

CairnsWatch

June 2017



Cairns

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OVERVIEW

The Cairns economy continues to experience mixed signals but overall continues to slowly advance. Tourism and employment indicators remain at encouraging levels, but residential construction and retail are at low ebbs.

Our property clock movement last month generated considerable interest, feedback and debate. This month we have amended our clock to place Cairns at a Steady State position, where it more appropriately sits to reflect its currently static market climate.

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AT A GLANCE

Airport Passenger Trend:	▲ 5.2% (May 2016 to May 2017)
Employment Trend:	▲ 9,300 (May 2016 to May 2017)
Unemployment Rate Trend:	▲ to 5.9% (as at May 2017)
Building Approvals Trend:	▼ 40.8% (April 2016 to April 2017)

The Fine Print:

Information in this publication is based on an analysis of data from a number of sources, subjected to technical procedures of seasonal adjustment and trend analysis. Seasonal adjustment is a means of removing the effects of normal seasonal variation from the data, so that comparisons can be made of data against their established seasonal patterns. Trend analysis smooths the seasonally adjusted estimates to provide a clearer picture of the underlying behaviour of the series over time. The trend estimates are derived by applying a 13-term Henderson-weighted moving average to the seasonally adjusted data. It applies the same procedures used by the Australian Bureau of Statistics in producing trends for national aggregates.

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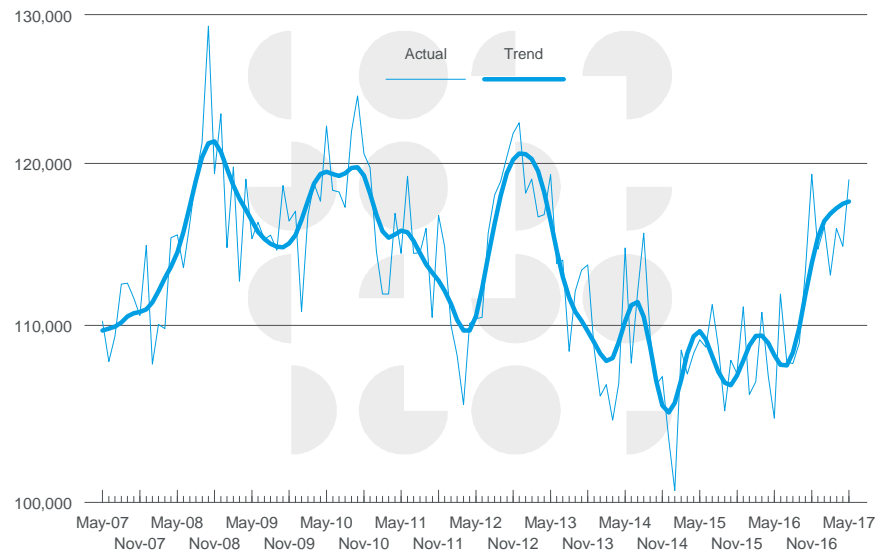
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EMPLOYMENT

Persons Employed in the Cairns Region

Number of Persons Employed (Log Scale)



Source: Derived from ABS Labour Force Survey data

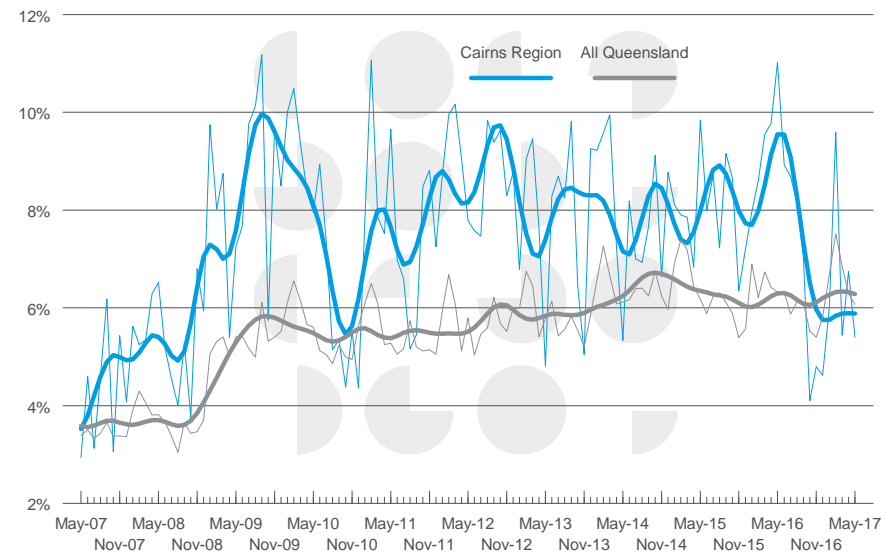
ABS headline figures for the Cairns Region (inclusive of Cairns, the Cassowary Coast, Douglas and the Tablelands) estimate that there were 118,900 persons employed during May 2017, compared to a headline estimate of 114,800 persons employed during April 2017.

