

CairnsWatch

October 2017



Cairns

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OVERVIEW

The Cairns economy continues to advance but its pace of advancement appears to have moderated over the last month. Nevertheless strong rates of job advertising bode well for a return to stronger employment and economic growth.

On the property front, Cairns remains very much in a 'steady state' characterised by generally static prices, a tight rental market and mildly increasing rents.

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AT A GLANCE

Airport Passenger Trend: ▲ 1.3% (September 2016 to September 2017)
Employment Trend: ▲ 7.7% (September 2016 to September 2017)
Unemployment Rate Trend: ▲ to 5.6% (as at September 2017)
Job Advertisements Trend: ▲ 8.1% (September 2016 to September 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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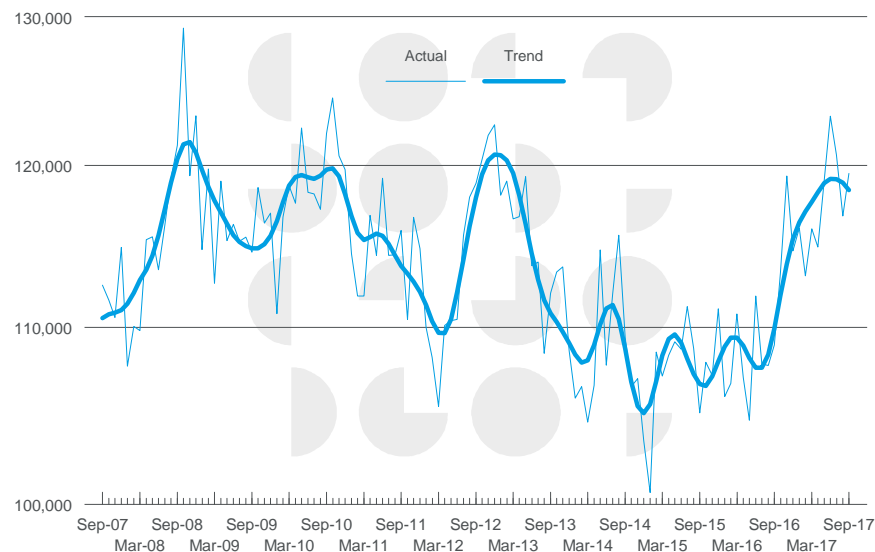
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EMPLOYMENT

Persons Employed in the Cairns Region

Number of Persons Employed (Log Scale)



Source: Derived from ABS Labour Force Survey data

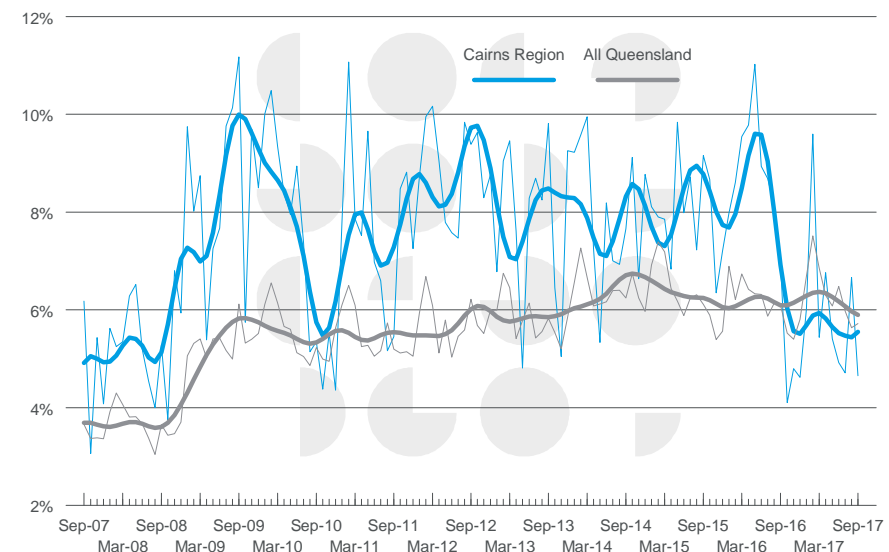
Trended employment figures for the Cairns Region (inclusive of Cairns, the Cassowary Coast, Douglas and the Tablelands) estimate that there were 118,400 persons employed during September 2017, down from a revised trend estimate of 118,900 persons employed during August 2017.

