



CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy

PRESENTED BY



HOLDING REDLICH



Grant Thornton



Is the Cairns labour force maxed out?

A key issue emerging from the July edition of The Cairns Report – backed by anecdotal feedback from the business community – relates to the labour force. It appears Cairns may be close to “maxing out” its workforce, with a range of factors contributing to the growing skills shortage and falling unemployment rate of 4.8%. The rising number of job vacancies advertised online are mismatched with the stable number of people receiving JobSeeker and JobActive payments. In other words, the pool of unemployed people are not filling the jobs currently available and the lack of overseas workers highlighting gaps in certain sectors.

UNEMPLOYMENT RATE

5.1%	5.4%	4.8%
NATIONAL	QLD	CAIRNS

PEOPLE EMPLOYED

13,125,100	2,644,600	131,700
NATIONAL	QLD	CAIRNS

PROPERTY PRICES

\$250,000	\$379,000
UNITS	HOUSES

MEDIAN RENTS

\$332 P/W	\$419 P/W
2-BED UNIT	3-BED HOUSE

PASSENGERS

375,780		280,228
MAY '19		MAY '21
		CAIRNS AIRPORT

BUILDING APPROVALS

160 APPROVALS IN APRIL

156%

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

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Cover: Looking out to Double Island from Palm Cove. Pic: Belle Property Cairns.

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Despite the end of JobKeeper support at the end of March, there's been solid Trend employment growth during April and May, with another 1,800 added this month. The unemployment rate in Cairns has dropped to 4.8%.

However, the number of people in employment is only just above its level of a year ago unlike the situation at State and National levels which is more positive. The difference being that at State and

