

MAY 2024

CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy



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MAY 2024: SNAPSHOT

Employment: For the twelfth consecutive month we saw Cairns Trend employment lift in March; 300 were added to the number employed. The latest local unemployment rate has fallen slightly this month.


Building Approvals: Trend building approvals in Cairns have taken a sharp turn downwards over recent months, with a series of six consecutive monthly declines. This reflects what is happening at the state and national level but may be exacerbated here due to ex-TC Jasper.

Tourism: The latest airport passenger numbers have once again improved and now sit less than 1% below March 2019 levels. The international sector continues to see improvements, albeit at a slow pace.

Property: Local house prices in April moved closer to \$570,000 and are up almost 20% for the year! Unit prices have also seen solid growth, up 12% for the year. The rental vacancy rate remains at a dire 0.8%.

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Far North Queensland economy

 info@cairnsreport.com.au

 cairnsreport.com.au

Publisher & editor

Gavin King

Data analysis & commentary

Pete Faulkner, *Conus*

Contributors

Nicholas Slatyer, *Belle Property Cairns*

Michael Wilson, *PVW Partners*

Rebecca Macmillan, *Holding Redlich*



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For the twelfth consecutive month we saw Cairns Trend employment lift in March; 300 were added to the number employed.

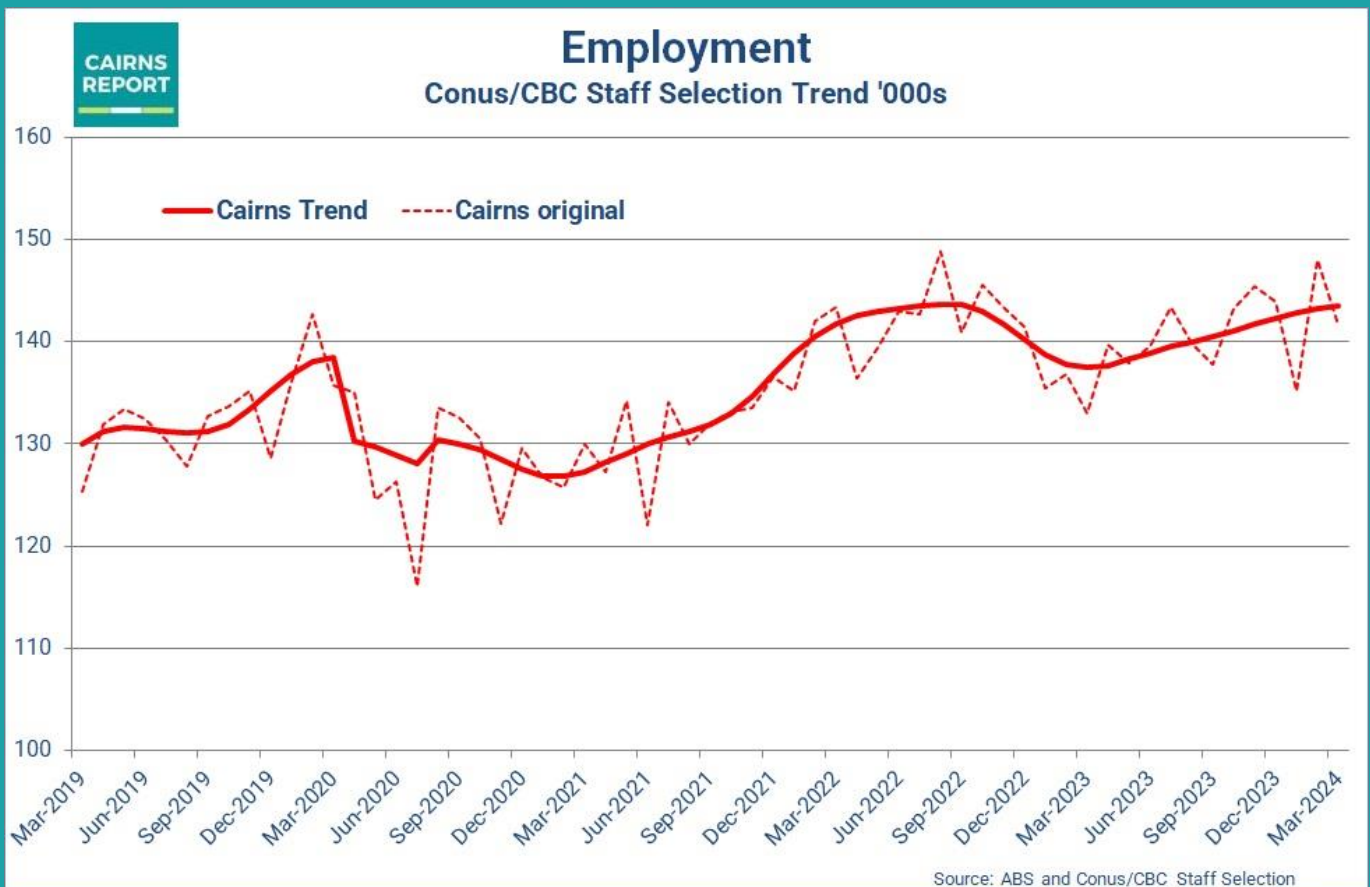
The region has now seen an additional 6,000 people employed in the past year and this month we see (for the first time in a while) that the bulk of the increase comes from full-time positions. Even though employment has grown so strongly over the past year we should also note that an additional 1,200 people are registered as unemployed. This apparent paradox comes not only from the fact that population growth in the region is strong (as we noted in the Cairns Report last month), but also that the participation rate has increased, especially for females, significantly over that period.

PEOPLE EMPLOYED

14,259,800	2,905,200	143,500
NATIONAL	QLD	CAIRNS
↑	↑	↑
14,231,300	2,897,800	143,200
	LAST MONTH	

As a result, despite employment growth running at 4.4% pa (far stronger than the State 3.4% or National 2.6% rates) we see the unemployment rate has lifted during the year.

The pace of growth in Queensland employment continues to exceed that at the national level and the State has added almost 96,000 to the number employed over the past 12 months.



