

MAY 2021



CAIRNS REPORT



A monthly snapshot of the
Far North Queensland economy

PRESENTED BY



Welcome to the May edition of The Cairns Report

The best way to describe the city's economic progress based on the latest collection of data is "slow and steady".

The local housing market and residential construction remain very strong indeed – some of the strongest activity we've seen in more than a decade in fact. The region's employment scene improved, just slightly, in the latest figures while tourism continues to bounce back after the industry was reignited during the Easter period. Passenger numbers through Cairns Airport rebounded sharply but we are of course still a long way off returning to pre-COVID levels.

UNEMPLOYMENT RATE

5.6%

NATIONAL

5.9%

QLD

6.1%

CAIRNS

PEOPLE EMPLOYED

13,077,600

NATIONAL

2,627,100

QLD

127,500

CAIRNS

PROPERTY PRICES

▼ \$222,000

UNITS

▲ \$449,000

HOUSES

MEDIAN RENTS

▲ \$340 P/W

2-BED UNIT

▲ \$430 P/W

3-BED HOUSE

PASSENGERS

211,390

MAR '20

▼
-8.8%

192,783

MAR '21

CAIRNS AIRPORT

BUILDING APPROVALS

159 APPROVALS IN FEBRUARY

▲ 147.5%

INCREASE FROM A YEAR AGO

All data relates to Cairns unless otherwise stated.
The most current data set available before publication is used throughout The Cairns Report.
© The Cairns Report 2021. For media or reproduction purposes, please credit The Cairns Report.

CAIRNS REPORT

info@cairnsreport.com.au

cairnsreport.com.au

Publisher & editor

Gavin King

Data analysis & commentary

Pete Faulkner, *Conus*

Contributors

Andrew Cornes, *Grant Thornton*

Ranjit Singh, *Holding Redlich*

Nicholas Slatyer, *Belle Property Cairns*



Cover: Bird's eye view of Cairns
by Paul Furse/Front Row Foto

PRESENTED BY

There was some modest growth in Trend employment and the unemployment rate dipped slightly in March. However, employment remains well down from its level a year ago.

While JobSeeker and JobActive caseload numbers demonstrate improvements, they both remain at historically elevated levels suggesting spare capacity within the region's labour market even when there are credible indicators of skills

shortages in certain sectors. The next data release will be the first opportunity we have to assess the impact of the removal of JobKeeper support.

