

CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy



PRESENTED BY



HOLDING REDLICH



Grant Thornton



Welcome to the June edition of The Cairns Report

A lot of positives evident in the Cairns economy at the moment, from the long pipeline of work in the residential construction sector to the very strong performance in agriculture, along with a much-needed boost in domestic visitation and steady improvement in the employment scene.

Key constraints remain however, including the increasingly tight rental market (now down to 0.8%), ongoing uncertainty over international (and domestic) borders and the challenges in recruiting the right staff for roles across most industries.

UNEMPLOYMENT RATE

5.5%	6.1%	5.3%
NATIONAL	QLD	CAIRNS

PEOPLE EMPLOYED

13,040,400	2,614,600	128,300
NATIONAL	QLD	CAIRNS

PROPERTY PRICES

\$248,000	\$375,000
UNITS	HOUSES

MEDIAN RENTS

\$332 P/W	\$420 P/W
2-BED UNIT	3-BED HOUSE

PASSENGERS

367,015		283,668
APRIL '19		APRIL '21
		CAIRNS AIRPORT

BUILDING APPROVALS

165 APPROVALS IN FEBRUARY

176.9%

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.
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CAIRNS REPORT

info@cairnsreport.com.au

cairnsreport.com.au

Publisher & editor
Gavin King

Data analysis & commentary
Pete Faulkner, *Conus*

Contributors
Olivia Van Wensveen, *Grant Thornton*
James Harding, *Holding Redlich*
Nicholas Slatyer, *Belle Property Cairns*



Cover: Construction progress at Botanica Lifestyle Resort
by Paul Furse/*Front Row Foto*

