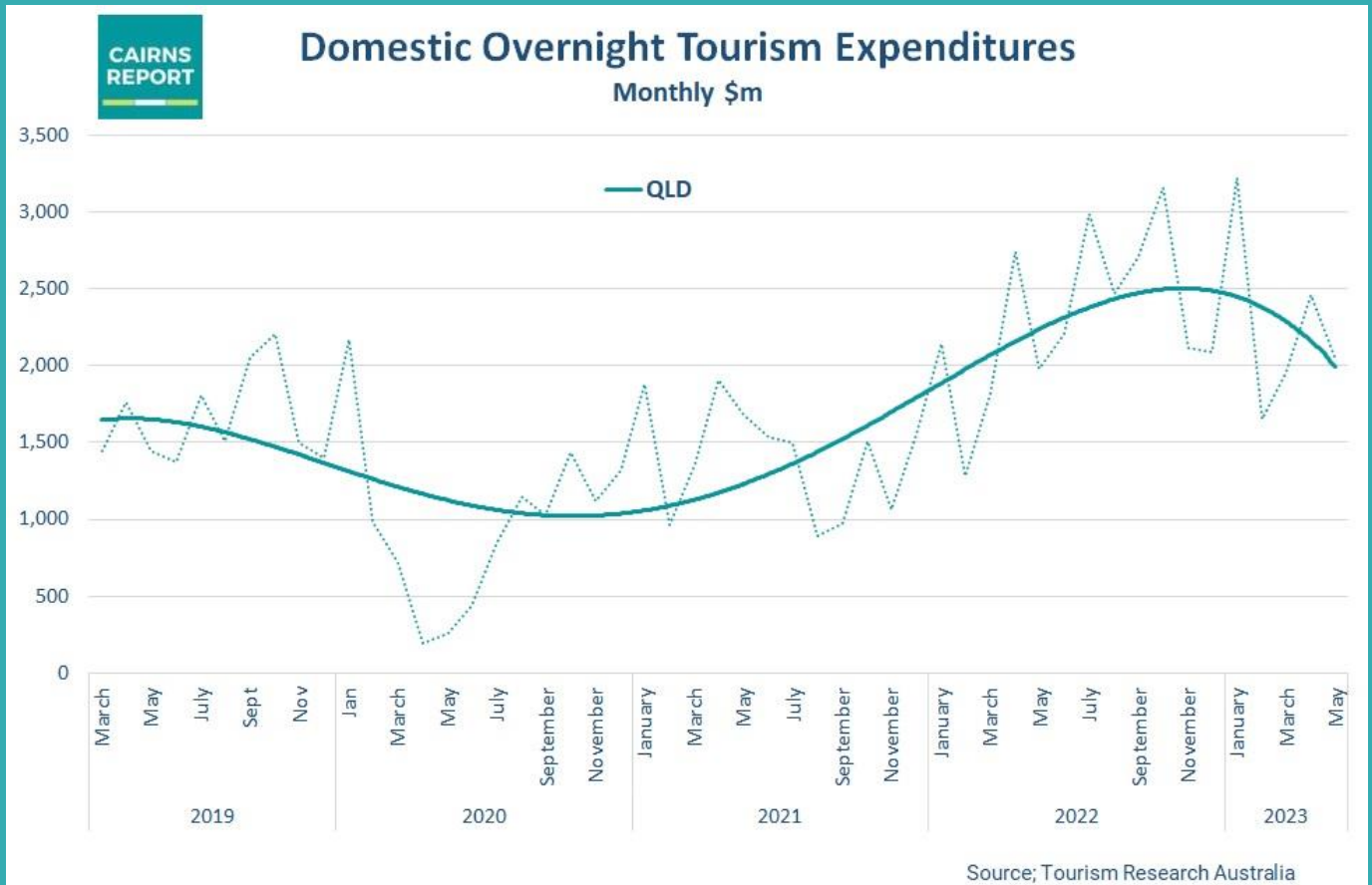
their pre-COVID levels. If we consider the running annual total, international passenger numbers now sit slightly above 50% of where they were at this time in 2019.



The monthly snapshot tourism data for May shows a clear sign that across Queensland domestic tourism expenditure has fallen in recent months.

