



# CAIRNS REPORT

A monthly snapshot of the  
Far North Queensland economy

DECEMBER 2023

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Grant Thornton



## DECEMBER 2023: SNAPSHOT

**EMPLOYMENT:** It's now been a run of seven months with positive employment growth for Cairns; up another 800 in October. Trend employment now sits just 400 below where it was a year ago, which itself was very close to an all-time high for the region. There has however been a marked shift from full-time to part-time employment in that time.

**BUILDING APPROVALS:** Trend approvals have increased for five straight months and are now less than 10% below their level of a year ago. We are still some way below the peak seen in 2021 but the pipeline of approvals, combined with this most recent recovery, should see the residential construction sector remain robust well into the latter part of 2024.

**TOURISM:** The original data for October from the Cairns Airport shows only a slight increase in passenger numbers from last month. However, as was the case last month, when we consider the effect of seasonal factors the adjusted Trend data confirms that the recovery remains in place. The Trend has increased every month since Feb 2023 and now sits 6.1% above where it was this time in 2019.

**REAL ESTATE:** Despite the Melbourne Cup day rate rise, real estate prices in Cairns continue to move ahead strongly. Median house prices in particular have moved significantly higher and now sit 18% above their level a year ago and are up 43% since pre-COVID. Units, on the other hand, have seen their rate of growth slow somewhat in recent months and are now just 6% higher than a year ago, which is the slowest pace of growth since March of this year. Nevertheless, units are still 32% higher than pre-COVID.

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Queensland

All data relates to Cairns unless otherwise stated. The most current data set available before publication is used throughout.  
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Cairns is on a run of seven months with positive employment growth for Cairns; up another 800 in October.

Trend employment now sits just 400 below where it was a year ago, which itself was very close to an all-time high for the region. There has however been a marked shift from full-time to part-time employment in that time; whereas total employment is down just 400 over the course of the year, full-time positions have declined by 5,700 in the same period. Significantly, almost all (5,300) of that loss of full-time work has been seen in the female cohort, where we have seen a sharp decline in female participation.

## PEOPLE EMPLOYED

14,145,400	2,859,900	143,000
NATIONAL	QLD	CAIRNS
↑	↑	↑
14,117,100	2,855,600	142,200
	LAST MONTH	

On a national level, although the pace of employment growth has slowed over recent months, we still saw an additional 28,300 people in Trend employment. In comparison, in Queensland Trend employment growth has actually sped up a little over recent months and we added another 4,400 to employment in October. Although here too the majority of the increase has been in part-time positions.



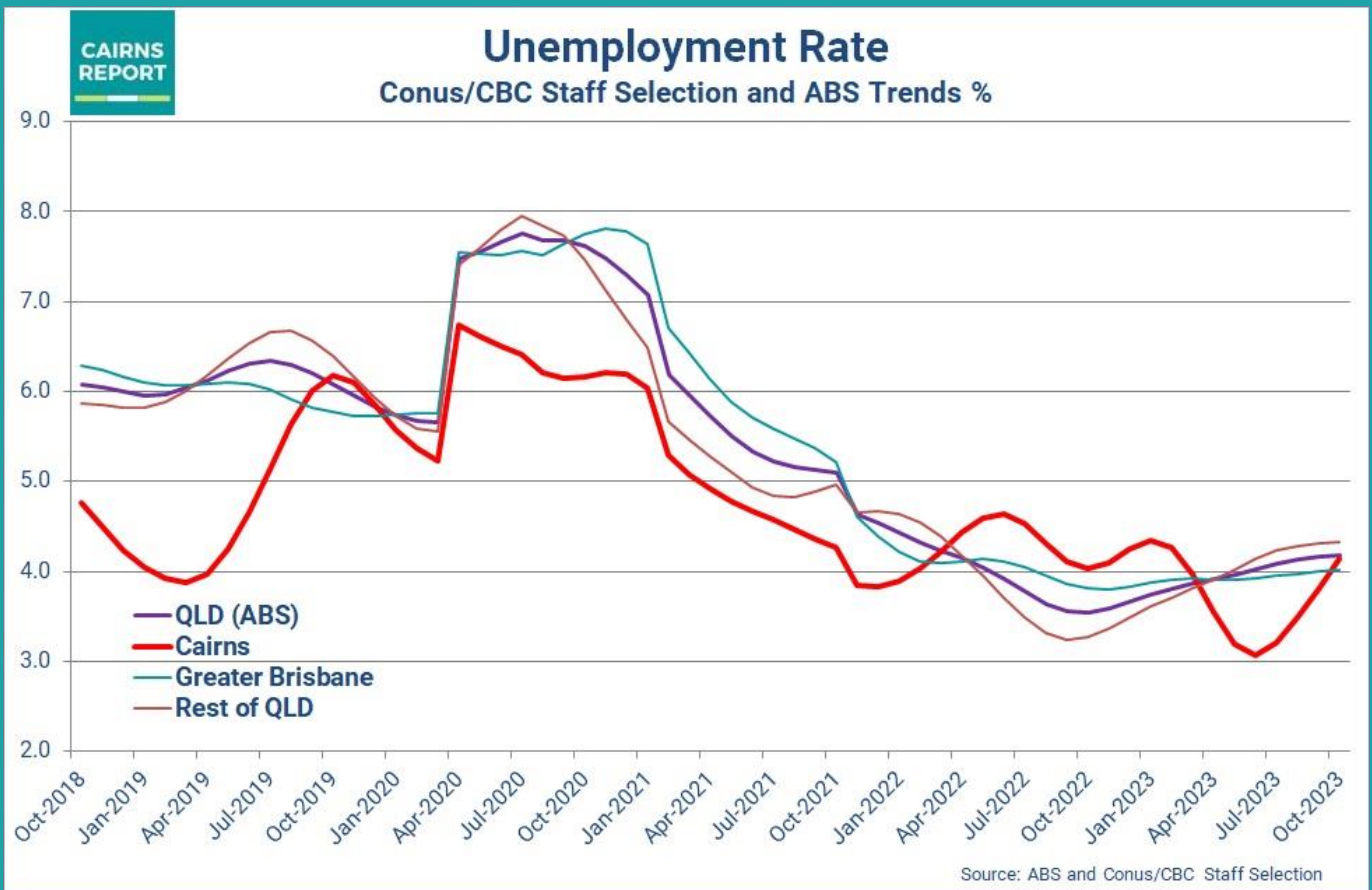
After some anomalously volatile original data for Cairns in recent times this month sees a more stable set of numbers from the ABS.