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UNEMPLOYMENT RATE

5.5%
NATIONAL

6.1%
QLD

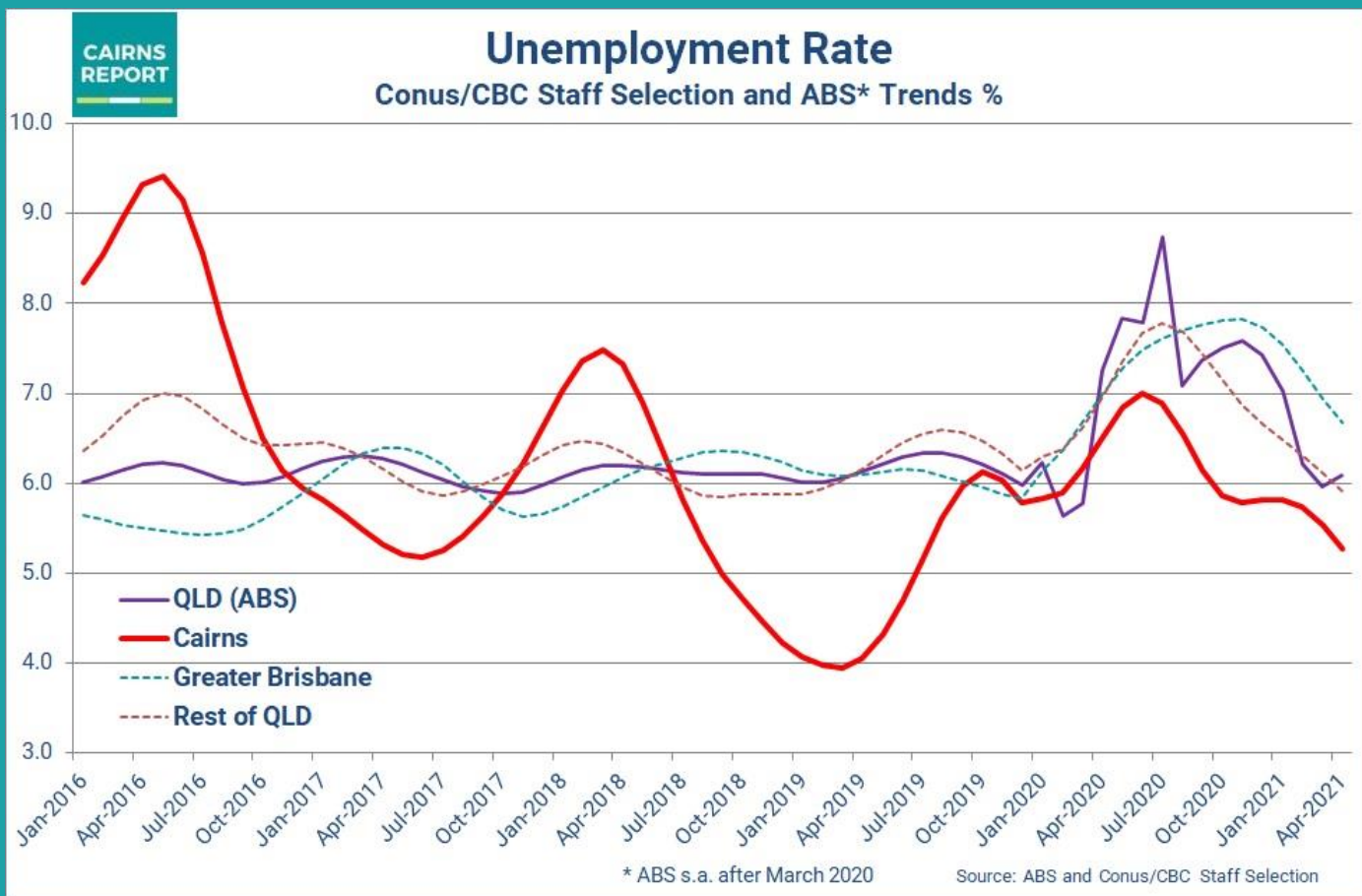
5.3%
CAIRNS

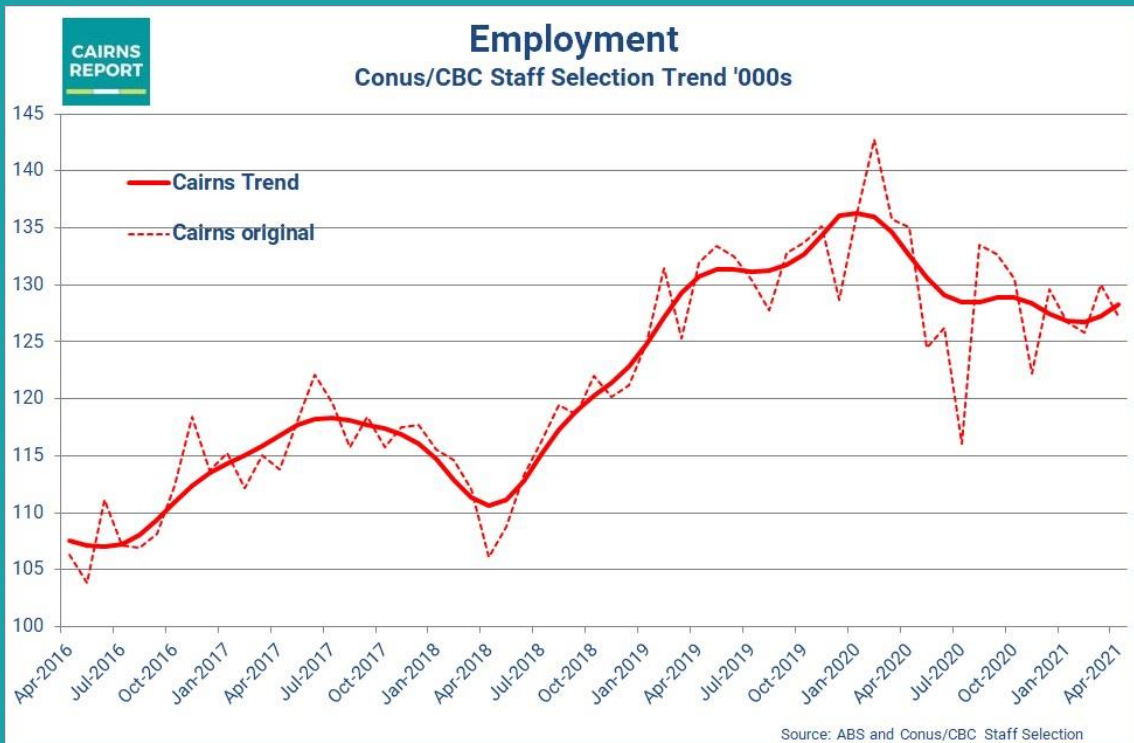
Despite the ending of JobKeeper support, April saw some solid Trend employment growth and the Cairns unemployment rate dipped again to 5.3%.

KEY TAKEAWAY

All of the data on jobs confirms that Cairns, whilst recovering from the lows, is still some way off reaching pre-COVID levels.

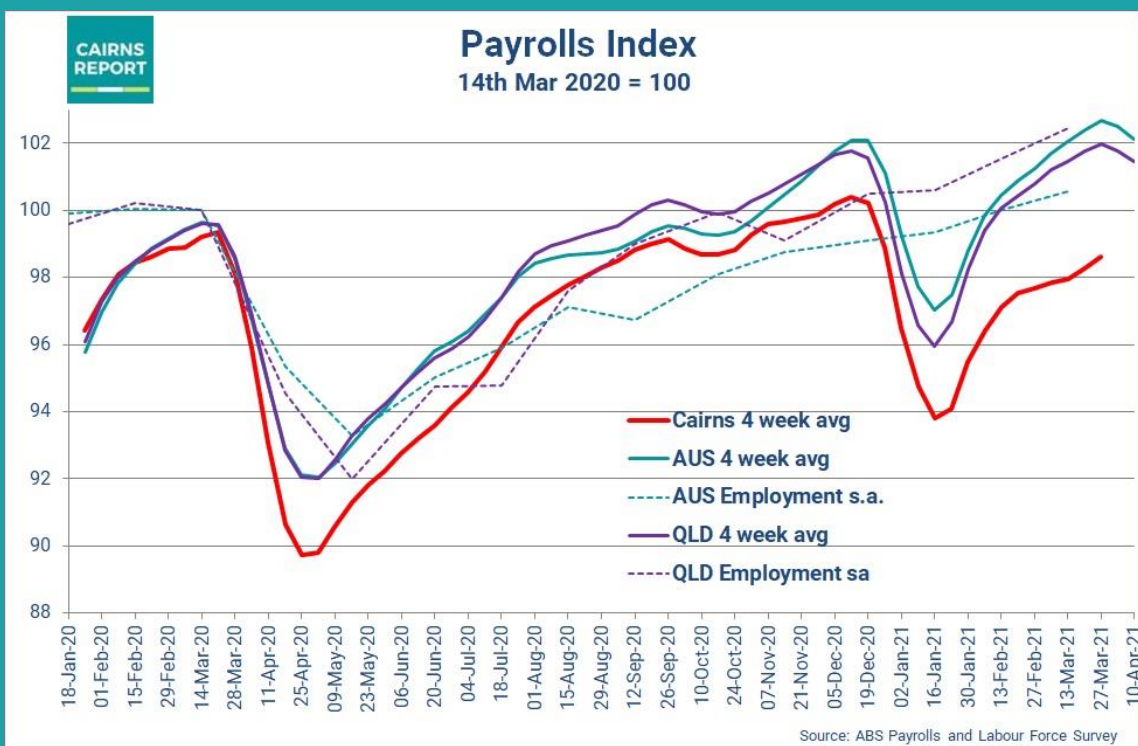
However, the number of people employed remains below its level a year ago unlike at State and National levels. The difference being that at State and National levels participation has gone up over the year, while in Cairns it is down. Cairns' labour force has shrunk by 6,400 over the past 12 months.