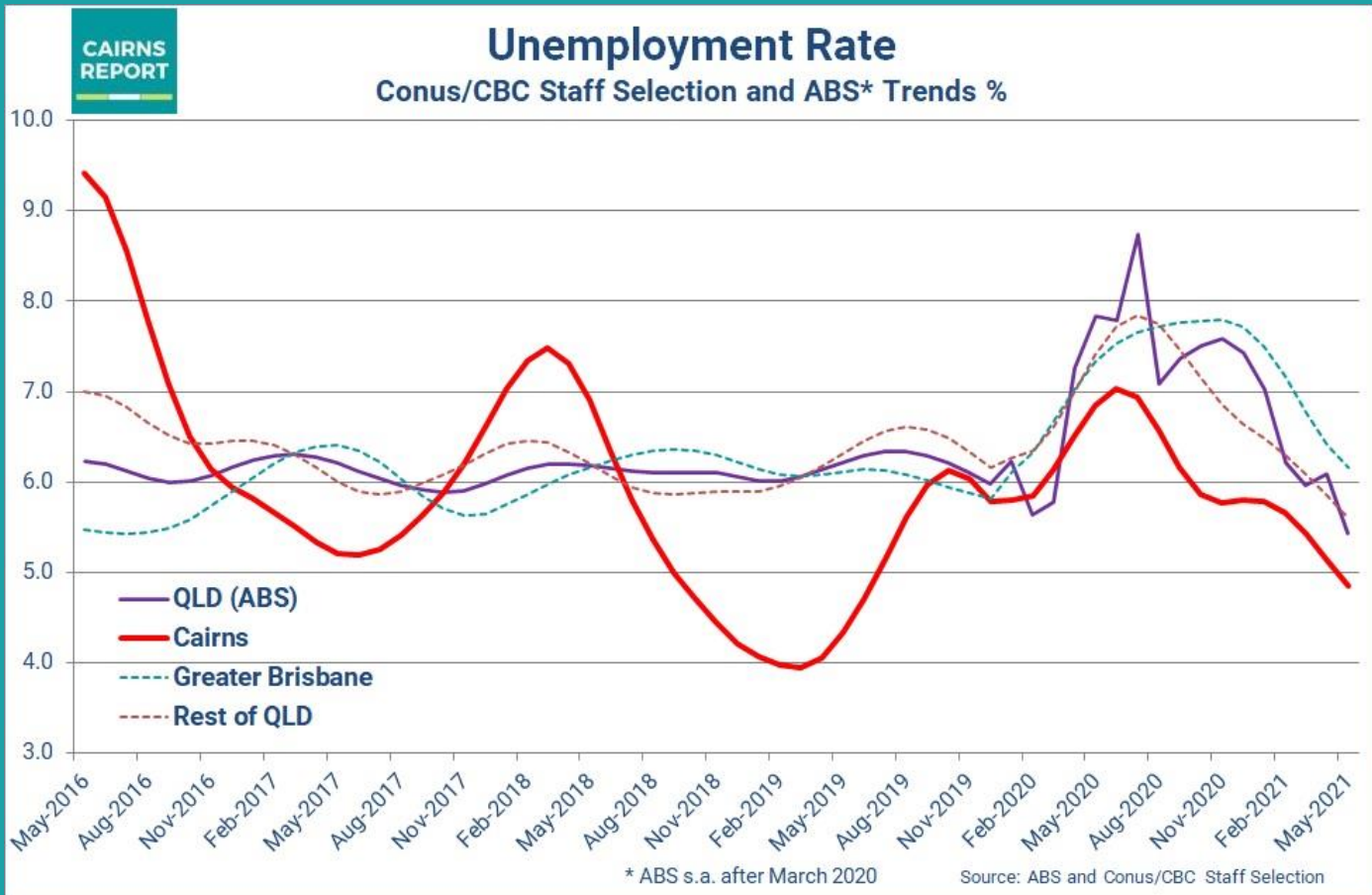
UNEMPLOYMENT RATE

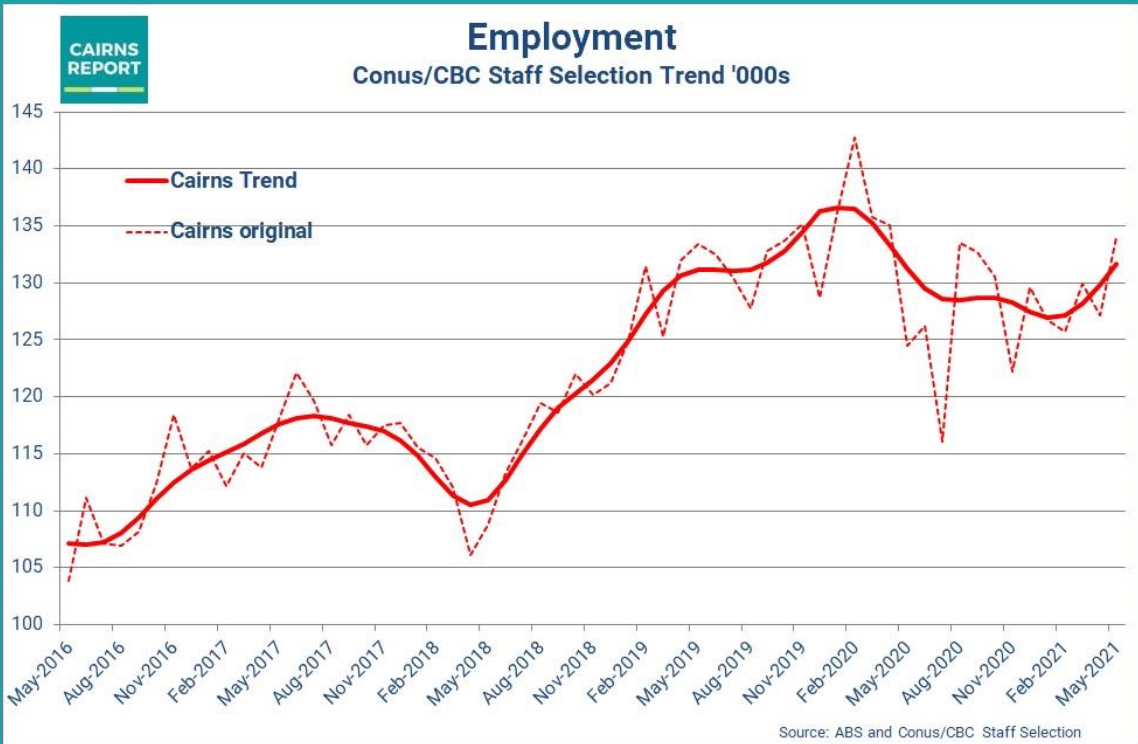
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NATIONAL	QLD	CAIRNS

PEOPLE EMPLOYED

13,125,100	2,644,600	131,700
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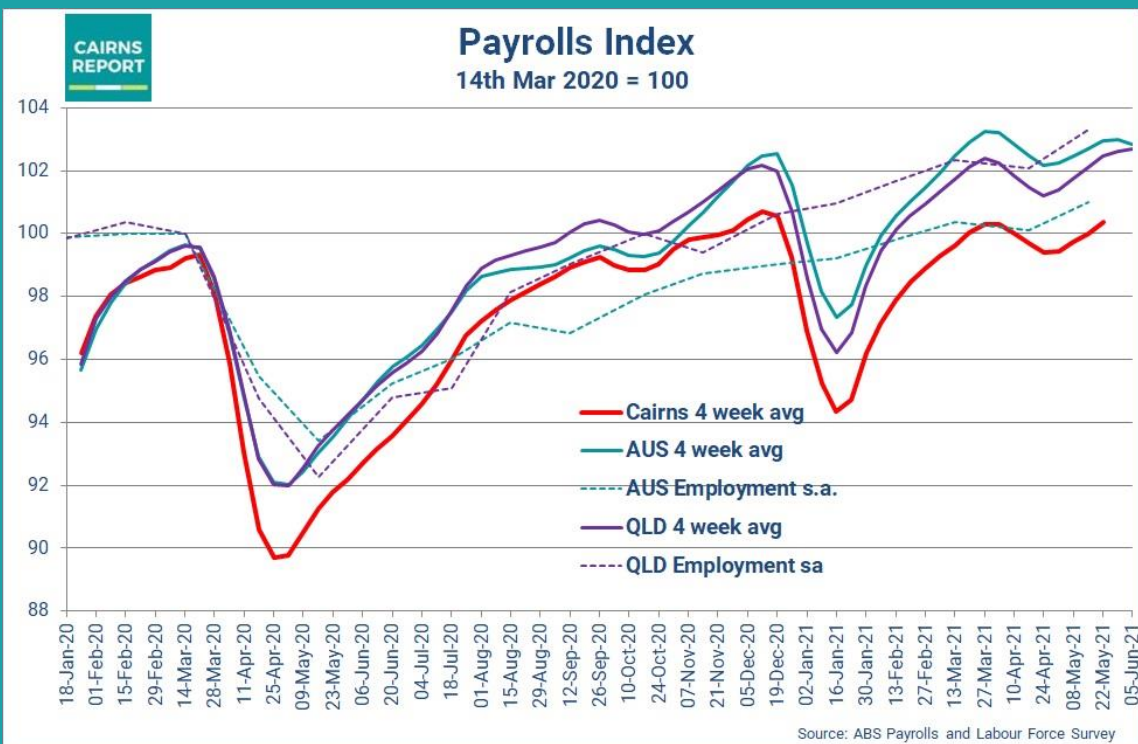
National levels participation has gone up strongly over the year, while in Cairns it is still slightly down. Cairns' labour force has shrunk by 2,500 over the 12 months.