As the data settles down, we see some revisions to the previously reported very low levels of unemployment. This has resulted in a move up this month to 4.1% (much more in line with the Queensland average of 4.2%). While the unemployment rate data shows what appears to be a significant weakening of the market, we should bear in mind that this should be seen more accurately as a 'normalisation' of the labour market when considered in

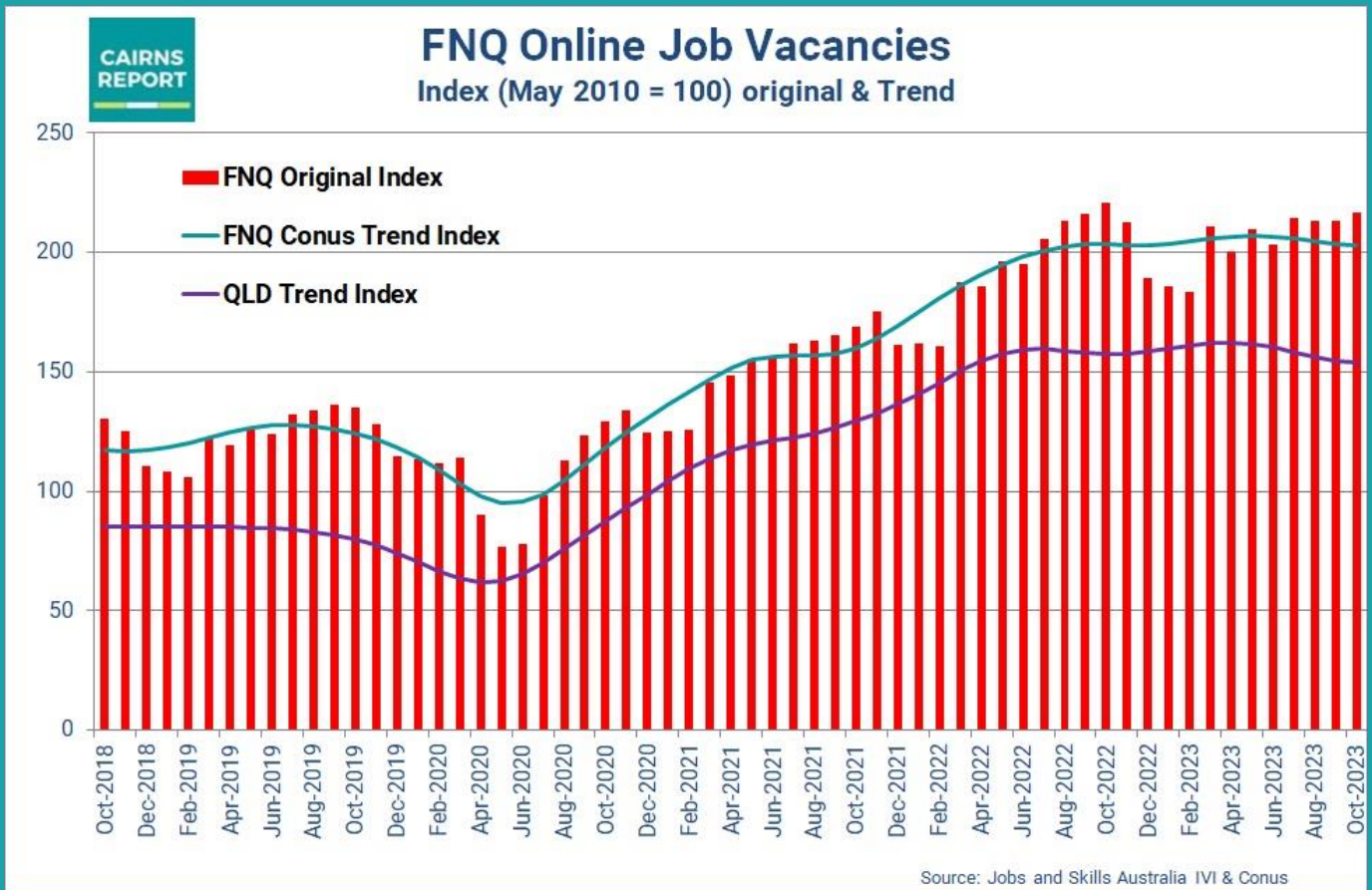
## UNEMPLOYMENT RATE

<b>3.7%</b>	<b>4.2%</b>	<b>4.1%</b>
NATIONAL	QLD	CAIRNS
	LAST MONTH	
<b>3.7%</b>	<b>4.2%</b>	<b>3.8%</b>

light of such a healthy regional employment market and the very gradual, but undeniable, easing at both national and State levels.

