

CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy



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APRIL 2024: SNAPSHOT

Population: Population across the broader Cairns SA4 region grew by 1.8% to 265,366 in the year to June 2023. This could be considered rapid growth for a region which averaged just 1.4% pa for the decade prior to the COVID pandemic.

Employment: Run of employment growth in Cairns extends to 11 months but strong participation keeps unemployment rate unchanged.


Building Approvals: Seasonal factors see approvals ease, although Trend remains almost unchanged.

Tourism: Domestic tourism dips as expected while international continues its (slow) recovery.

Property: Rental market still very tight which is keeping rents elevated. Property prices continue to move higher and the fact that interest rates are likely to start to fall through this year would suggest that trend to continue.

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Cover: Cairns City
Credit: TTNQ

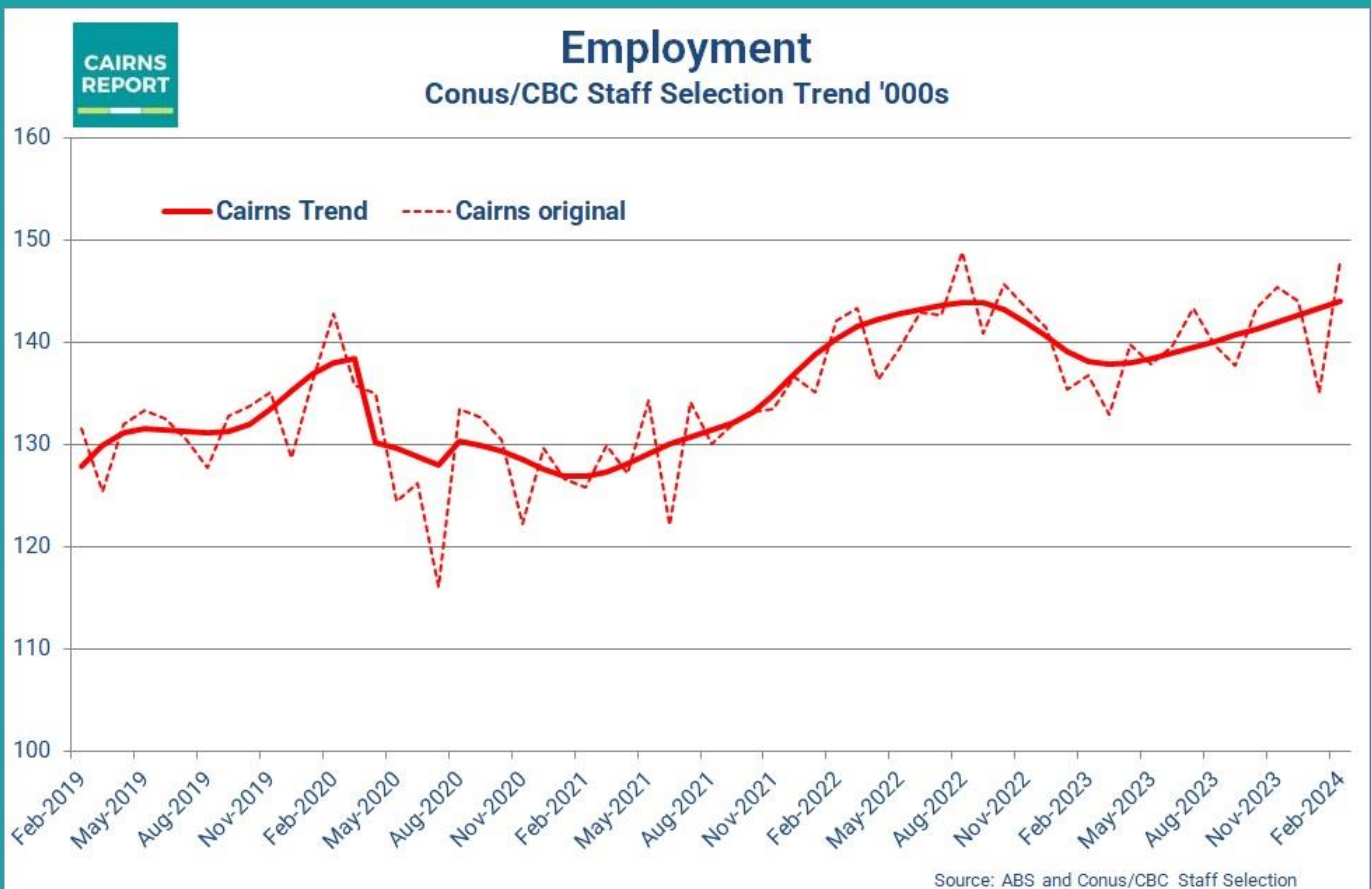
All data relates to Cairns unless otherwise stated. The most current data set available before publication is used throughout.
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Following a revision to previous months, we are now into the eleventh consecutive month of Trend employment growth in Cairns adding another 600 in February. Although total employment is up 5,800 over the year this has come despite a decline of 4,100 full-time positions. All of this shift from part-time to full-time employment is coming from the female cohort where full-time positions are down 6,400 while part-time employment has grown by 9,900 over the year. There appears to have been very limited impact on employment from the aftermath of TC Jasper across the region. If it is showing anywhere, it's in the Accommodation & Food sector where quarterly data to February suggests a small decline

