

CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy

FEBRUARY 2024



PRESENTED BY



FEBRUARY 2024: SNAPSHOT

EMPLOYMENT: It's now been a run of nine months with positive employment growth for Cairns; up another 800 in December. Trend employment now sits 5,000 above where it was a year ago, at 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: The increases in interest rates that we saw through 2023 appear to have had almost no impact on residential building plans in Cairns. While approvals are not back to the immediate post-COVID highs, current levels are significantly higher than they were pre-COVID and provides further evidence of solid support within the construction sector though the rest of 2024.

TOURISM: We will await the relevant January statistics to gauge the impact of booking cancellations due to Cyclone Jasper and subsequent flooding, the most recently available data from Tourism Research Australia showed that domestic expenditure has declined as expected but the increase in international expenditure more than compensated for this decline.

REAL ESTATE: With the prospect of interest rates starting to decline in the third quarter of this year and further healthy population growth in the region, we can expect to see the Cairns real estate market remain robust.

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Far North Queensland economy

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Queensland

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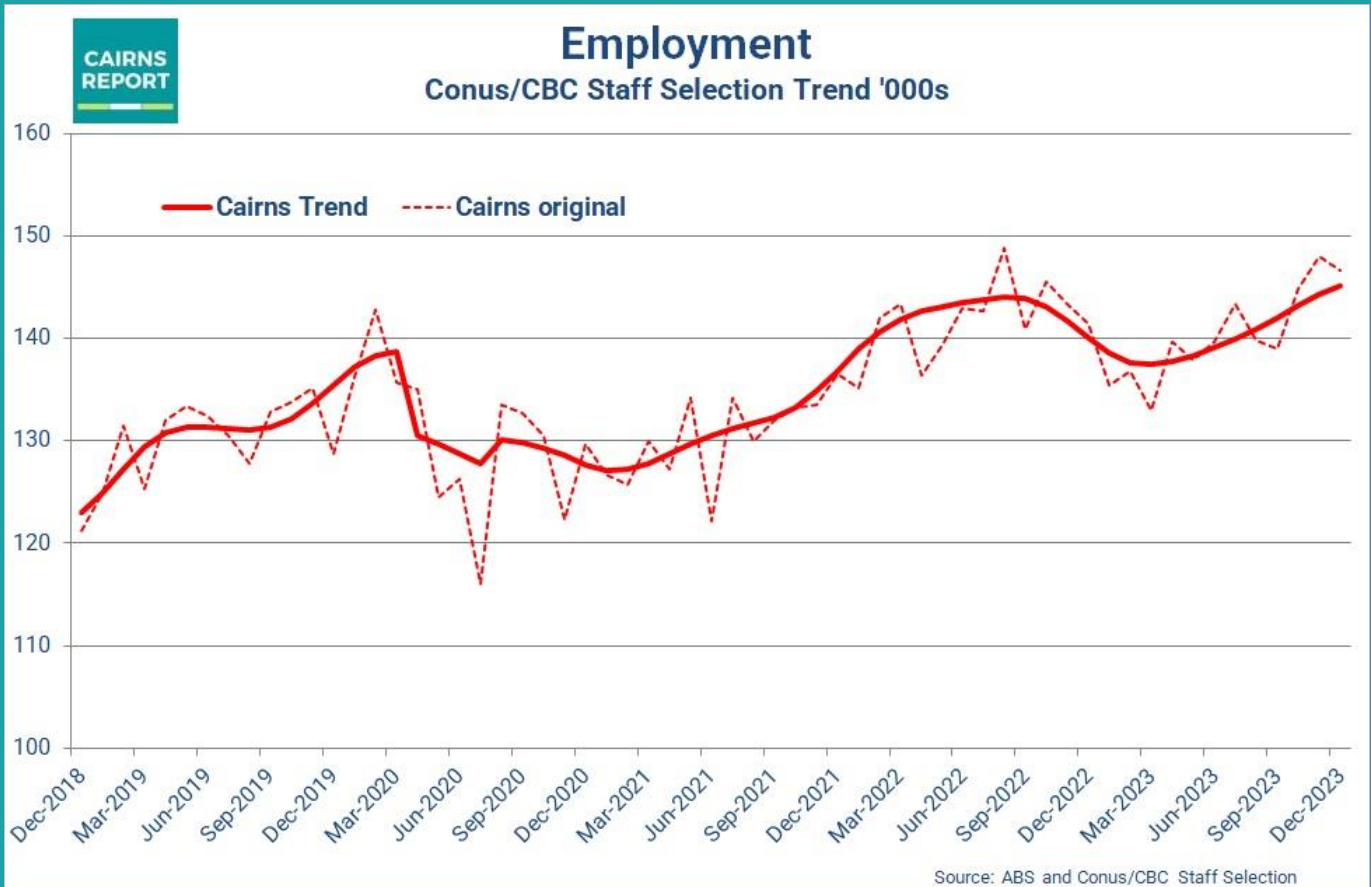
It's now been a run of nine months with positive employment growth for Cairns; up another 800 in December.

Trend employment now sits 5,000 above where it was a year ago, at an all-time high for the region. Trend employment growth is running at 3.6% pa which compares very favourably with a rate of 3.2% in Queensland and 3.0% nationally. There has however been a marked shift from full-time to part-time employment in that time; full-time positions have declined by 6,600 in the same period. Significantly, all (7,000) of that loss of full-time work has been seen in the female cohort, offset by a huge increase in female part-time work (+9,700).

PEOPLE EMPLOYED

| | | |
|------------|------------|---------|
| 14,246,000 | 2,879,700 | 145,200 |
| NATIONAL | QLD | CAIRNS |
| ↑ | ↑ | ↑ |
| | LAST MONTH | |
| 14,227,200 | 2,872,300 | 144,400 |

Nationally, the Trend employment growth of just 3.0% is the slowest pace we have seen since March 2021 but that is robust when compared to the 10-year historical rate closer to 1.8% pa. In Queensland, Trend employment growth has speeded up over recent months and at 3.2% now sits at its fastest pace since December 2022.