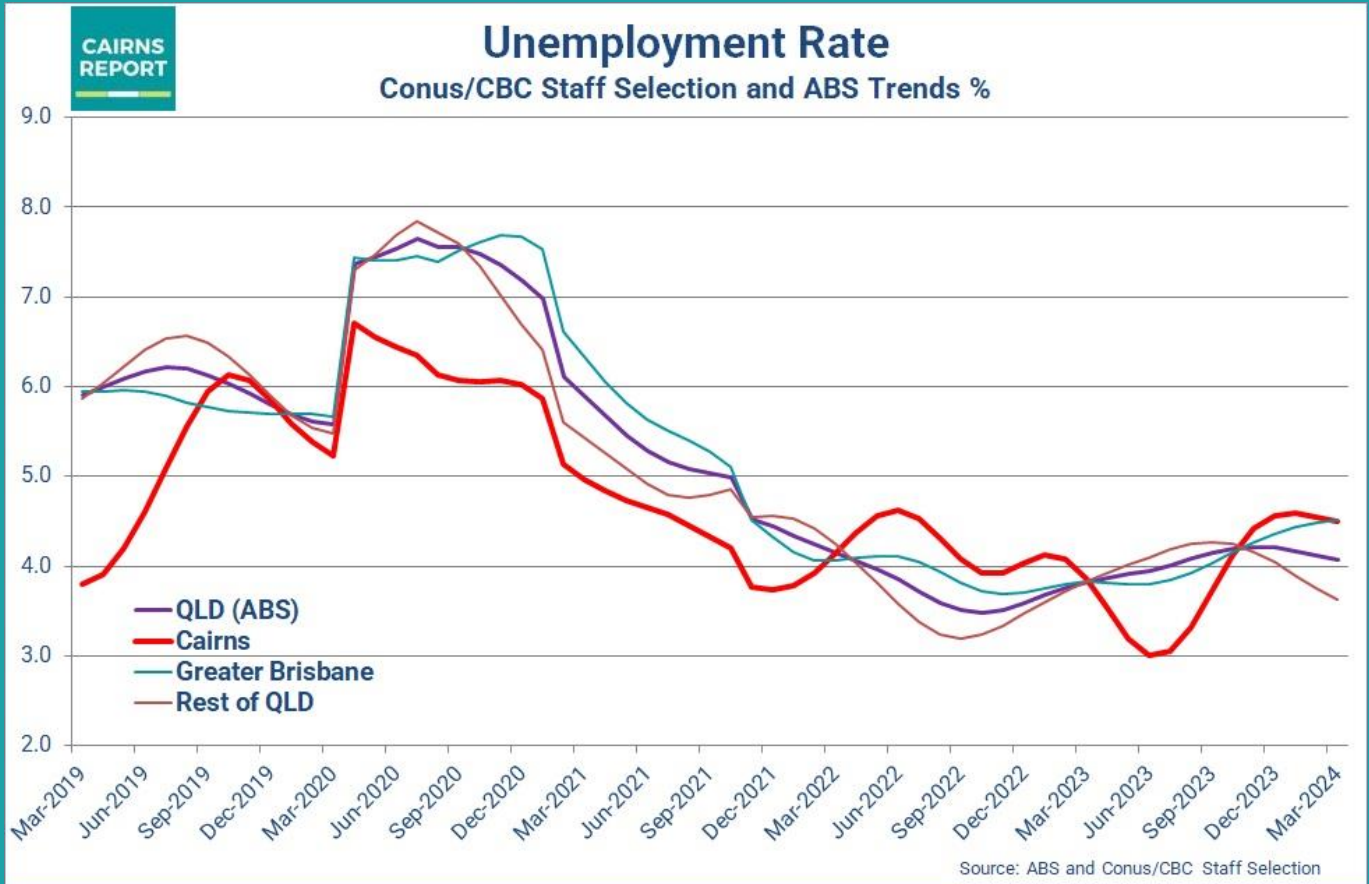
The March Trend unemployment rate in Cairns has fallen slightly this month to 4.5% (up from 3.0% in July) which remains higher than the State level (4.1%).

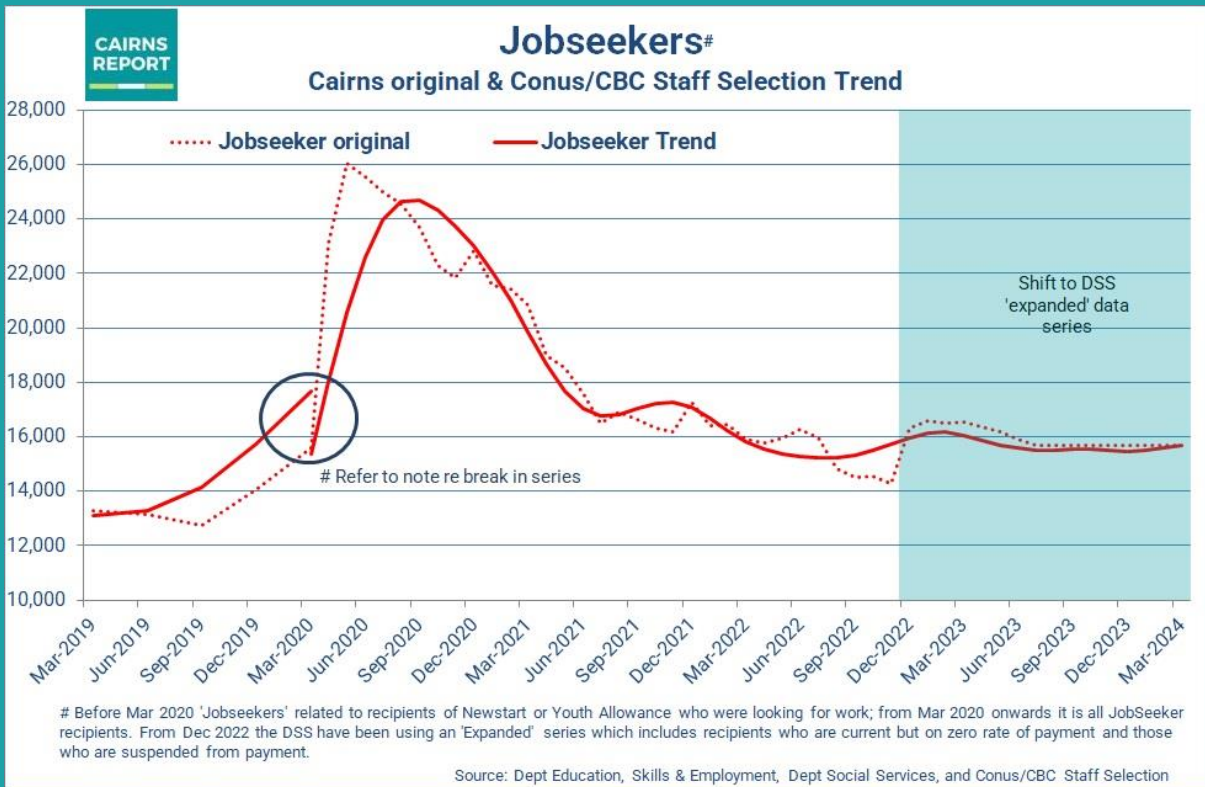
As we note above, this is due to a strong increase in participation rather than a weakness in the labour market. Clearly the labour market in Cairns is a little weaker than it was a year ago, but it remains true that this weakness is only marginal with the underlying picture still one of a general tightness. This month's