PEOPLE EMPLOYED

14,232,300	2,903,700	144,000
NATIONAL	QLD	CAIRNS
↑	↑	↑
	LAST MONTH	
14,205,600	2,892,800	143,400

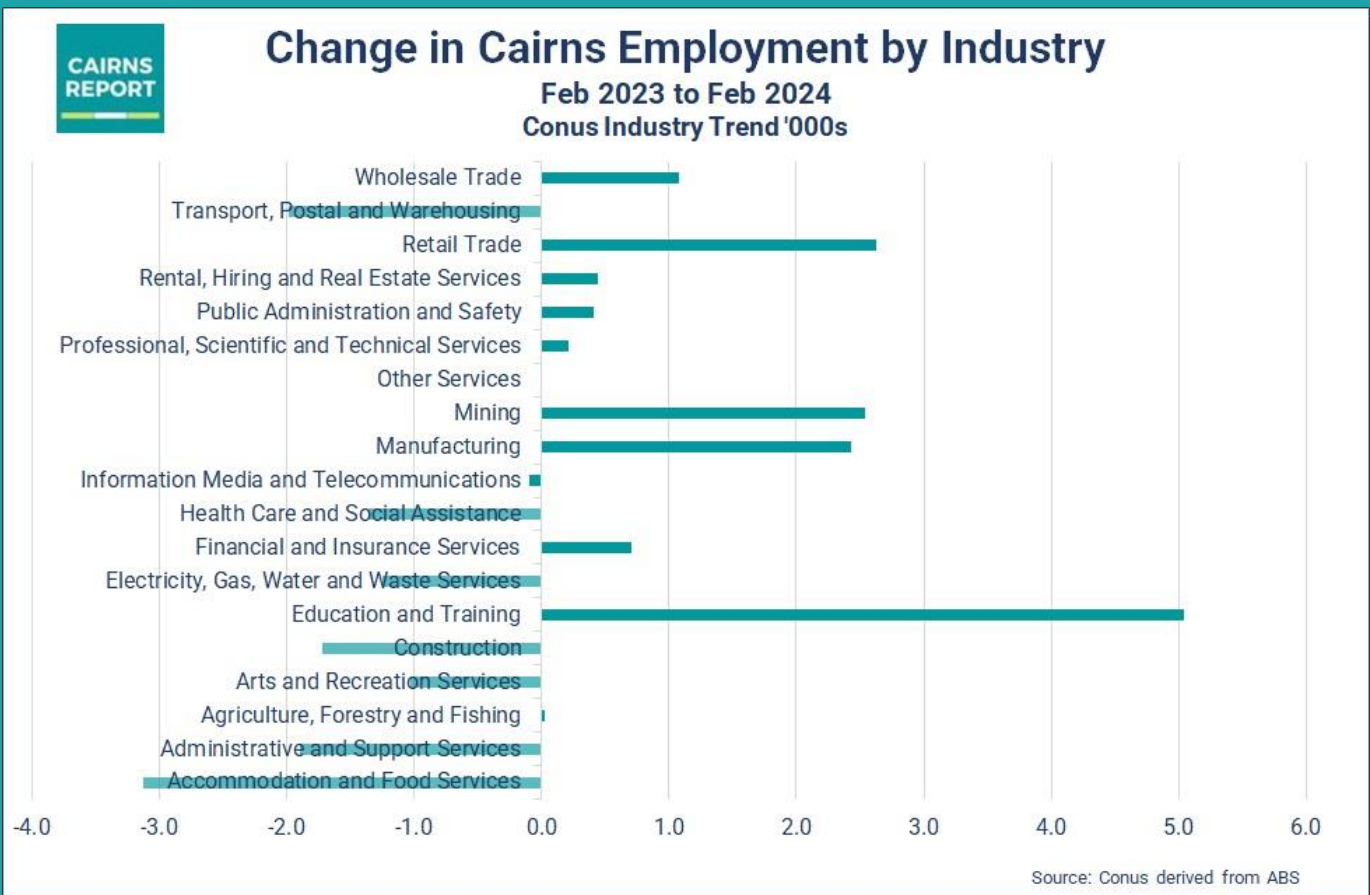
over the previous year. Queensland Trend employment growth has sped up over recent months and at 3.6% pa now sits at its fastest pace since December 2022. In comparison, the national February data painted a somewhat surprising picture. Trend employment growth moved quite sharply higher, and this was combined with a series of positive revisions to previous months.



The quarterly industry employment data over the 12 months to February 2024 shows that employment growth has been most significant in the Education & Training sector.

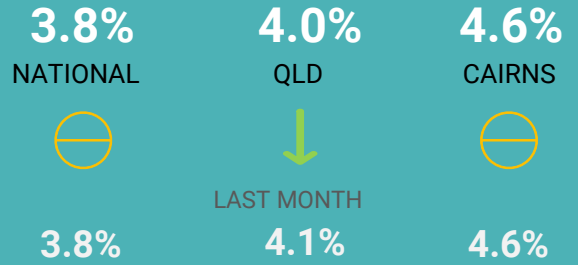
The largest declines have come in Accommodation & Food and Transport sectors (probably related to the impacts of TC Jasper over December).

Despite the high demand and desperate need for new housing there was a small decline in the number employed in the Construction sector; given the post-Cyclone rebuild efforts which we know are ongoing we can expect to see that situation reverse in coming quarters."