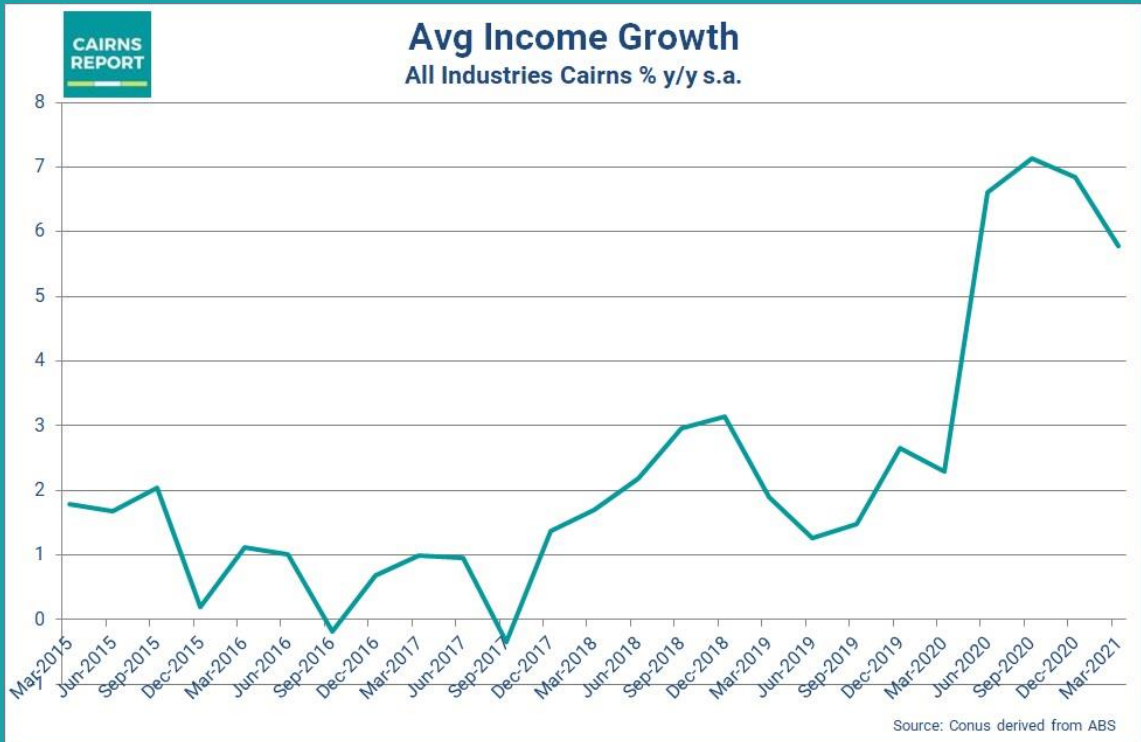




The most recent payrolls data from the ATO and ABS show that at both the National and State level, employment growth has slowed slightly but are now somewhat above the pre-COVID levels.

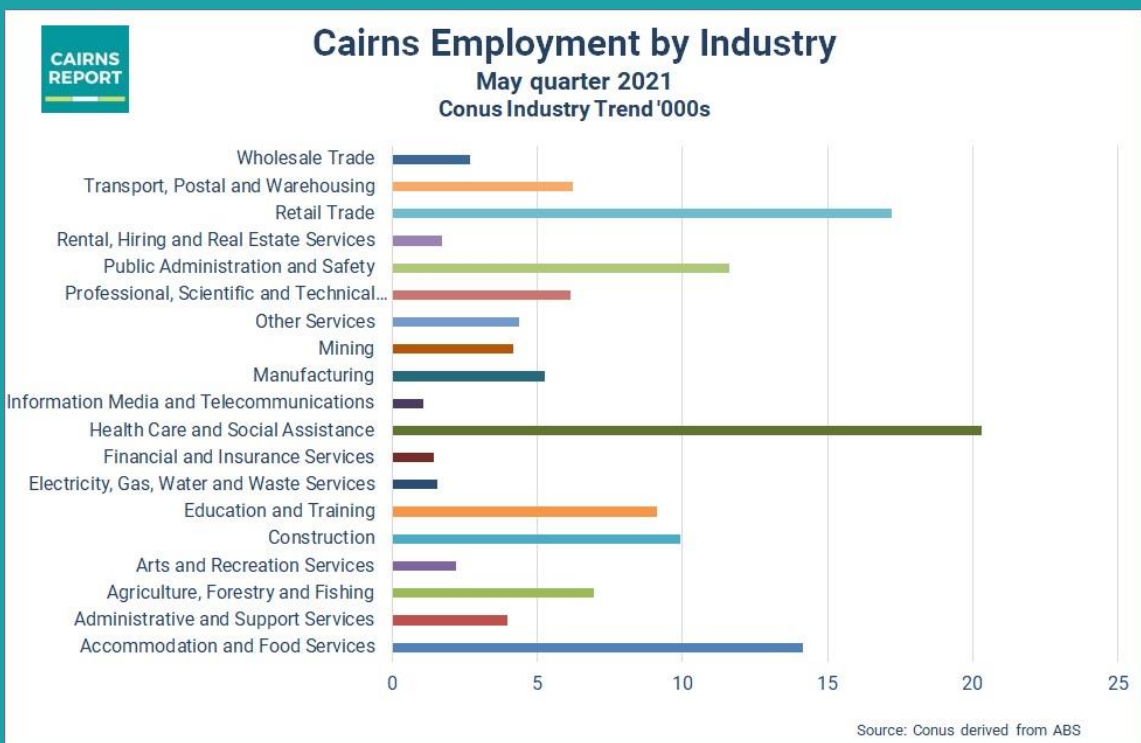
The same data confirms that Cairns, whilst recovering from the lows, has only just reached those pre-COVID numbers and remains a little off the State and National pace.