UNEMPLOYMENT RATE

3.9%	4.1%	4.5%
NATIONAL	QLD	CAIRNS
	LAST MONTH	
3.9%	4.1%	4.6%

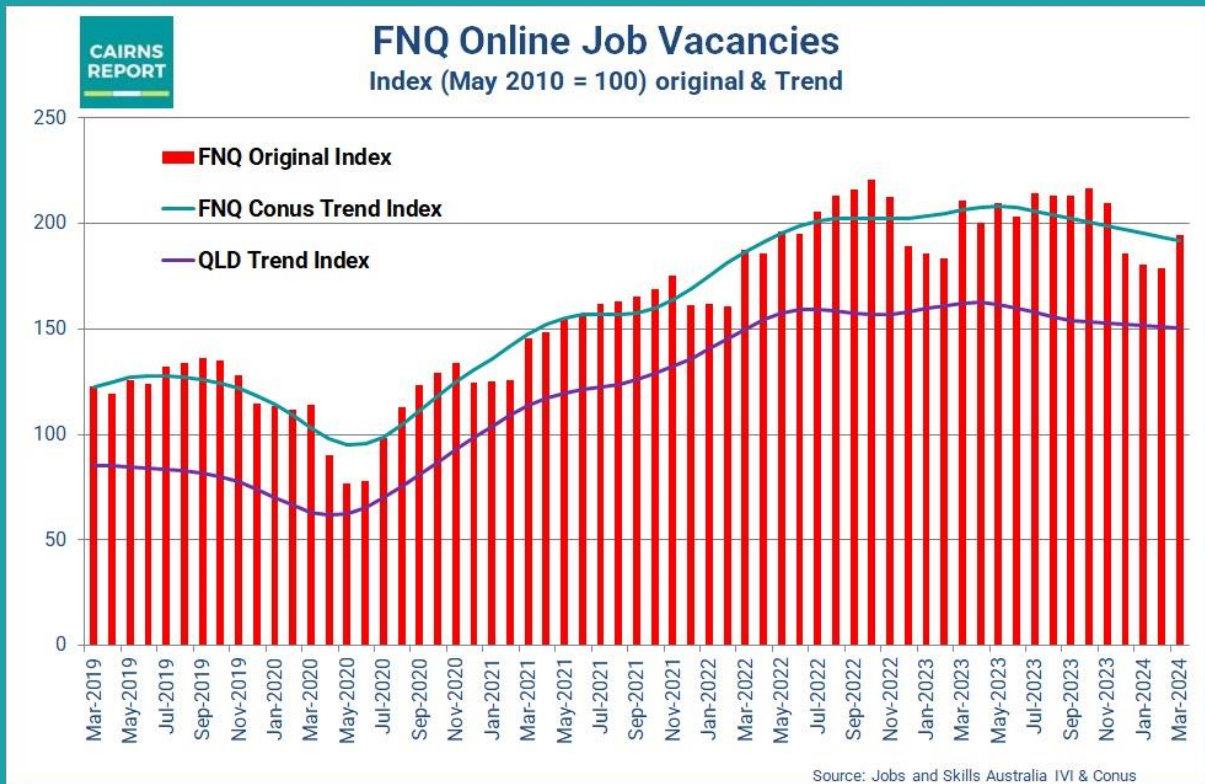
encouraging data on full-time positions supports that picture of strength.





The slow decline in the Trend number of Online Job Vacancies continued again this month, but once again the Trend of JobSeekers in Cairns remains remarkably stable just below the 16,000 level.

Both these indicators confirm the overall picture of a tight, albeit slightly less tight than a few months ago, labour market in Cairns.