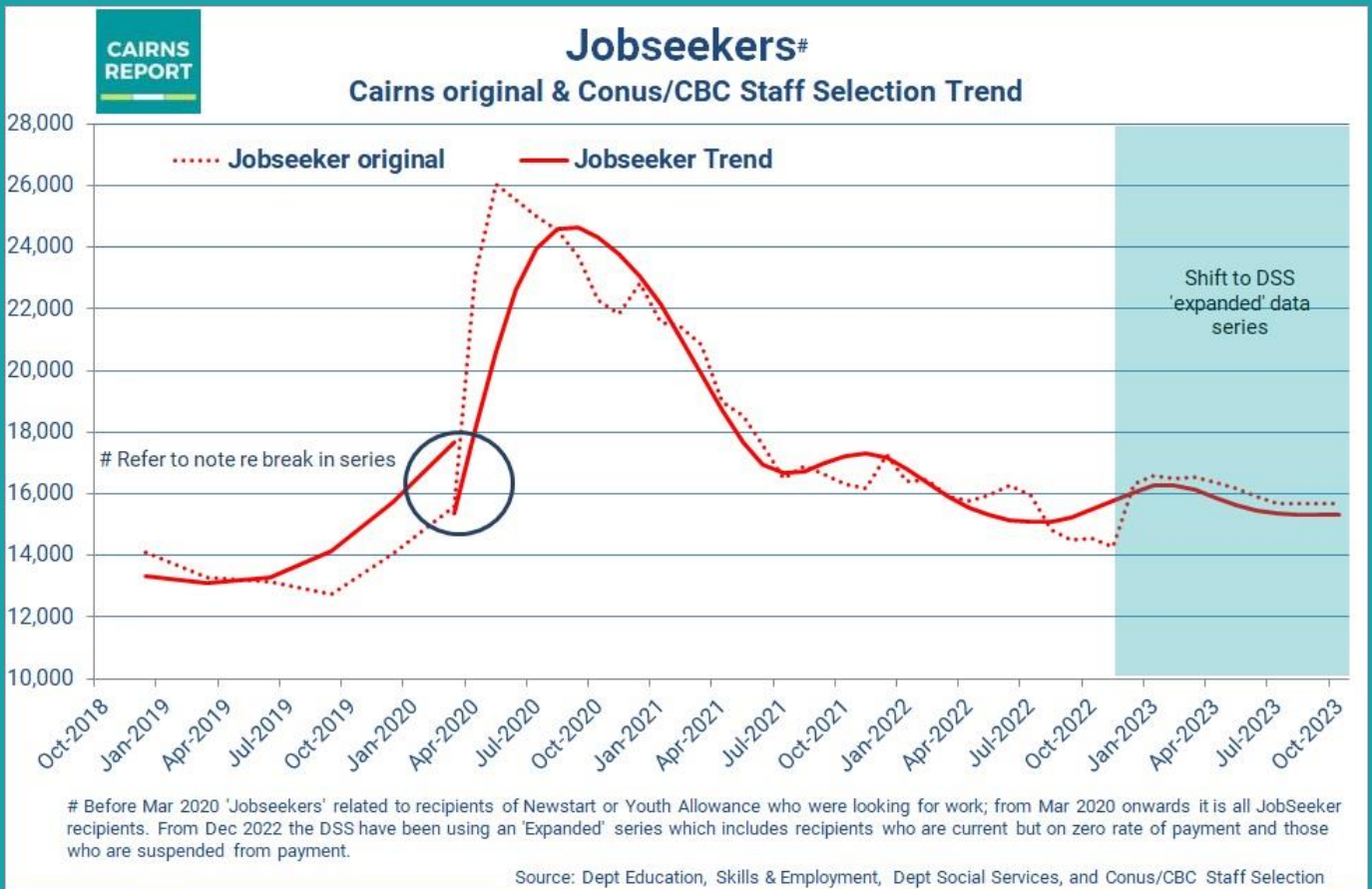


The number of online job vacancies in the Far North has stabilised at an elevated level compared to pre-COVID. Combined with the reduction in the number of JobSeekers, these indicators underscore the continued strength in the regional labour market.



The number of JobSeekers in Cairns continues to edge ever lower which confirms the underlying strength of the market.

As mentioned on previous page, both these indicators underscore the continued strength in the regional labour market.





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Last month we suggested that there was clear evidence that the bottom, in terms of Trend building approvals in Cairns, was now past, and this month's data supports that belief.

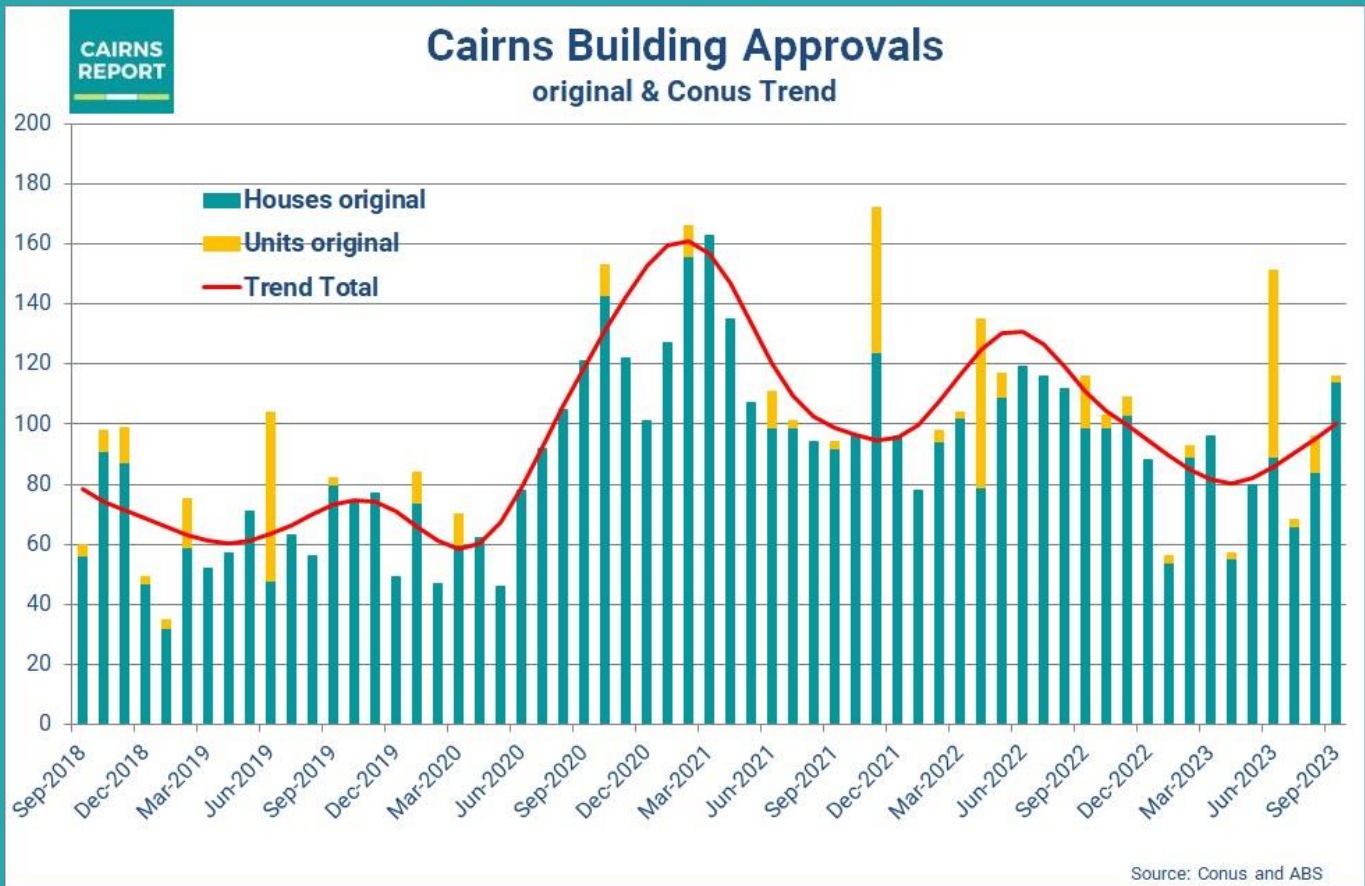
Trend approvals have increased for five straight months and are now less than 10% below their level of a year ago. We are still some way below the peak seen in 2021 but the pipe-line of approvals, combined with this most recent recovery, should see the residential construction sector remain robust well into the latter part of 2024.