When analysed in more reliable trend terms, employment has shown strong trend growth over the last twelve months. The number of persons employed reached a seasonally adjusted trend level of 117,600 in May 2017, which represents an extra 9,300 persons in employment since May 2016.

N.B. The ABS Labour Force figures are estimates derived from a sample survey of only about 500 Cairns Region residents, and hence are subject to a potentially large margin of error. Neither the headline nor the trend estimates should be interpreted as precise values.

Cairns Region Unemployment Rate

Unemployment Rate (Actual and Trend Basis)



Source: Derived from ABS Labour Force Survey data

The Cairns Region's notoriously unstable headline unemployment rate came in at 5.4% in May 2017, compared to 6.7% in April 2017.

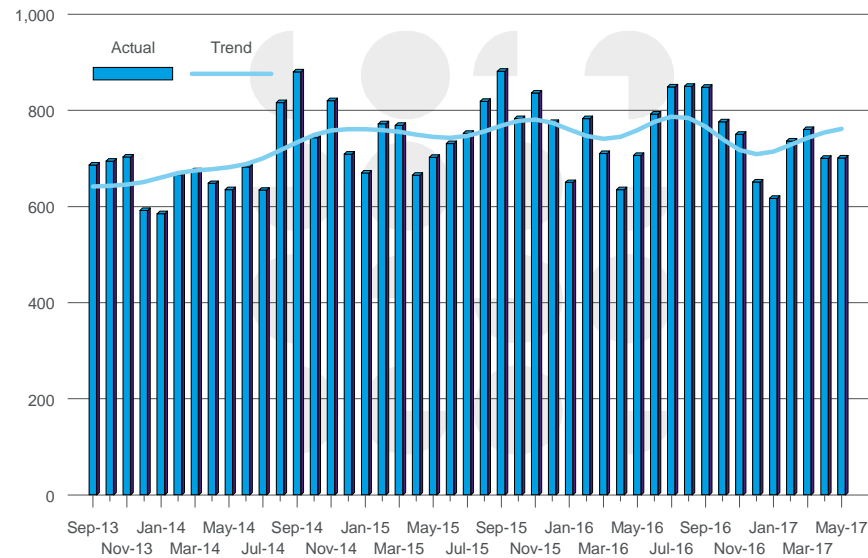
Despite strong employment growth, the trend in the region's unemployment is also temporarily increasing, as more jobseekers come out of the woodwork to look for work. We estimate a seasonally adjusted trend unemployment rate of 5.9% in April 2017, which is a very significant improvement from its April 2016 trend level of 9.5%. The Cairns Region's unemployment rate is now well entrenched below the State average.

N.B. To be counted as 'unemployed' in the ABS Labour Force survey you need to not have a job and be actively seeking work. People who do not have a job and are not actively seeking work are not counted as unemployed, they are regarded as 'not in the labour force'.

EMPLOYMENT

Cairns Job Ads

Monthly Average Jobs Advertised



Source: HTW Analysis of Employment Websites

The trend in the number of jobs being advertised on employment websites for the Cairns and Far North region is rebuilding again from its late 2016 declines. Even so, the trend in the number of jobs advertised in May 2017 is still only 0.4% above what it was in May 2016.