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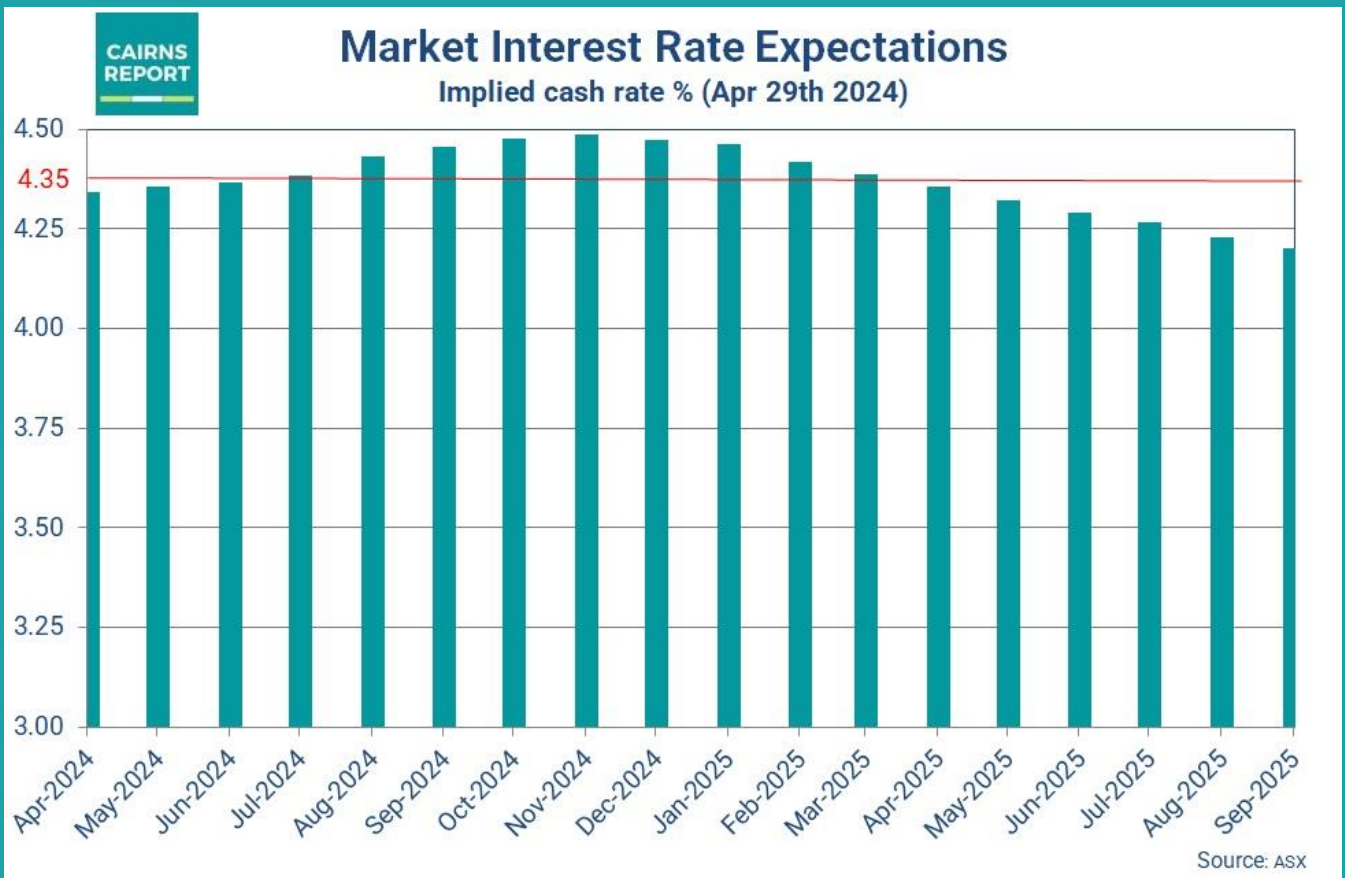
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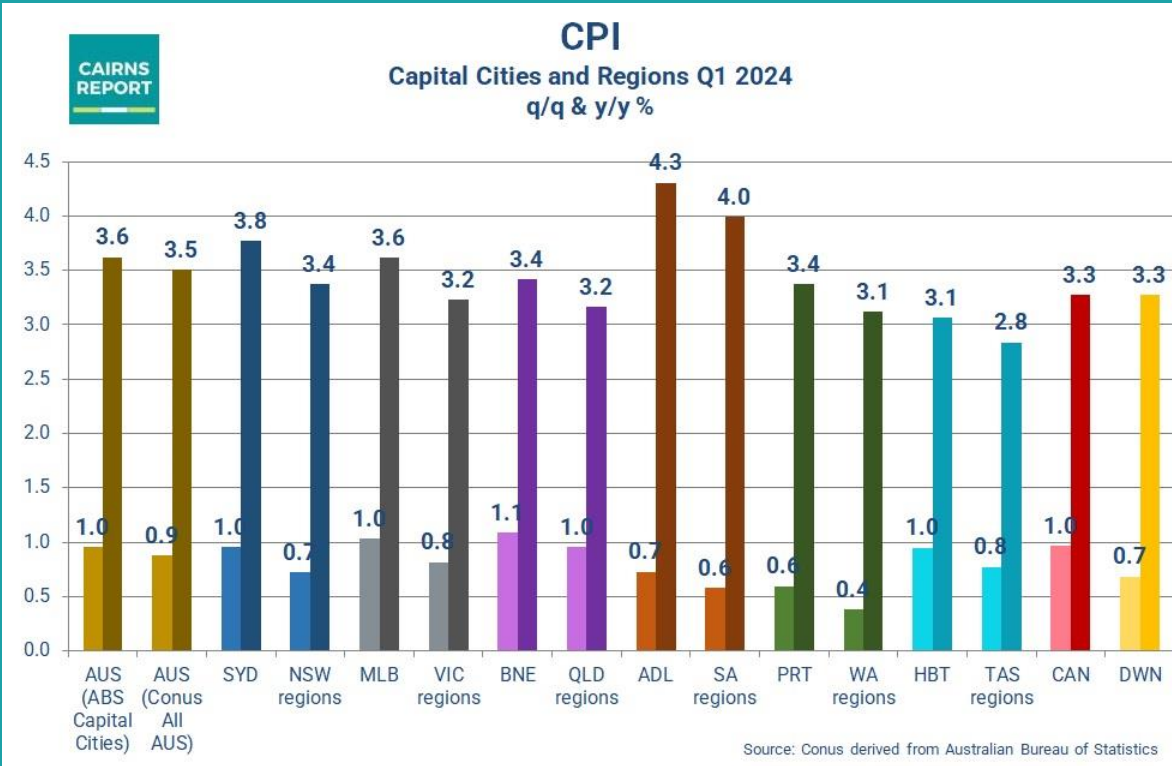
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We noted last month that the expectations for interest rate cuts had shifted somewhat later in the year on the back of some sticky inflation data in the US.

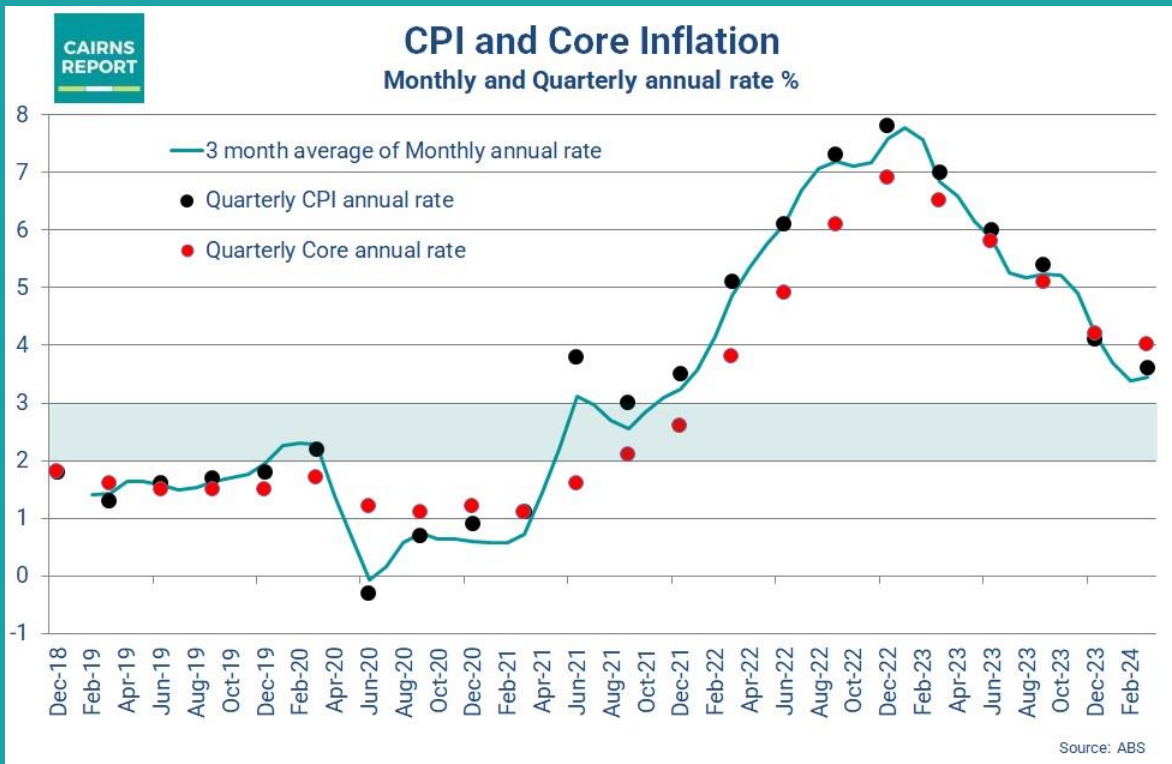
This month we have seen something similar play out in the Australian numbers with the March quarter CPI proving a little more stubborn than the RBA would have been anticipating. Although the headline fell to 3.6% from 4.1%, the more closely watched Trimmed Mean (core) inflation only fell from 4.2% to

4.0%. As a result, the futures market has scaled back their expectations of rate cuts until at least the middle of next year; there is even some talk of a possible hike later this year (although we would classify such speculation as overblown and the market is only attaching about a 50% chance to a further hike). Nevertheless, it's clear that the trajectory for interest rates has become a little less certain after these inflation numbers.





