

CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy



PRESENTED BY



HOLDING REDLICH



Grant Thornton



Economy still positive... but COVID rollercoaster continues

The August edition of The Cairns Report must be viewed in the shadow of the COVID-19 lockdowns in South-East QLD and NSW and, just before publication of this edition, the snap lockdown in Cairns. With an estimated 80% drop in visitation due to the various restrictions, calls are mounting for a JobKeeper-style scheme to keep local tourism businesses afloat. In this latest report, employment and building approvals eased a little but remain solid, while the real estate market is still hot. The full extent of the recent lockdowns will be revealed in coming editions of The Cairns Report.

UNEMPLOYMENT RATE

4.9%	5.1%	5.2%
NATIONAL	QLD	CAIRNS

PEOPLE EMPLOYED

13,154,200	2,661,300	126,800
NATIONAL	QLD	CAIRNS

PROPERTY PRICES

\$254,000	\$380,000
UNITS	HOUSES

MEDIAN RENTS

\$332 P/W	\$416 P/W
2-BED UNIT	3-BED HOUSE

PASSENGERS

386,845		267,117
JUNE '19		JUNE '21
		CAIRNS AIRPORT

BUILDING APPROVALS

143 APPROVALS IN MAY
113%
 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

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Cover: Strolling past CPAC.
 Pic: Cairns Regional Council.

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belle PROPERTY

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HOLDING REDLICH

The run of very solid employment growth across the country continues with the unemployment rates at national and Queensland level reaching decade-lows. Here in Cairns, Trend employment was unchanged in June and the unemployment rate fell slightly to 5.2%.

However, employment is still below its level of a year ago unlike at State and National levels. The difference being that at State and National levels participation has gone up