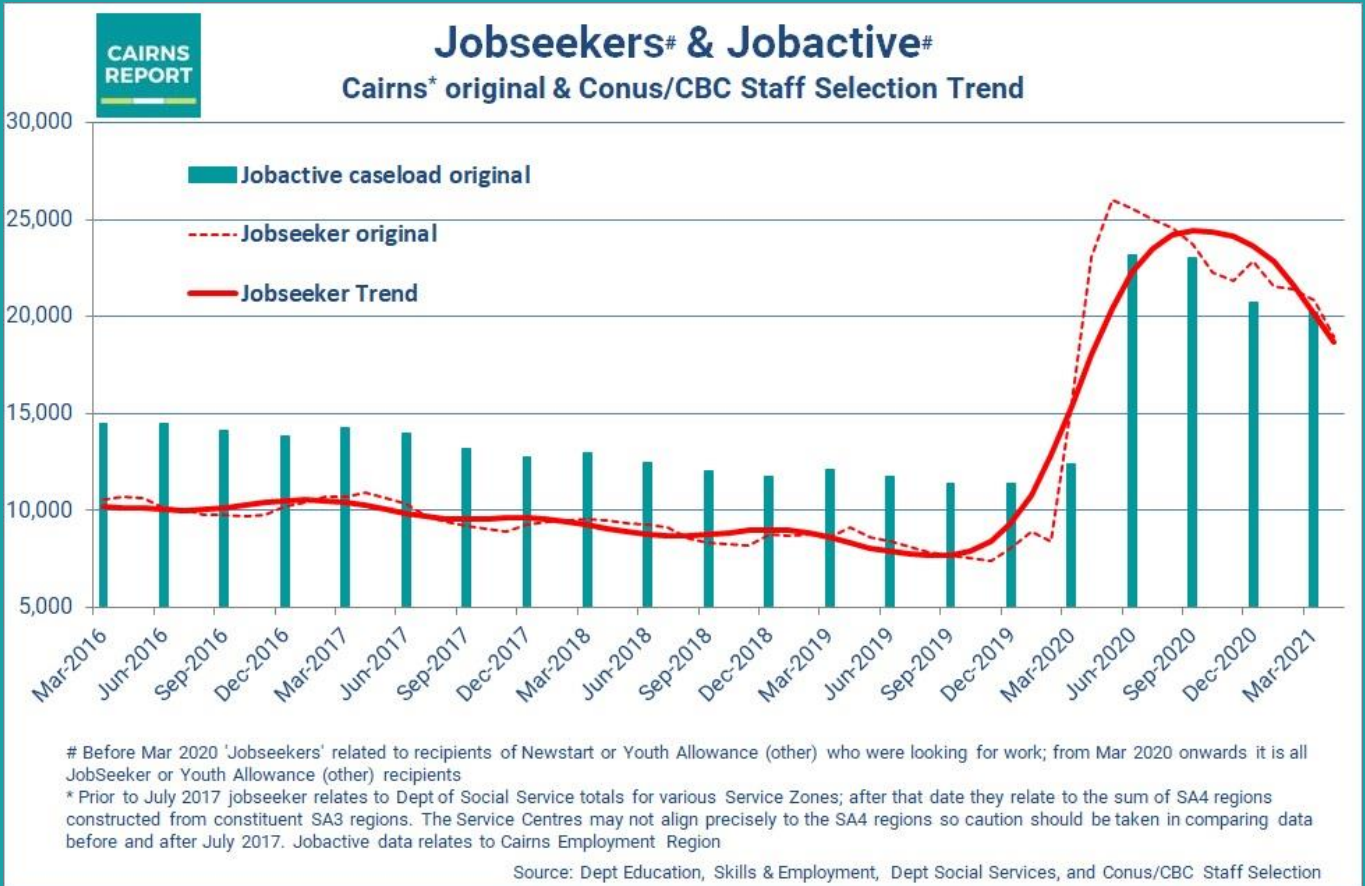




The most recent Payrolls data from the ATO and ABS show that at both the National and State level employment growth has slowed slightly. Whether this is the effect of the ending of JobKeeper support, or simply seasonal effects due to Easter, is impossible to determine at this stage.

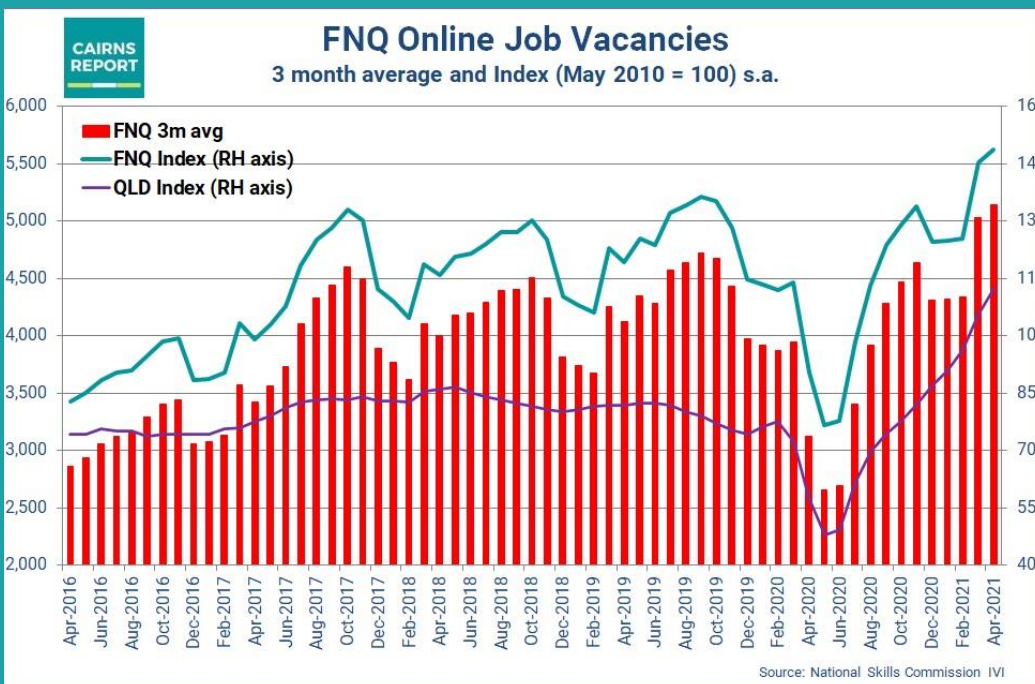
The same data confirms that Cairns, whilst recovering from the lows, is still some way off reaching pre-COVID levels.





While JobSeeker and JobActive caseload numbers demonstrate some strong improvements, they both remain at elevated levels suggesting some spare

capacity within the region's labour market even when the number of job vacancies advertised online is at its highest point since the end of 2012.



KEY TAKEAWAY

The number of job vacancies advertised online for Cairns are currently at the highest point in nearly a decade, reflecting challenges in finding candidates to fill roles across many industry sectors.



Residential building approvals moved ahead very strongly again in March on the back of support for house building and historically low interest rates.