Over recent quarters we have seen the Conus Regional CPI measures coming in below their respective Capital City measures (as reported by the ABS). So, in the first quarter of 2024, while Brisbane’s CPI is running at 3.4% (below the National 3.6%) our estimate of Regional Queensland CPI is just 3.2%. This is a reversal of the trend we saw when inflation was picking up where the regions were seeing faster growth than the Capital Cities.



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Trend building approvals in Cairns have taken a sharp turn downwards over recent months. Whilst it had seemed like these declines might have been largely seasonal, the data for February appears to throw that assumption into question with the (revised) Trend now showing a series of six consecutive monthly declines which leave us 24% below the level of a year ago at just 71 Trend approvals in February. This move lower is reflected in what is happening at the State and National level but

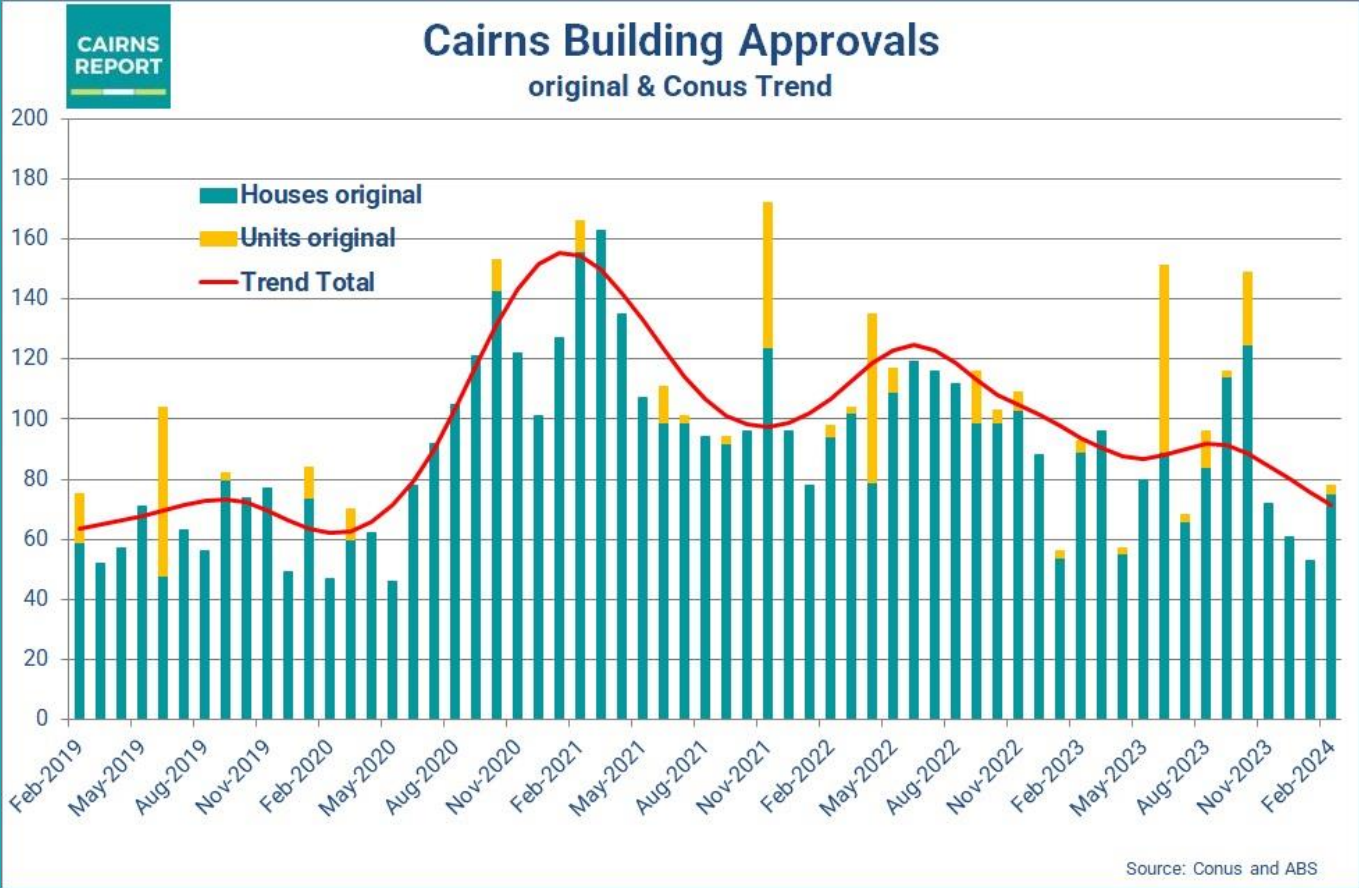
HOUSES

▼ **-23.9%**

Building approvals change year-on-year

Trend approvals for February = 71

may yet prove to have been exaggerated in Cairns by the impacts of TC Jasper and the floods of December last year. Obviously, with such a serious housing shortage in the region we would hope to see approvals strengthening into the future.



A photograph of a swimming pool in a lush tropical garden. The pool is on the left, and on the right, there are 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

A few months ago, we were discussing whether median house prices in Cairns could, or would, breach the \$550,000 level.

That now seems like a very distant discussion. Prices in April moved closer to \$570,000 and are up almost 20% for the year!

Unit prices too have seen solid growth, albeit at not quite the pace of houses, and are up 12% for the year with the

median price for a unit at \$329,000. Any suggestion that the events at the end of last year had stopped, or even reversed, the upwards trajectory for real estate in Cairns now appear very misplaced.