Though the employment trend has rebounded strongly over the last twelve months, the latest trend appears to have paused somewhat at just below record levels. Trend employment has nevertheless increased by 7.7% over the twelve months from September 2016 to September 2017.

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 actual 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

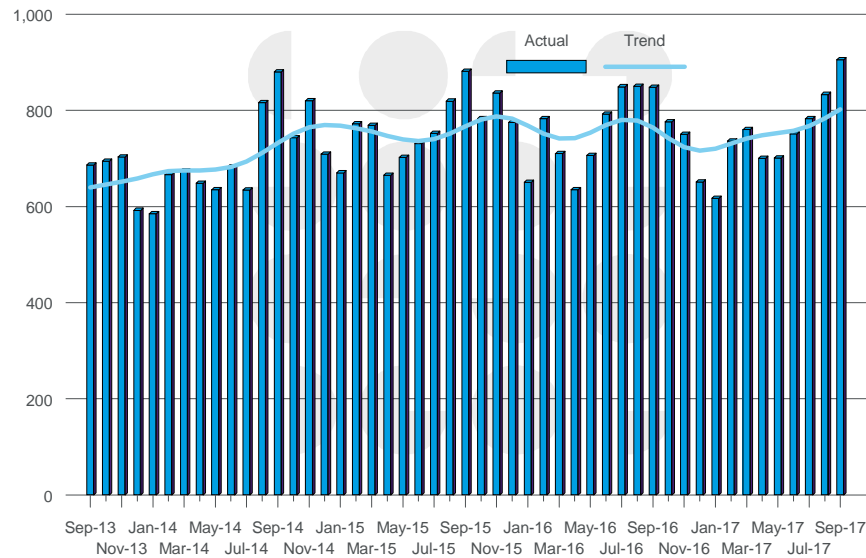
There has been a significant reduction in the region's unemployment rate over the past eighteen months, but declines in the region's unemployment rate have flattened off over the most recent months as a result of the job rebound running its course in addition to more and more people entering the labour force to look for work. The Cairns Region had a seasonally adjusted trend unemployment rate of 5.6% as at September 2017, up slightly from a revised trend of 5.4% in August 2017. Despite the small rise, the Cairns Region's trended unemployment rate remains respectably below the September 2017 State average of 5.9%.

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 has rebuilt strongly over the last twelve months, and continues to bode well for future job creation. The seasonally adjusted trend in the number of jobs being advertised in September 2017 is 8.1% higher than it was in September 2016.

Herron Todd White does... Property Valuations

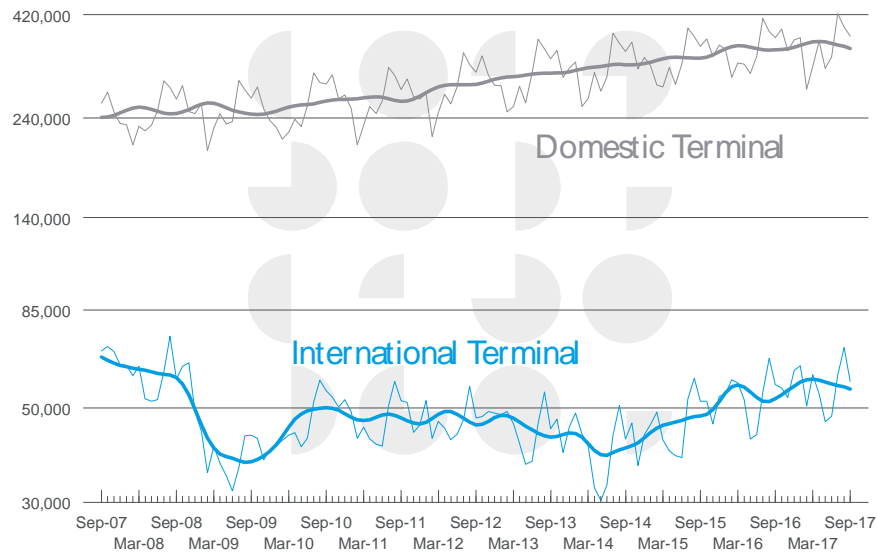
Herron Todd White Cairns has a wealth of experience in providing valuation services across the tourism, commercial, industrial, rural and residential property sectors.