UNEMPLOYMENT RATE

5.6%

NATIONAL

5.9%

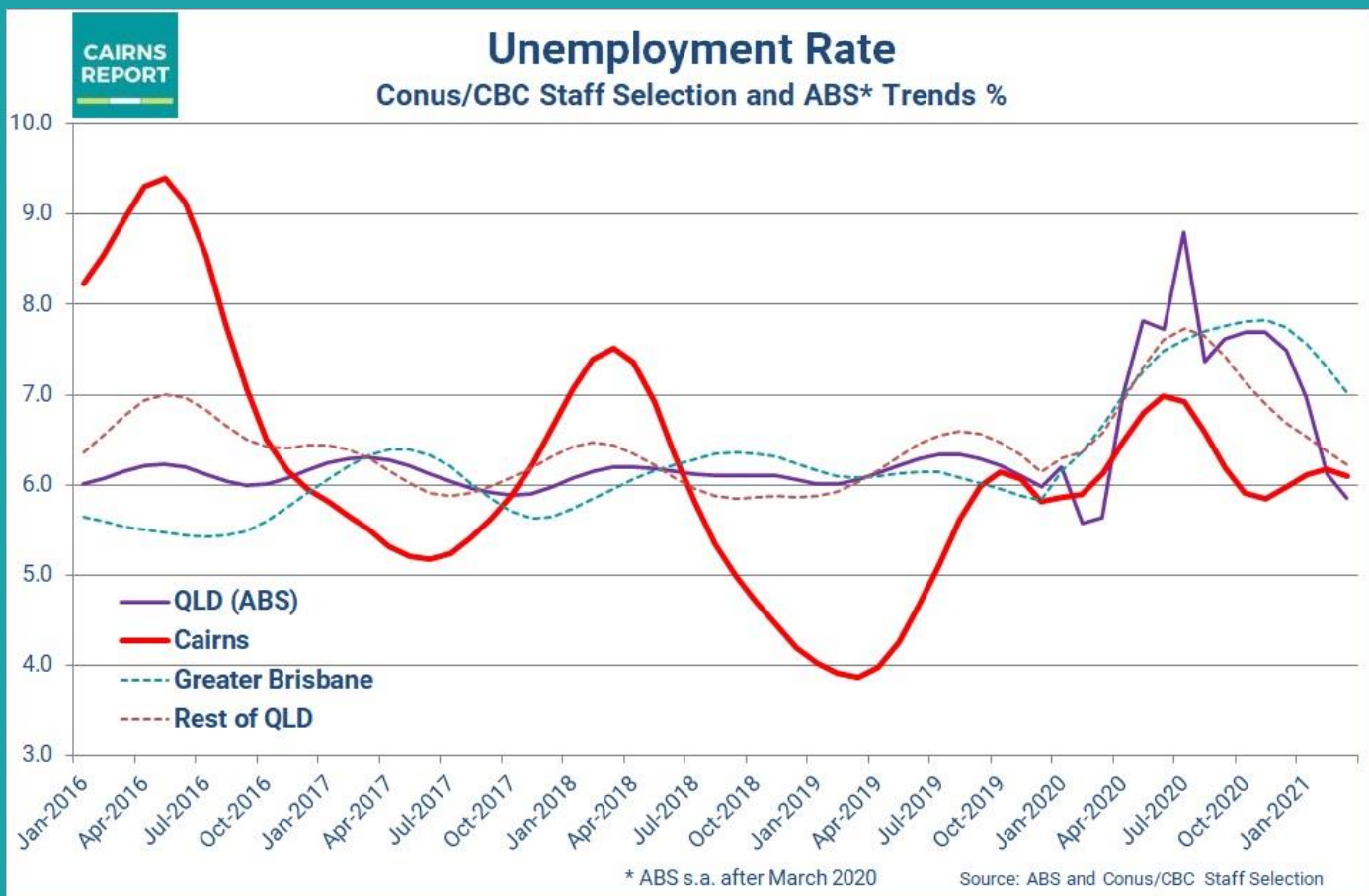
QLD

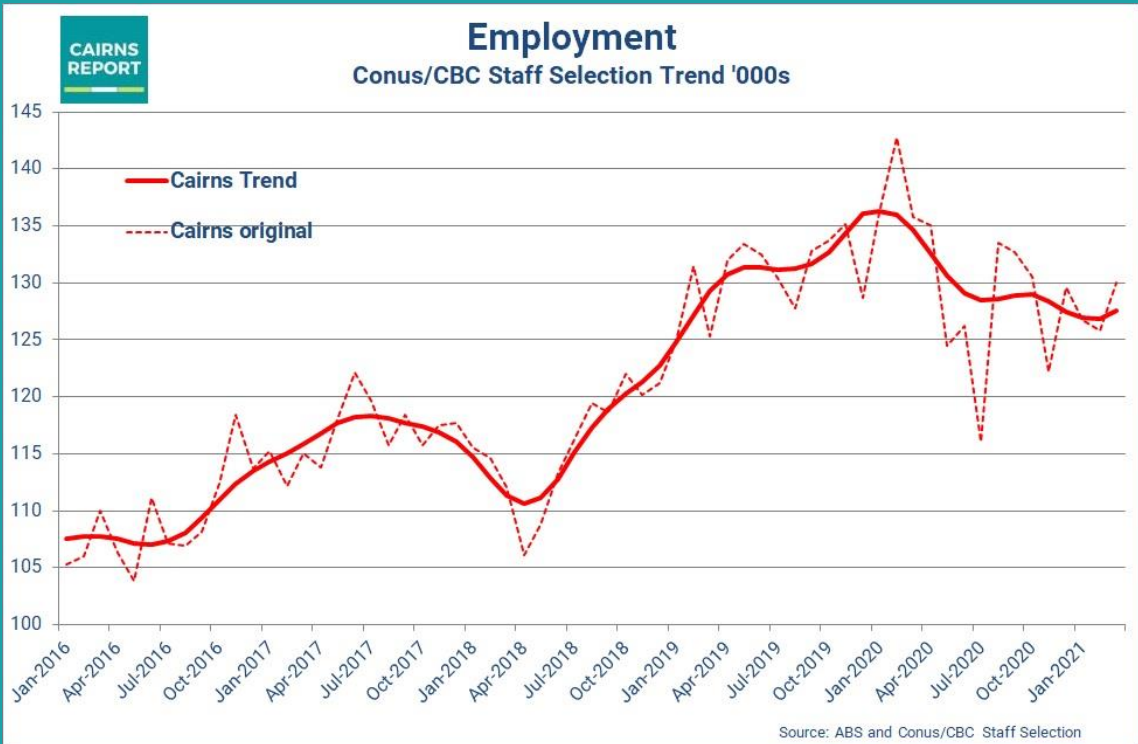
6.1%

CAIRNS

KEY TAKEAWAY

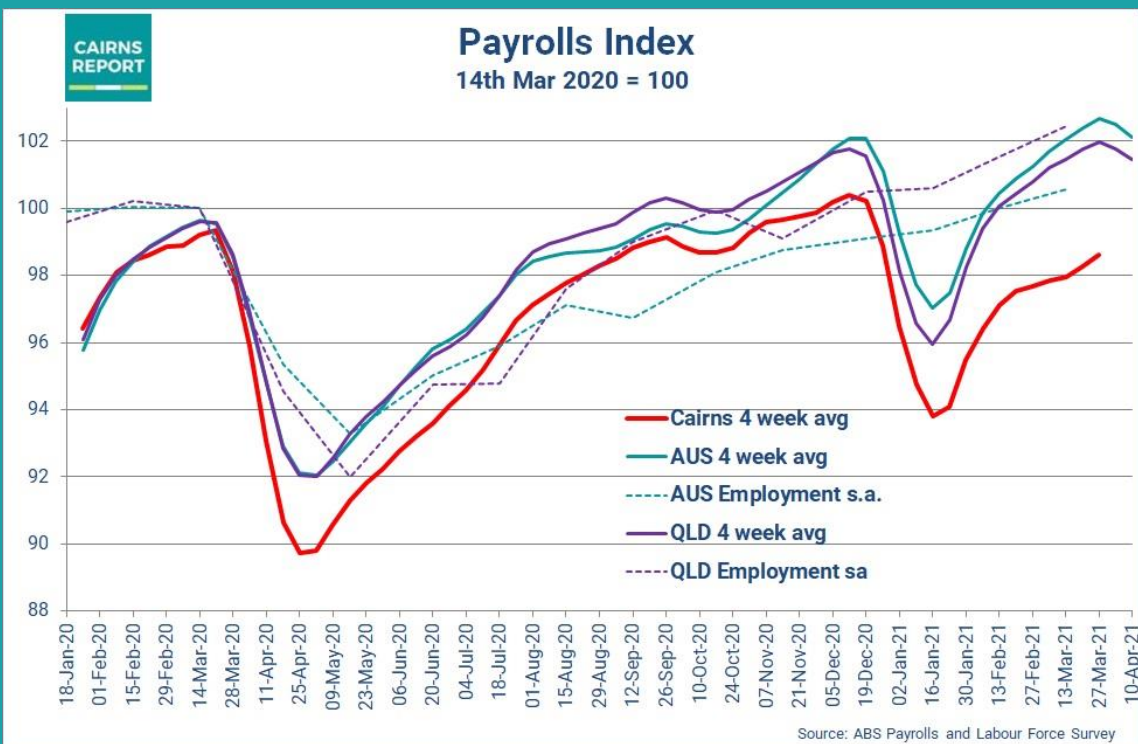
The number of people employed and the unemployment rate in Cairns are both improving – but only slightly.





Payrolls data from the ATO and ABS for March show that employment at both the national and State level is now slightly above where it sat a year ago as the COVID pandemic hit. This is supported by the ABS's own Labour Force

Survey data which also shows strong employment growth, particularly in Queensland. The same data confirms that Cairns, whilst recovering from the lows, is still some way off reaching pre-COVID levels.



The latest monthly figures show residential building approvals moved ahead strongly again on the back of support for house building and historically low interest rates.

The Trend total is now sitting at levels not seen since the middle of 2008, just before the effects of the GFC hit the industry and bode well for the construction sector in coming months as strong approvals translate to actual building activity. Anecdotal evidence already points to difficulty and long delays securing trades services in the region as activity ramps up.