Herron Todd White does... Property Valuations

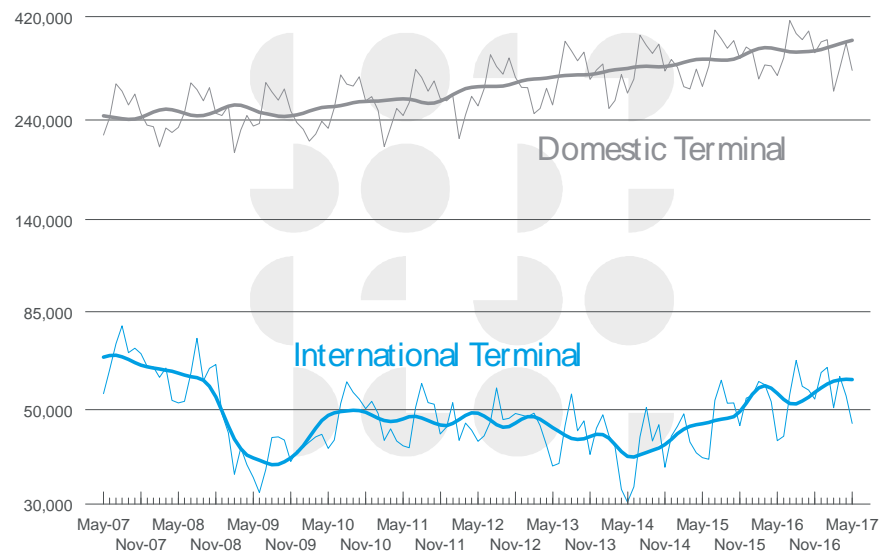
Herron Todd White Cairns has a wealth of experience in providing valuation services across the tourism, commercial, industrial, rural and residential property sectors.

From residential units and townhouses to specialist valuations, acquisitions and resumption, Herron Todd White Cairns' team of specialist staff provides valuations across all property types.

TOURISM

Airport Passenger Numbers

Monthly Passenger Arrivals + Departures (excl Transits)



Source: Derived from Cairns Airport data

Domestic terminal passenger trends at Cairns Airport are continuing to achieve all-time record highs, while strong year-on-year trend growth continues to occur in international terminal passenger numbers. Over the twelve months to May 2017, passenger numbers have increased in trend terms by 4.8% at the domestic terminal, 7.7% at the international terminal, and 5.2% overall.

Cairns Airport comments that domestic growth has arisen mainly from Brisbane, Melbourne and Sydney, with some additional contribution from regional services. Primary growth areas across the international network have been Hong Kong and Bali. The Bali flights in particular are being used by European travellers making stopovers.

Herron Todd White does...Tourism Valuations

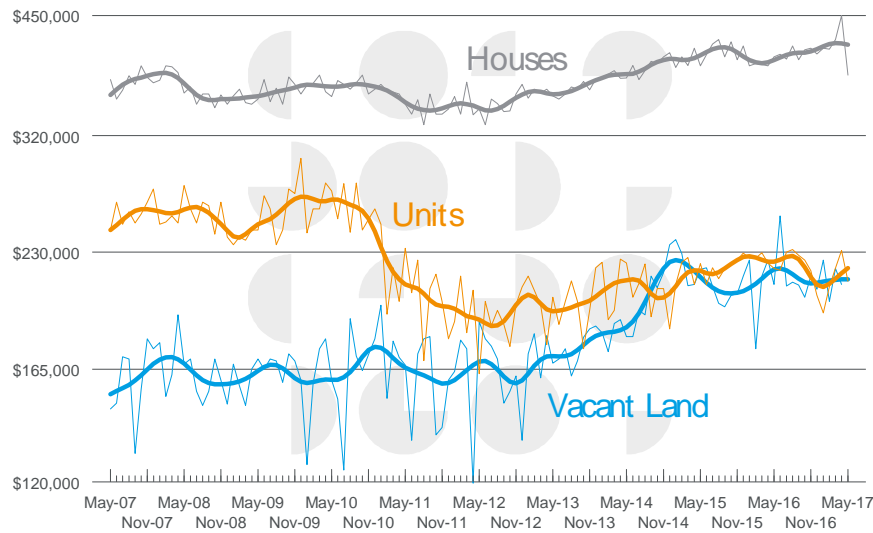
Buying or selling a tourist property?

Herron Todd White has valuers specialising in all forms of tourism related property – including pubs, roadhouses, hostels and caravan parks, and the entire accommodation spectrum from small motels and serviced apartments through to large scale resorts.