## HOUSES

▼ -9.5%

Building approvals change year-on-year

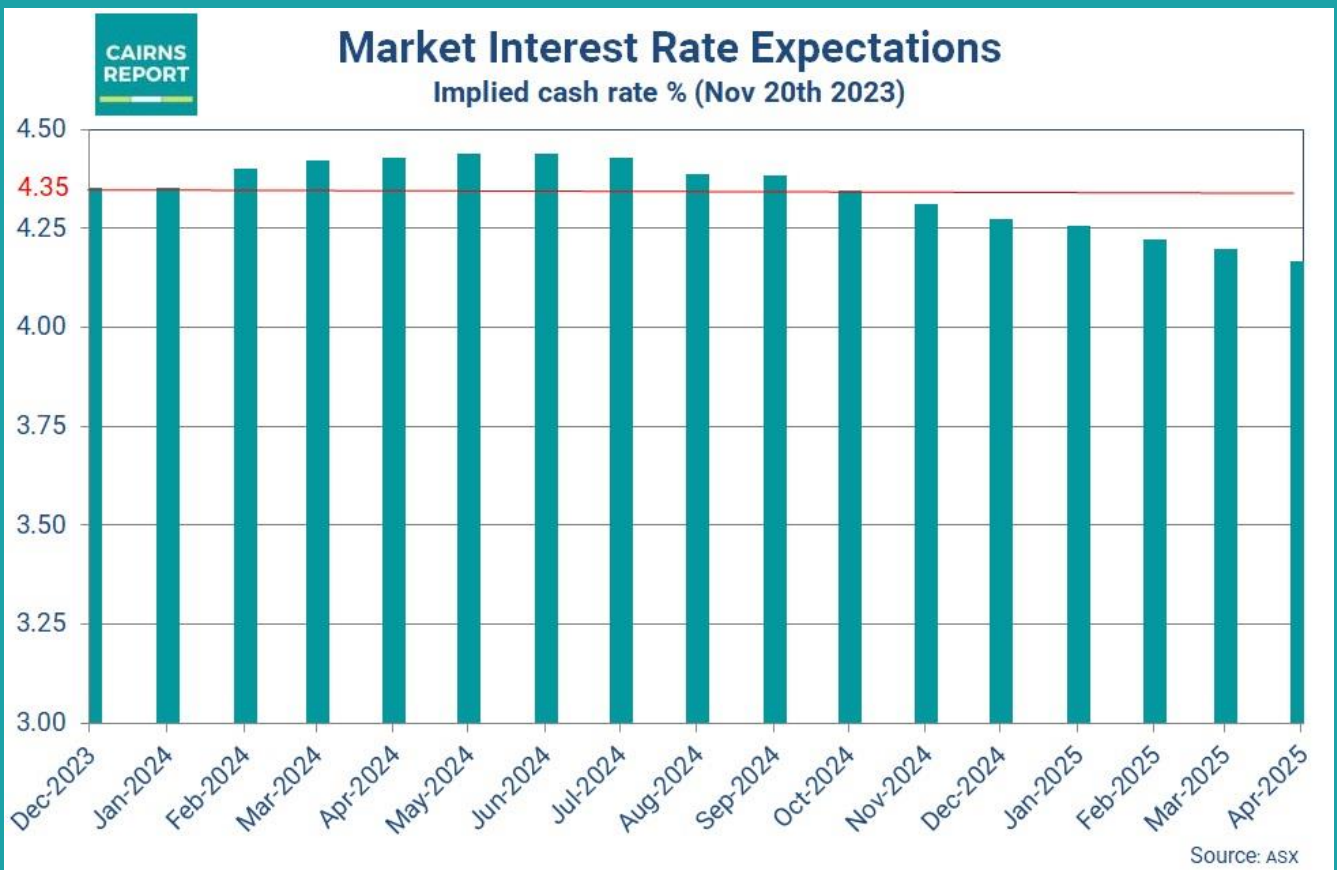
Trend approvals for September = 100





The Melbourne Cup hike in interest rates by the RBA of an additional 25bps will certainly not be a help to the construction sector, but at this stage there is little to suggest that the hikes to date have had much of a dampening impact on the sector in the Far North.

The markets were not surprised by the latest hike (readers of last month's Cairns Report will have been similarly unsurprised) and are now only pricing about a 20% chance of a further 25bps hike any time within the next 6 months before cuts start later in 2024.