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

Passenger number trends at Cairns Airport have eased off in recent months at both the domestic and international terminals, moderating the year-on-year trend growth rates. Over the twelve months to September 2017, passenger numbers have increased in trend terms by 0.7% at the domestic terminal, 5.2% at the international terminal, and 1.3% overall.

Cairns Airport comment that September is traditionally one of the busiest months of the year in both terminals. During the month of September 2017, there was an average of just over 20,000 seats provided daily on flights to/from Cairns, and an average aircraft load factor of 76.4%.

Herron Todd White does...Tourism Valuations

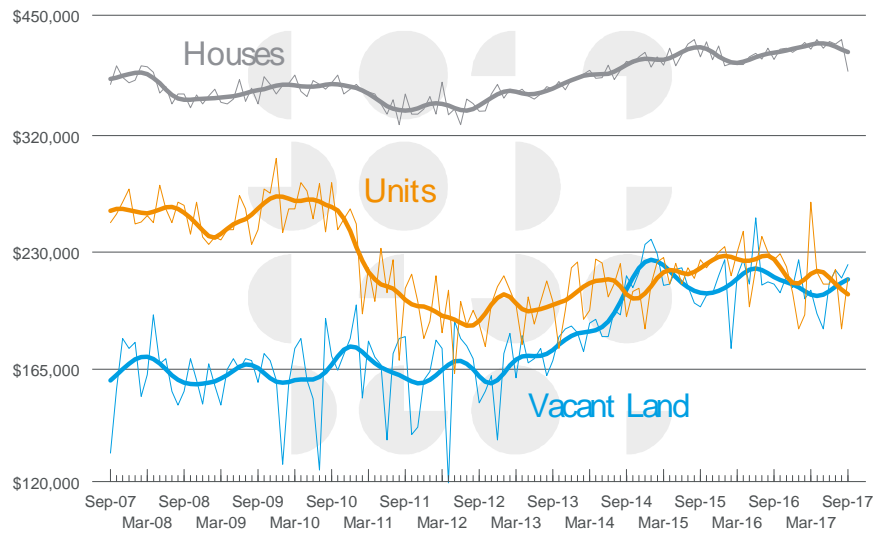
Buying or selling a tourist property?

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

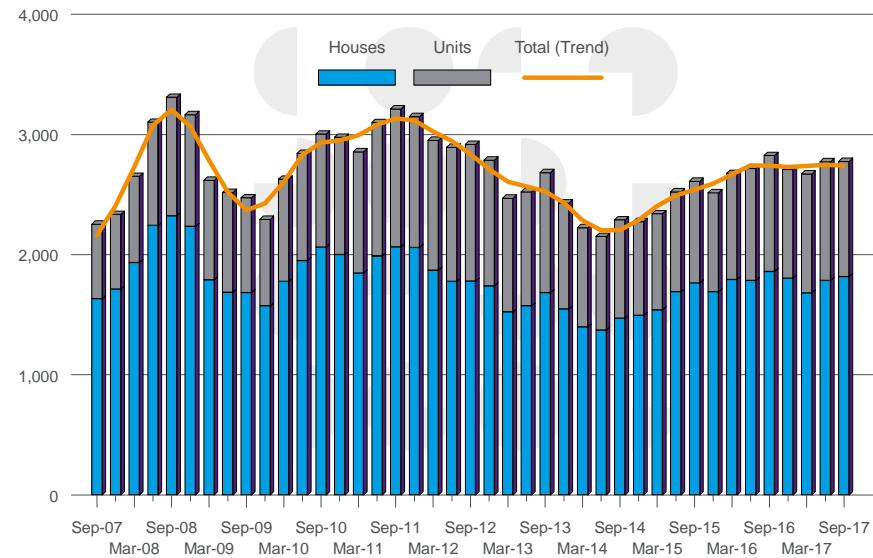
Source: HTW Analysis of RPData

Our latest analysis shows that median property prices are drifting slightly down for houses, but are moving slightly upwards for land and slightly down for units. However even though price movements for individual properties can be mixed, our general view is that prices overall are relatively static. The latest trend median prices, for properties sold in the month of September 2017, came in at \$405,000 for a house, \$204,000 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 Listing