PROPERTY

Property Prices

Median Sale Price (Log Scale)



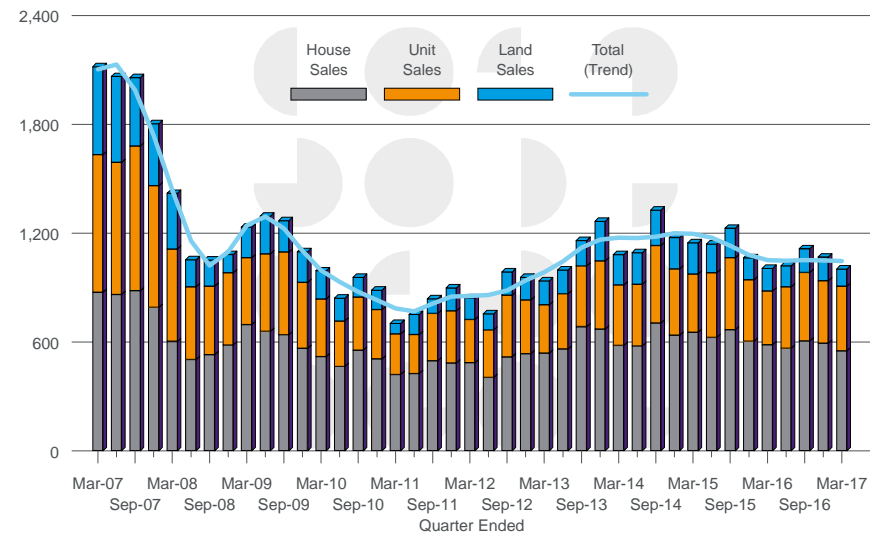
* All sales are classified to date of contract (not date of settlement)
** Recent months are provisional and subject to revision
Source: HTW Analysis of RPData

Our latest analysis shows that median property price growth has flattened for houses and for land, but is showing some upward movement for units. Price movements at the individual property level are varied (both up and down), but our overall view across the market is that, on average, prices are static. The May 2017 trend median prices stood at \$414,000 for a house, \$220,000 for a unit, and \$213,000 for a block of land.

N.B. The median property price is the actual sale price of the middle-priced property from the list of properties sold each month. Movements in median prices do not necessarily equate to movements in individual property values.

Property Sales

Number of Sales per Quarter

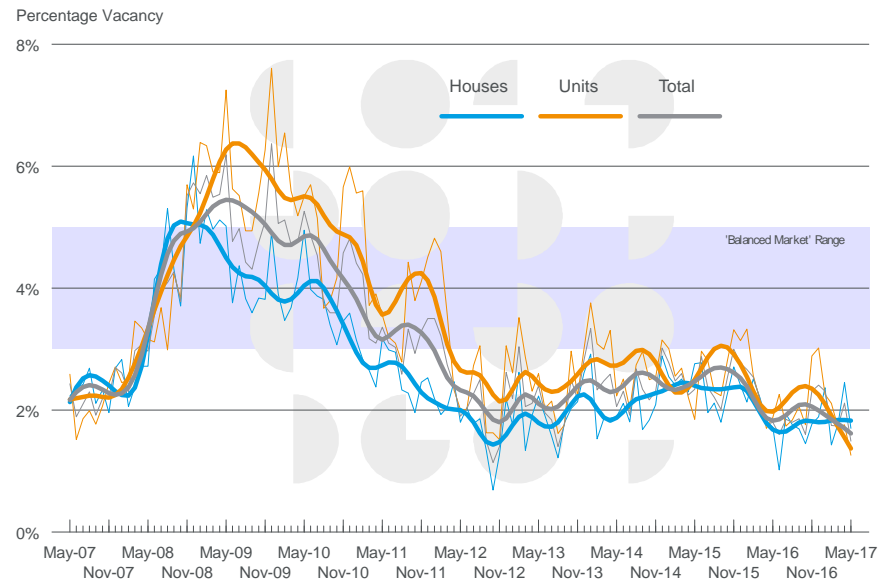


* All sales are classified to the date of contract
** Recent quarters are provisional and subject to revision
Source: HTW Analysis of RPData

The real estate market has seen overall residential sale volumes remain flat in trend terms over the latest twelve months, at levels reduced from 2014 and 2015. The number of sales taking place in the March quarter of 2017 was virtually identical to that in the March quarter of 2016, with a small rise in the number of units sold over the period being offset by lower sales volumes of houses and of blocks of land.