MEDIAN PRICES

▲ **\$329,000** ▲ **\$568,000**
 UNITS HOUSES
 +12% y/y +19% y/y

Source: SQM Research

Real Estate; Sales and Prices

Cairns region



Source: SQM Research & Pricerfinder.com.au

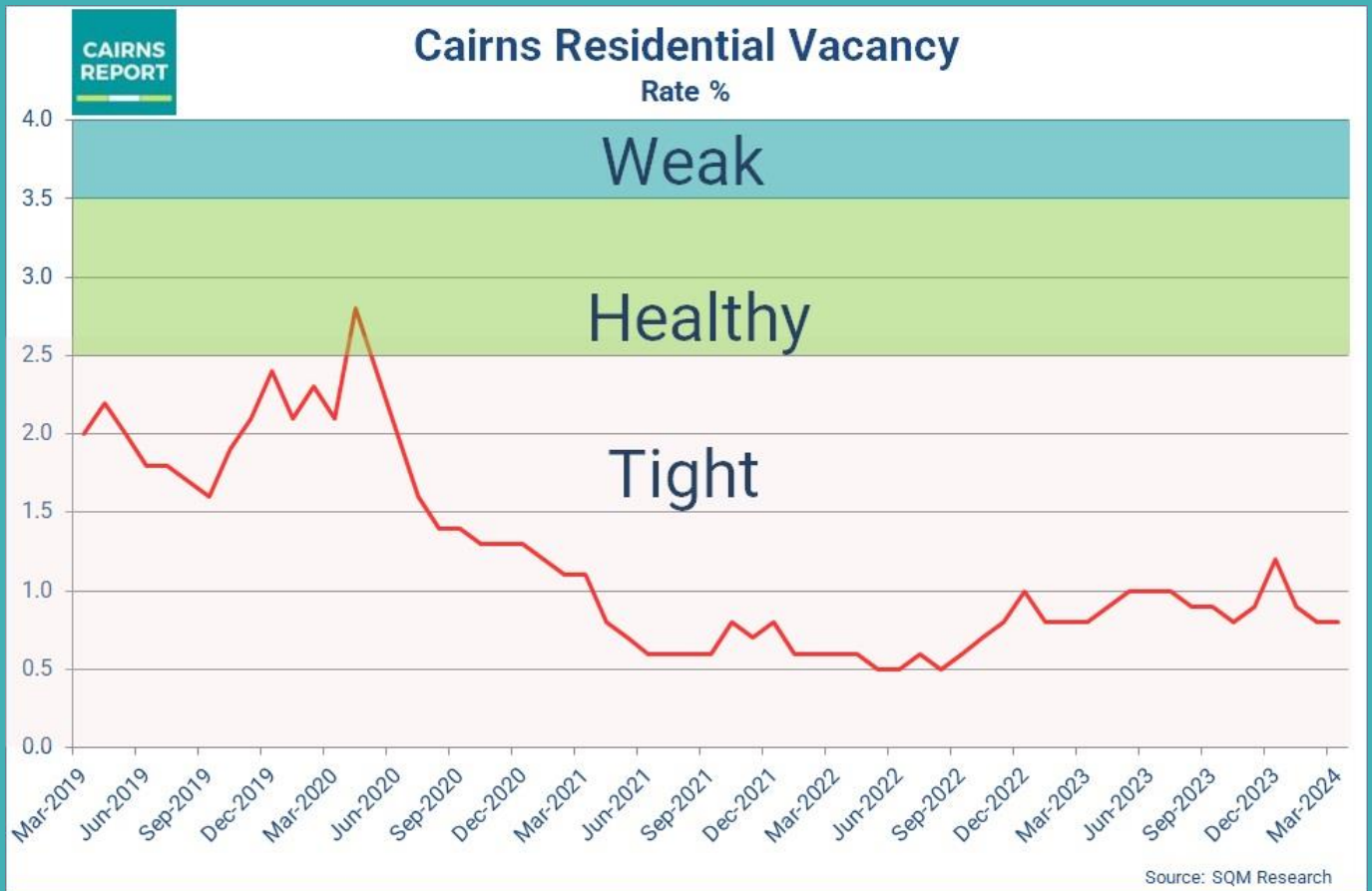


RENTAL VACANCY RATE

The rental vacancy rate remains at just 0.8% in March and simply highlights the continued tightness of the rental market in Cairns. Barring December last year, we have now seen the rental vacancy rate no higher than 1% for a full three years.

- 0.8%
MARCH '24
- 0.8%
MARCH '23
- 1.3%
MARCH '21
- 2.2%
MARCH '19

Source: SQM Research



With the rental market so evidently tight it is no surprise to see rents for 3-bedroom houses continue to power ahead and hit new highs in April.

What is perhaps more surprising is that we do not appear to be seeing quite that degree of strength in the unit market, where rents appear to have stabilised slightly below the \$450 per week mark for 2-bedroom properties.

With population increasing, real estate prices climbing, and vacancy rates very tight, it would seem inevitable that unit rents will once again start to move higher in coming months.

MEDIAN RENTALS

▲ **\$436**
UNITS p/w
+10% y/y

▲ **\$576**
HOUSES p/w
+17% y/y

Source: SQM Research

Cairns Median Weekly Rents



Source: SQM Research



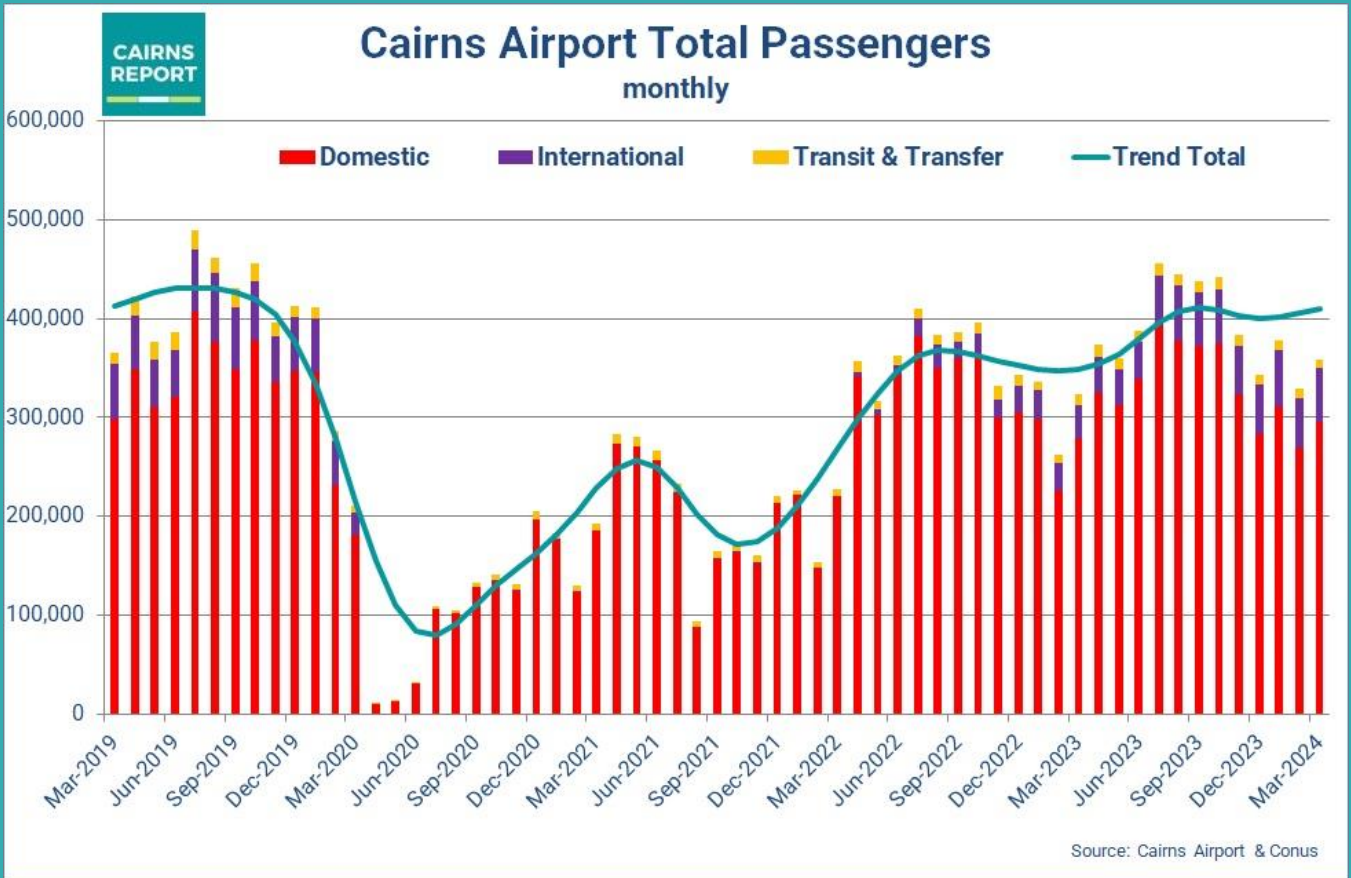
The most up-to-date data from the Airport (March 2024) confirms the point we made last month, that the decline in passenger numbers in the early months of this year were caused by largely seasonal effects (and the impact of TC Jasper).