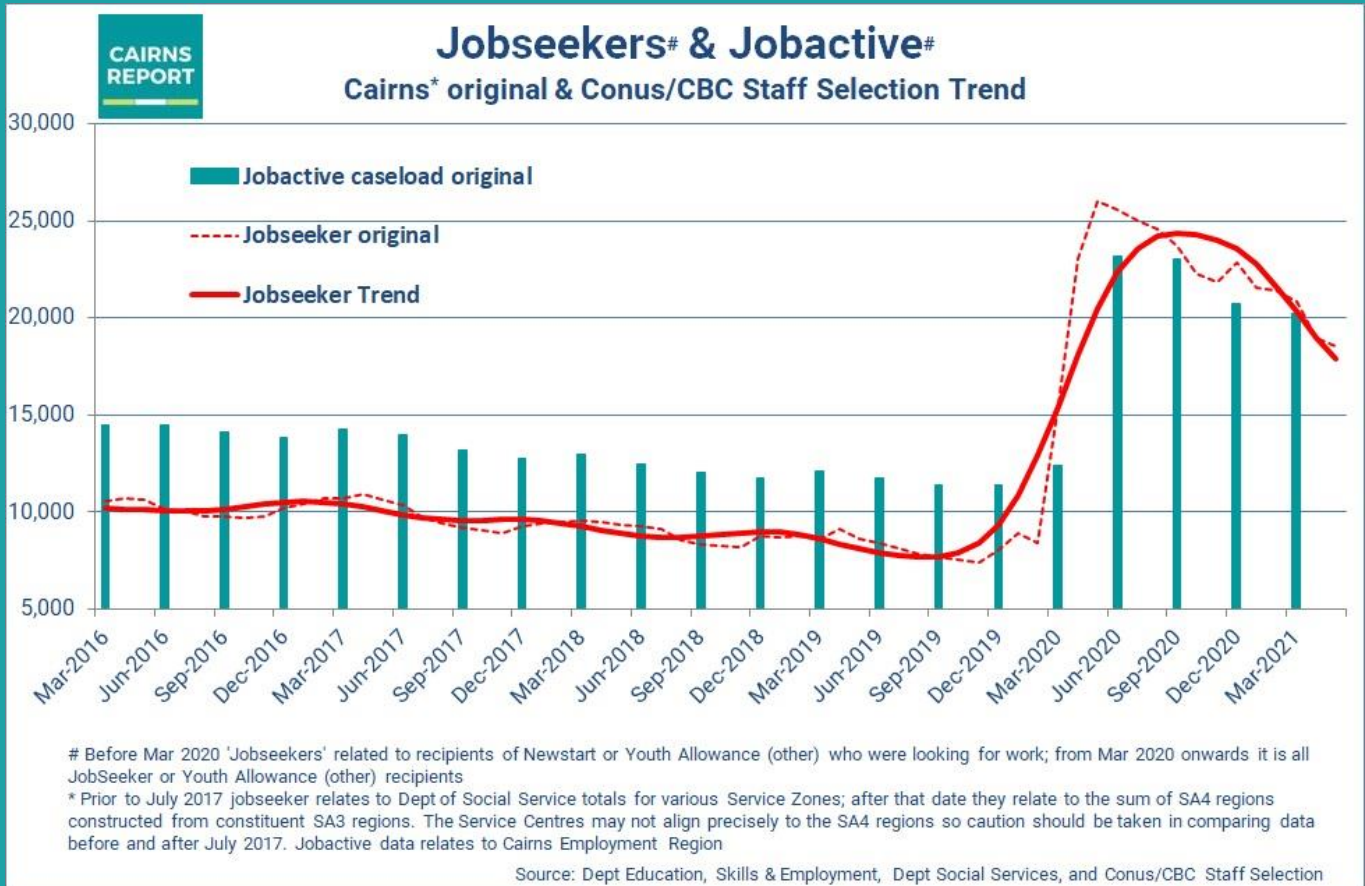




The March 2021 quarter Labour Account data series from the ABS shows most sectors have seen a solid increase in average incomes. Across all industries, the average hourly income rose by 4.8% with the average number of hours up just 0.8% which results in an average income increase of 5.6% (down from +5.7% last quarter).

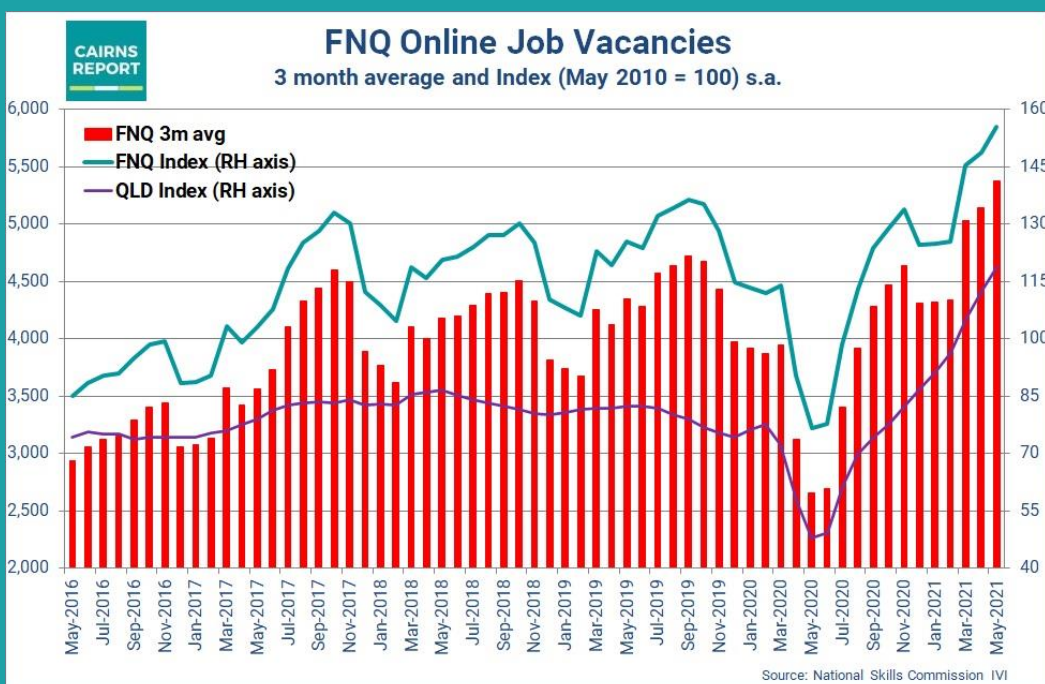
The large support payments (JobKeeper and JobSeeker) in place since March 2020 have clearly distorted this data during the past 12 months. However, as these supports have been removed and the labour market has started to move to a more 'normal' position we have seen the scale of that distortion ease.





While JobSeeker and JobActive caseload numbers continue to show strong improvements, they both remain at elevated levels suggesting some potential spare capacity within the region's labour market. However, the

number of job vacancies advertised online has continued to surge to new highs which points towards a possible mismatch between those still looking for work and the jobs being advertised.



The surge in residential building approvals eased a little in the latest figures, although the Trend is still at elevated levels.