HOUSES

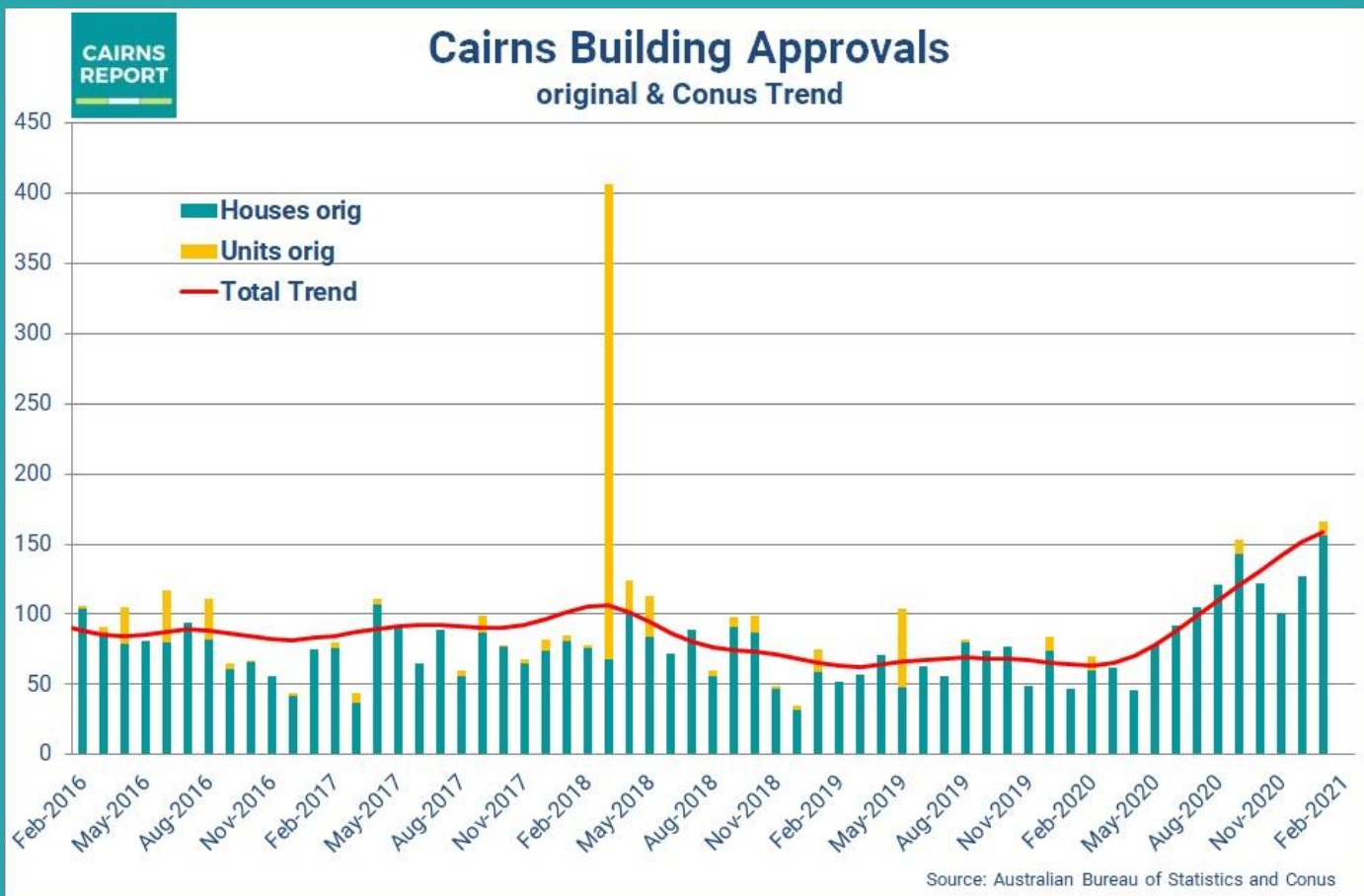
▲ 147.5%

Building approvals increase from a year ago

Another bumper month for building approvals in Cairns, with 159 Trend approvals in February. That's a 147.5% rise from a year ago.

KEY TAKEAWAY

The building industry is buoyant about the remainder of 2021 (and beyond) following the Federal Government's recent announcement to extend the HomeBuilder scheme for another 12 months. The Housing Industry Association