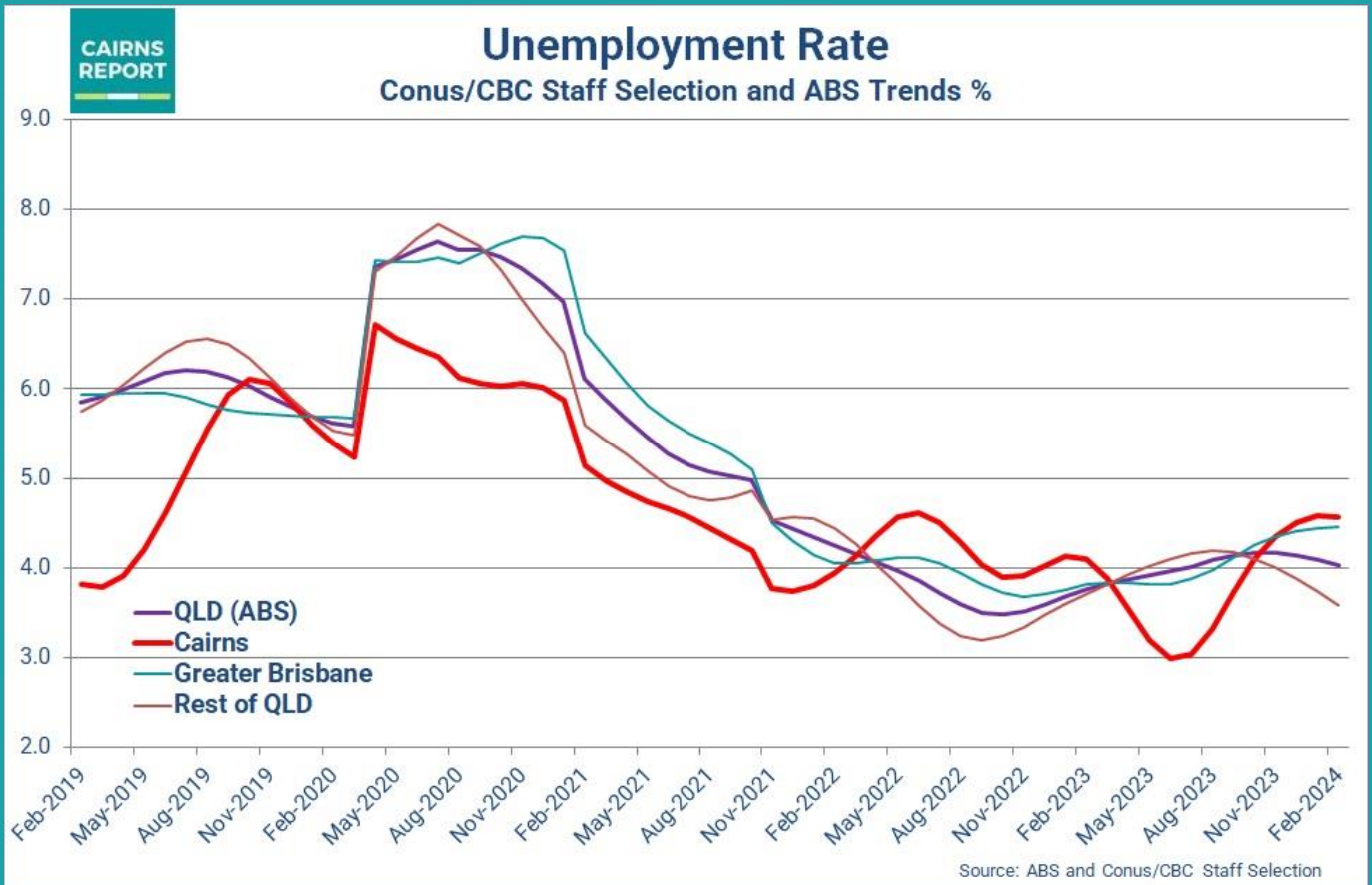


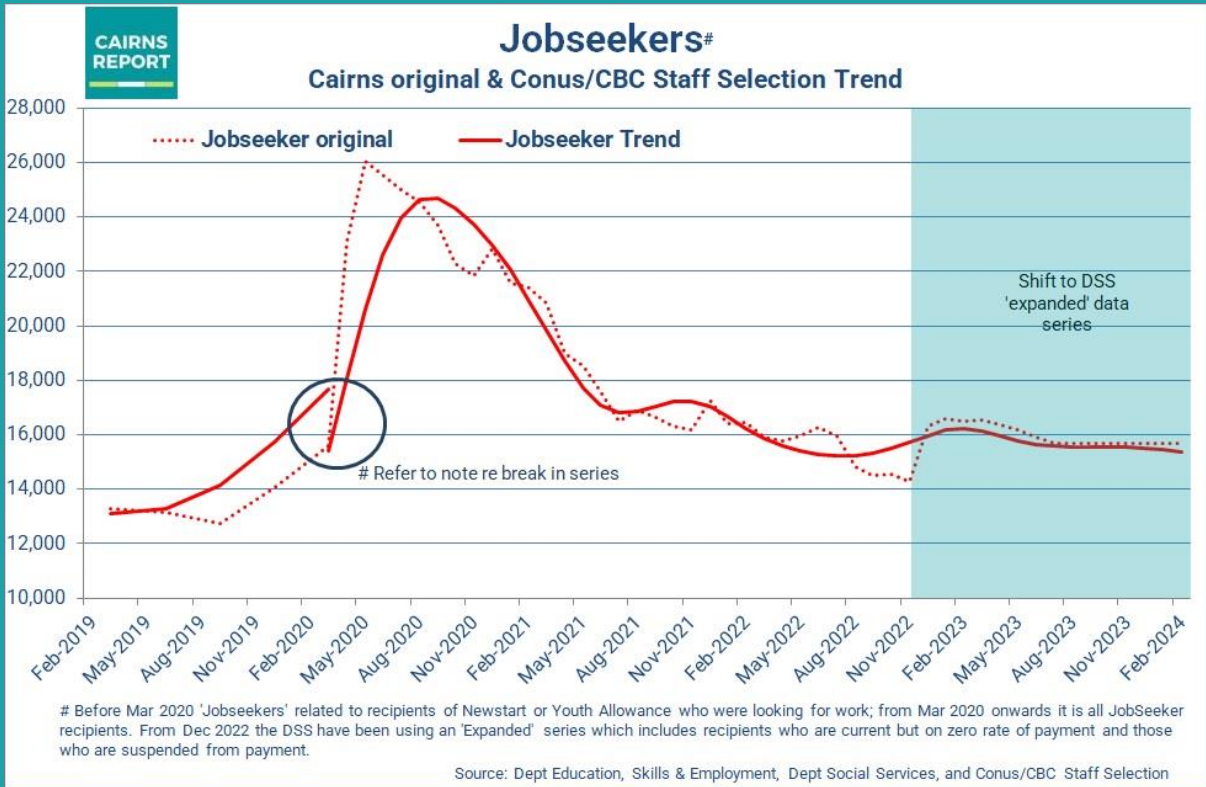
The revisions to previous months have moved the Trend unemployment rate in Cairns slightly lower (to 4.6% from a previous estimate fo 4.8%). While employment growth remains strong it might be paradoxical that the unemployment rate is stuck at these (slightly) elevated levels. The resolution of the paradox is to realise that the Participation rate in Cairns has moved higher over the year to a much greater degree than at the State or National level. In spite of the level of the Trend unemployment rate we would have to characterise the labour market in Cairns as remaining tight. The Queensland Trend