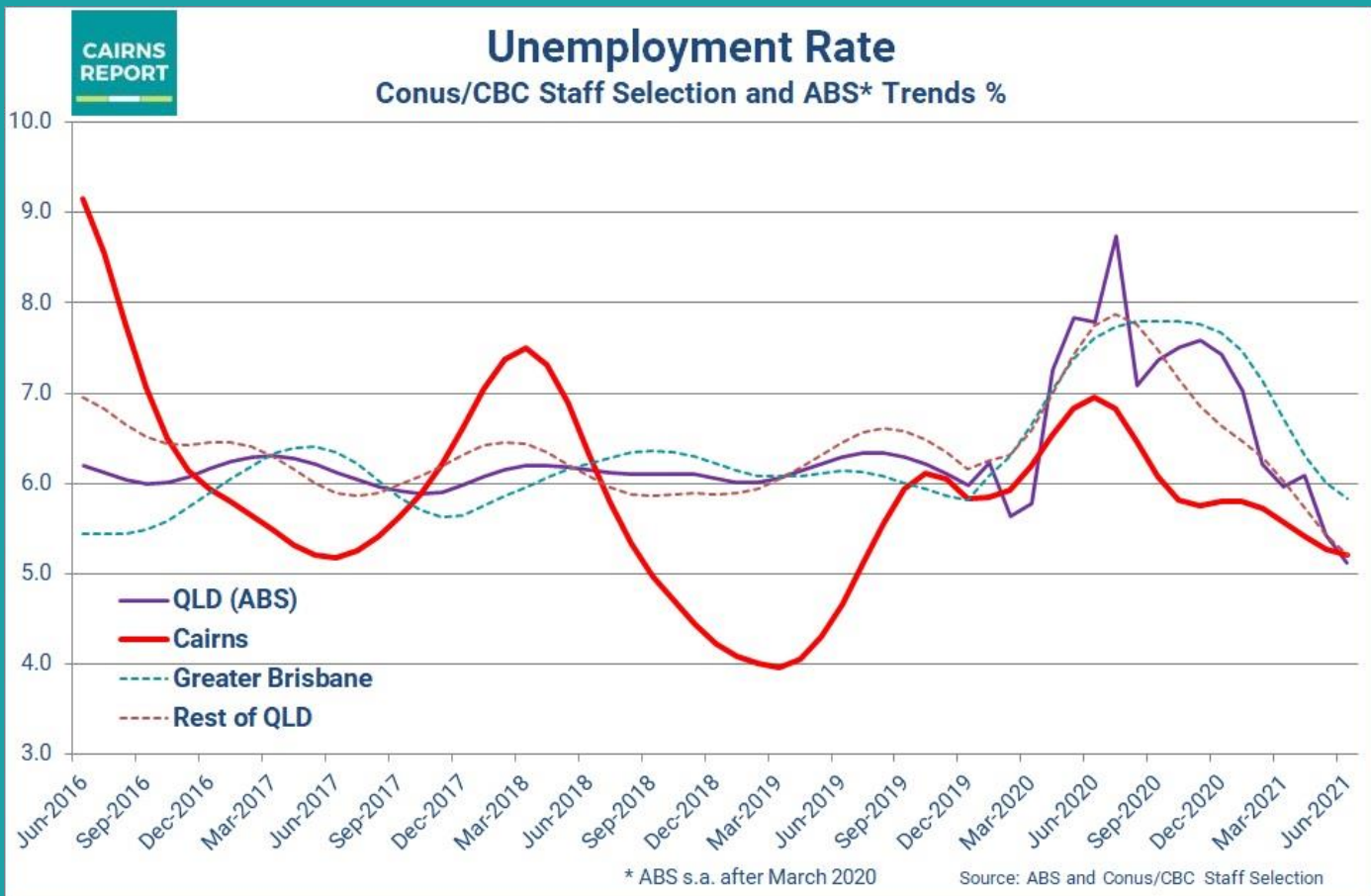
UNEMPLOYMENT RATE

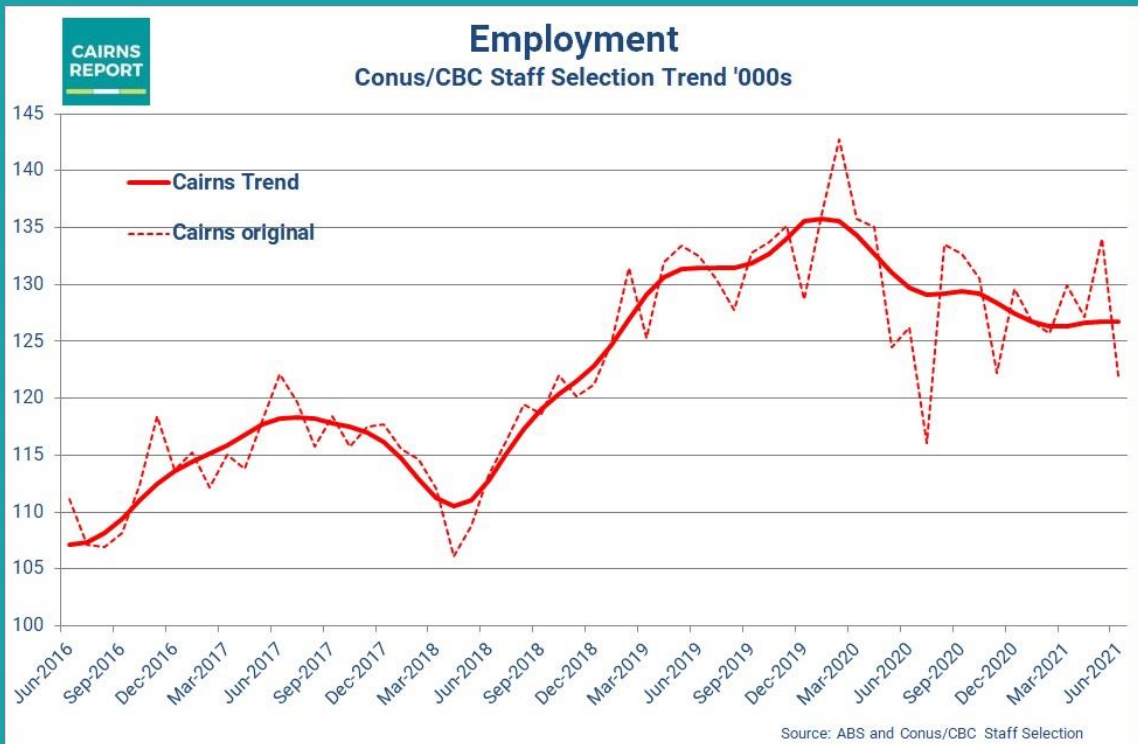
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PEOPLE EMPLOYED

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NATIONAL	QLD	CAIRNS

strongly over the year, but in Cairns it is still slightly down. Over the past 12 months, Cairns' labour force has shrunk by 5,600.