expects construction commencements to reach a new peak in mid-2021 with a very strong level of building activity into the middle of 2022.



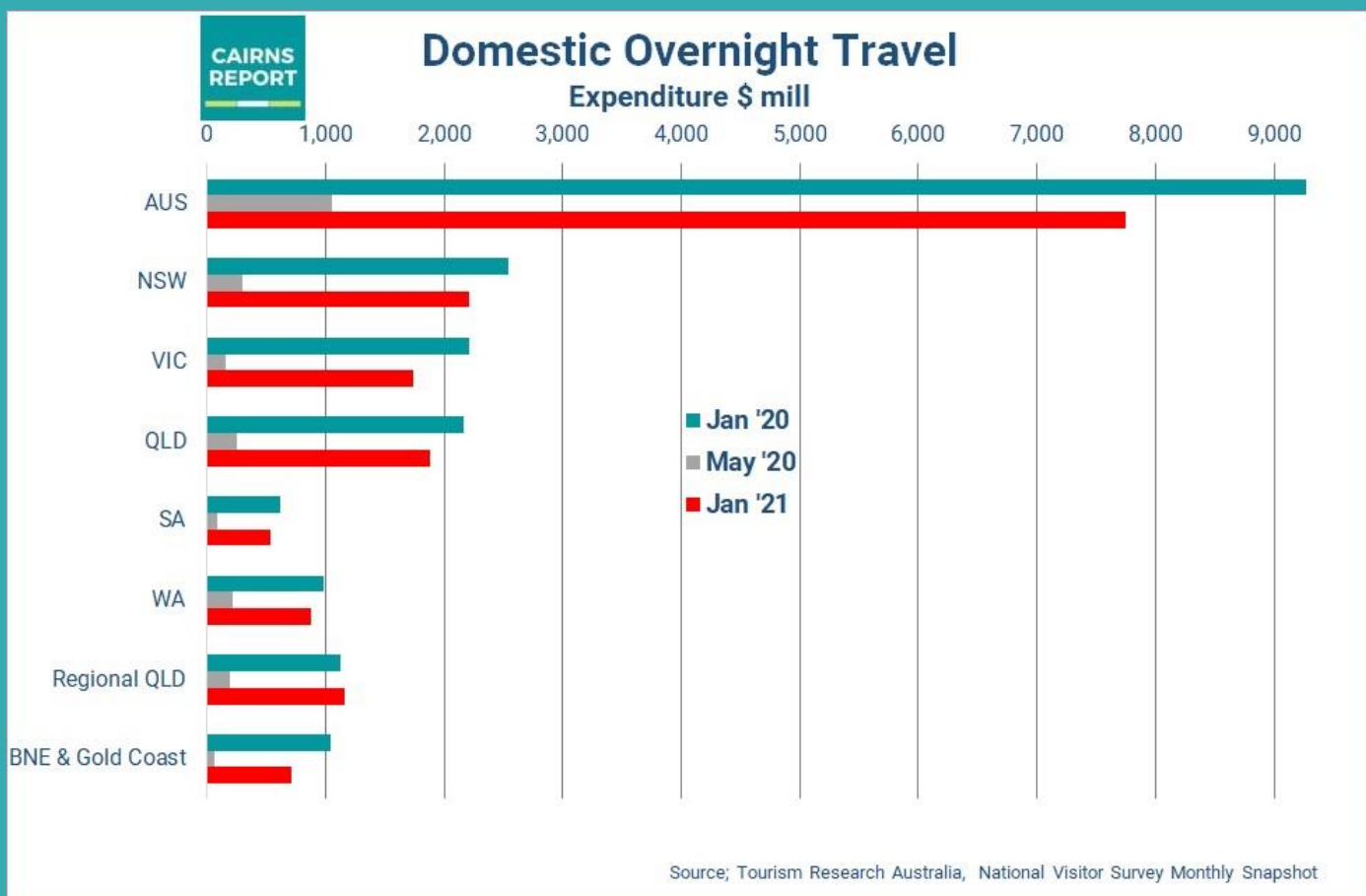
Data from Cairns Airport shows total passenger numbers in March rebounded sharply after the seasonal weakness of the February data. The start of the Government’s discounted half-price tickets, and the Easter holidays, should see a sharp improvement again in the April data.