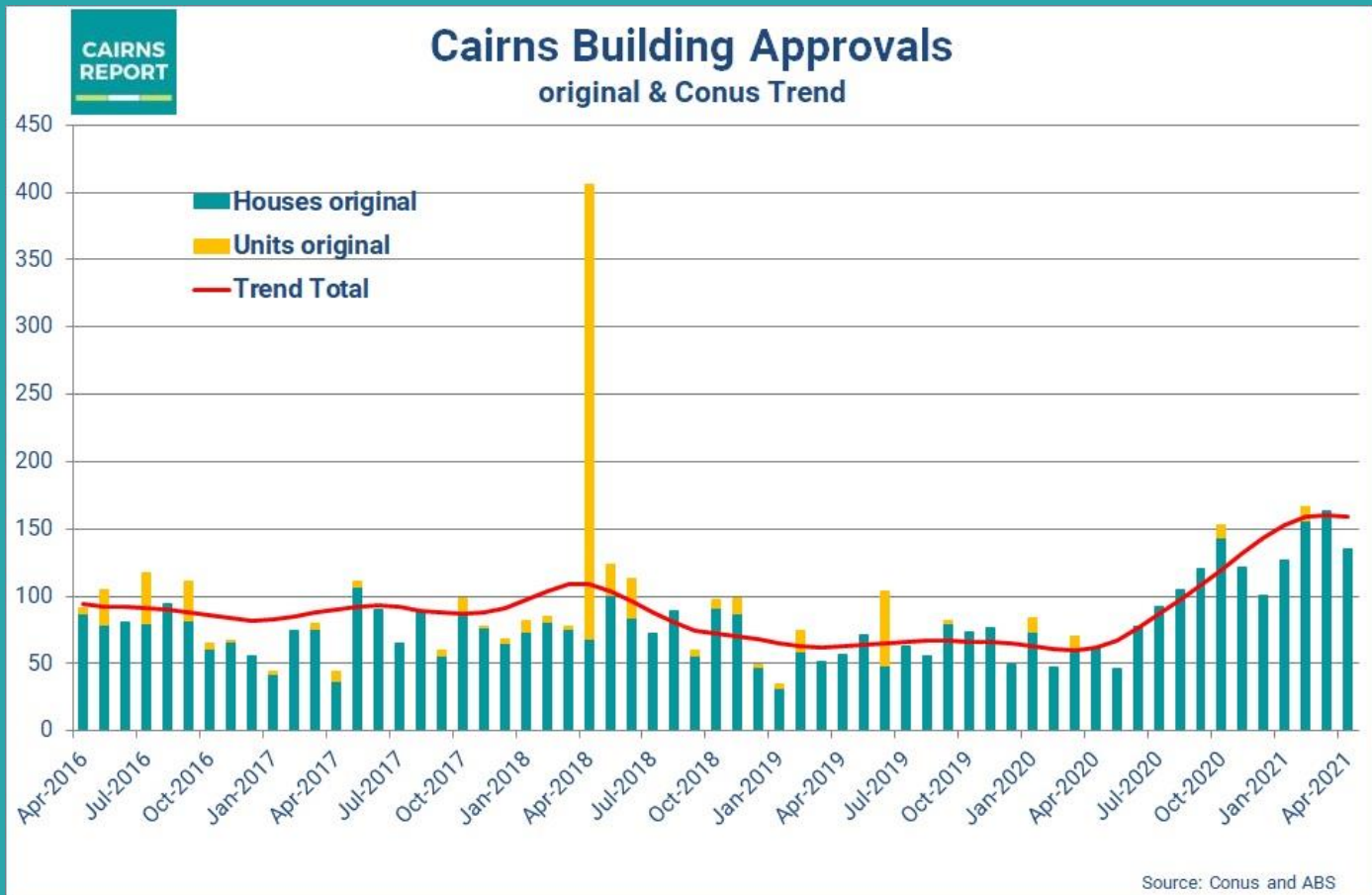
The Trend total for April remains at levels not seen since early 2008, just before the effects of the GFC hit the industry. This bodes well for the construction sector in coming months as strong approvals translate to actual building activity. Strong anecdotal evidence points to difficulty and long delays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

HOUSES

▲ 156%

Building approvals increase from a year ago

Despite a slight easing from previous months, residential home building remains very strong in Cairns with 160 Trend approvals in April.



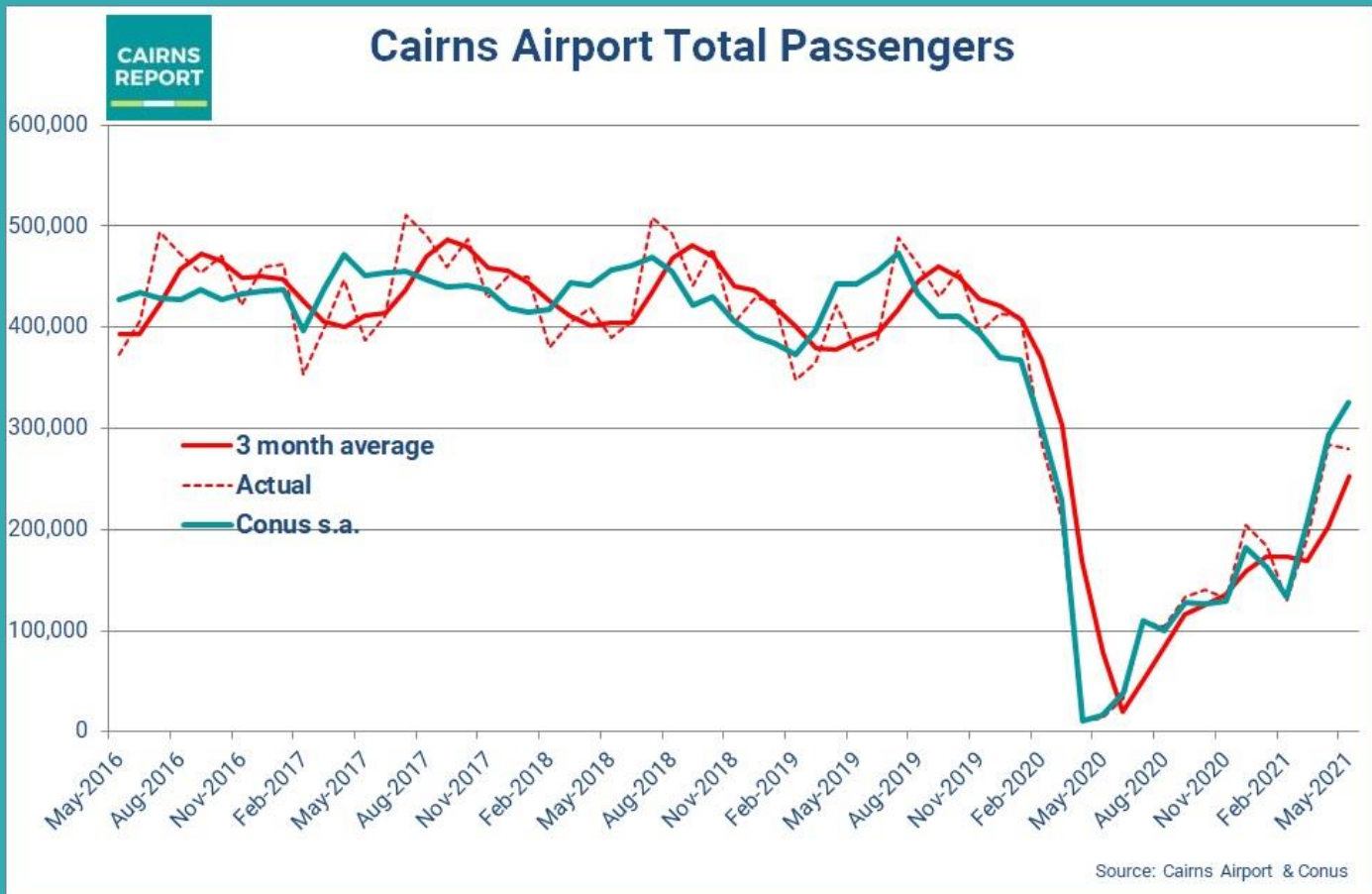
Data from Cairns Airport shows total passenger numbers dipped slightly in May (after very strong data over the Easter holiday period), but the improving trend remains very much intact.