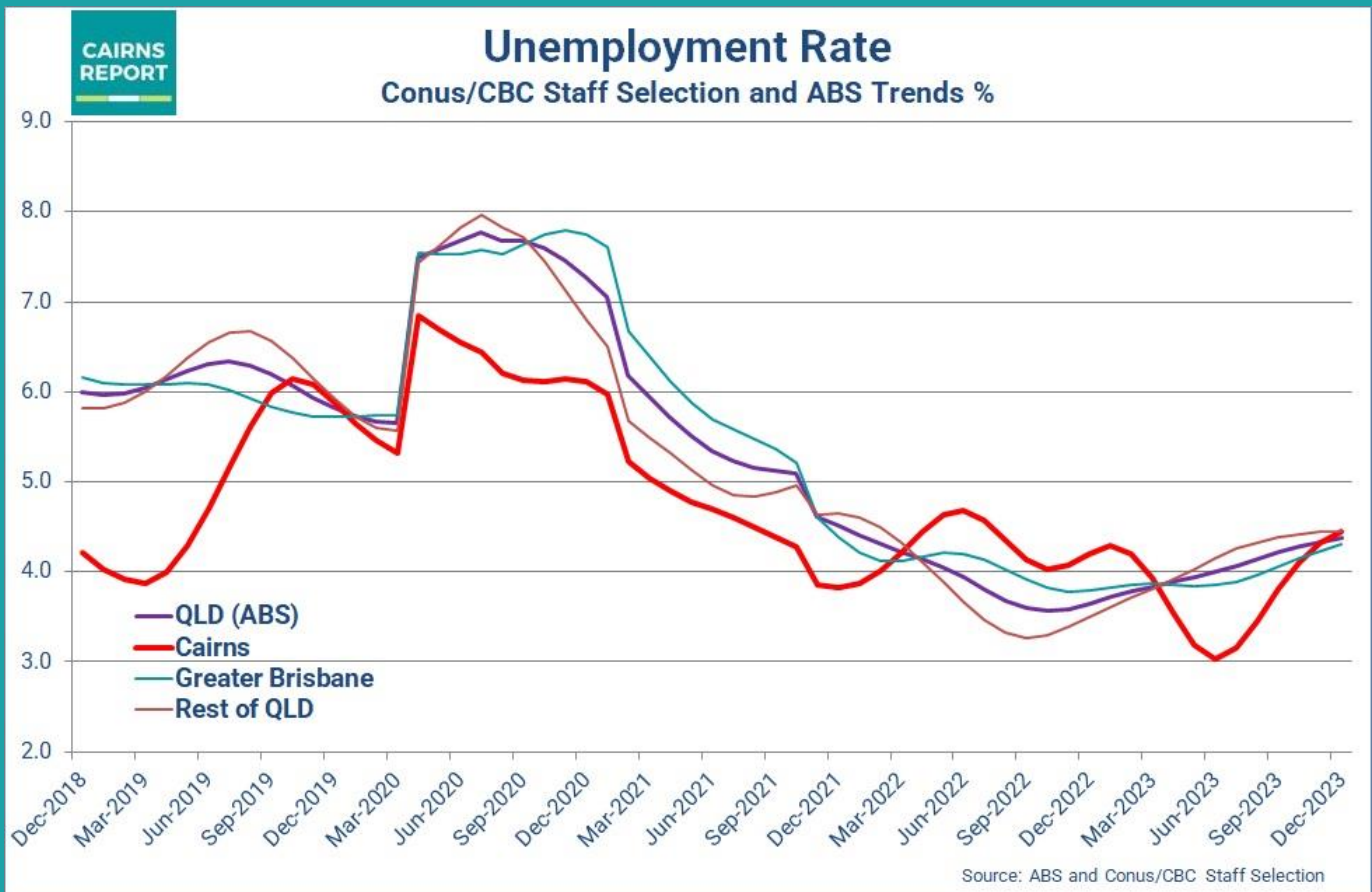
As the unemployment rate has edged higher at the State and National level it comes as little surprise to see the same thing happening in Cairns.

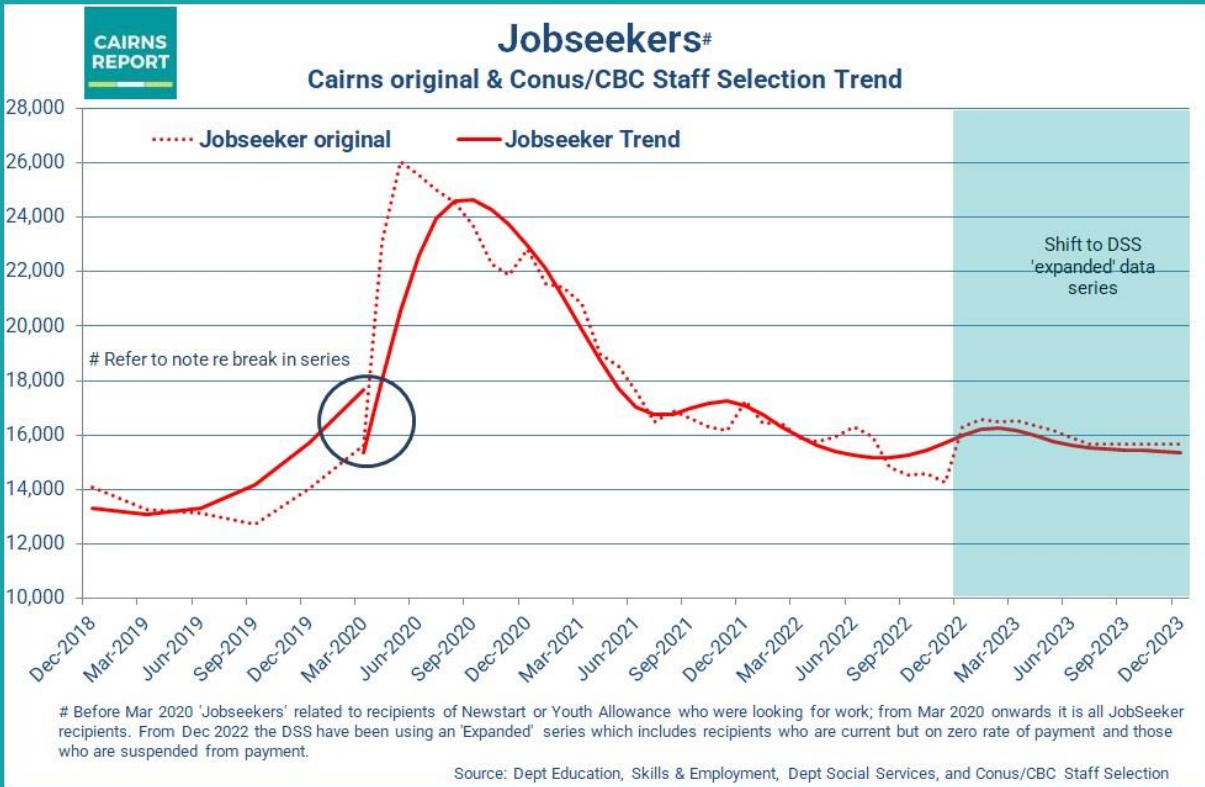
Indeed, despite very robust employment growth, the Trend unemployment rate in Cairns (4.4%) now matches that across Queensland. The increases in employment have been more than matched by increases in participation which has meant the unemployment rate has moved higher. The increase in the Trend unemployment rate in