UNEMPLOYMENT RATE

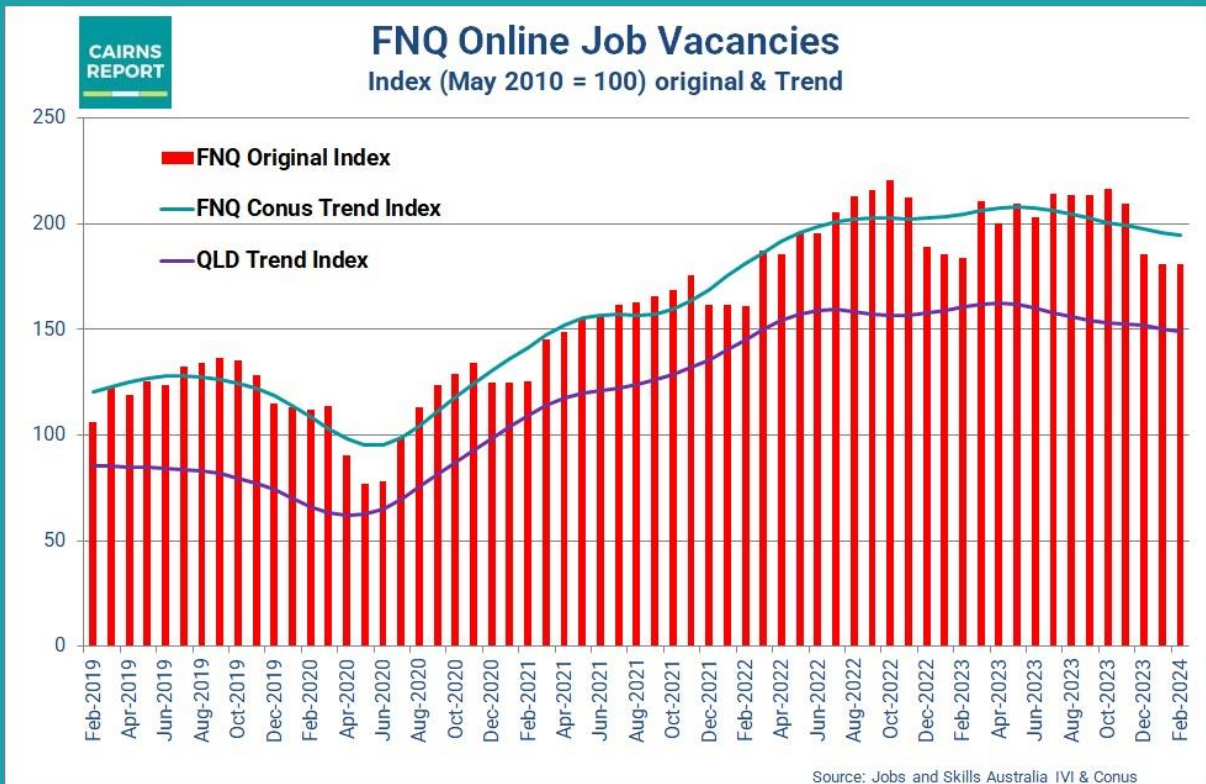


unemployment rate fell to 4.0%. This is slightly higher than the national level largely due to the resilience of the State's participation rate. The national Trend unemployment rate sits at 3.8%, and it's been there (when rounded to one decimal point) for the past 6 months.





Despite the fact that we are seeing a slow and steady drift lower in the number of Online Job Vacancies in the Far North, albeit at a slower pace than nationally, the Trend number of JobSeekers in Cairns appears to be holding remarkably stable just below 16,000.





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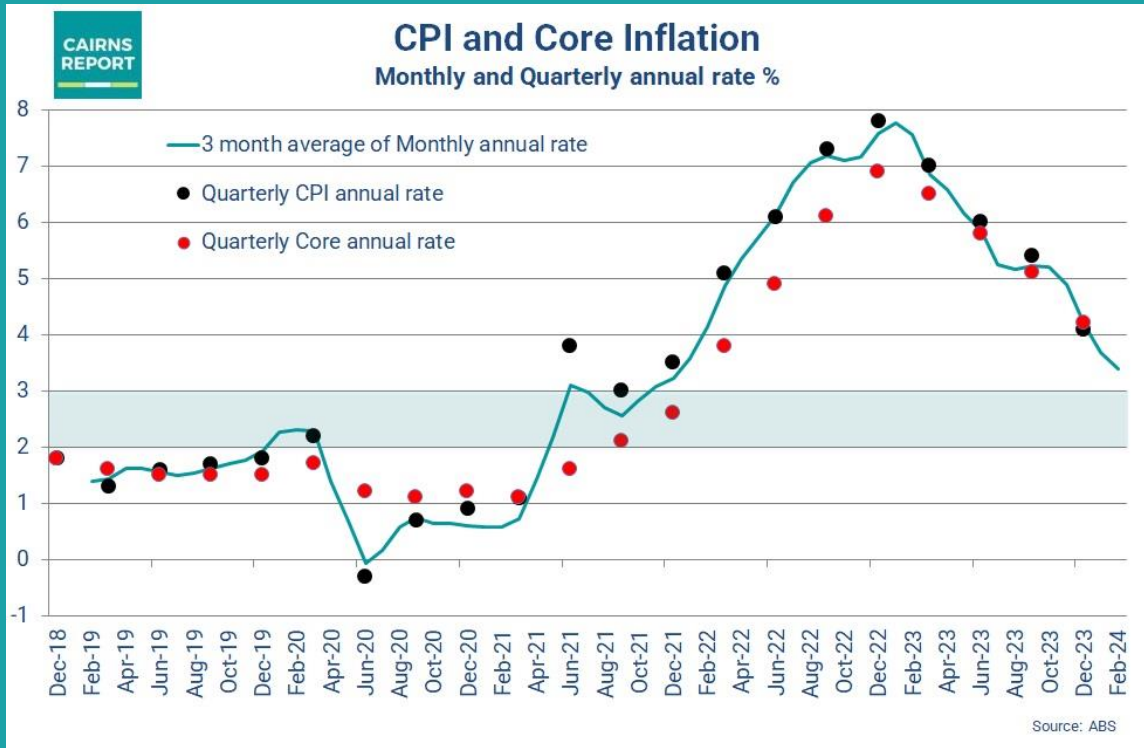
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The futures market projection of where rates are heading has shifted slightly lower, with expectations the first cut in interest rates will come as early as the middle of the year with 45bps of reductions fully priced in by the end of 2024 and another 30bps of cuts in the first half of 2025; that would see the cash rate down to 3.60% by the third quarter next year. This move to a more dovish stance is largely due to the fact that inflation is clearly heading, and rapidly so, back towards the RBA’s target range.



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Once again in January we see building approvals numbers decline, although the seasonally adjusted Trend shows that this is largely a seasonal effect, and the Trend has remained largely unchanged since the middle of last year despite the national Trend falling sharply in that time.