While international passengers have essentially disappeared from the data, domestic passenger numbers were up a staggering 1,881% from a pandemic-impacted May last year but remain down 51% for the previous 12-month period.

BORDER FARCE

Tourism business leaders have criticised the Federal Government’s four-phase roadmap out of the COVID-19 pandemic, citing its lack of detail such as vaccination targets and clear timelines. Michael Nelson from Pinnacle Tourism Marketing said: “The lack of detail in this plan around dates and vaccination thresholds is massive - the government can’t even give us a deadline on when these dates will be applied. In the meantime, our industry continues to be left to deal with the consequences of snap border closures made around personal interpretation of the same virus data by individual states. I cannot wait for the day when we are one country again.”

Under the four-phase plan, a return to pre-pandemic levels of international arrivals is not likely until at least 2023.



REBOUNDED, SLOWLY

Monthly snapshot data on domestic tourism has been showing strong results for regional Queensland; the March data confirmed the Easter holiday strength with domestic expenditure in the regions up 89% for the year.

Full data for the year to the March quarter, just released, shows that domestic numbers to the Tropical North were down 31.9% for the year (slightly better than the 35.2% national decline) with expenditures down 37.4% (again slightly better than the national drop of 40.4%).

This data is significantly weaker than the monthly snapshot numbers as most of the comparable annual data to March 2020 was largely unaffected by COVID.

However, given the relative strength that the monthly snapshot figures have been showing for Regional Queensland as a whole, this latest data suggests that the Tropical North is still suffering from the tyranny of distance relative to other regional areas. Anecdotal evidence since the end of March suggests the June quarter should see further improvements.



The latest data suggests median unit prices are up 5% from a year ago with median house prices lifting 1%, with the low rental vacancy rate and lack of supply contributing to a rise in prices.

However, there is clear anecdotal evidence that house prices are now starting to move more strongly in Cairns (although this is yet to show up in reported sales prices).

MEDIAN PRICES

\$250,000
UNITS

\$379,000
HOUSES

Source: SQM Research



\$1 MILLION+ MARKET

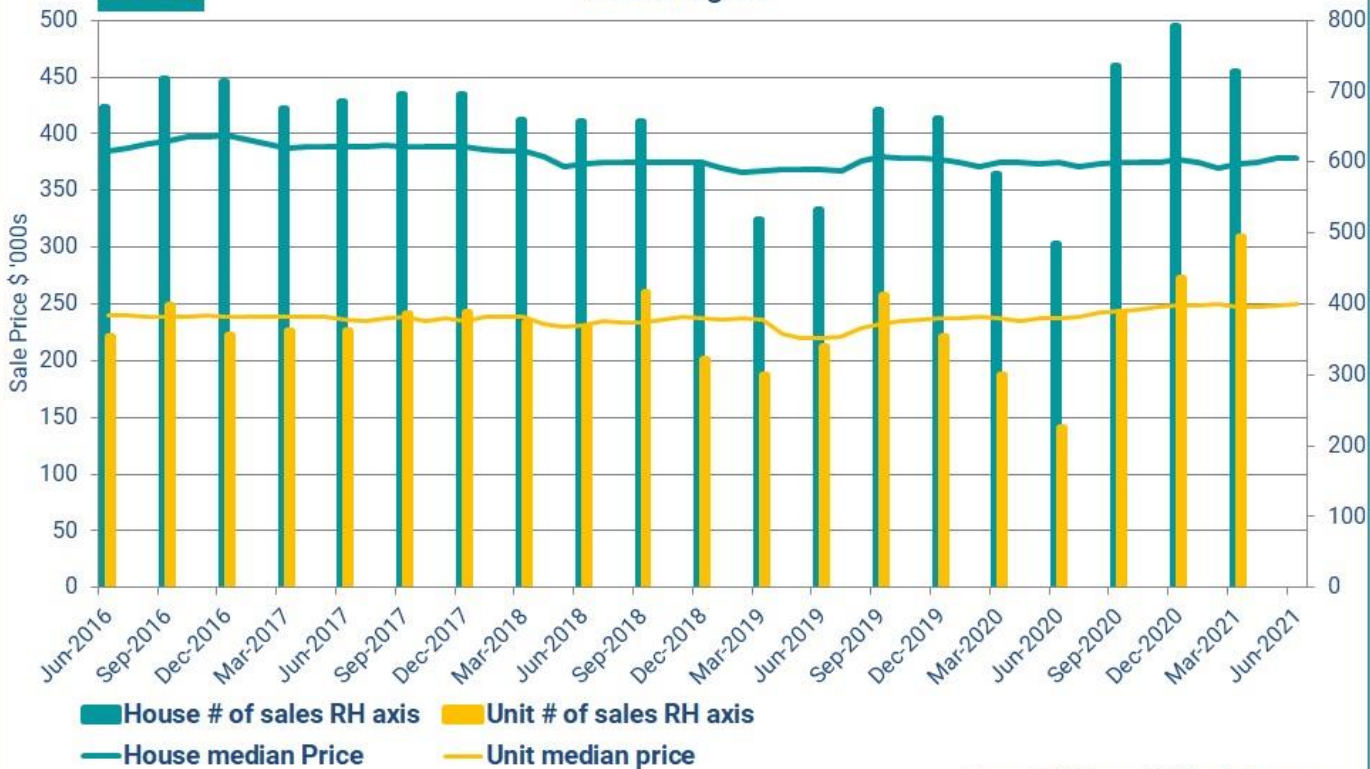
Sales over \$1 million for residential property have hovered around 50 transactions per annum for the last 5 years. That figure has been blown out of the water in 2021, with 59 sales already this calendar year! Sales over \$2 million in our region are relatively few and far between, but again, it looks like we are going to double those numbers with 6 sales recorded in the first half of the year. The previous high mark was 6 sales in 2018. That's a 100% increase in sales volume at the upper end of the market, with the busiest selling period to come. The only limitation moving forward that I see is the sheer lack of stock available.