UNEMPLOYMENT RATE

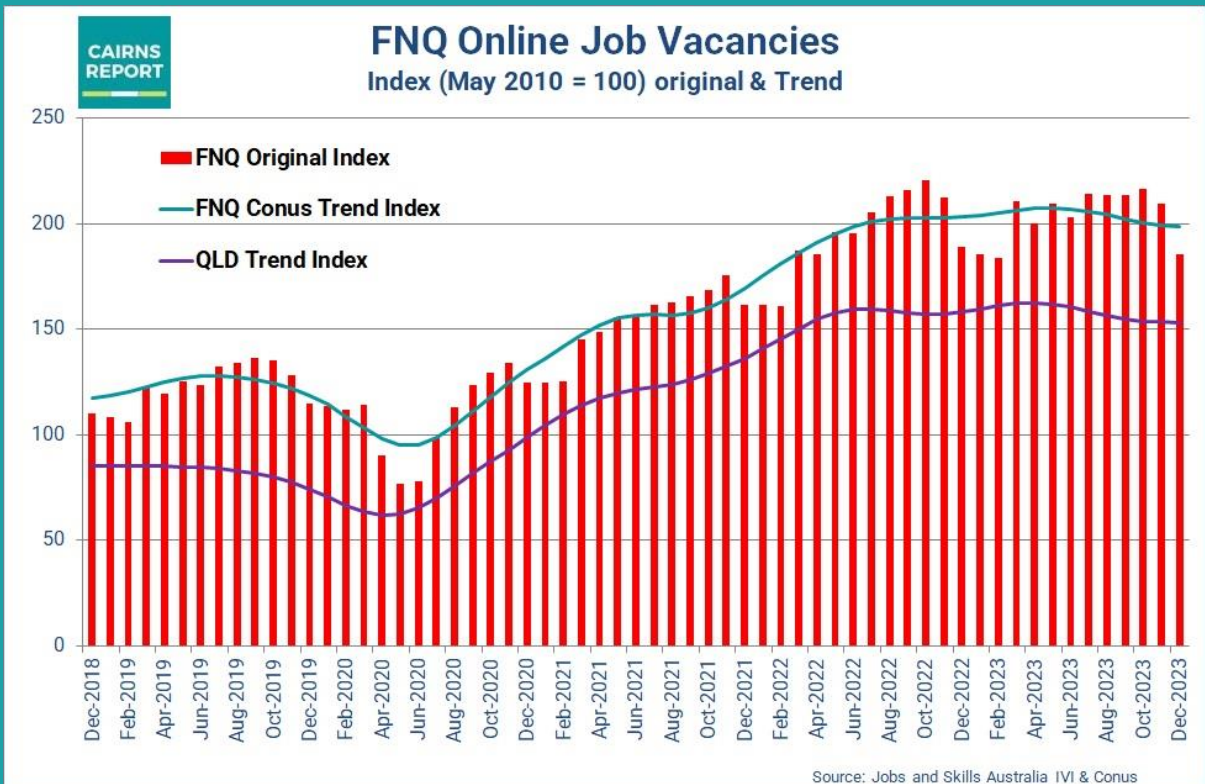
| | | |
|-------------|-------------|-------------|
| 3.8% | 4.4% | 4.4% |
| NATIONAL | QLD | CAIRNS |
| | | |
| | LAST MONTH | |
| 3.8% | 4.3% | 4.3% |

Cairns does not signify a 'weak' labour market, but rather a move to a 'normalisation' after an extended period of significant distortion and population growth.





The number of JobSeekers in Cairns appear to have stabilised, although we are starting to see, in common with the picture at a State and National level, something of a slow decline in the number of Online Job Vacancies in the Far North.