We would expect to see approvals again move higher once we get beyond the seasonally weak period of the Wet. We noted last month that

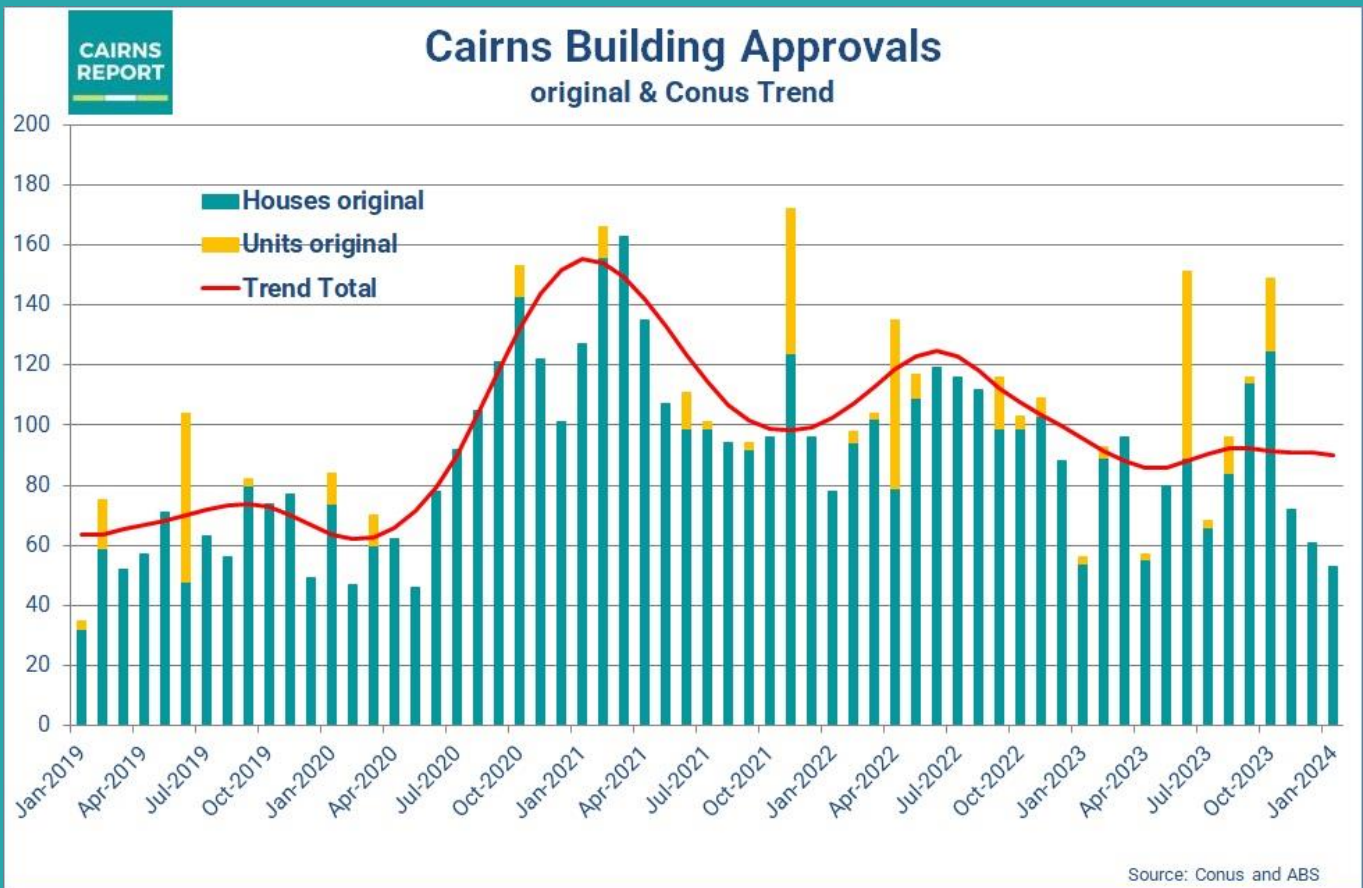
HOUSES

▼ -6.0%

Building approvals change year-on-year

Trend approvals for January = 90

the effects of TC Jasper and the subsequent flooding might create some ongoing weakness in the approvals data during the first quarter of this year, and it appears that might well be the case.



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

Last month's pause in house prices just below the \$550,000 mark appears to have been only temporary with the median prices breaching that level in March.

Last month we suggested that the slow-down in house price gains seen in February might have been due, at least in part, to the effects of the 2023 flooding event. This March data could be seen to validate that theory. Unit prices, on the other hand, do

seem to have taken a breather this month after a rapid move higher during the previous 12 months. Nevertheless, both houses and units remain well above their levels a year ago.