This is no surprise; as Australians start to travel more easily abroad we would expect to see domestic expenditures decline. We are yet to get the tourism figures for the June quarter for Tropical North Queensland. However, this monthly data, combined with some even more up-to-date credit card spend

data for the region, suggest that we are likely to see a further decline in TNQ expenditure numbers when we do get the June release. Our expectation is for a domestic expenditure figure for the year to June of something a little below \$4bn. While that may be a sharp drop from the Dec 2022 high of \$4.38bn we need to remember that the pre-COVID high was just \$2.6bn; we are simply seeing a renormalisation of domestic tourism.



The movement up in real estate prices in Cairns continues this month with both houses and units now about 11% higher than they were a year ago.

Median house prices are still, just, below the \$500,000 market while units have moved convincingly above \$300,000 for the first time. If, as the markets are suggesting, interest rates start to fall by the middle of next year we can confidently expect

further improvements in real estate prices to continue into the future, even if the pace of those increases slows.

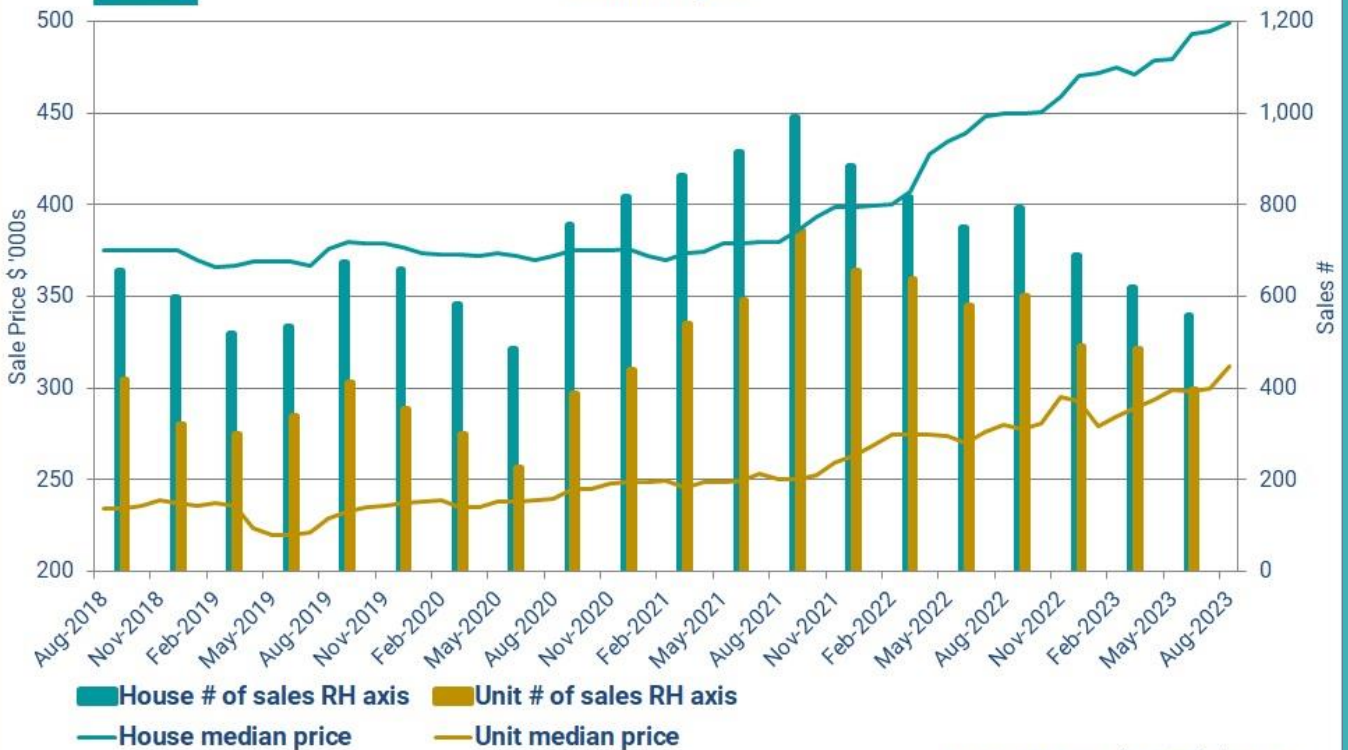
MEDIAN PRICES

▲ **\$312,000** ▲ **\$499,000**
 UNITS HOUSES
+11% y/y *+11% y/y*

Source: SQM Research

CAIRNS REPORT

Real Estate; Sales and Prices Cairns region



Source: SQM Research & Pricefinder.com.au

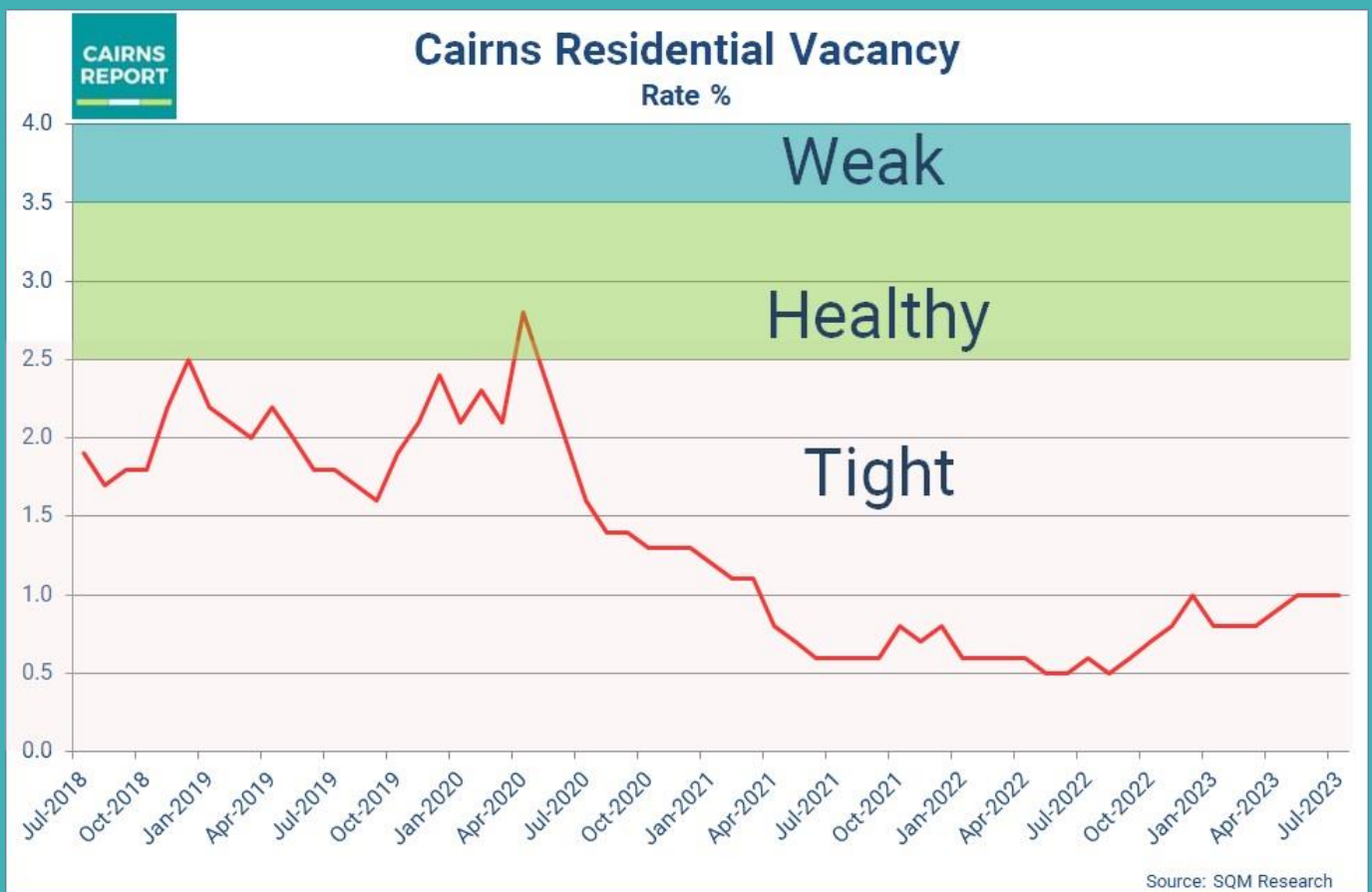


With the vacancy rate showing no signs of further easing, the tight rental market remains very much an issue for Cairns. In the recently released outcomes of the MiHaven Cairns Accommodation Survey, conducted among businesses operating in the Cairns Regional Council area, it appears that the economic impact of the shortage of accommodation has reduced business turnover by approximately \$266 million per annum. The Survey makes explicit the very real effect that the shortage has been having on the region's business community not only in terms of activity but also in their ability to recruit and retain staff.