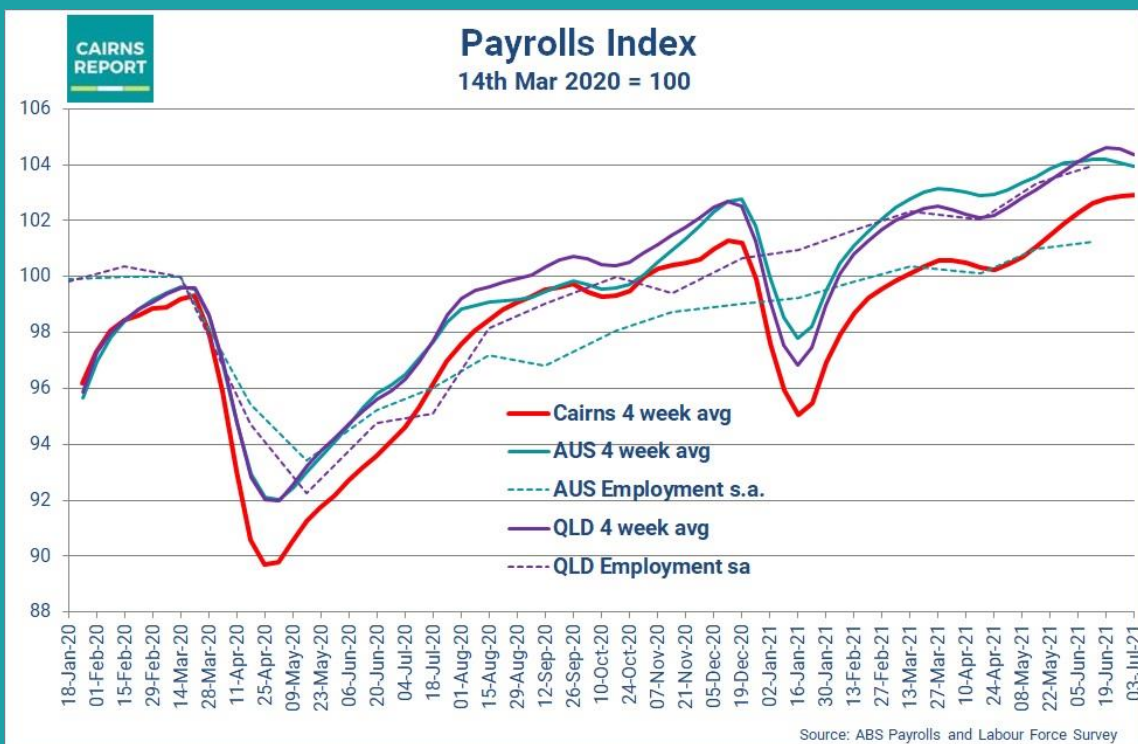




The most recent Payrolls data from the ATO and ABS show that at both the National and State level employment has eased slightly but are now about 4% above the pre-COVID levels.