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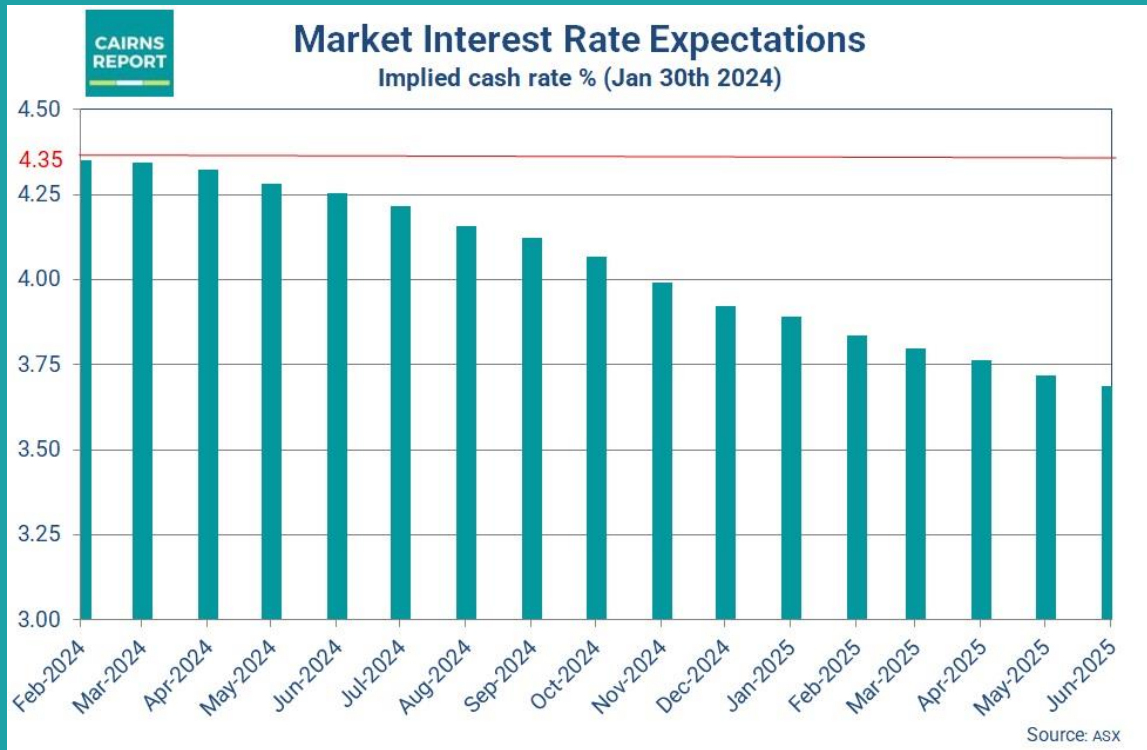
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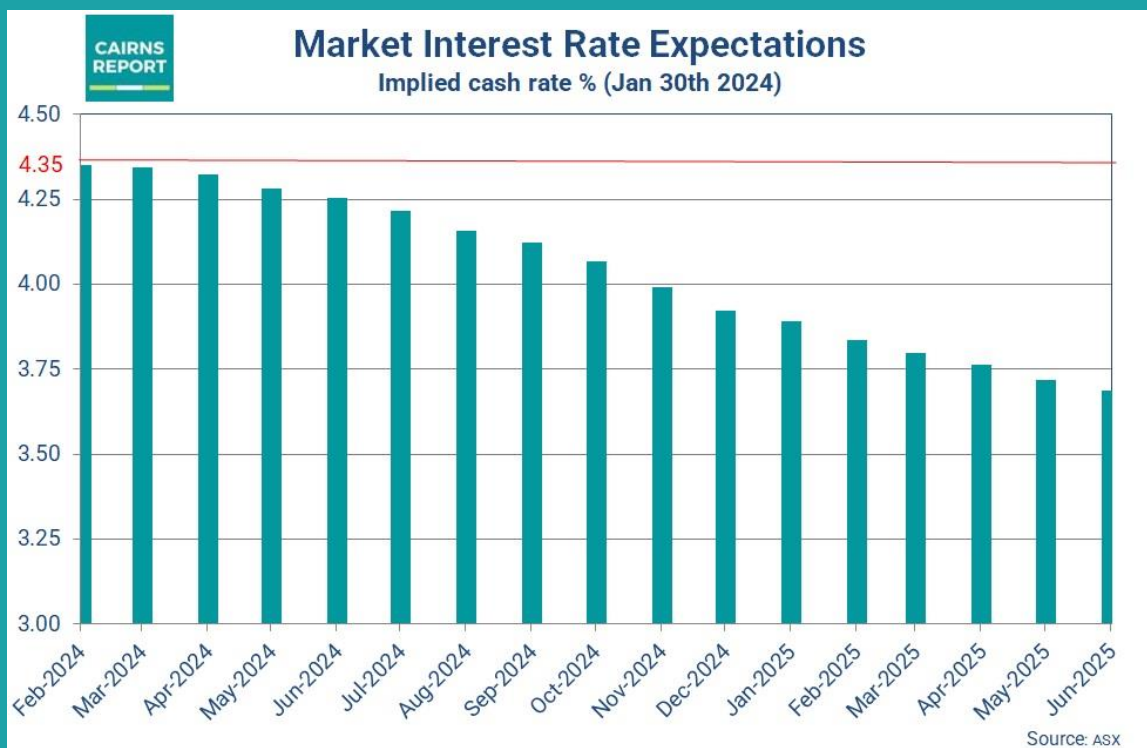
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In recent months we have seen a major shift in the market’s expectations for the trajectory of interest rates. On the back of the confirmation provided by the monthly November CPI data that annual inflation was falling rapidly, and broadly in line with the RBA expectations, the markets have shifted to a view that the peak in interest rates has now passed and that rates will be falling by later this year. However, a full 25bps cut is not fully priced in by the markets until the 3rd quarter of this year.



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Despite a decline in the original building approvals data for Cairns in November, the seasonally adjusted Trend series continues to show a slow and steady improvement.