Number of Properties Listed For Sale

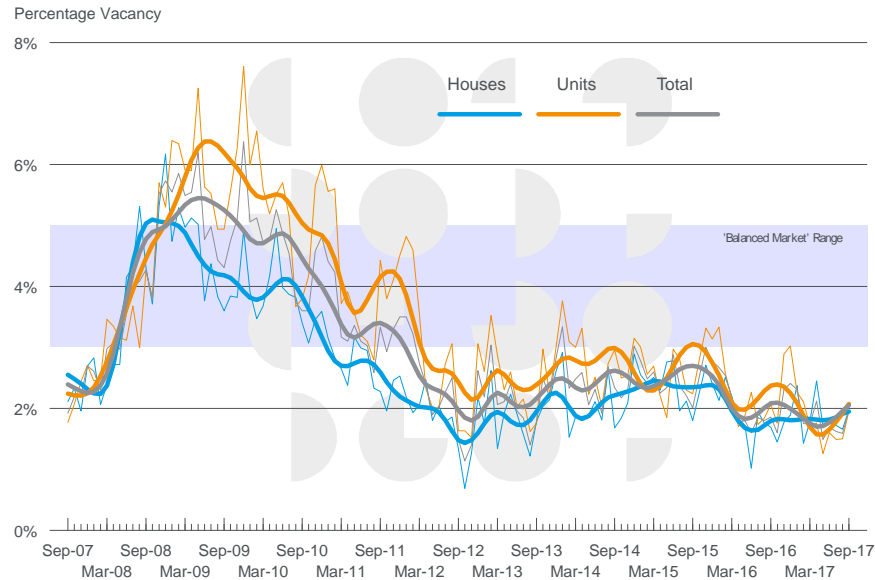


Source: HTW Analysis of RPData

The amount of residential property listed for sale in Cairns has remained relatively static over the last twelve months, due to the number of new listings each quarter closely matching the numbers of sales. The overall number of properties listed for sale stood in trend terms at approximately 2,800 in the September 2017 quarter, made up of approximately 1,800 houses and approximately 1,000 units.

PROPERTY

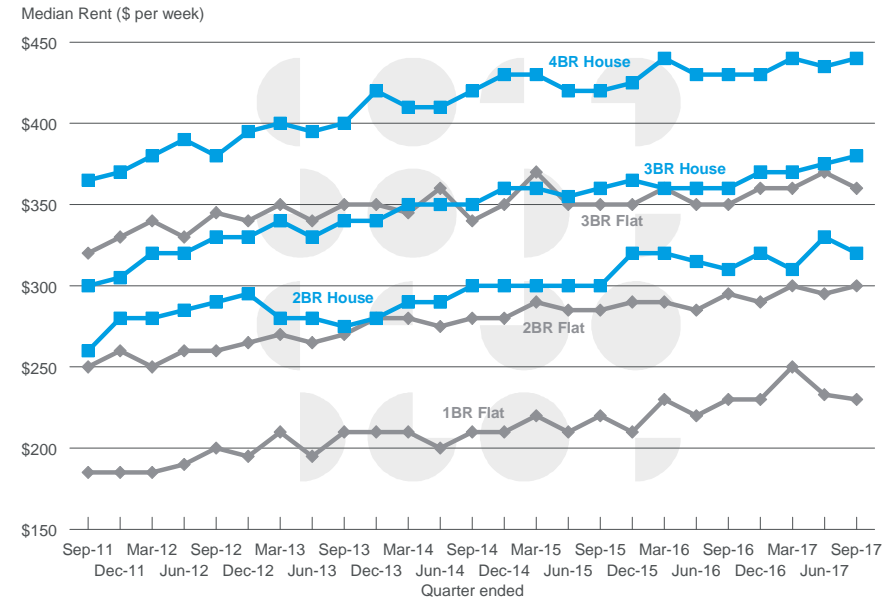
Rental Vacancies



Source: HTW Rentroll Survey

Rental vacancy trends look to have eased slightly over the last six months from near stressed levels back to very tight. Nevertheless agents are reporting a distinct shortness of supply in the market and multiple applications for any properties that become available. The latest trend rental vacancy rates for September 2017 stood at 1.9% for houses, 2.1% for units and 2.0% overall. Coupled with the low level of new rental supply being created due to reduced levels of investor housing activity, rental market conditions are expected to stay tight for some time.