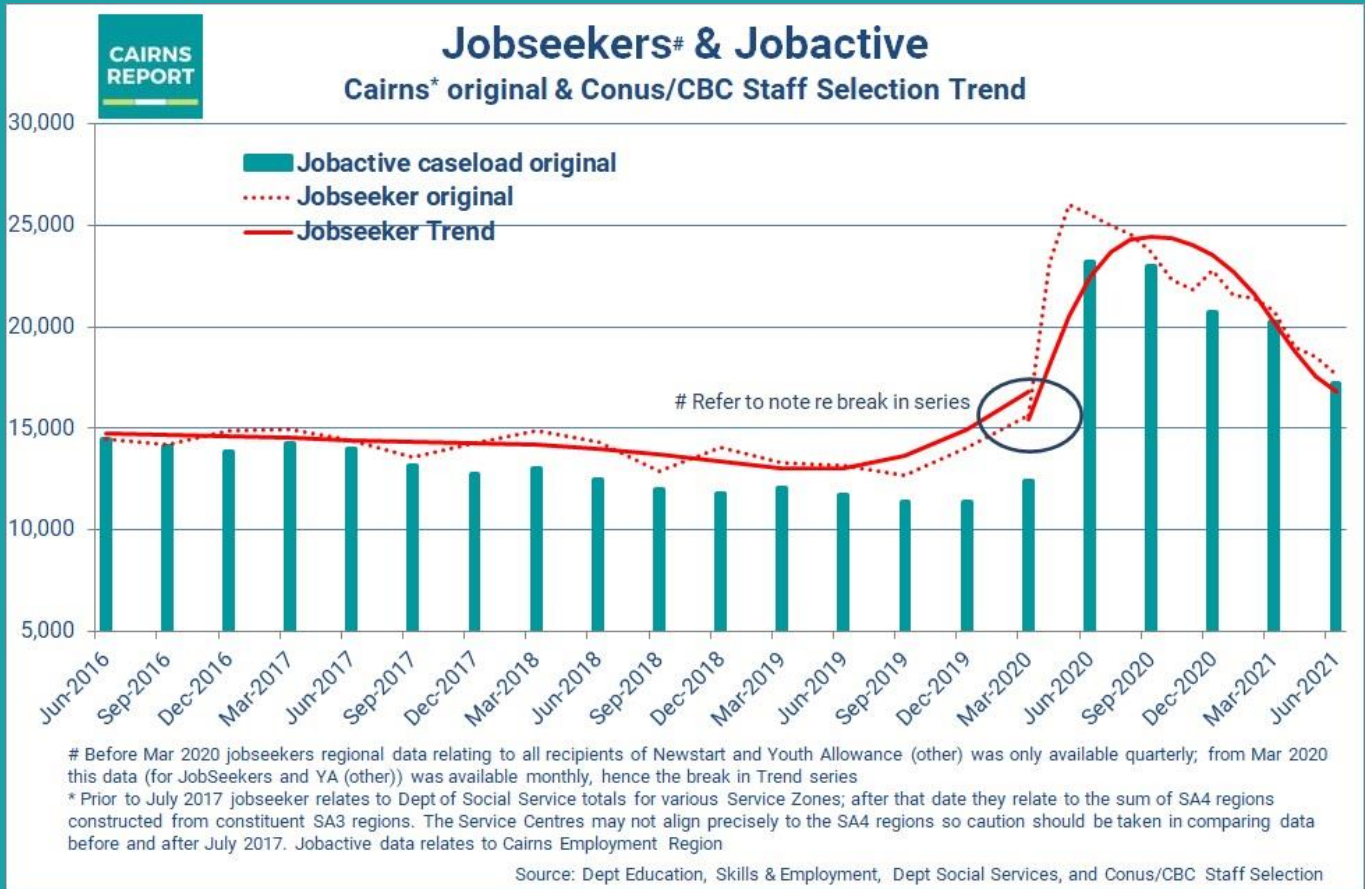
The same data confirms that Cairns has done less well, although we are now 3% above pre-COVID levels

(unlike when we consider the monthly labour force data which shows Cairns employment still well below its pre-COVID levels...this is the confusion when considering different data-sets from different sources). In short, Cairns has closed some of the gap that existed with the State and National data.