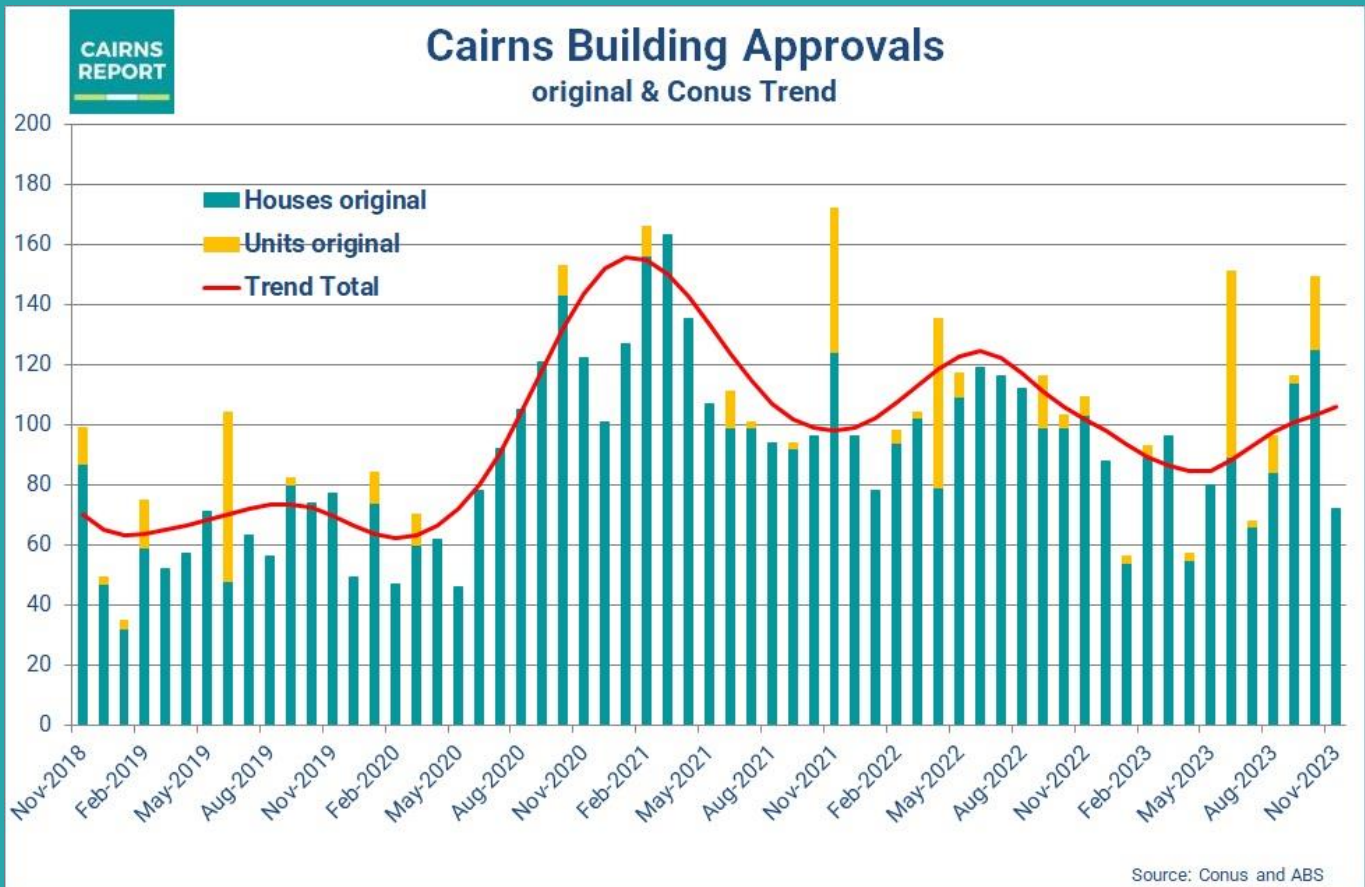
This supports the contention that we originally made in our November issue last year that the bottom in terms of building approvals for the region was already passed. The increases in interest rates that we saw through 2023 appear to have had almost no impact on residential building plans in

HOUSES

▲ 3.8%

Building approvals change year-on-year
Trend approvals for November = 106

Cairns. This recovery, while not back to the immediate post-COVID highs, takes approvals in the region to a level significantly higher than they were pre-COVID and provides further evidence of solid support within the construction sector though the rest of 2024.





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PROPERTY

With the prospect of interest rates starting to decline in the third quarter of this year and further healthy population growth in the region, we can expect to see the Cairns real estate market remain robust. Certainly, the market for units has continued to power ahead with the median price hitting new highs in January of \$328,000. Median house prices appear to be taking something of a breather having hit record highs

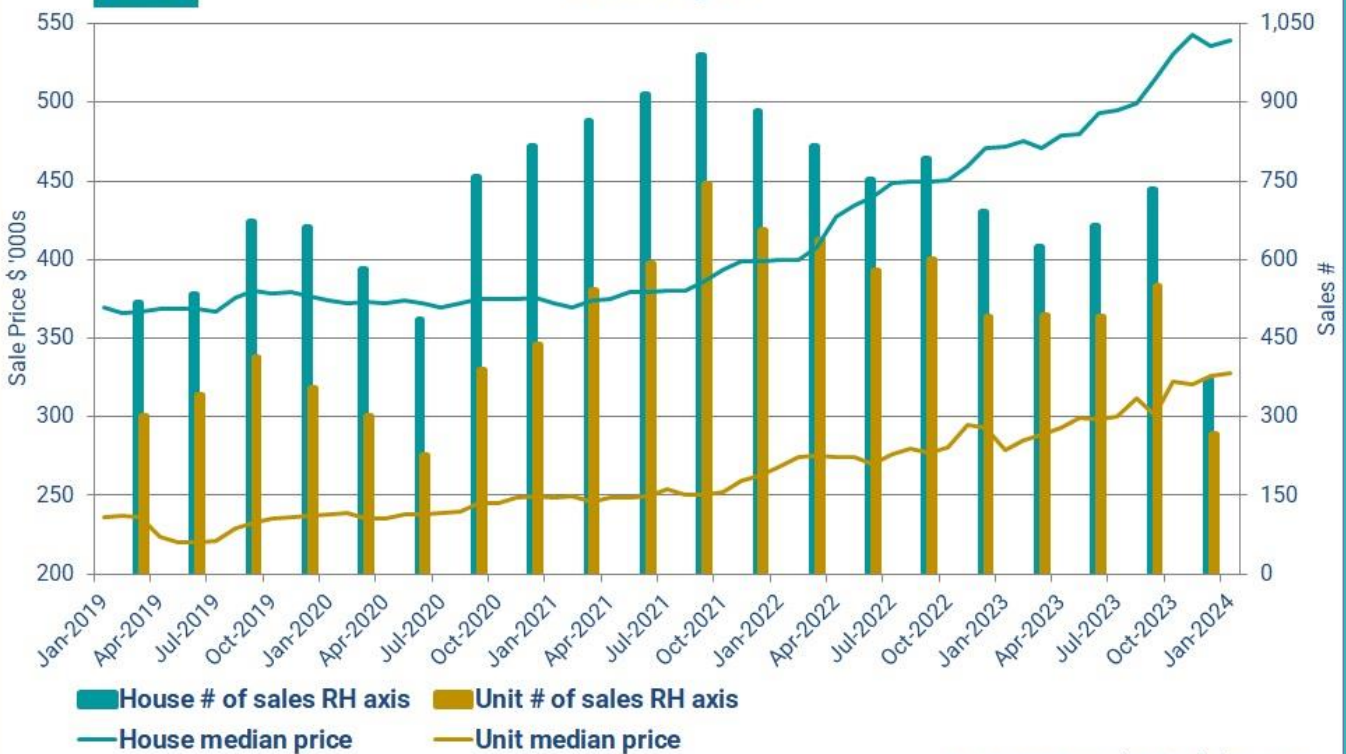
in November (\$543,000), but this may have more to do with seasonal effects and the recent flooding event that any structural weakness in the market.