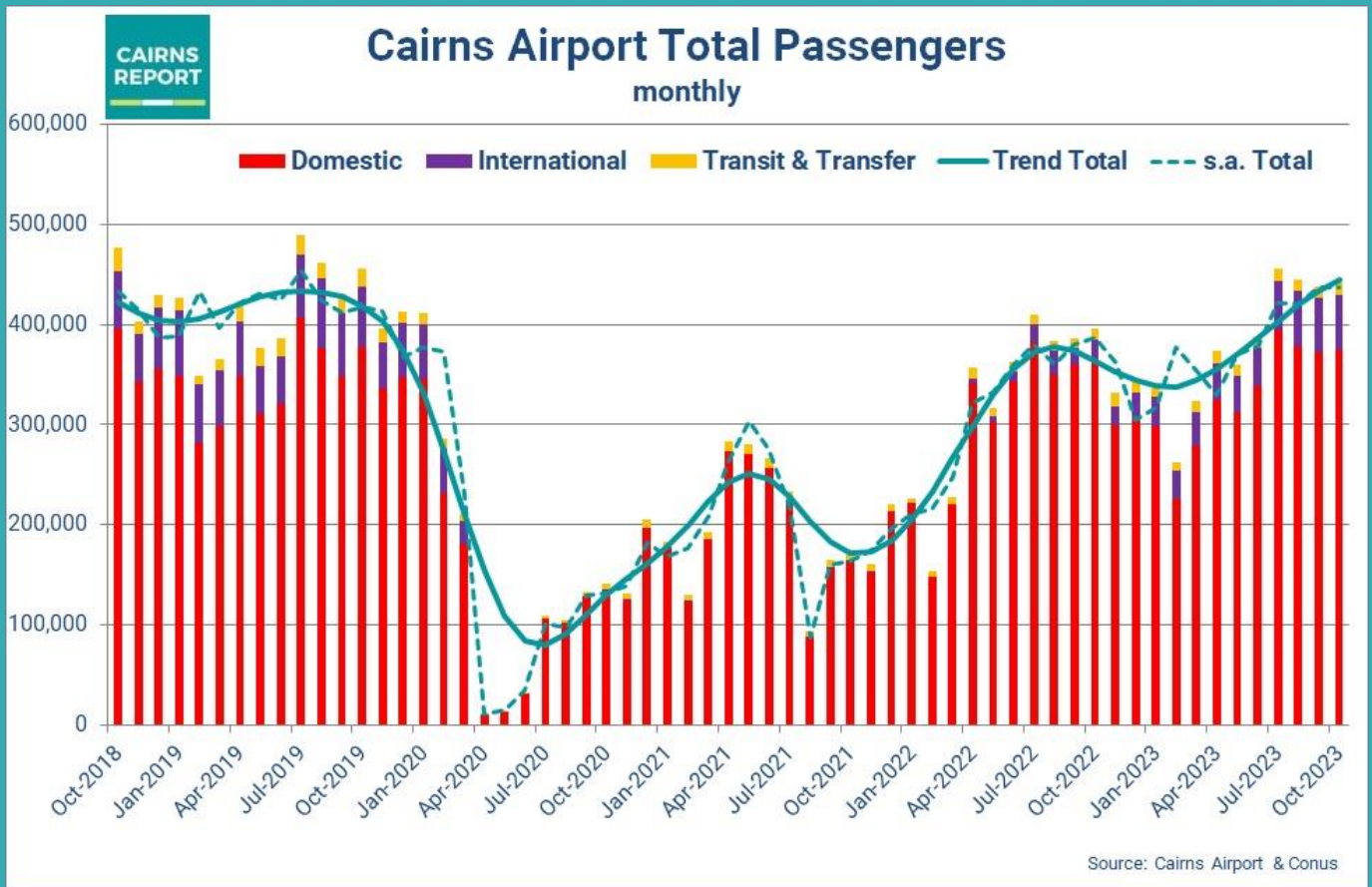


The original data for October from the Cairns Airport shows only a slight increase in passenger numbers from last month.

However, as was the case last month, when we consider the effect of seasonal factors the adjusted Trend data confirms that the recovery remains in place. The Trend has increased every month since Feb 2023 and now sits 6.1% above where it was this time in 2019.

**PASSENGERS**  
**456,312** ▲ **441,952**  
 OCTOBER '19 OCTOBER '23

International passengers are still about 8% below where they were at this time of year pre-COVID, although we are continuing to see an improving trend of international data with numbers to and from Japan showing particular strength.