- Nicholas Slatyer, Belle Property Cairns

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Real Estate; Sales and Prices

Cairns region



Source: SQM Research & Pricerfinder.com.au

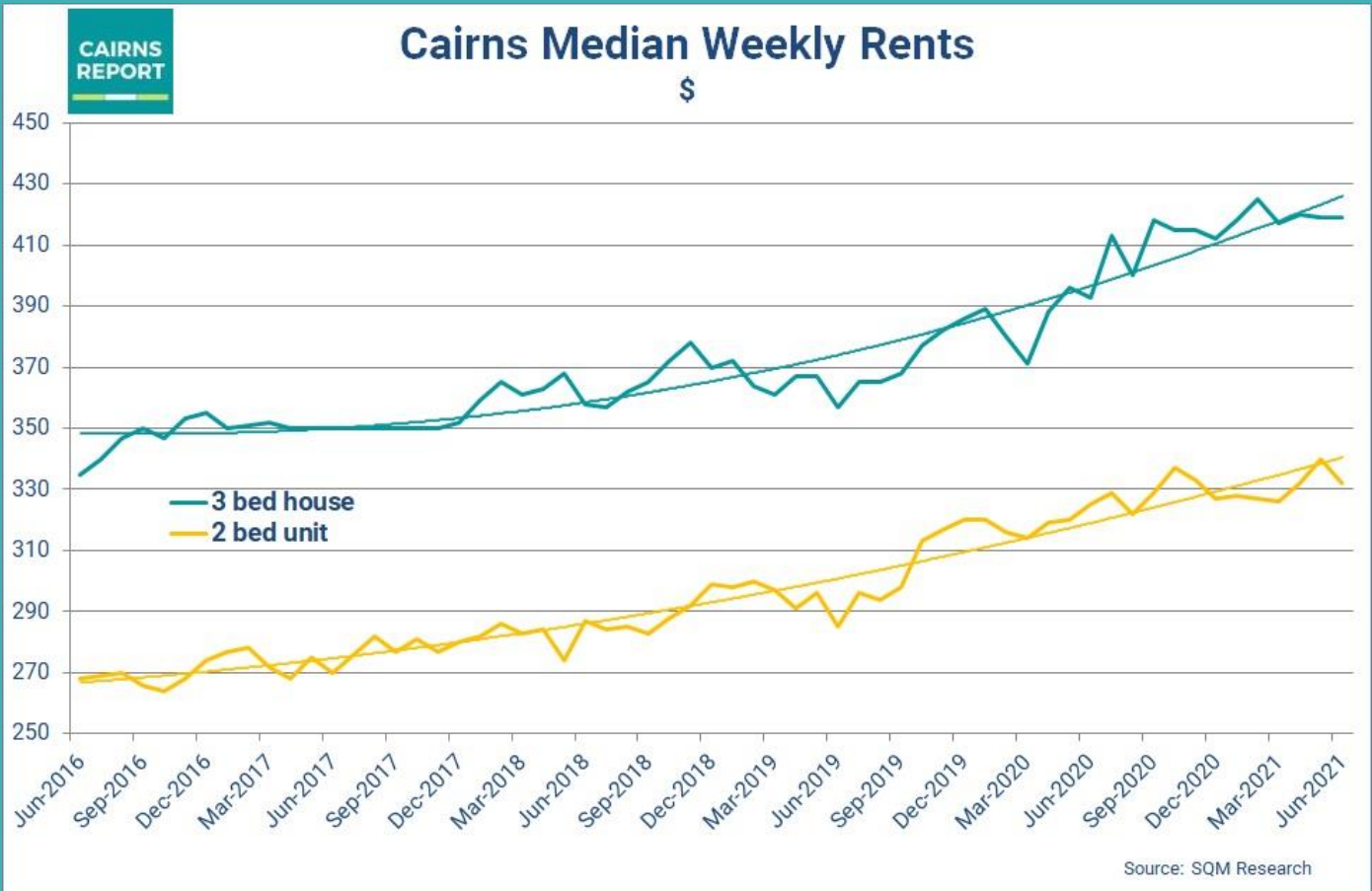
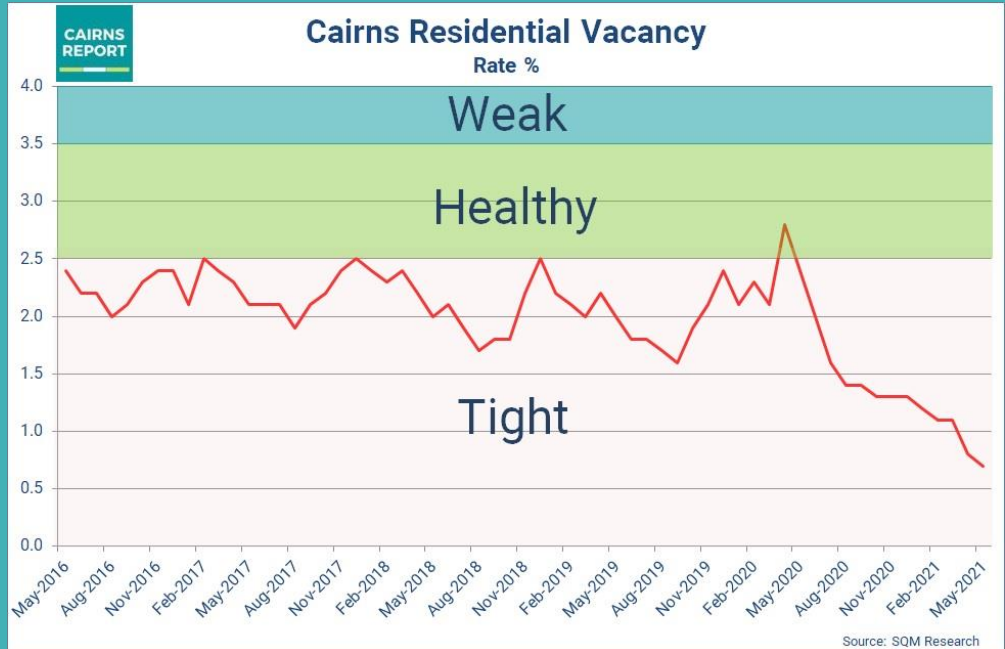