MEDIAN PRICES

▲ **\$328,000** ▲ **\$539,000**
 UNITS HOUSES
 +18% y/y +14% y/y

Source: SQM Research

Real Estate; Sales and Prices Cairns region



Source: SQM Research & Pricerfinder.com.au



RENTAL VACANCY RATE

1.2%

DECEMBER '23

1.0%

DECEMBER '22

1.5%

DECEMBER '20

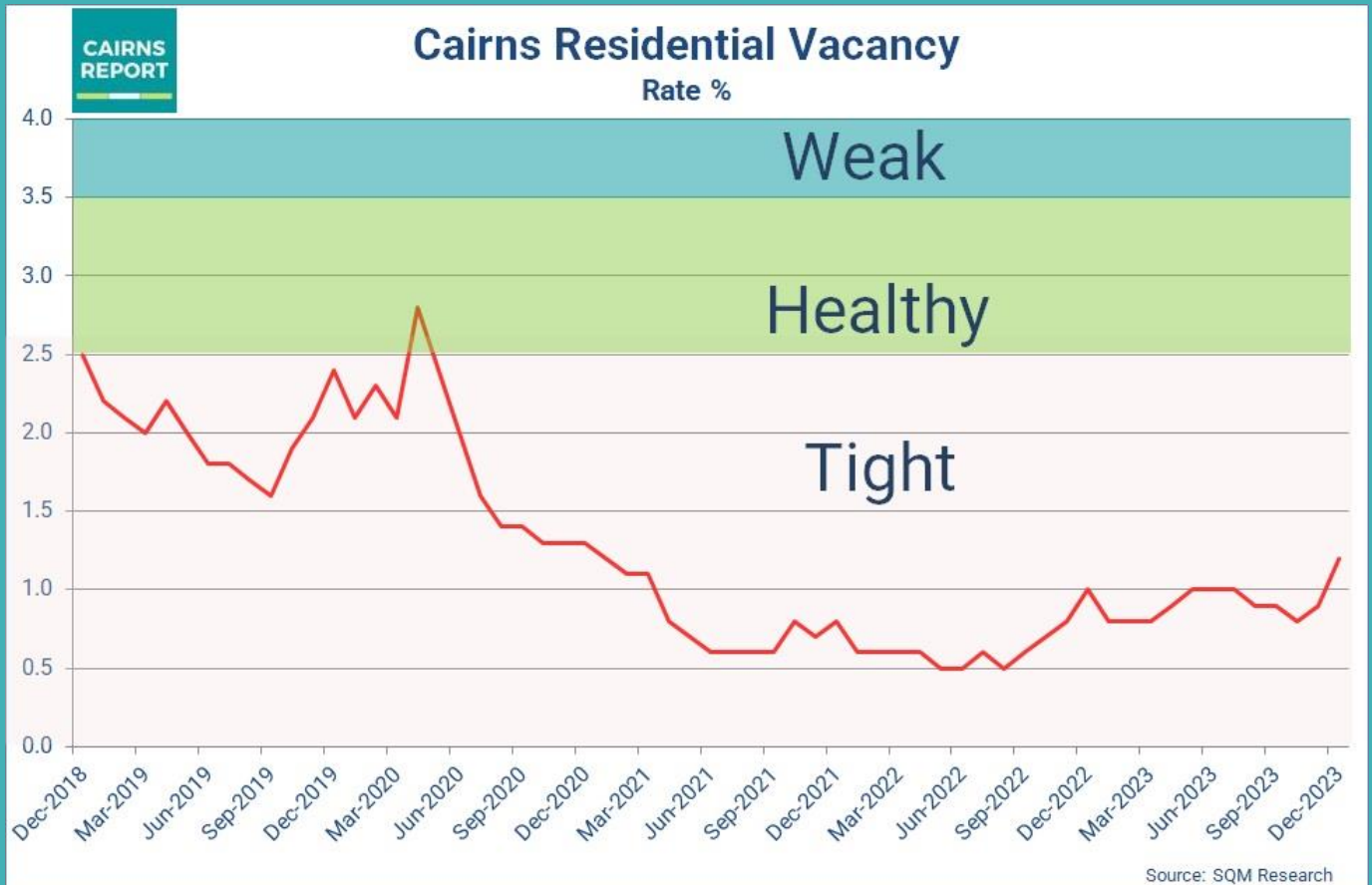
2.7%

DECEMBER '18

Source: SQM Research

Even though the rental vacancy rate has moved back above 1% for the first time since March 2021 we should not be fooled into thinking that the accommodation crisis in the region was at an end.

The latest rate of 1.2% is still a very low vacancy rate and historically the December rate is often somewhat higher than other months. We would not be surprised to see the rate back below 1% in coming months.