RENTAL VACANCY RATE

- 1.0% JULY '23
- 0.7% JULY '22
- 1.8% JULY '20
- 2.0% JULY '18

Source: SQM Research



It would appear that the brief pause in the upward movement of rents we noted last month might have already come to an end.

Once again rents are on the move higher with the average for a 3-bedroom house once again breaking through the \$500 pw barrier; now up 3% for the year. The unit rental market has been consistently firmer over recent months and has once again

reached record highs this month at \$413 pw for an average 2-bedroom unit, an increase of 10% for the year.

MEDIAN RENTALS

\$413
UNITS p/w
+10% y/y

\$512
HOUSES p/w
+3% y/y

Source: SQM Research

Cairns Median Weekly Rents

\$



Source: SQM Research

A photograph of a swimming pool in a lush tropical garden. The pool is on the left, and the deck on the right has two blue lounge chairs with white and blue striped cushions. The background is filled with various tropical plants, including palm trees and banana plants, under a clear blue sky.

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PROPERTY

The Cairns region grew 1.4% to 260,649 residents in the year to June 2022 after recent revisions to the Estimated Resident Population by the Australian Bureau of Statistics.

This was an increase of 3,584 people made up of 1047 natural increase, 1163 net internal migration and 1374 net international migration.

This growth rate is well above the 1.2% average growth seen in the 10 years prior to COVID.

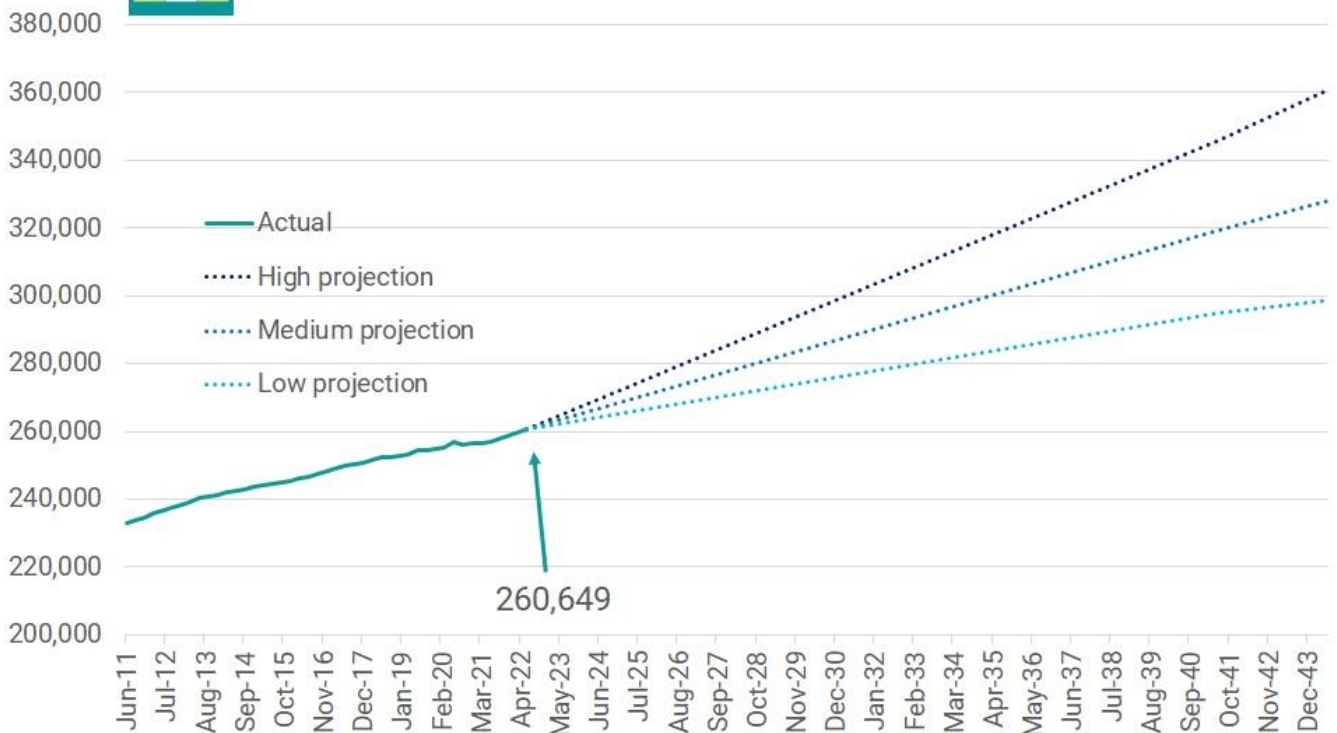
Across the region, areas that did particularly well include Cairns North which grew 2.3%, driven in large part by a rapid increase in Trinity Beach – Smithfield (+4.7% of mainly net internal migration). Port Douglas – Daintree also grew faster than the