The very tight rental market continues with vacancy rates falling again in May to 0.7% (a multi-decade low). The tight rental market is being reflected in rising median rents with 2-bedroom unit rents up by 2% year-on-year and 3-bedroom houses up 7% for the year.

MEDIAN RENTS

▲ **\$332** P/W
2-BED UNIT

▲ **\$419** P/W
3-BED HOUSE



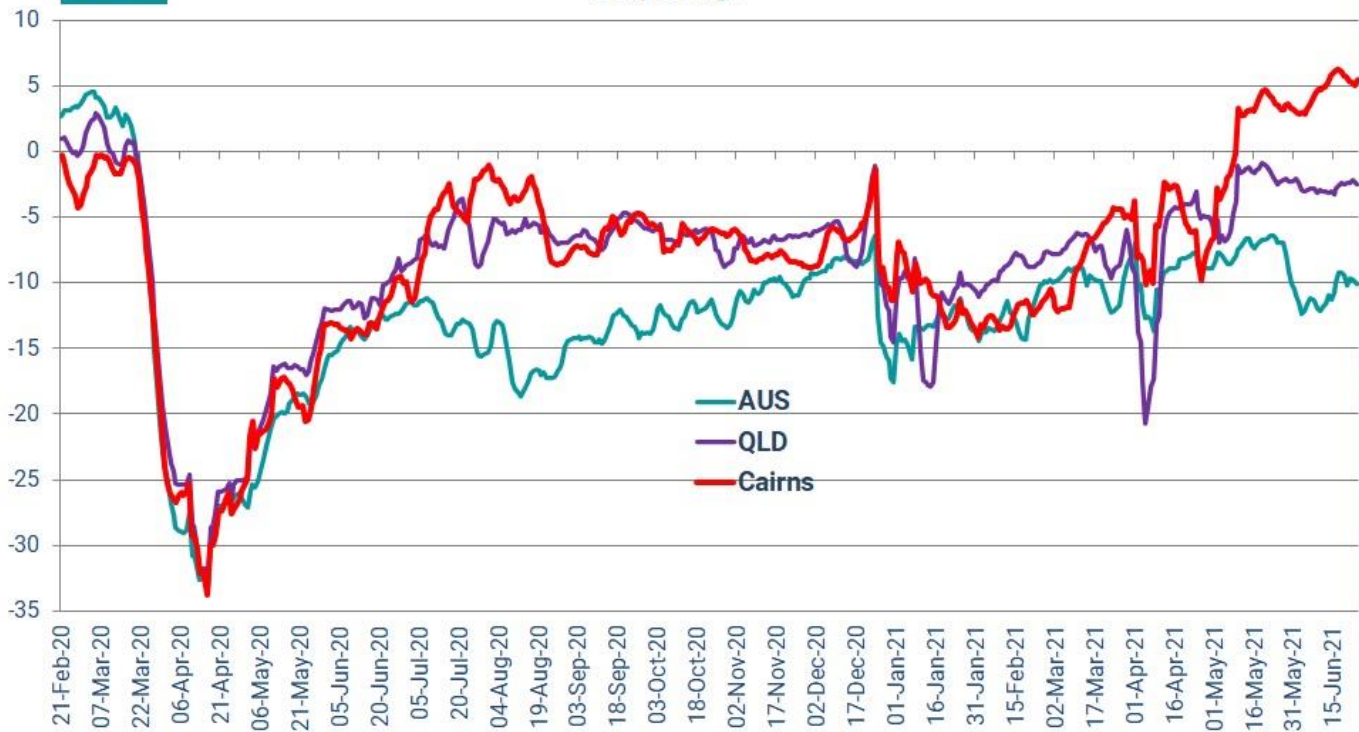
The latest Google Mobility data confirms that the surge seen in Cairns over the Easter holiday period has been sustained.

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





Despite the end of JobKeeper support at the end of March, latest figures in April and May have seen solid employment growth, with another 1,800 added this month, and the unemployment rate dropping to 4.8%. Skills shortages are becoming evident however, despite elevated levels of JobSeeker/JobActive participants in FNQ mismatched against rising job vacancy ads.



Cathy Devietti
Grant Thornton



Demand across all sectors of the economy (other than international tourists) remains strong. But the lack of rental stock that was foreshadowed in earlier editions of *The Cairns Report* continues to be an issue with the vacancy rate hovering at lows not seen for decades. This issue could soon potentially become a serious roadblock to the growth of our region.



Ranjit Singh
Holding Redlich



There isn't any relief in sight when it comes to the rental market. Homeowners aren't selling because they can't buy, so the current position will only get worse (or better - depending on which side of the fence you are on!) as time goes on. Apartment prices however haven't shifted much, so developers aren't building more apartments, but I think we should watch this space... there is only so much pressure the under supply can take before we see some action.



Nicholas Slatyer
Belle Property Cairns

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