While international passengers have essentially disappeared from the data, domestic passenger numbers were up 2.5% from March last year, although they remain down 66% for the past 12-month period. Monthly snapshot domestic tourism data for January showed regional

Queensland (indeed regional areas of all States) continuing to demonstrate what can only be described as a resurgent boom.

For the year to January domestic tourism expenditure across Australia fell 16.4%, although regional Queensland was up 3.7%.

The monthly data does not provide detail at the regional level, but the National Visitor Survey for the December quarter (most recent available) showed TNQ expenditures were down 41% y/y. Given that the monthly snapshot data, when summed for the three months of the last quarter of last year, showed only a 7% decline for the year across regional Queensland we can assume that the Far North has not been enjoying the same strong recovery as seen elsewhere.



The latest data suggests median house prices are up by 8% from a year ago, now sitting at \$449,000.

In contrast, unit prices continue to trade within a tight range and are slightly weaker than this time last year.

With such a tight rental vacancy rate along with rising rents and only modest unit building approvals, it seems paradoxical that unit sales prices remain so moribund; it is a paradox the Cairns market has witnessed for some years now.

MEDIAN PRICES

▼ \$222,000 UNITS ▲ \$449,000 HOUSES

Source: Pricerfinder.com.au



KEY POINT

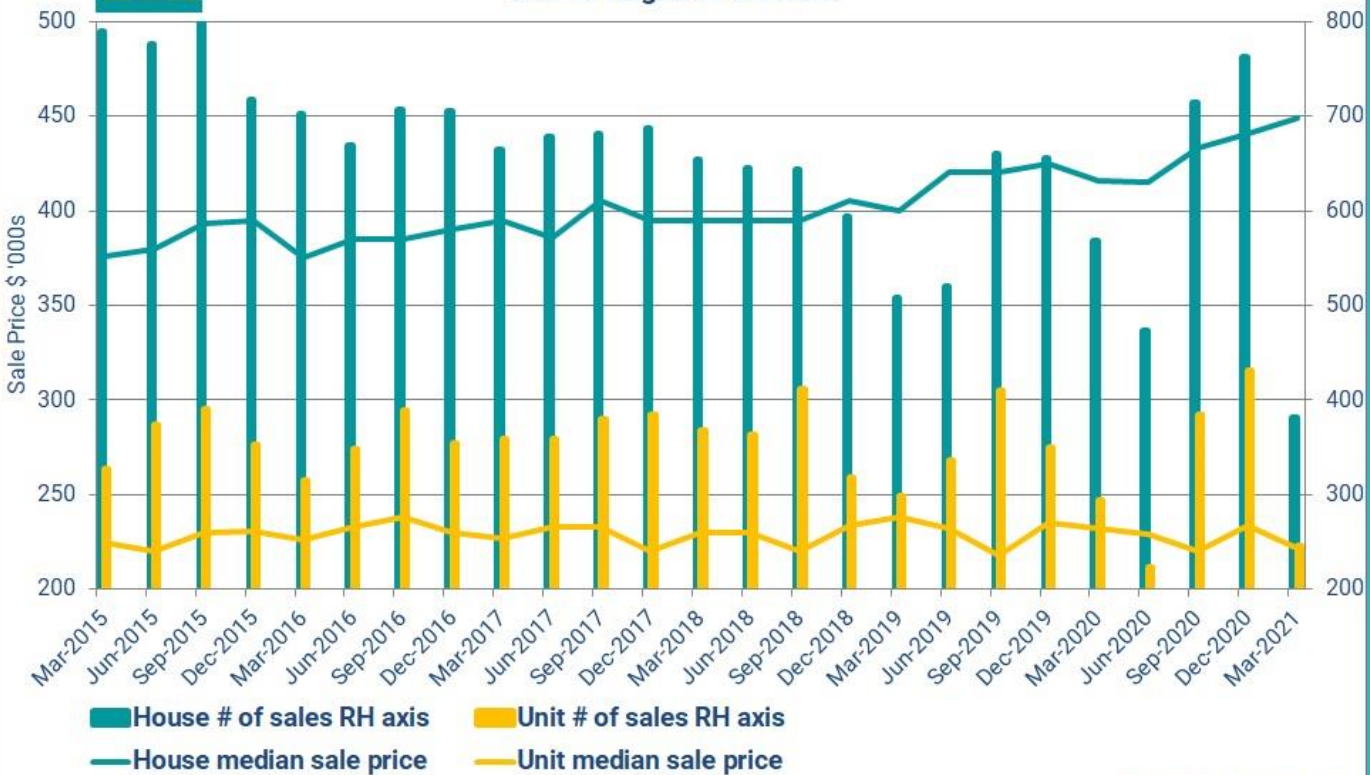
The market is buoyant, but this isn't Sydney, and we can't get hundreds of thousands of dollars over what a property may have been worth a year ago. Price any house correctly at the moment and it will sell in under a month. Get it wrong and it will sit.