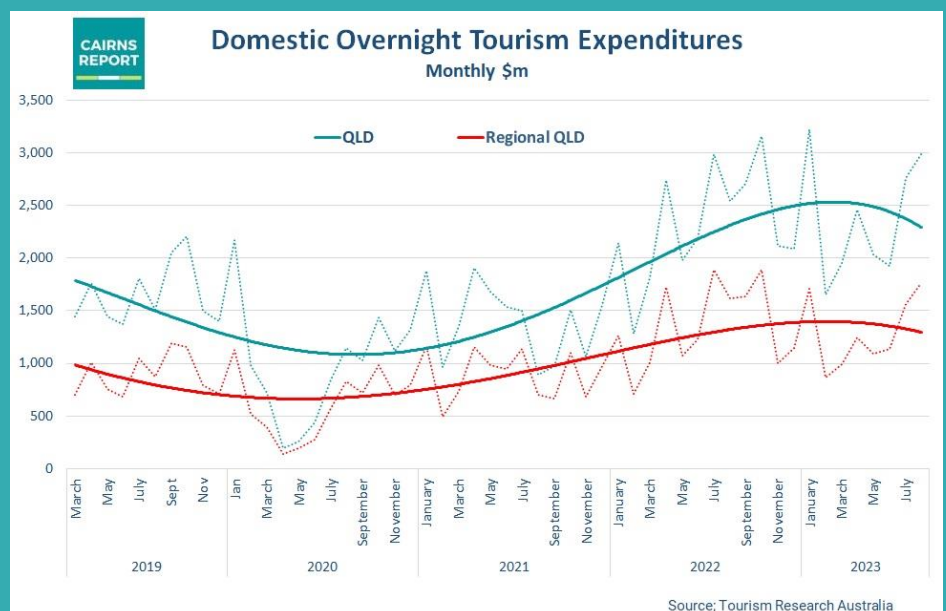
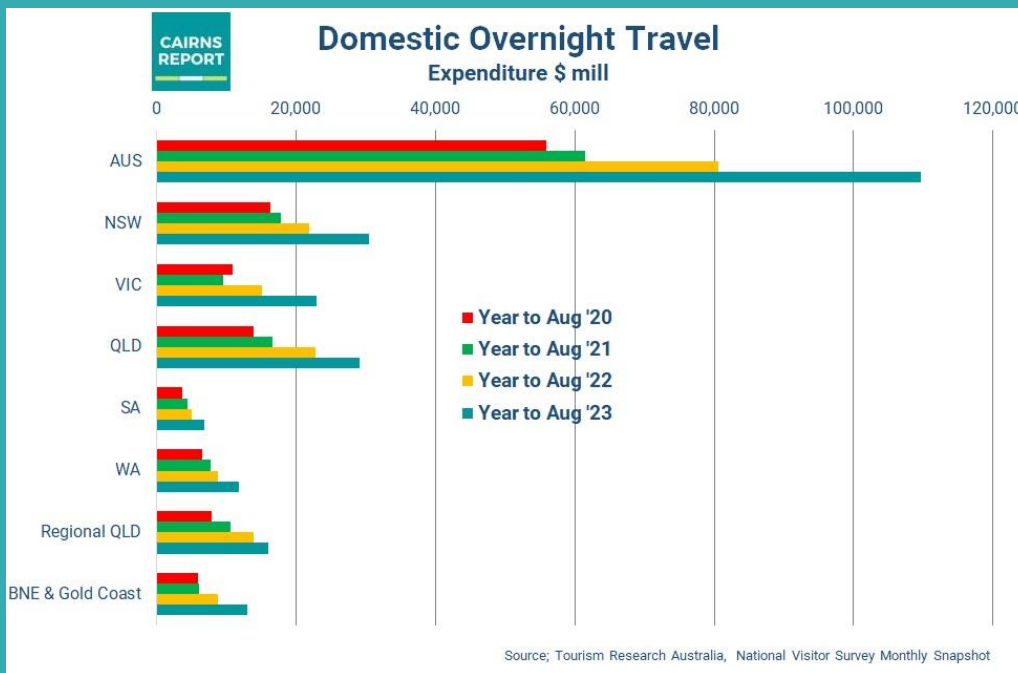




Last month we noted that the monthly tourism data for July was suggesting that the decline seen in domestic tourism expenditure, brought about by the fact that Aussies have started travelling more extensively internationally, may have reached a bottom.

The raw original data for August would seem to support that contention, although the Trend

does still seem to be indicating that the slow and steady decline (perhaps 'normalisation' might be a better term to use) in domestic expenditures may still be intact. Nevertheless, it is certainly true that, even if such a declining Trend is in place, it is being felt more sharply across Queensland as a whole than Regional Queensland specifically.



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

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PROPERTY



With the Melbourne Cup rate hike now behind us, and the markets pricing in only a relatively small chance of a further hike by the middle of 2024, it would appear the real estate market is thinking in terms of being at, or very close to, the peak in rates. Despite this (final?) move up in rates, real estate prices in Cairns continue to move ahead strongly. Median house prices in particular have moved significantly higher and now sit 18% above their level a year ago and are up 43% since pre-COVID.