The continued tightness in the Cairns rental market is still playing out in sharply rising rents.

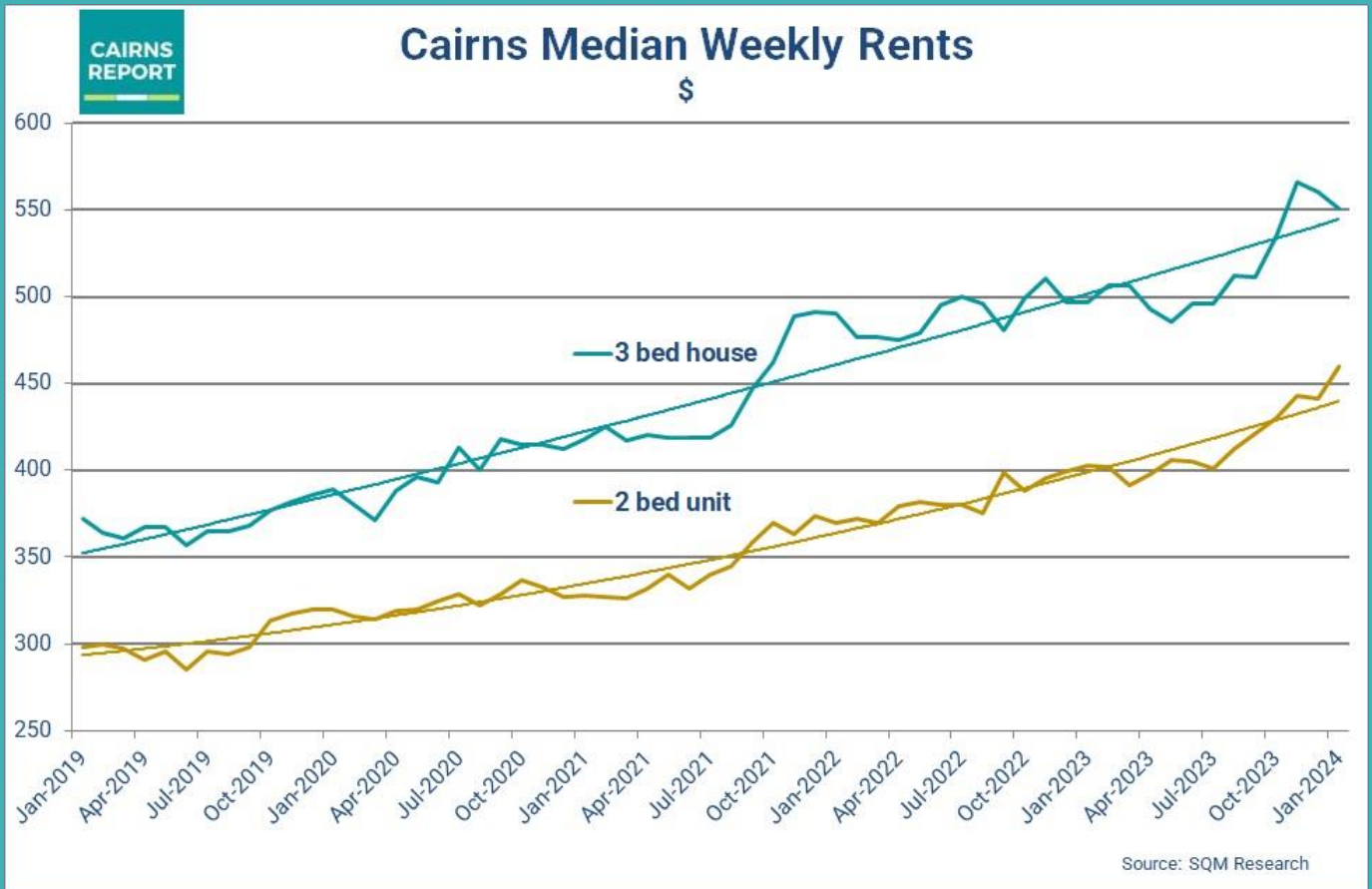
The median rent for a 3-bedroom house is up 11% over the year and 2-bedroom units are up 14%.