PROPERTY

Rental Vacancies



Source: HTW Rentroll Survey

Rental vacancy trends have remained stable over the last six months for houses but have tightened considerably for units. Indeed trend vacancy rates for units have now moved below those for houses, which is an unusual situation in the Cairns market. The latest trend rental vacancy rates for May 2017 stood at 1.8%, for houses, 1.4% for units and 1.6% for the market overall. Coupled with the low level of new rental supply being created due to low levels of new housing construction, rental market conditions are expected to stay tight for some time.

Herron Todd White does... Tax Depreciation Schedules

Do you have an up-to-date tax depreciation schedule?

You could be missing out on thousands of dollars each year in allowable depreciation for your investment property.

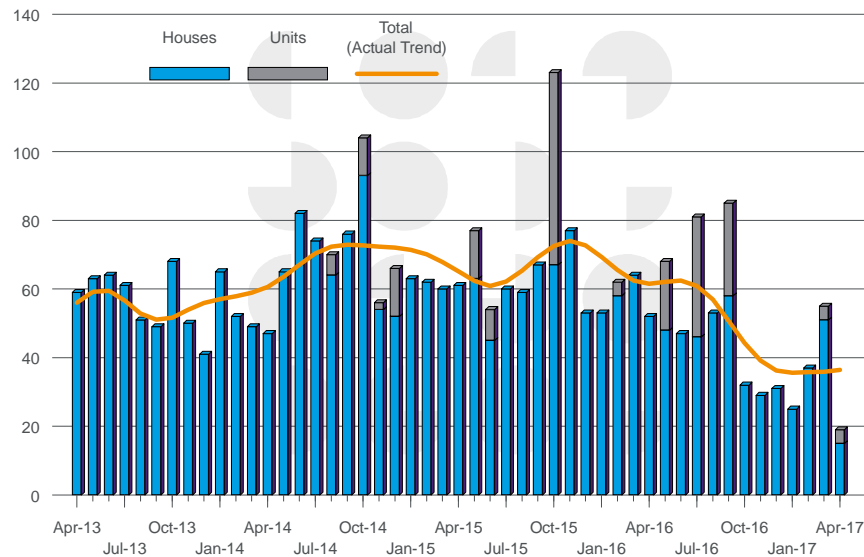
Depreciation is an important part of maximising your investment returns from an income generating property.

Contact us on 4057 0200 for an obligation-free quote.

PROPERTY

Building Approvals

Number of New Dwellings Approved in Cairns Urban Area



Source: Derived from ABS data

Building approval figures for the Cairns urban area fell away significantly in the last six months of 2016, but now look to be relatively steady again, albeit at quite low levels. Even so, building approvals recorded for the month of April 2017 were at a post-2000 record low. Current conditions are indicating a trend of around 34 houses and 2 units being approved per month. In trend terms the April 2017 approval levels were 40.8% below those recorded in April 2016.

Herron Todd White does... Tax Depreciation Schedules

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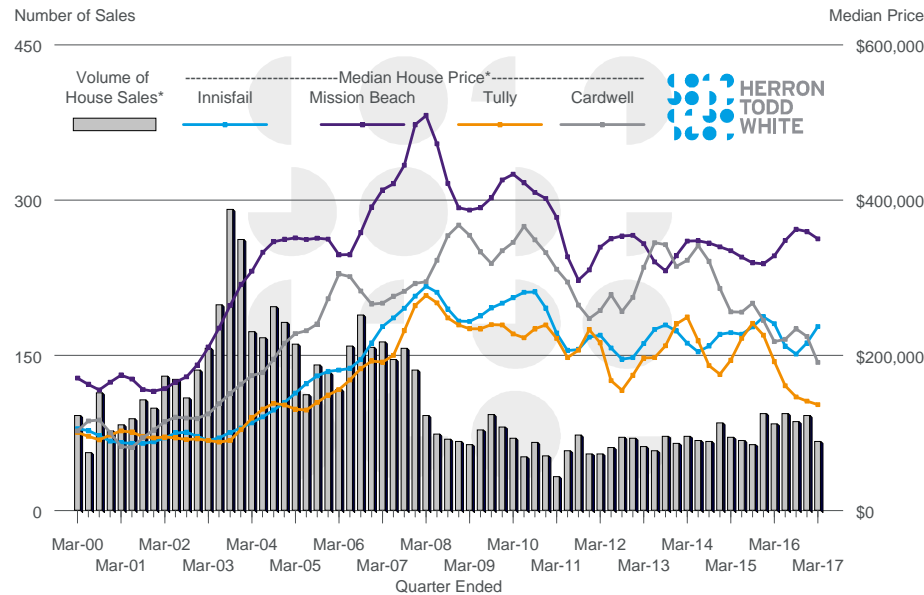
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PROPERTY