Property Rents



Source: Queensland Residential Tenancies Authority

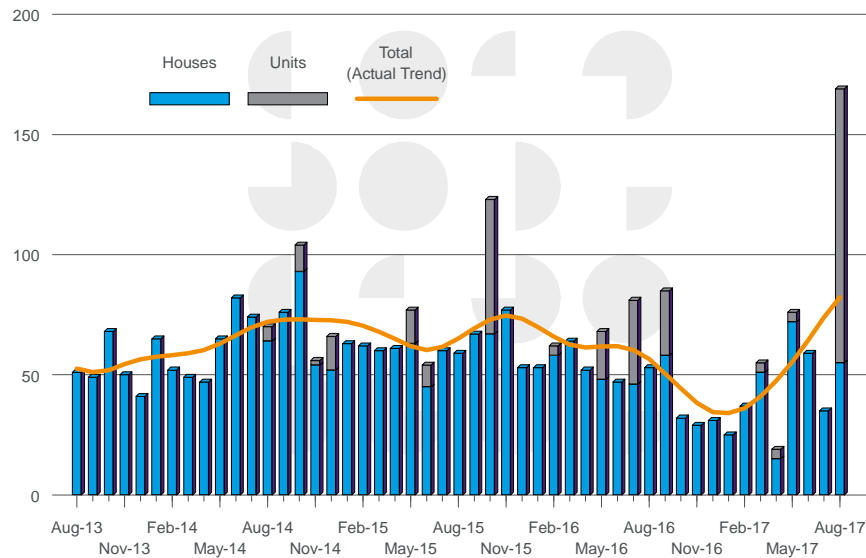
Low rental vacancy rates have been placing mild upward pressure on rents in year-on-year terms over the last six years. Over the twelve months to September 2017 the Cairns weighted average median rent has increased from \$390 to \$400 per week for houses, and from \$280 to \$290 per week for units. The low rental vacancy rates observed in the current market could be expected to continue putting slow upward pressure on rents in coming quarters, but will not be able do so indefinitely for rental affordability reasons.

N.B. The median rent is the middle-priced rental from the list of properties rented during the quarter. Movements in median rents do not necessarily equate to movements in individual property rents.

PROPERTY

Building Approvals

Number of New Dwellings Approved in Cairns Urban Area



Source: Derived from ABS data

Building approval figures spiked in August 2017 from the inclusion of 110 new units to be built in the Cairns CBD, consistent with the GA Group's apartment component of its 163 Abbott Street development. In addition, building approvals are poised to spike again once the first component of the Nova City development (of 335 new units) reaches the building approval stage. Whilst these developments are very welcome, it is drawing a long bow to suggest that just two projects are the start of a new uptrend rather than one-off spikes. The number of approvals for new houses in particular remains at a low ebb.