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

HOUSES

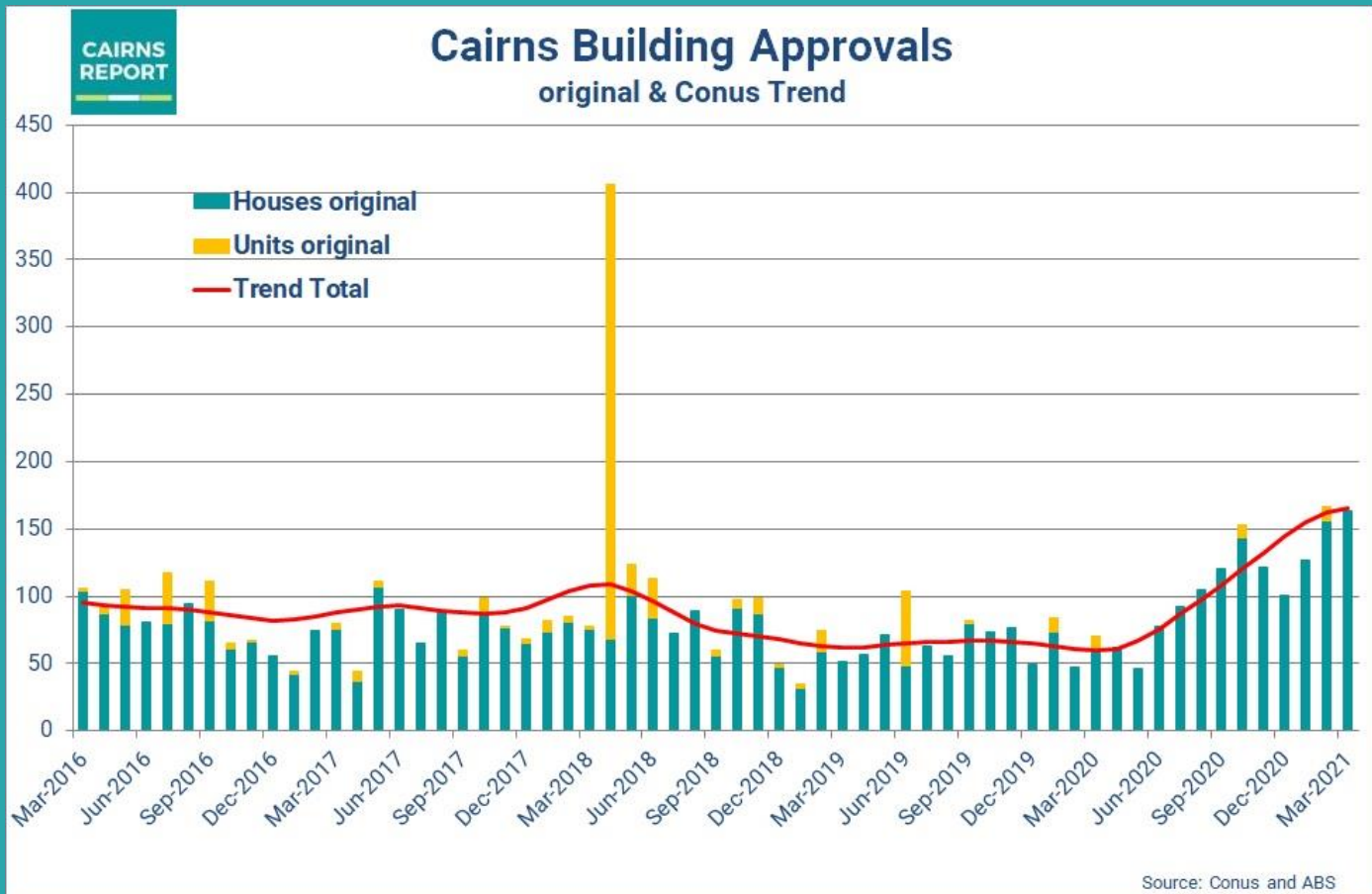
 **176.9%**

Building approvals increase from a year ago

The residential building boom continues in Cairns, with 165 Trend approvals in March.

WORTH NOTING

Master Builders QLD has raised concerns about a “two-speed” construction sector in Cairns. While residential home building is on a roll, Master Builders say the local commercial building sector is going backwards, prompting calls for the State Budget on June 15 to boost infrastructure spending for the region.

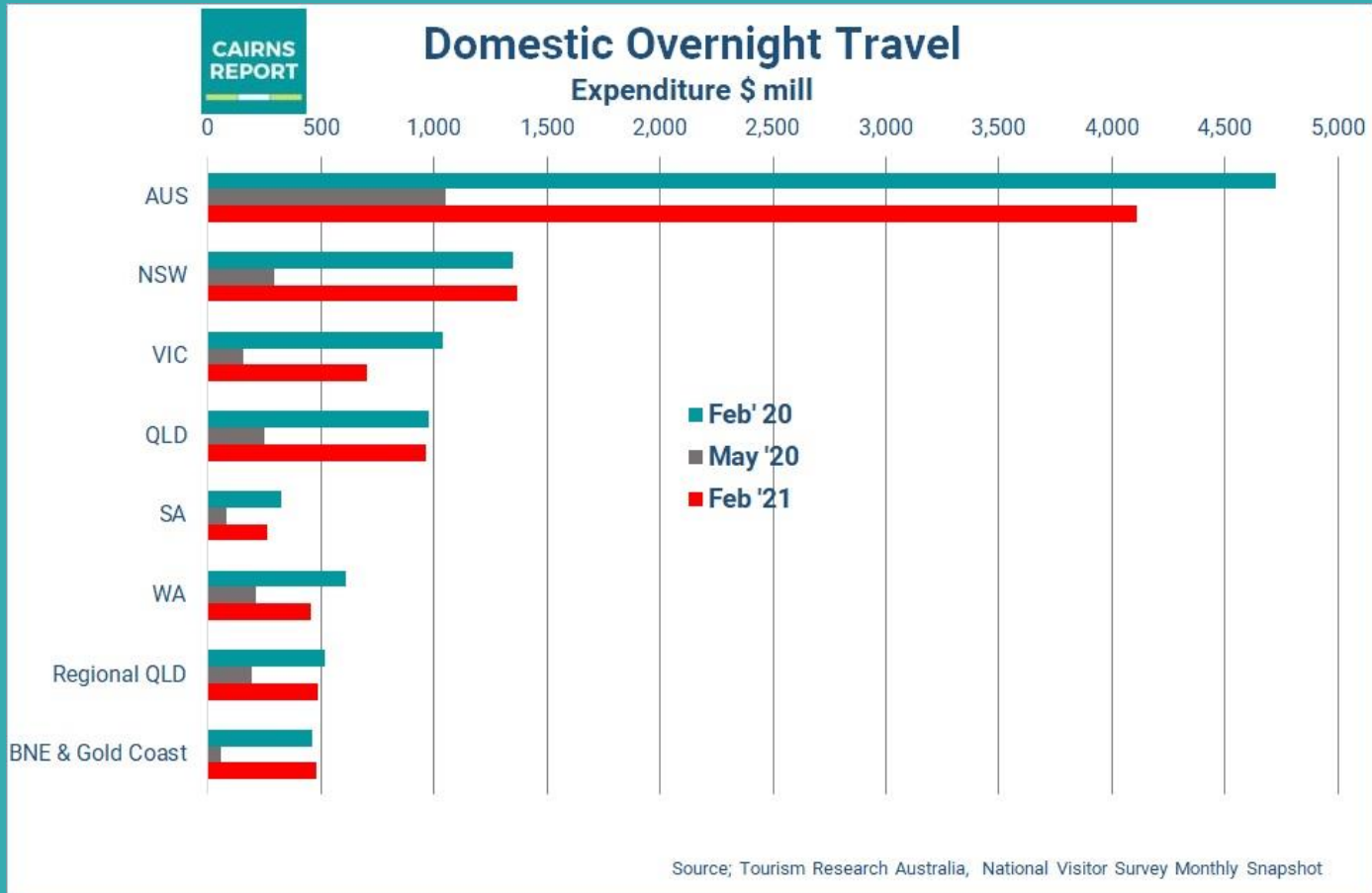


Data from Cairns Airport shows total passenger numbers in April were very strong, reflecting a solid Easter holiday flow of domestic tourists to the region.