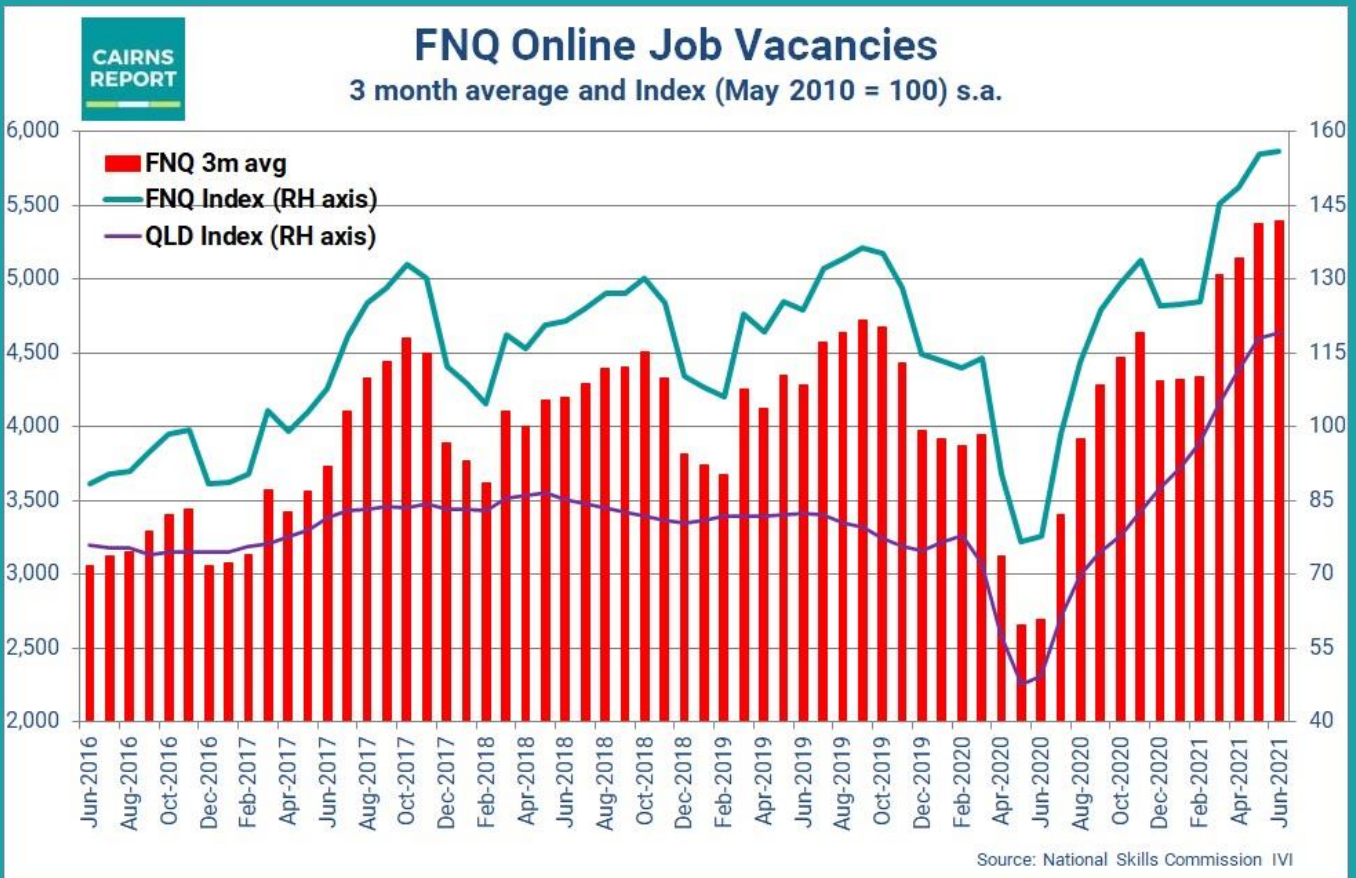
JobSeeker and JobActive caseload numbers continue to show strong improvements in Cairns.

But they both remain at somewhat elevated levels suggesting some potential spare capacity within the region's labour market.



As we noted last month, the number of job vacancies advertised online has continued to surge and again hit new highs in June.

The fact that we have elevated numbers of people looking for work and businesses seeking workers suggests there exists a skills mismatch in the region which will require addressing if we are to see continued solid growth.



The surge in residential building approvals eased again in May, although the Trend is still at elevated levels.