- Nicholas Slatyer, Belle Property Cairns

CAIRNS REPORT

Real Estate; Sales and Prices

Cairns Regional Council



Source: Pricerfinder.com.au

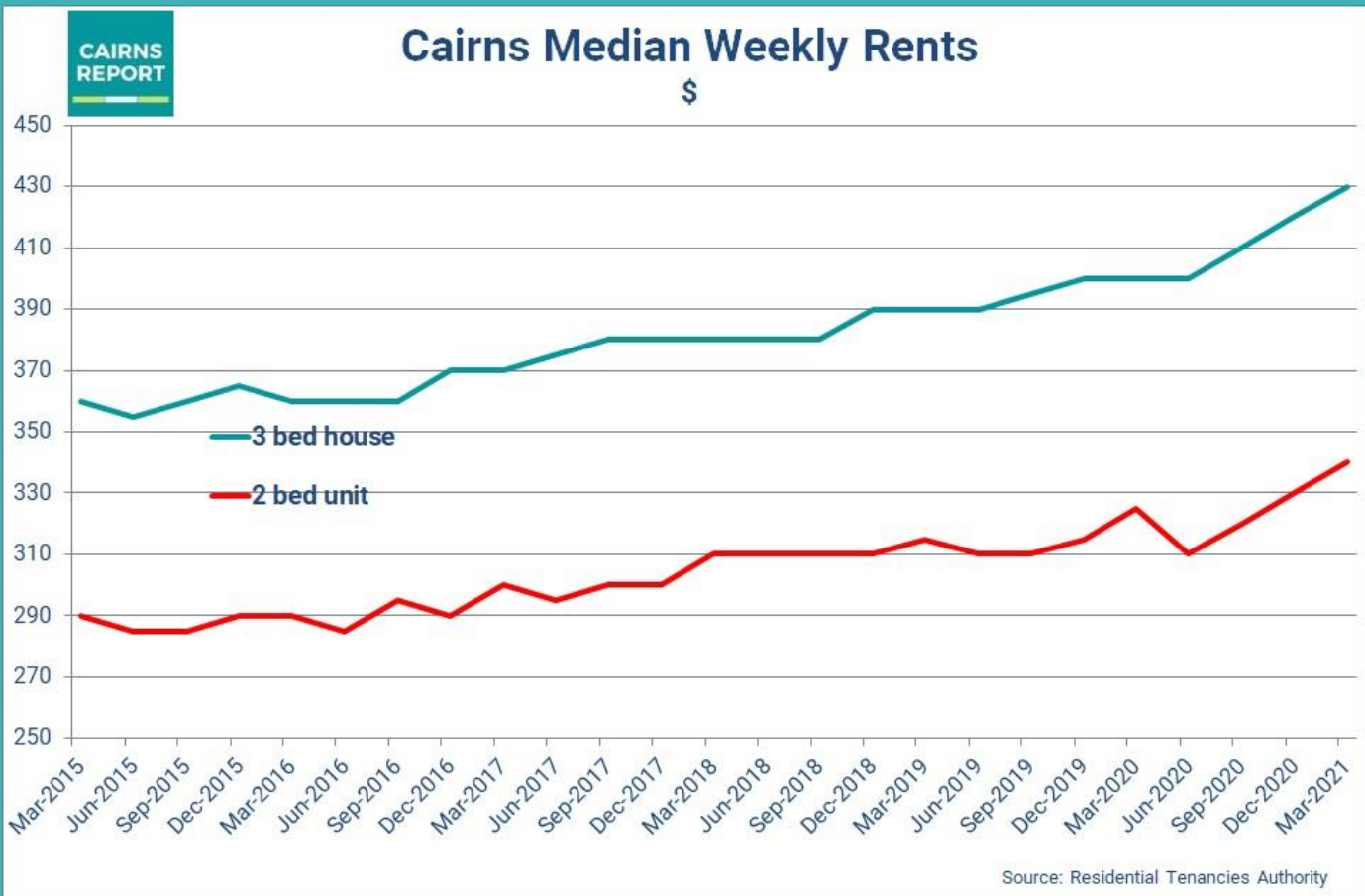
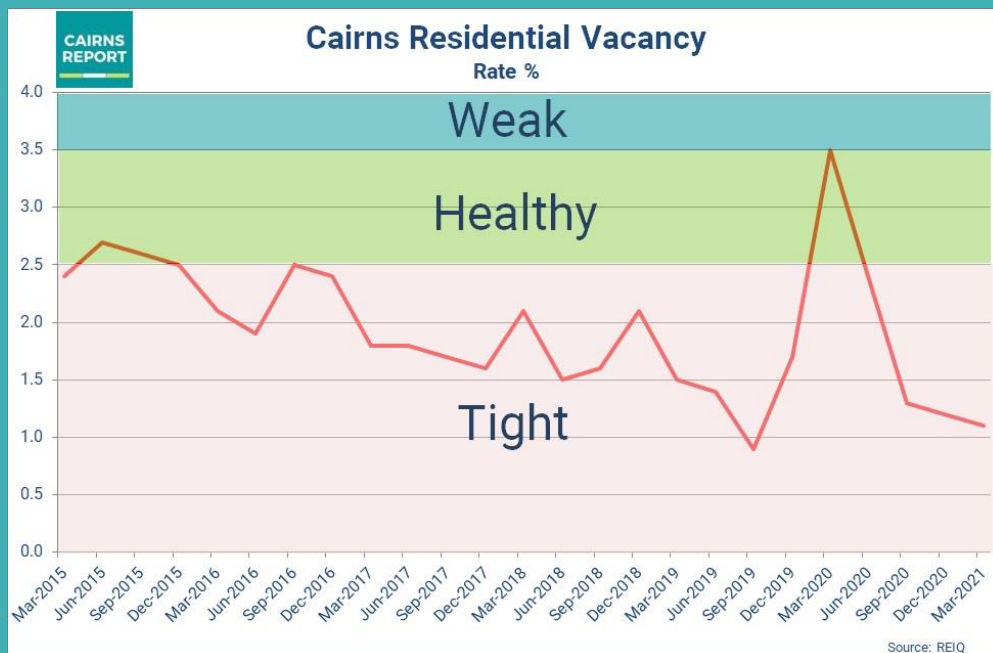


The tight rental market, with vacancy rates falling again in the March quarter to 1.1%, is being reflected in some sharply rising median rentals with 2-bed unit rents up 4.6% y/y and 3-bed houses up 7.5% for the year.

MEDIAN RENTS

▲ **\$340** P/W
2-BED UNIT

▲ **\$430** P/W
3-BED HOUSE



Phone location history data captured daily by Google shows that Cairns got a decent bounce in activity during the Easter period with more visitors in the region combined with more locals getting out and about.

Interestingly it shows a big dip in Cairns late in the month on the back of ANZAC Day and the period of rainy weather which slowed people’s movements up north more than elsewhere in the state.