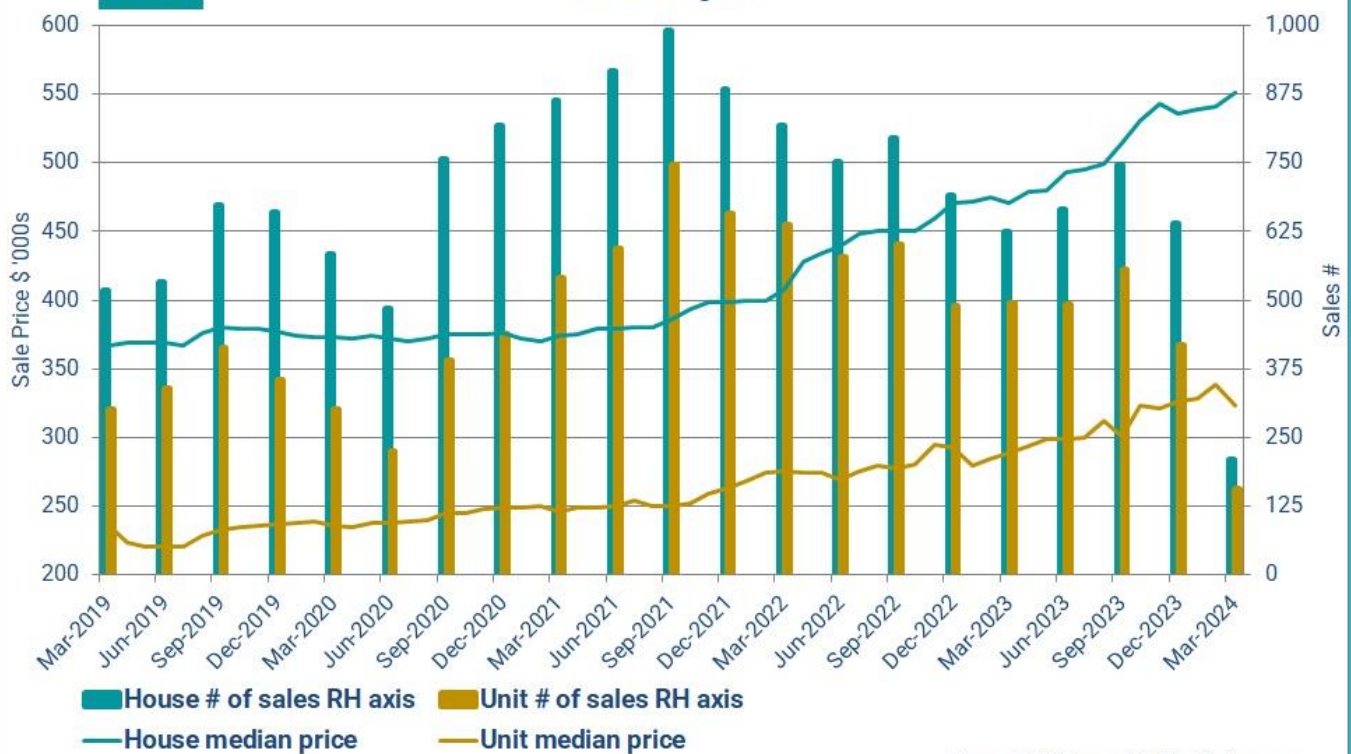
MEDIAN PRICES

▲ **\$323,000** ▲ **\$552,000**
 UNITS HOUSES
 +12% y/y +17% y/y

Source: SQM Research

Real Estate; Sales and Prices

Cairns region



Source: SQM Research & Pricerfinder.com.au



RENTAL VACANCY RATE

0.8%

FEBRUARY '24

0.8%

FEBRUARY '22

2.6%

FEBRUARY '20

2.3%

FEBRUARY '19

Source: SQM Research

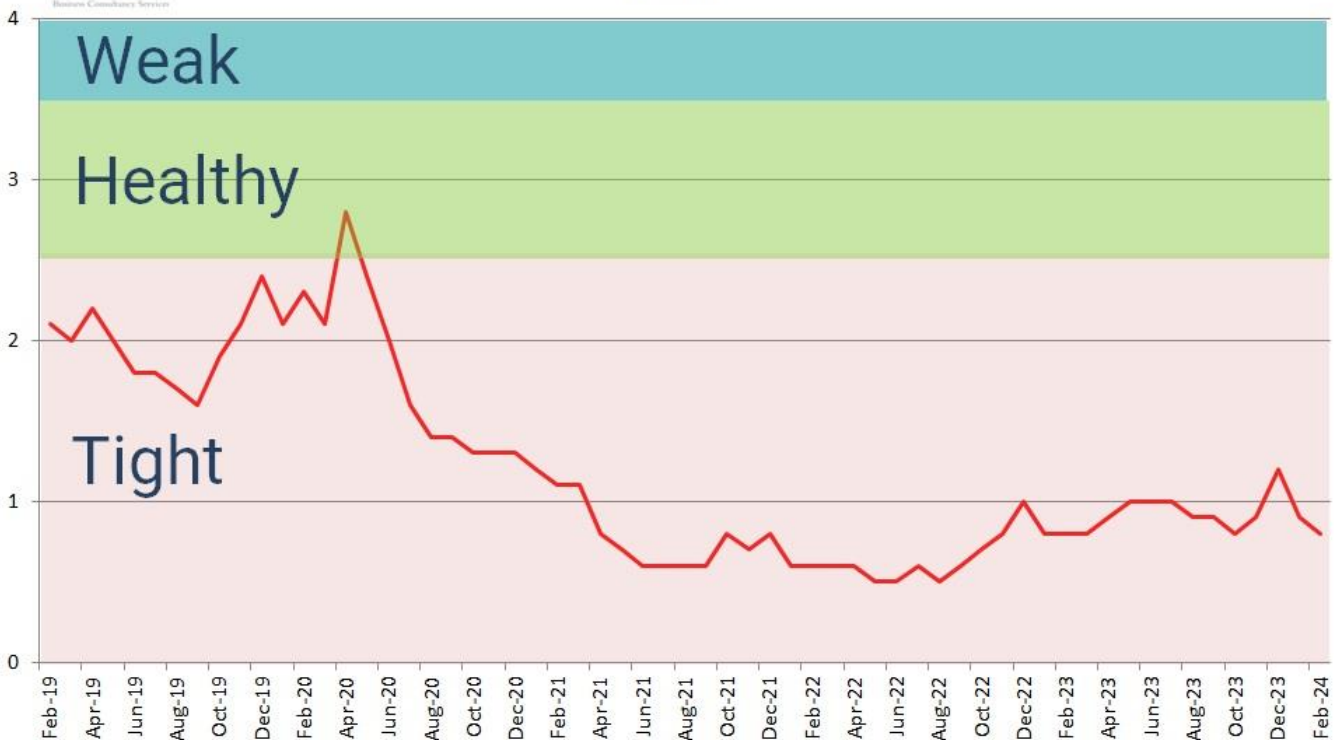
Since the brief move higher seen in the rental vacancy rate in December last year (which we suggested at the time was just a seasonal feature and likely to reverse) it has now fallen back for the past two months.

In February it sat at just 0.8% and continues the stretch of multiple years where rental vacancies have remained very tight in Cairns.



Cairns Residential Vacancy

Rate %



Source: SQM Research



In light of the continued low vacancy rate, we continue to be somewhat surprised that rent increases have moderated somewhat in recent months.

Although growth remains robust it has slowed and for a 3-bedroom house is now just 8.2% y/y with 2-bedroom units up 11.8% y/y. Despite this apparent slowdown in the past few months these remain very healthy rates of growth and the longer-term trend of growth still appears intact.