average (+1.7%) with half of the 213 person increase from net internal migration.

The slowest growth in the region was seen in Innisfail – Cassowary Coast which grew by just 147 people (+0.4%). This area’s poor performance was dragged down by a decline in Innisfail offsetting better growth in Tully (a statistical area which includes Mission Beach).

The Queensland Government’s most recent projections for the Cairns region’s population by 2044 range from 298,400 (low projection) to 360,400 (high projection) and a mid-range projection of 328,000.

Cairns SA4 Resident Population



Source; ABS and Queensland Govt



Despite house building approval figures remaining above pre-COVID levels, surplus capacity may start emerging for some builders and trades if building approvals continue declining over the coming months. Material cost inflation continues to impact the market, particularly in energy intensive products such as glass, steel and concrete. Meanwhile consumer affordability remains under pressure due to elevated interest rates which are now expected to remain 'higher for longer' into 2024. If competition for land and trades moderate over the coming year, consumers may witness improved affordability.



Wesley Eccles
*Senior Manager -
Financial Advisory*
Grant Thornton

In the latter part of July and early August I had an inkling that perhaps we were seeing the beginning of a slowing down in the market. Some properties were taking longer to sell, and it felt like there was a bit more stock coming on. Many of the buyers we were speaking to seemed to have just started their journey and weren't ready to buy. Fast forward to early September and all those properties are now sold and we are finding buyers more readily again. The moral of the story? No slowdown in Cairns but there is definitely a lack of consistency in buyer behaviour. If you are selling, I think it can pay to hang in there a bit longer before reducing prices. Don't throw the baby out with the bathwater!



Nicholas Slatyer
*Belle Property
Cairns*

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In recent updates on Australia's visa landscape, several changes are signaling a shift in the nation's migration policies:

First, the 408 COVID-19 visa, which has been a significant part of Australia's response to the pandemic, is on its way out. From February onwards, this visa category will no longer accept new applications. As of September 2nd, it's exclusively available for those who are already holding a 408 visa, with a maximum grant duration of 6 months.

On the skilled migration front, state and territory governments have received their allocations for the year, and it's evident that these numbers have seen a significant reduction compared to previous years. For instance, Queensland's allocation stands at 1550 places, with 900 spots reserved for the subclass 190 Skilled Nominated visa and 650 for the subclass 491 Skilled Work Regional visa. This decline in available places is bound to intensify the competition among skilled visa applicants.

Of note for those eyeing Business Innovation and Investment Visas, the states and territories have received no allocation for these visa categories, signaling a tightening of regulations in this sector.

The Federal Government has explained these reductions by stating that they already have a substantial backlog of visa applications to process, which they believe will meet this year's planning levels.

Lastly, for employer-sponsored visas, there's an uptick in the Temporary Skilled Migration Income Threshold (TSMIT), which now stands at \$70,000. This adjustment reflects ongoing changes in Australia's economic landscape and its approach to foreign skilled workers.

These developments underscore the evolving nature of Australia's immigration policies, influenced by the ongoing challenges in this post-COVID period and shifting priorities in the country's skilled migration program. As we move forward, prospective immigrants and stakeholders in the migration industry will need to adapt to these changes and navigate an increasingly competitive landscape.



Rebecca Macmillan
Holding Redlich

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