Herron Todd White does... Tax Depreciation Schedules

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

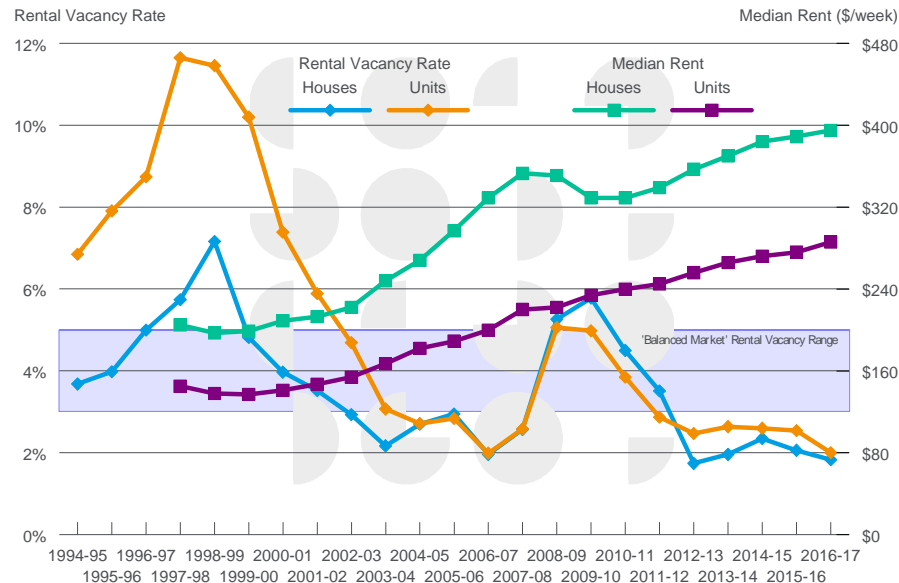
You could be missing out on thousands of dollars each year in allowable depreciation for your investment property.

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.

SPECIAL TOPIC: RENTAL MARKET

Cairns Rental Market Characteristics



Source: HTW Rentroll Survey, RTA

While low rental housing vacancy rates tend to produce upward pressure on rents, the rental uplift during the sub-3% vacancy period of 2012-13 to 2016-17 has been much more muted compared to the previous low vacancy period of 2003-04 to 2007-08. Rents increased at an average of 2.7% per annum (not much more than the rate of inflation) from 2012-13 to 2016-17, way below their average 7.8% per annum rise from 2003-04 to 2007-08. These reflect differing affordability influences in the current economic climate compared to the heady economic days of 2003-04 to 2007-08. Also interesting is that house rents reduced noticeably in the high vacancy rate period of 2008-09 to 2010-11, but hardly blipped for units over the same period, as a result of skyrocketing building insurance costs impacting the unit sector far more differentially than for houses.

Herron Todd White does... Socio-Economic Research

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Contact us today to discuss your requirements.

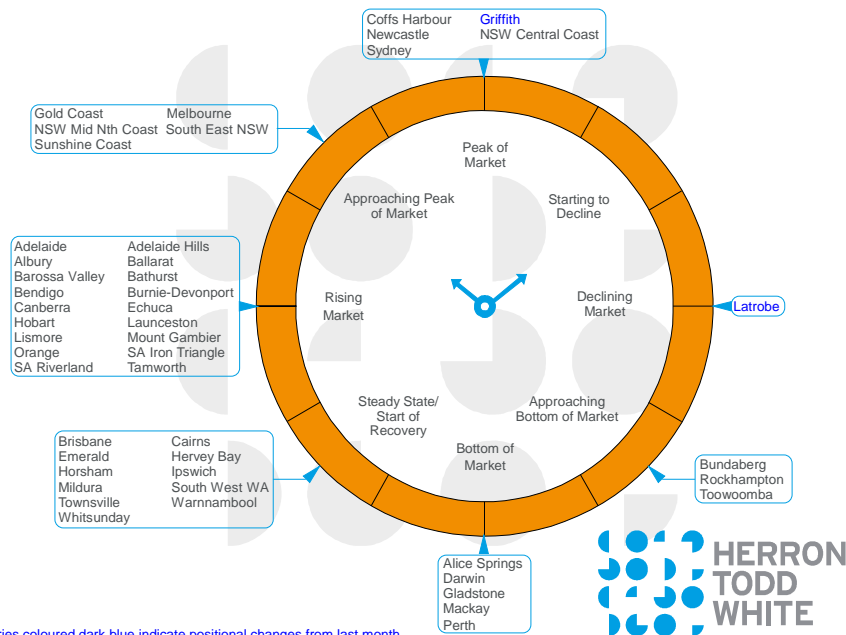
Herron Todd White does... Rural Valuations

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, September 2017

Herron Todd White’s National Property Clock is prepared each month based on the local market perceptions of its Australia-wide network of offices.

While there are some variations between locations and sectors, we continue to regard the Cairns market as being in a ‘Steady State’.

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.