MEDIAN RENTALS

\$438
UNITS p/w
+12% y/y

\$548
HOUSES p/w
+8% y/y

Source: SQM Research

Cairns Median Weekly Rents



Source: SQM Research

The most up-to-date data from the Airport (Feb 2024) clearly shows the decline in passenger numbers over the Christmas and New Year period although the seasonally adjusted Trend also makes clear that much (if not all) of this decline was due to seasonal factors; the Trend has remained far more robust than the original, unadjusted data would suggest.

International passenger numbers are also slowly improving (particularly from Japan) although the international sector

PASSENGERS

348,209

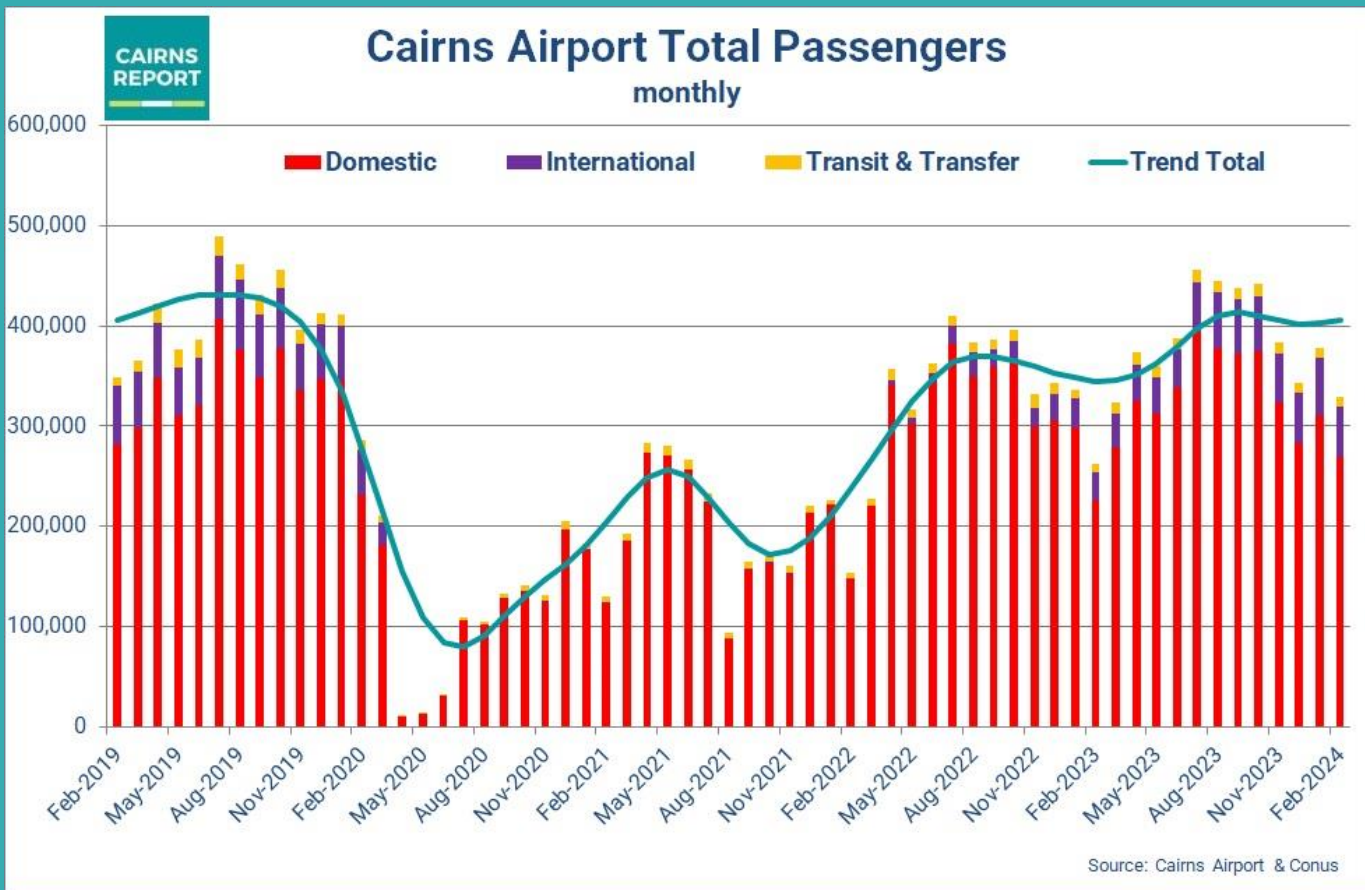
JANUARY '19

▼

329,414

FEBRUARY '24

clearly has a long road still to travel to fully recover. More international flights and destinations along with larger planes will obviously help that recovery and should start to be reflected in the numbers as we progress through this year.



In this edition of *Cairns Report*, we take a closer look at the latest estimates of regional population from the ABS.

The most recent estimates from the ABS show that the population across the broader Cairns SA4 region grew by 1.8% to 265,366 in the year to June 2023.

From a historical perspective this is rapid growth for a region which averaged just 1.4% pa for the decade prior to the COVID pandemic and reflects the well documented move to the regions which that event precipitated.

The Cairns Regional Council area grew somewhat more rapidly (2.0%) with a long-term average growth rate (1.4%) similar to the region as a whole.

However, we need to also see Cairns' growth in the context of population growth more broadly. In the year to June 2023 the Australian population grew by 2.4%, its fastest pace since the ABS began tracking quarterly data in 1981. In the decade before the pandemic, average population growth was

just 1.6% p.a. In Queensland, where pre-COVID growth also averaged 1.6% p.a., the actual figure was even more dramatic with 2.6% growth for the year to June 2023.

Not only do we have access to this new data on regional population, but the Queensland Government has also recently updated their population projections for SA4 regions up to the year 2046. Rather bizarrely, given the increase in actual growth rates recorded, these projections have been downgraded in this update. The Queensland Government figures are presented as low, medium and high growth projections and, over the 23 years of the forecasts, are suggesting compounding rates of growth for Cairns of between 0.4% p.a. (low) and 1.3% p.a. (high).