MEDIAN RENTALS

\$460
UNITS p/w
+14% y/y

\$550
HOUSES p/w
+11% y/y

Source: SQM Research



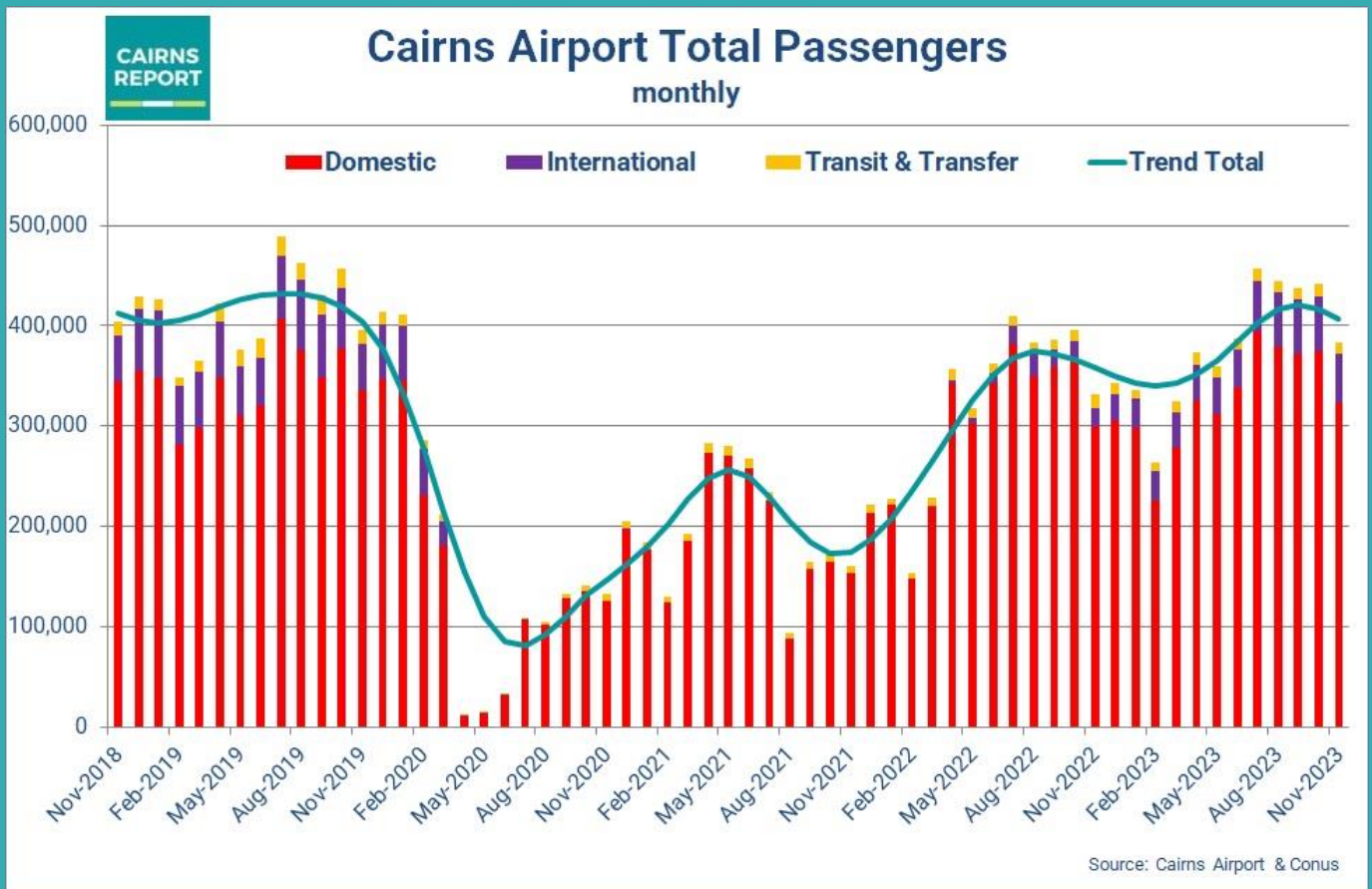
The impact of Cyclone Jasper and subsequent flooding are yet to show up in the most recent available data, with the exception of the December data for Cairns Airport.

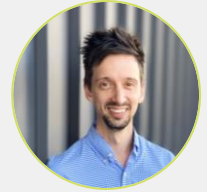
Passenger numbers, and in particular domestic passenger numbers, fell sharply in December and we would expect to see this also reflected in the January data when available.

International passenger numbers for 2023 were back above 500,000 for the first time since the year to June 2020 (which included at least 3 months of COVID-impacted data) but still

PASSENGERS
413,137 ▼ **343,066**
 DECEMBER '19 DECEMBER '23

remain 25% below where they sat in 2019. The recovery in international tourism continues and appears to have been only minimally impacted by the floods, as least as far as December data was concerned. This is not surprising given the generally longer lead time for international travel compared to domestic. Data from the Airport for January may show a greater impact on international tourism.





Michael Wilson
Partner
PVW Partners

It was quite a finish to the calendar year. Our thoughts go out to all those impacted by the cyclone and floods. As FNQ moves into recovery mode, we can expect to see the economic impact of repairing the \$2 billion+ of damages.

Housing stock is likely to remain stretched as we look to rebuild the region. There will be plenty of construction, civil and trade jobs created which will be positive for employment in the region for at least the next twelve months. However, whilst there continues to be housing stock constraints, we must be mindful of how this impacts on the affordability of tourism and the affordability of new developments needed in the region.

Locally, pockets of the FNQ economy may benefit from the inflow of capital to the region, however national and global cost of living headwinds remain. Not all businesses will be impacted equally from these disasters, and if struggling please stay vigilant and seek assistance.



It is a very interesting time for property in Cairns. There is no doubt that the “fireworks” we normally see in a pre-Christmas rush were somewhat dampened (sorry) by TC Jasper. The start of 2024 has also been relatively subdued, but it seems that buyers have found some more enthusiasm from mid-January. As a counterpoint to the sluggish start to the year, as of 1 February there is less property listed in Cairns that at any other time post-Covid (which is when we started keeping track, expecting armageddon only to see the opposite happen). The lack of stock is keeping prices very stable with anything under \$1m in a desirable suburb receiving a lot of buyer enquiry.



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Belle Property
Cairns

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Rebecca Macmillan
Holding Redlich

2024 will be an exciting year in the migration space.

- From November 2023 all subclass 482 visa holders now have a pathway to permanent residence and the Migration strategy was released in late December, based on 8 key actions:
 - Targeting temporary skilled migration to address skills needs and promote worker mobility
 - Reshaping permanent skilled migration to drive long-term prosperity
 - Strengthening the integrity and quality of international education
 - Tackling worker exploitation and the misuse of the visa system
 - Planning migration to get the right skills in the right places
 - Tailoring regional visas and the Working Holiday Maker program to support regional Australia and its workers
 - Deepening our people-to-people ties in the Indo-Pacific
 - Simplifying the migration system to improve the experience for migrants and employers

As part of the strategy, by the end of 2024, the subclass 482 Temporary Skills Shortage visa will be replaced with a new three tiered visa:

- Essential skills visa for those earning under \$70,000. Details of this visa are yet to be finally determined. It is expected it will involve union oversight, be capped and be restricted to specific sectors.
- Core skills visa for those earning \$70,000 to \$135,000. Trade workers will be required to apply under this visa based on a revised skills in demand list developed by Jobs and Skills Australia.
- Specialist skills visa for those earning over \$135,000. Trade occupations, machinery operators, drivers and labourers will be excluded from this visa class. There will be 3000 places allocated per year.

The visa will be granted for up to 4 years and visa holders will be able to change employers more easily and provide clear pathways to permanent residency.

- The Subclass 408 COVID Visa has now closed to new applications.

- And hot off the press – specified work for working holiday makers now includes recovery work for flood, cyclone or other severe weather events

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