While international passengers have essentially disappeared from the data, domestic passenger numbers were up a staggering 2,443% from a pandemic-impacted April last year but remain down 62% for the past 12-month period. Monthly snapshot domestic tourism

data has been showing strong results for regional Queensland, although the February data suggested something of a slowdown.

In February domestic tourism expenditure across Australia fell 13.1% compared to the previous year, but regional Queensland was down just 6.2%. The annual total for the 12 months to February showed domestic tourism expenditure across the nation fell 47% while regional Queensland was down just 31% after bouncing since July.



TAKING FLIGHT

Cairns Airport will welcome Kiwi visitors as part of the new NZ-Australia travel bubble in early June. While schedules are expected to change, the airport is hopeful a minimum of three flights per week will be operating across Air New Zealand and Qantas services by the end of June. The international terminal will be divided into red and green zones for those arriving from the COVID-safe travel bubble. Other recent flight increases into Cairns include direct services to Adelaide and Perth.

DOMESTIC PASSENGER ARRIVALS

169,337
APRIL '18

174,544
APRIL '19

5,028
APRIL '20

137,685
APRIL '21



EXPLAINER

“Total Passengers” data in the graph below tallies all arrivals, departures and transit/transfer passengers during each month



The very tight rental market in Cairns is having an effect on prices, with data suggesting median unit prices are up 5.5% from a year ago.

Although house prices continue to trade within a tight range, and are unchanged from this time last year, there is some early evidence that this might be changing with indications of upward movement starting in Cairns.

MEDIAN PRICES

\$248,000
UNITS

\$375,000
HOUSES

Source: Pricerfinder.com.au

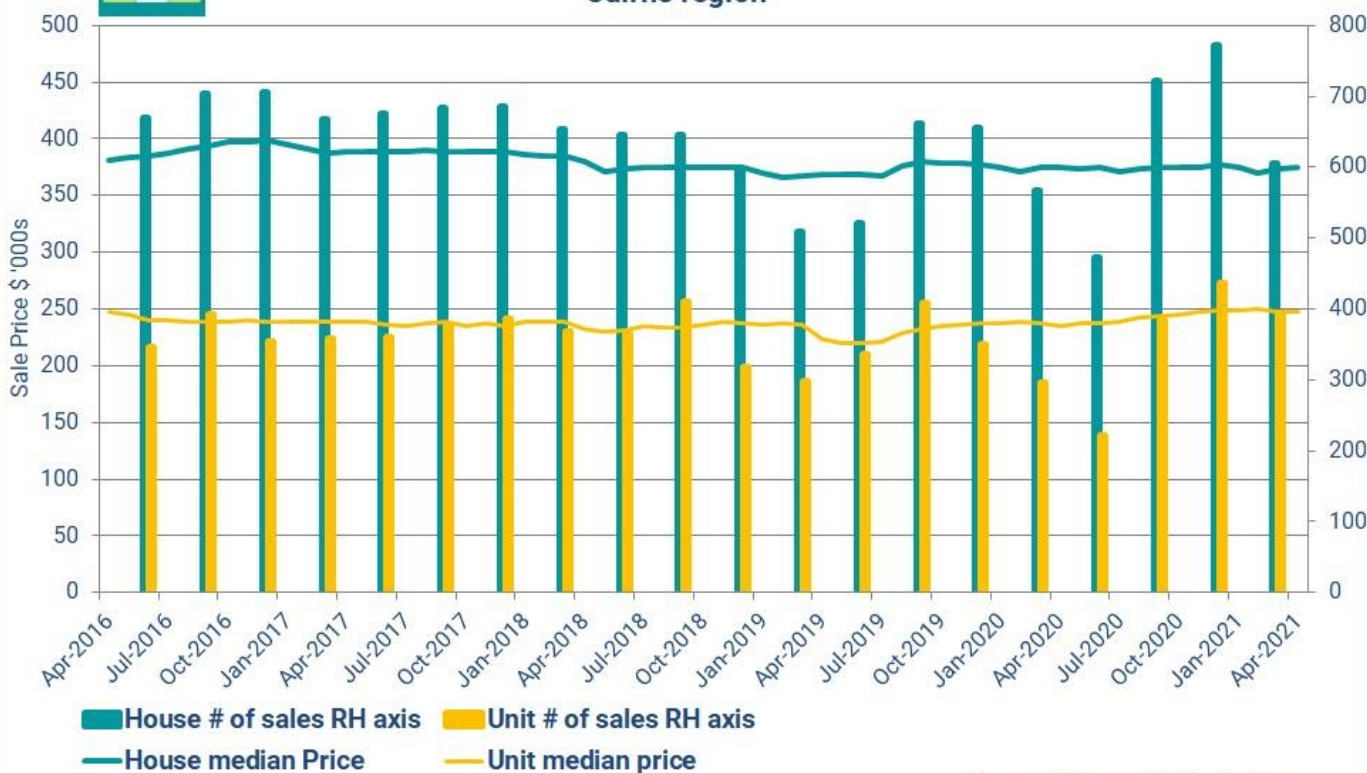


KEY POINT

When it comes to rentals, supply continues to dwindle, and sought-after locations are achieving very strong weekly rents. I have no doubt that if this continues for the balance of 2021, we will be looking at finding ways to build units in the inner city again because the rents/yields will support it.