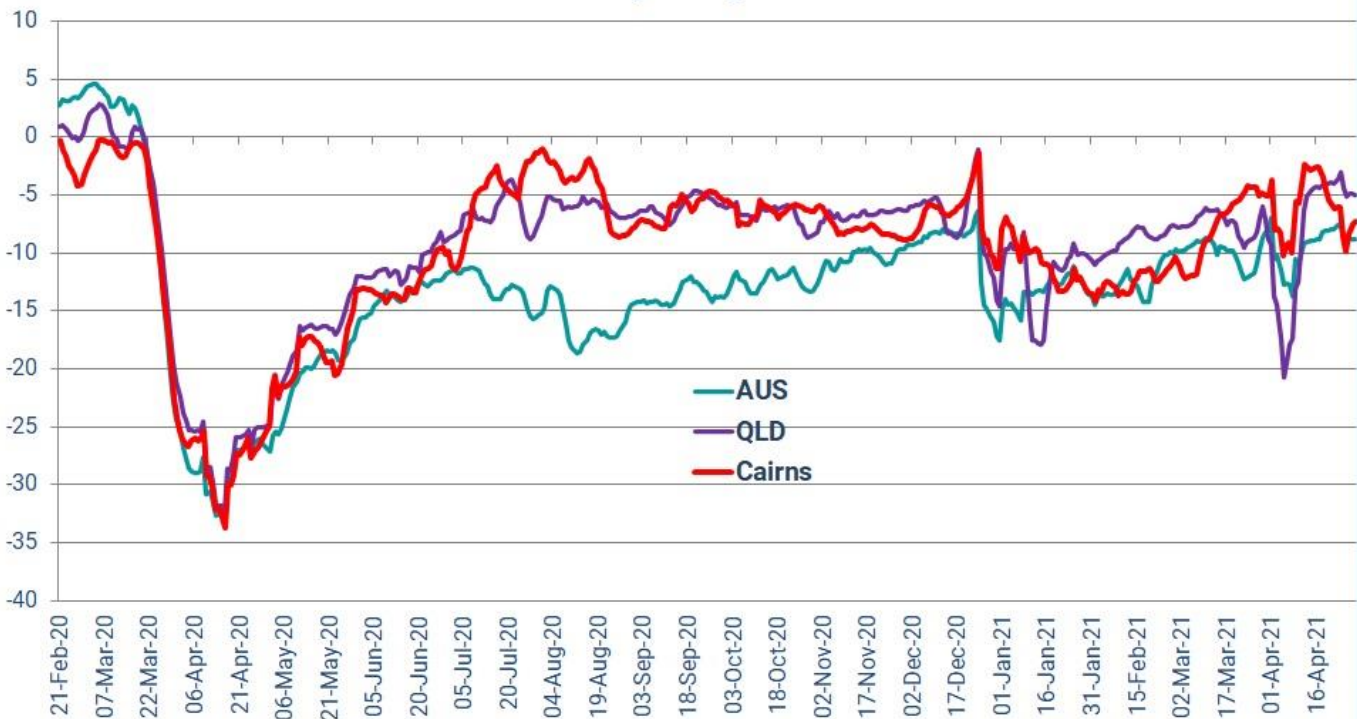
MOBILITY INDEX EXPLAINED

Google mobility data tracks people's phones (those who have location history enabled) and records locations by various classifications such as residential, work, transport, and shops. That data is aggregated and then compared to an index point which was the median level through January 2020. Google Mobility Index reports are created with aggregated, anonymised sets of data from users who have turned on the Location History setting, which is off by default. The Index was created by Google to provide insights into what has changed in response to policies aimed at combating COVID-19.



Google Mobility Index*

% change from baseline (median Jan 3 - Feb 6 '20)
7 day average



Source: Conus based on Google Mobility Data * average of the 6 Google Community Mobility indexes



We are hearing that in April, and in particular the school holiday period, many tourism operators saw a big increase in activity in what has been a welcome return of domestic visitors. May is traditionally quieter and we hear forward bookings for June onwards are looking positive.



Andrew Cornes
Grant Thornton

KEY HEADLINES

Interest rates remain on hold in May at the historically low point of 0.1%.

PM Scott Morrison announced \$155 million for a major revamp of HMAS Cairns, promising to create 45 jobs and up to 180 extra personnel at the base.

Cairns Regional Council is seeking \$215 million in State and Federal funding to secure the city's future water supply, with hopes the major project to utilise the Mulgrave River will be completed by 2026.

Rural Bank's 2021 Australian Farmland Values report showed Queensland recorded an impressive 11.8% rise in farm land values in 2020, with the nationwide value climbing for the seventh consecutive year.

We all know that our real estate market runs in big cycles. We haven't had a genuine upswing since the GFC but we are definitely in the midst of one at the moment, and I don't see it subsiding this year. Yes, there will be stops and starts but I think the trajectory will be up. It is worth noting however that we are definitely still seeing a "push back" if we are too strong with our pricing.



Nicholas Slatyer
Belle Property Cairns



Ranjit Singh
Holding Redlich

The Federal Government is to be congratulated on its move to introduce measures to reduce building insurance premiums. We need to see the details as to what the net effect will be to a property owner's cost of insurance. In particular, I would like to understand how the \$40 million, which is allocated as a pilot program for strata title resilience, will be utilised. In 2018-19, the ACCC said the average strata premium was \$6,800 in North Queensland, compared with an Australian average around \$3,300.

Subscribe online to get your free Cairns Report delivered to your inbox every month



cairnsreport.com.au

PRESENTED BY

belle PROPERTY

 Grant Thornton

 HOLDING REDLICH

CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy



 cairnsreport.com.au

© The Cairns Report 2021

This document is issued on the basis that it is only for the information of the particular person to whom it is provided. This document may not be reproduced, distributed or published by any recipient for any purpose without appropriate credit/acknowledgement for The Cairns Report.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The authors however make no representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgment on the date of this document and are subject to change without notice. The Cairns Report and associated sponsors disclaim any responsibility, and shall not be liable, for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly (and whether in tort (including negligence), contract, equity or otherwise) out of or in connection with the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.