Pete Faulkner
CONUS/Cairns Report
data analyst

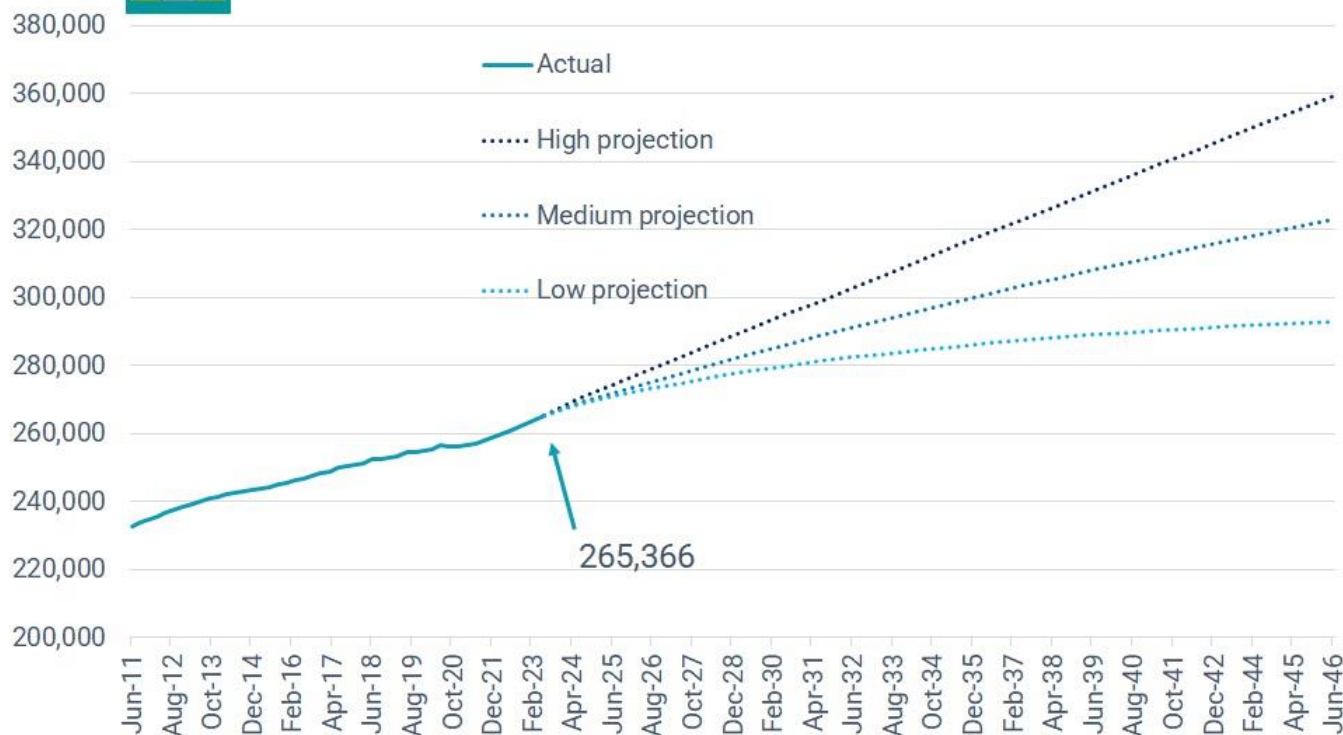
Small changes to these growth rates, compounded over 23 years, can have significant effects on expectations for future population. For example, if population growth in the Cairns region was to revert to a rate as low as its long-term average (1.4% p.a. – which is still higher than the highest current projection!) we would expect 6,000 more people in the region than the highest current forecast. If actual growth were to continue at the 2023 rate (1.8%), which is admittedly unlikely but certainly not

impossible, this overshoot jumps to 40,000!

These projections are important because much of Government planning and allocation of resources for regional infrastructure is informed by expectations of future population levels. If these current projections are low (which we would suggest they are) this could have serious implications for future planning around issue such as water, power, health, education and road infrastructure for the region into the coming decades.

CAIRNS REPORT

Cairns SA4 Resident Population



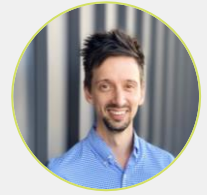
Source: Queensland Govt Population Projections update



Our team at PVW Partners see the current business cycle to be in a neutral phase. While clients are still engaging in investments, discussions are now centred more on assessing value and cash flow rather than the urgency of the deal.

While stock markets are hitting all-time highs, investors are grappling with indecision, weighing the risk of “buying the top” against the possibility of “selling too early”.

This uncertainty is mirrored by business owners. Uncertainty is slowing business owners from making significant investments decisions, but that is not to say significant investment decisions are not being made. Investment decisions are just easier to make and fund if people can find value right now.



Michael Wilson
Partner
PVW Partners

In 2022, I suggested that the Cairns property market had matured and that we were unlikely to see the “boom and bust” cycle continue.

As it stands, some 24 months, 13 interest rate rises and a cyclone later, that seems to be the case.

Almost every property in every price range seems to be performing at least “reasonably” and at best “red hot”.

In 2017, we literally chipped away at \$800,000 relatively new builds in prime locations for months. Now we still generally talk in weeks.

My crystal ball for 2024 was pretty murky in February but it’s clearing up. My call for this year is one of stability and balance, especially whilst stock levels remain so low.

The only potential chinks in the armour going forward will come if we don’t get any rate decreases and some over committed owners (especially first home buyers) start feeling the pinch.



Nicholas Slatyer
Belle Property
Cairns



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Ranjit Singh
Holding Redlich

A new-look Council with a new Mayor and a selection of new divisional councillors provides an opportunity for issues effecting housing supply and affordability to be approached with new energy and ideas.

As the data on population growth featured in this edition of Cairns Report clearly shows - along with the ongoing tight rental vacancy rate below 1% yet again, demand continues to outstrip supply. With few remaining parcels of land available for land development, Cairns faces unique challenges that need to be solved with urgency.



Gavin King
The Cairns Report

It's safe to say the recent Local Government election in Cairns was almost completely devoid of bold visions for the city's future. And fair enough too – without having a good look under the hood of council's finances, it was safer for the various Mayoral and divisional candidates to stay firmly rooted in grass roots issues.

Once they settle in, however, let's have our Mayor and elected councillors walk and chew gum at the same time. Ensure the rates, roads and rubbish stuff is done well while also tackling the big issues. Plan and push for game-changing infrastructure projects. Articulate how we maintain our laidback lifestyle while encouraging population growth. Foster engagement with our Asia-Pacific neighbours. Fight for a tourism levy to properly fund destination marketing. And more.

It feels like we're heading into a critical period for Cairns – the Mayor and councillors have much to do, and a lot riding on their performance.

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