Special Topic: Cassowary Coast



* For Houses sold on land up to 2 hectares
Source: HTW Analysis of RPData

House sales in the Cassowary Coast Region have been rebuilding slowly in volume from the 20-year low experienced in 2011, which coincided with the market disruption caused by Cyclone Yasi. Median house prices since 2011 were also impacted by the lingering impacts of the Cyclone on sales on both damaged and undamaged property, especially in its immediately subsequent years. Nevertheless it appears that since 2014, the median house price has tended to increase slightly in Mission Beach, while it has been relatively constant in Innisfail over the same period. However the median house prices measured in Cardwell and Tully have tended to reduce.

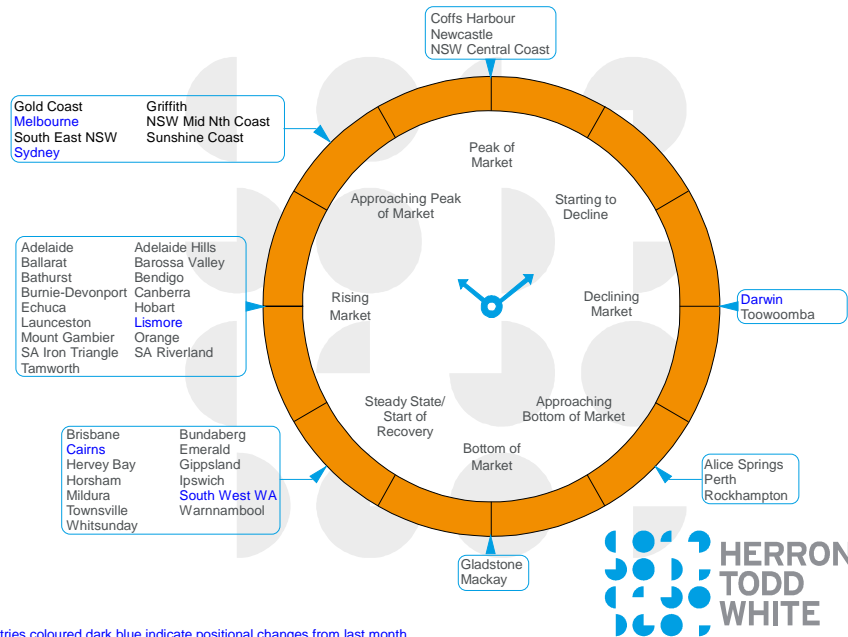
Herron Todd White does...Rural Valuations

Selling the farm?

Herron Todd White has valuers specialising in agri-business – from cane farms to cattle properties and banana plantations.

PROPERTY

National Property Clock



Entries coloured dark blue indicate positional changes from last month
Source: Residential Property Ratings Compiled by Herron Todd White, May 2017

Herron Todd White does... Townsville Market Information

Herron Todd White produces a quarterly publication of Townsville Market Information entitled *Townsville in Focus*. Like CairnsWatch, it is free of charge.

For further enquiries or to subscribe, contact townsville@htw.com.au or call (07) 4724 2000.

Our property clock movement last month generated considerable interest, feedback and debate. Our dilemma in Cairns has been that the increased volumes of sales and the rising prices experienced in 2014 and 2015 have tapered off, but we also accept that we are not in a classic Bottom of Market situation of languishing volumes and prices. This month we have amended our clock to place Cairns at a Steady State position, taking account of the currently static market climate of steady volumes of sales, generally stable though sometimes volatile prices (static, up or down), and differentials in market performance between locations and sectors.