- Nicholas Slatyer, Belle Property Cairns

Real Estate; Sales and Prices Cairns region



Source: SQM Research & Pricerfinder.com.au

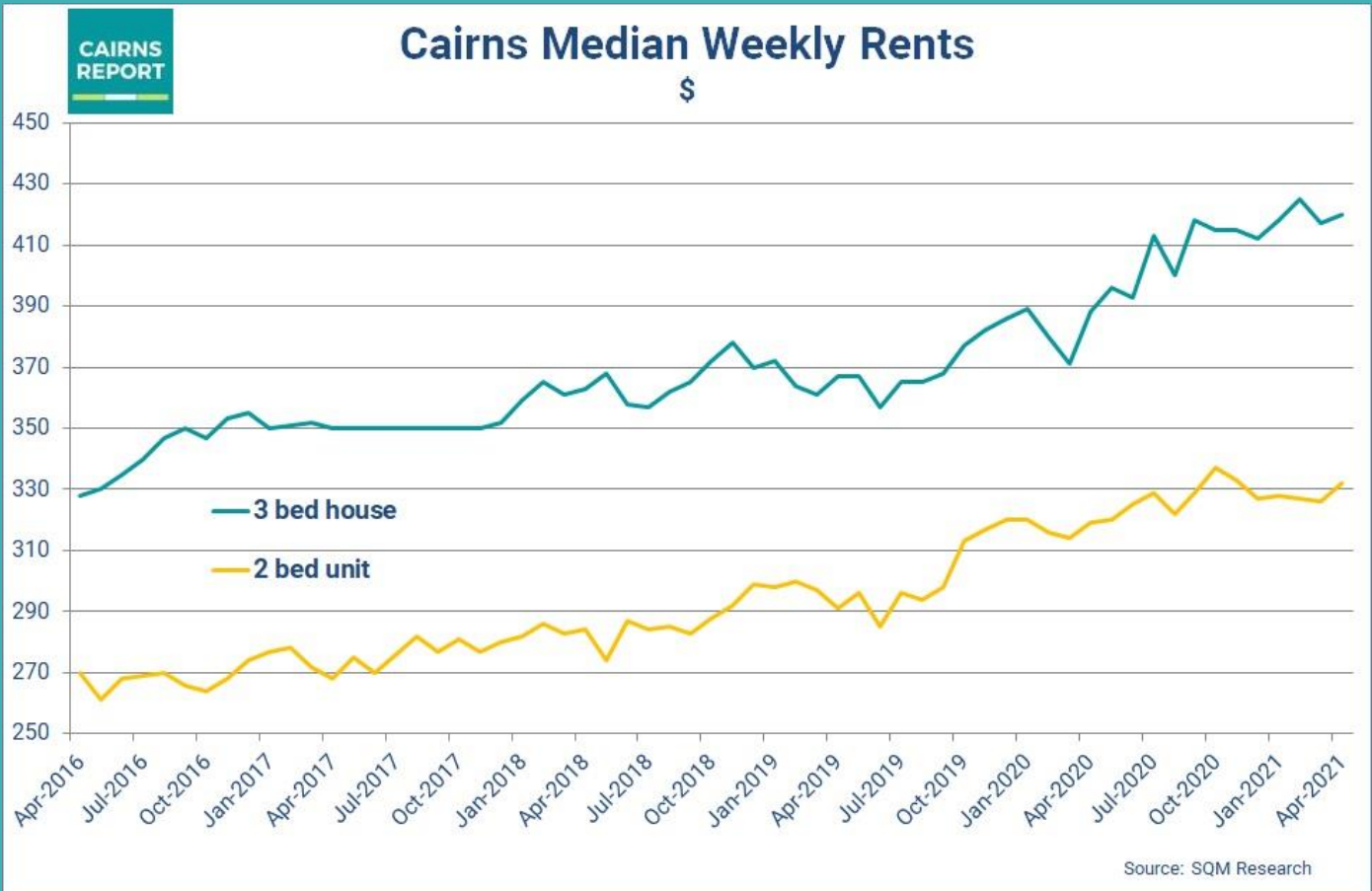
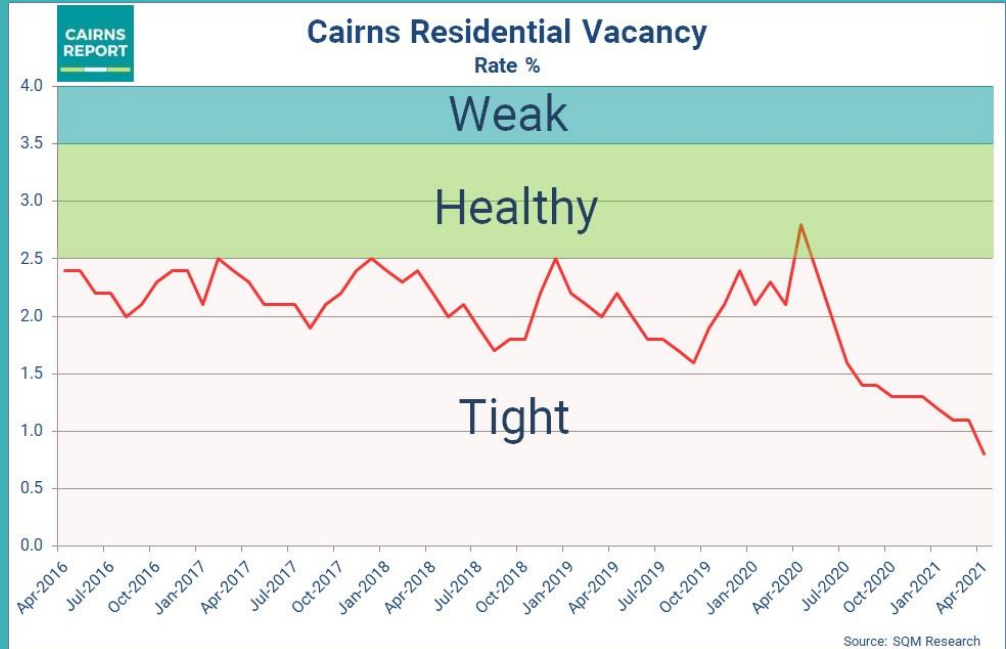


The ongoing tightening of the rental market, with vacancy rates falling sharply in April to 0.8%, is being reflected in some rising median rents with 2-bed unit rents up 4.1% year on year and 3-bed houses up 8.2% for the year.