## MEDIAN PRICES

▲ **\$313,000**

UNITS

+6% y/y

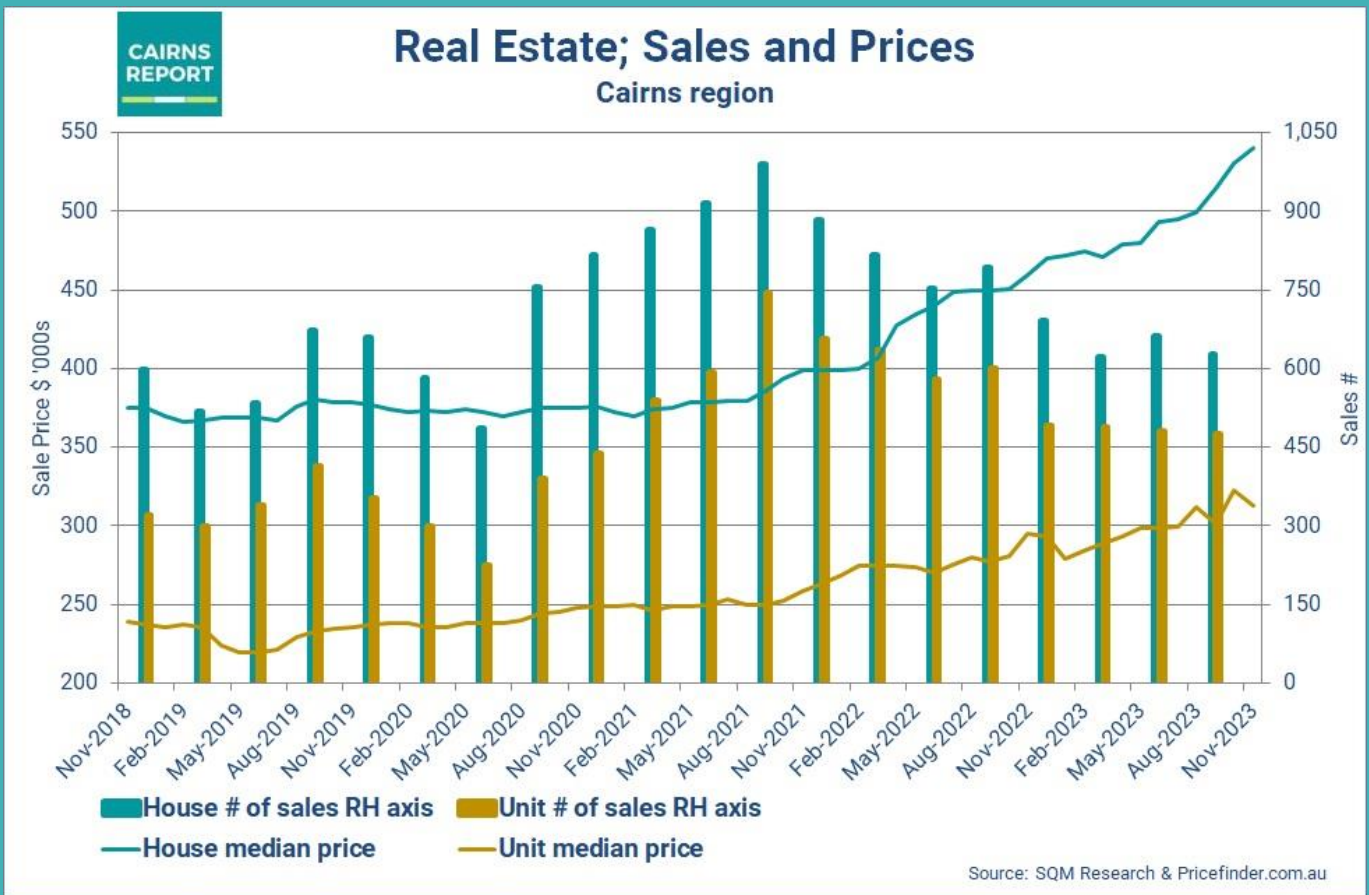
▲ **\$540,000**

HOUSES

+18% y/y

Source: SQM Research

Units, on the other hand, have seen their rate of growth slow somewhat in recent months and are now just 6% higher than a year ago, which is the slowest pace of growth since March of this year. Nevertheless, units are still 32% higher than pre-COVID.



## RENTAL VACANCY RATE

The fact that the vacancy rate has fallen again in October to just 0.8% highlights the very real ongoing challenge around the shortage, and cost, of accommodation in the City.

0.8%

OCTOBER '23

0.7%

OCTOBER '22

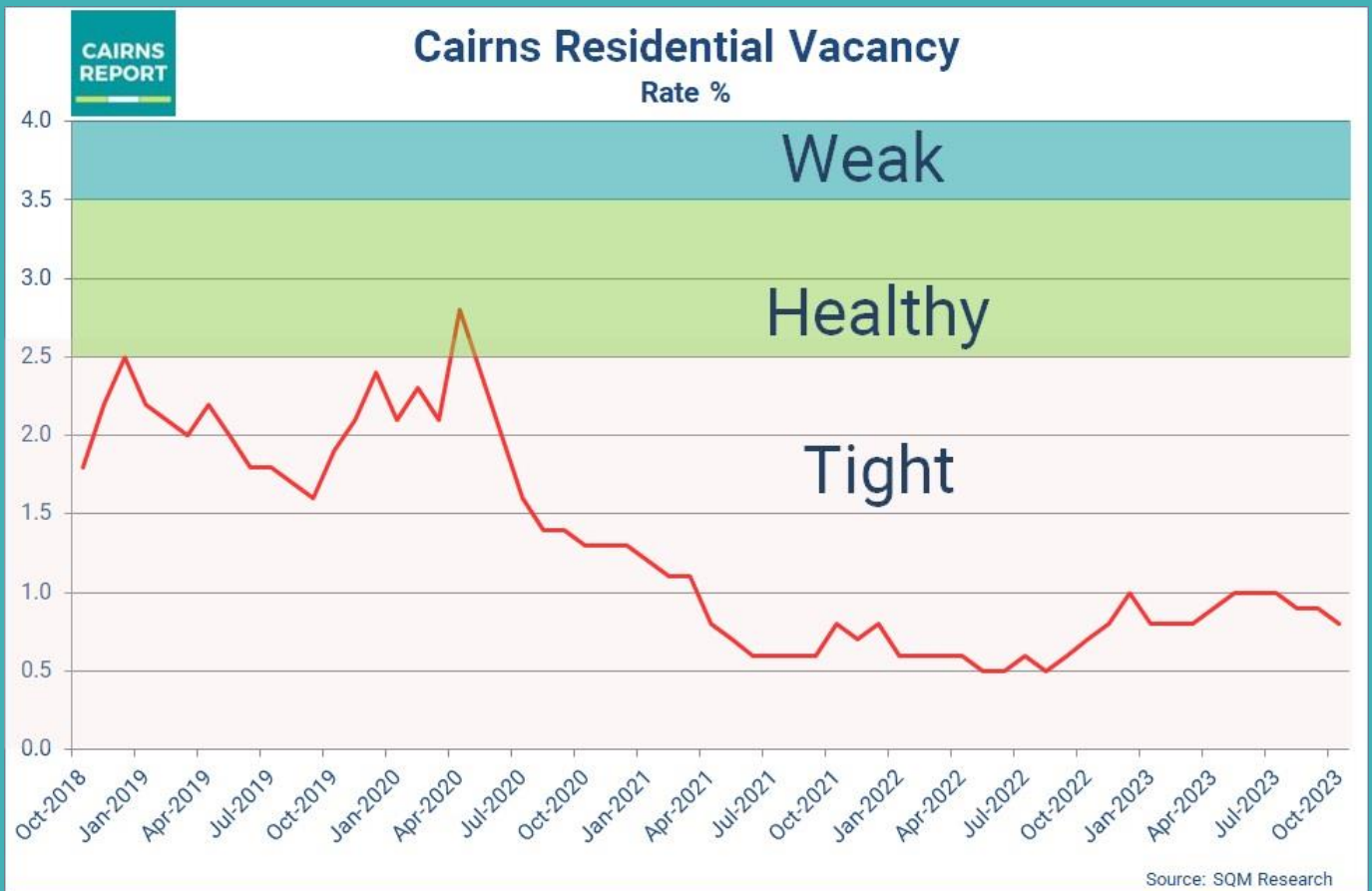
1.6%

OCTOBER '20

2.0%

OCTOBER '18

Source: SQM Research





Like real estate prices, rents also continue to move significantly higher, albeit at a somewhat slower pace.