The seasonally adjusted Trend series has once again improved and is now less than 1% below where it sat in March 2019.

PASSENGERS

365,031 ▼ **358,455**

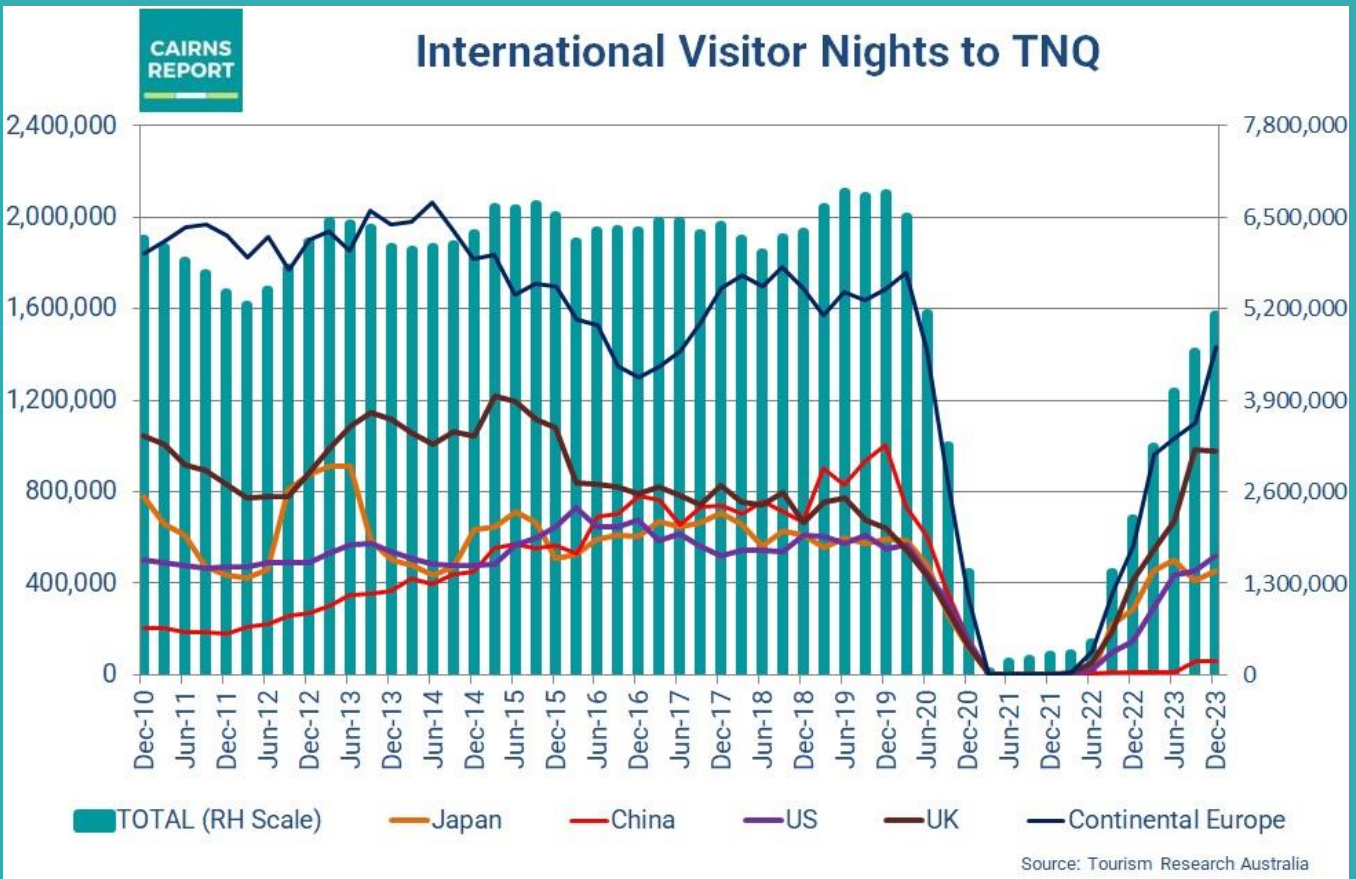
MARCH '19 MARCH '24



The international sector continues to see improvements, albeit at a slow pace.

The excitement about Singapore Airlines deploying a wide-bodied A350 on the Cairns-Singapore route is well placed; this has the potential to see a significant increase in passenger numbers using Singapore as a hub for full-service, direct