MEDIAN RENTS

▲ **\$332** P/W
2-BED UNIT

▲ **\$420** P/W
3-BED HOUSE



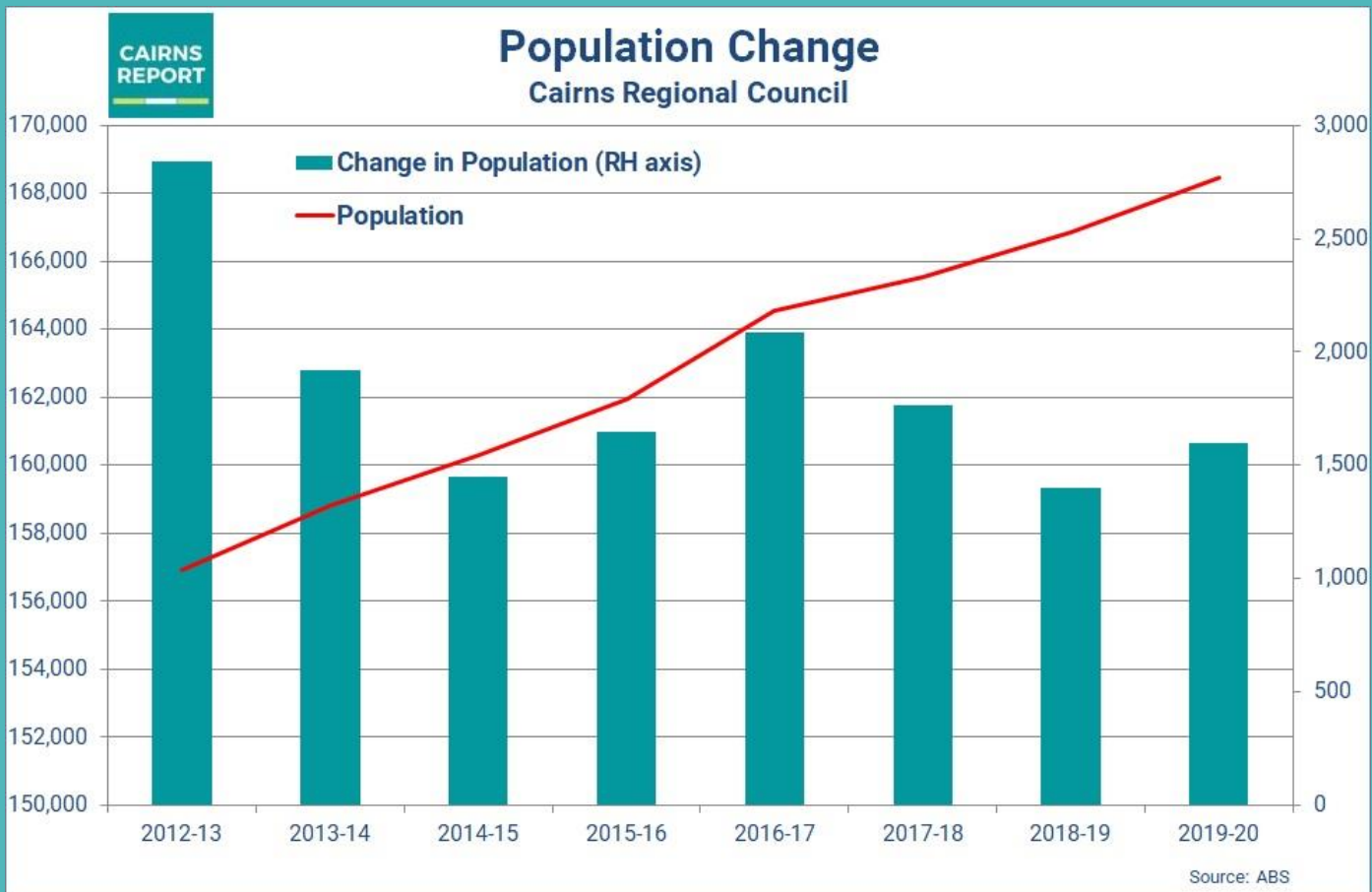
CAIRNS POPULATION GROWTH 2012-2020

The Cairns population grew by 1% in the 2019-20 financial year, on par with relatively subdued growth since 2013.

The 2019-20 (and even more so the 2020-21) data set will be heavily skewed by the lack of external migration into Australia (and therefore Cairns).

	Population	change	chg %	natural change	net internal	net overseas
2012-13	156,916	2,843	1.8	na	na	na
2013-14	158,835	1,919	1.2	na	na	na
2014-15	160,283	1,448	0.9	na	na	na
2015-16	161,932	1,649	1.0	na	na	na
2016-17	164,536	2,085	1.3	1,350	-449	1,184
2017-18	165,525	1,763	1.1	1,187	-510	1,086
2018-19	166,862	1,400	0.8	1,176	-1,002	1,226
2019-20	168,449	1,600	1.0	1,086	-597	1,111

But Cairns may also benefit from increased internal migration from other parts of Australia. Unfortunately, at this stage the data doesn't really allow us to tell that story yet – more clarity will be possible next year once we see a longer series of the quarterly data and the 2010-21 data showing what the COVID effect might have been.



The latest Google Mobility chart shows how strong Cairns has been since the start of the Easter holidays, with lots of domestic visitors in town.

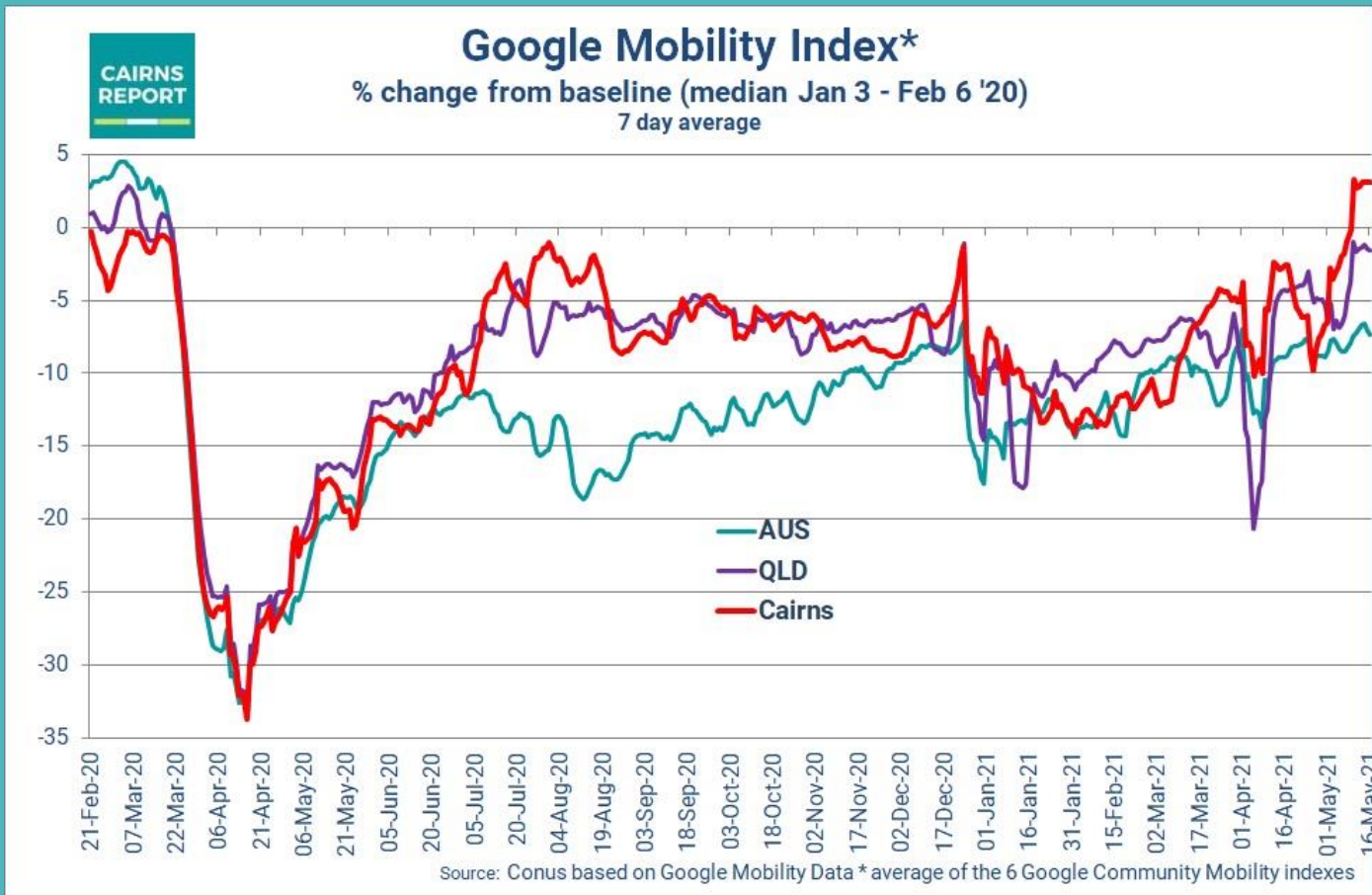
This latest data certainly tallies with anecdotal evidence I've been hearing. I heard from a lady in Port Douglas saying she's never seen the town as busy during April and May as it has been this year...and she's been there 25 years! We also had a business contact come to see us from Brisbane and he had to fly into and out of Townsville as he couldn't get a bed for the night in Cairns!