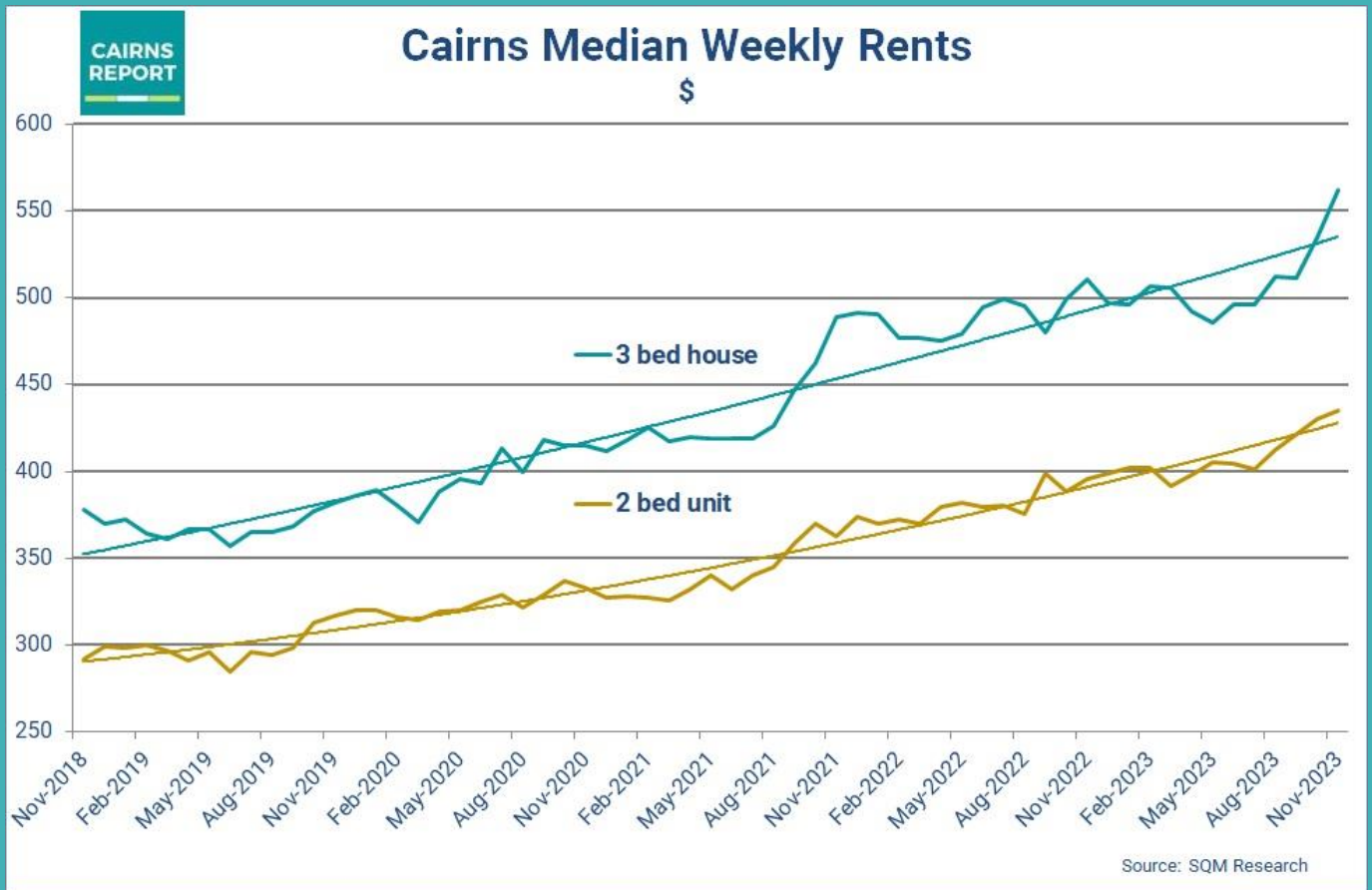
The unit rental market has been consistently firmer over recent months and has once again reached record highs this month at \$430 pw for an average 2-bedroom unit, an increase of 11% for the year. 3-bedroom houses have also moved higher and are also at record highs (\$535 pw), an increase of 7% for the year.

## MEDIAN RENTALS

▲ **\$435**  
UNITS p/w  
+10% y/y

▲ **\$562**  
HOUSES p/w  
+10% y/y

Source: SQM Research





How quickly can a market be affected by a rise in interest rates?

In September/October, Renae and I commented to each other that the market was “running again”. That is, prices were moving and buyers were forced to act quickly. Post the Melbourne Cup Day rate rise in November, it feels like maybe some of the wind has come out of the sails. Surely it can't have made a difference that quickly...?

It doesn't stand to reason that another .25% would make any difference on top of the dozen other rises. Buyers must have already taken this into account so perhaps it's just a sentiment thing. So much negativity in the media generally, plus the rate rise and Christmas looming may be coalescing to contribute to that sentiment.

Realestate.com.au reports that there were 715 active listings in the greater Cairns region in October versus over 2,600 pre-COVID, so a shortage of availability is still a huge factor. Time will tell.



Nicholas Slatyer  
*Belle Property  
Cairns*



We are enjoying a strong local economy thanks to the robust performances of the building and tourism sectors, low unemployment, real estate prices continuing to grow and a low rental vacancy rate. Conversely, the aforementioned factors are contributing to ongoing cost of living pressures. Recent results from the Australian Bureau of Statistics' monthly Consumer Price Indicator for October 2023 indicate inflation is declining (albeit slowly).

Assuming inflation continues to decline in 2024 and in turn the cost of living pressures ease, the outlook for the local economy in 2024 remains positive.



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*Principal - Financial  
Advisory  
Grant Thornton*

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