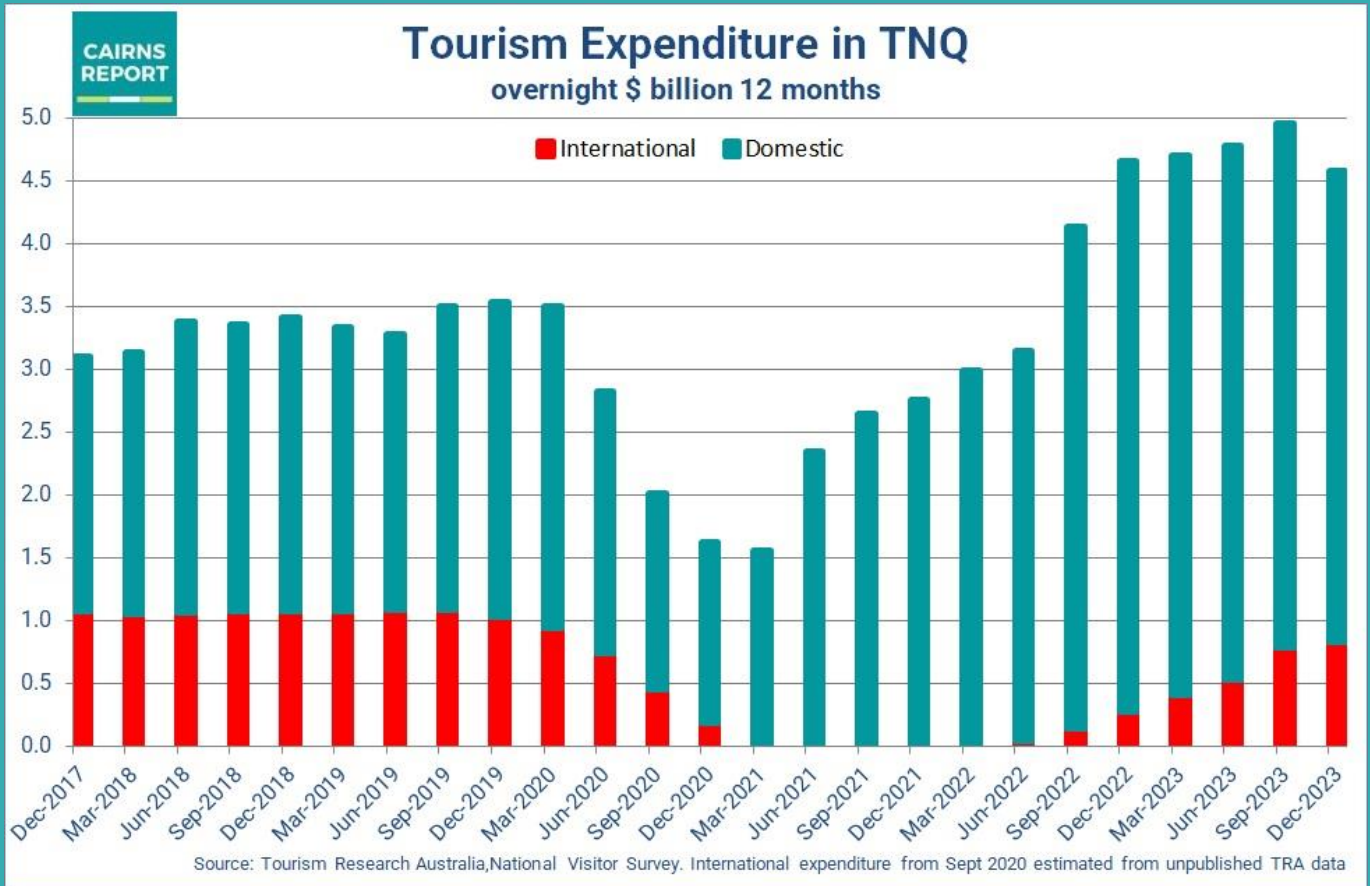
flights into Australia. It also holds enormous potential for improved freight movement through Cairns from the newly opened Regional Trade Distribution Centre at the Airport.



Tourism Research Australia have decided to cease their monthly snapshot reports of domestic and international tourism and as a result we will be once again reliant on the quarterly National and International Visitor Surveys for data on the sector in TNQ.

The next set of data, for the year to March, should be available by June and at that

time we will be able to see if the most recent (year to Dec 2023) declines in domestic tourism expenditure have been halted. Obviously, the impact in the early part of this year from TC Jasper will have had an effect, but the data from the Airport suggests that may have been quite short-lived.



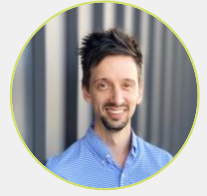
With inflation showing slower decline than anticipated last quarter, economists are revising down the likelihood of the Reserve Bank of Australia (RBA) cutting interest rates later this year.

This adjustment is slightly dampening business confidence, as the anticipated relief from lower interest rates may either be postponed or be of a smaller magnitude.

The economic landscape presents a mix of factors. On the one hand, property prices continue to increase, and the upcoming Cost-of-Living relief announcements expected in the Federal Budget (scheduled for May 14) could potentially exacerbate inflationary pressures.

On the flip side, concerns arise from a weakening Chinese economy and falling commodity prices, which might lead to a reduction in State and Federal tax revenue, potentially reducing government spending.

Additionally, the combination of high interest rates, the expiration of business tax incentives, and the ATO's tough stance on outstanding debts could collectively hinder economic activity. At present, it appears that we are likely to remain in a holding pattern, observing which narrative unfolds first.



Michael Wilson
Partner
PVW Partners

Is it time for some kind of housing crisis summit in Cairns? I'm no fan of talkfests but the dire situation with residential building approvals revealed in recent editions of the *Cairns Report* (which mirrors the dire national picture) warrants something more than business as usual platitudes.

The new Mayor and new-look council should get all key players in the room and develop an action plan – what can be done locally and what pressure can be applied to state and federal governments. Get the right mix of people in the room, release the action plan publicly, follow it through, keep us updated. Just don't let it become another talkfest.



Gavin King
The Cairns Report

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Jobs and Skills Australia (JSA) is currently reviewing the Core Skills Occupations List and seeking feedback from employers and industry groups on the draft lists. This is an important process for implementing the Migration Strategy released last year. The review follows the Australian Government's announcement to replace the subclass 482 Temporary Skills Shortage Visa with a Skills in Demand visa.

The new visa will offer three pathways, namely the Specialist Skills Pathway (for workers with a salary over \$135,000), Core Skills Pathway and Skills in Demand Pathway (for workers with a salary under \$70,000).

JSA is now consulting on the list of occupations under the Core Skills Pathway and have published three lists outlining occupations it expects to be on the new list, those unlikely to be included and occupations it flags for further targeted consultation. Employers are encouraged to share their feedback on JSA's website by 31 May 2024.



Rebecca Macmillan
 Holding Redlich



Nicholas Slatyer
*Belle Property
Cairns*

May 1st saw the lowest number of available rental properties in Cairns for the last four years... if there was rental "stress" previously we are headed towards a rental panic attack. Having said that, it appears that the number of tenants dramatically slows down at over \$800/week, emphasising our obvious small-town demographics. Kaine Rowe in our office has sold CBD and inner-city apartments for well over a decade and sells more than anyone in that space. He was telling me that inner city apartments are up 10% year on year and that anything under \$400k is red hot. He recently sold an apartment where he struggled to get \$200k last year and sold an identical one for \$250k in 2 days this year.

All very surprising and counter to what I was feeling mid-February. With a couple of interest rate decreases previously mooted for mid-to-late this year now turning into potential rises, we have a very interesting set of market forces at play.



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