Pete Faulkner
Conus

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.

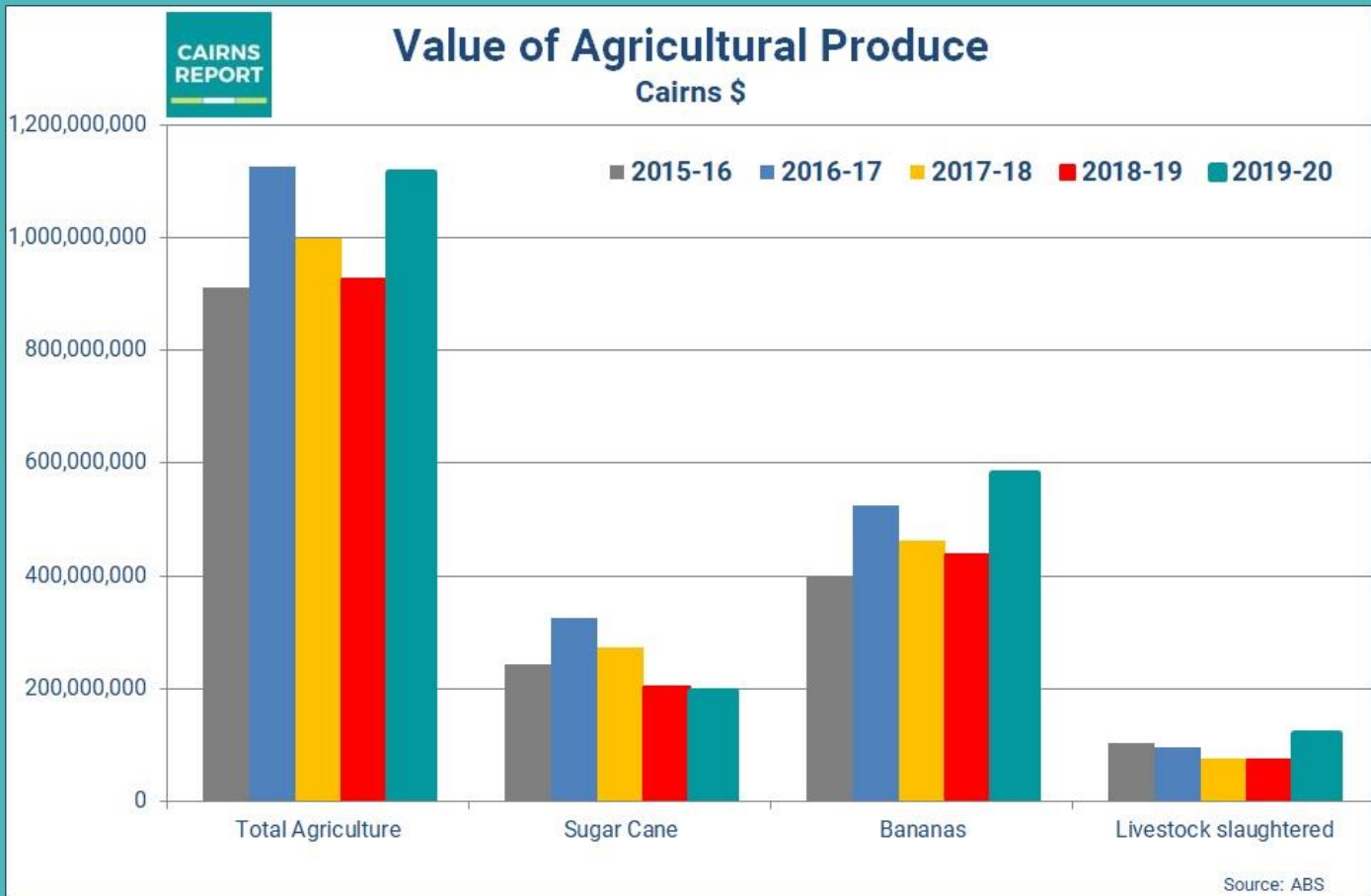


Data released for the 2019-20 financial year shows the Cairns region saw a very strong increase from last year in the value of agricultural production on the back of a surge in bananas.



In Cairns we witnessed a far stronger performance than the national result with total value of agricultural produce up \$189.4 million, or 20.5%, to \$1.1 billion.

This impressive result was led by the massive 33.3% increase in the value of bananas, up \$145.8 million to \$583.3 million. Sugar Cane was down 3.5% to \$196.6 million, while live stock slaughtered was up to \$120.6 million - a huge 65.1% increase.



The recent Federal Budget was very much a recovery budget. Large allocations into health and aged care, infrastructure, and job creation, the much publicised 'Women's Budget'; reduction of personal income tax rates, and a reduction of the company tax rate for small-to-medium business. All together this will help bolster our local region, however there continues to be pain felt in tourism as uncertainty with borders plagues the industry.



Oliva Van Wensveen
Grant Thornton

Just 3 months ago we thought that the end of JobKeeper might spell the end of our buoyant property market, yet it seems to have had no effect. Only 6 months ago, we were surprised with how busy we were. A year ago, we were emerging from lockdown and just happy we were selling a few properties again. Everyone is so busy that we can easily lose sight of how lucky we are to be in this position. We are certainly going to finish the financial year very strongly.

Nicholas Slatyer
Belle Property Cairns



James Harding
Holding Redlich

Whilst building approvals and new dwellings in our region have seen a welcoming boom on the back of Federal stimulus, there are rising concerns among new homeowners and small builders alike that the demand on building materials and labour is outstripping national supply. We could see many small builders obliged to complete profit-less jobs due to increased costs of material and as a result, breaches of contract for non-performance, loss of grants, and liquidations could become more prevalent."

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