The Trend total remains close to the highest seen since early 2008, just before the effects of the GFC hit the industry, and bodes well for the construction sector in coming months as strong

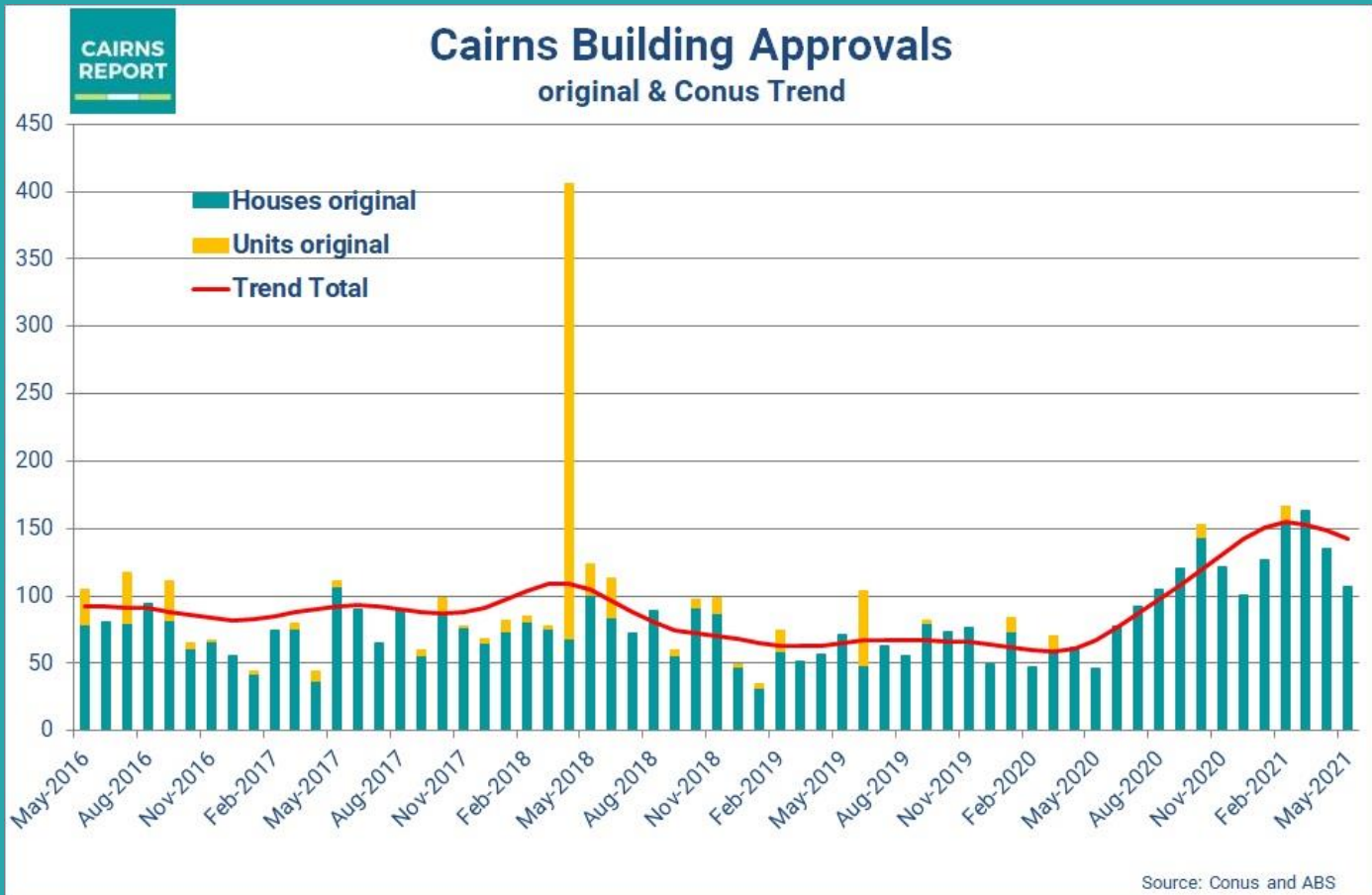
approvals translate to actual building activity. Strong anecdotal evidence points to difficulty and long delays securing trades services in the region as building activity ramps up.

HOUSES

 **113%**

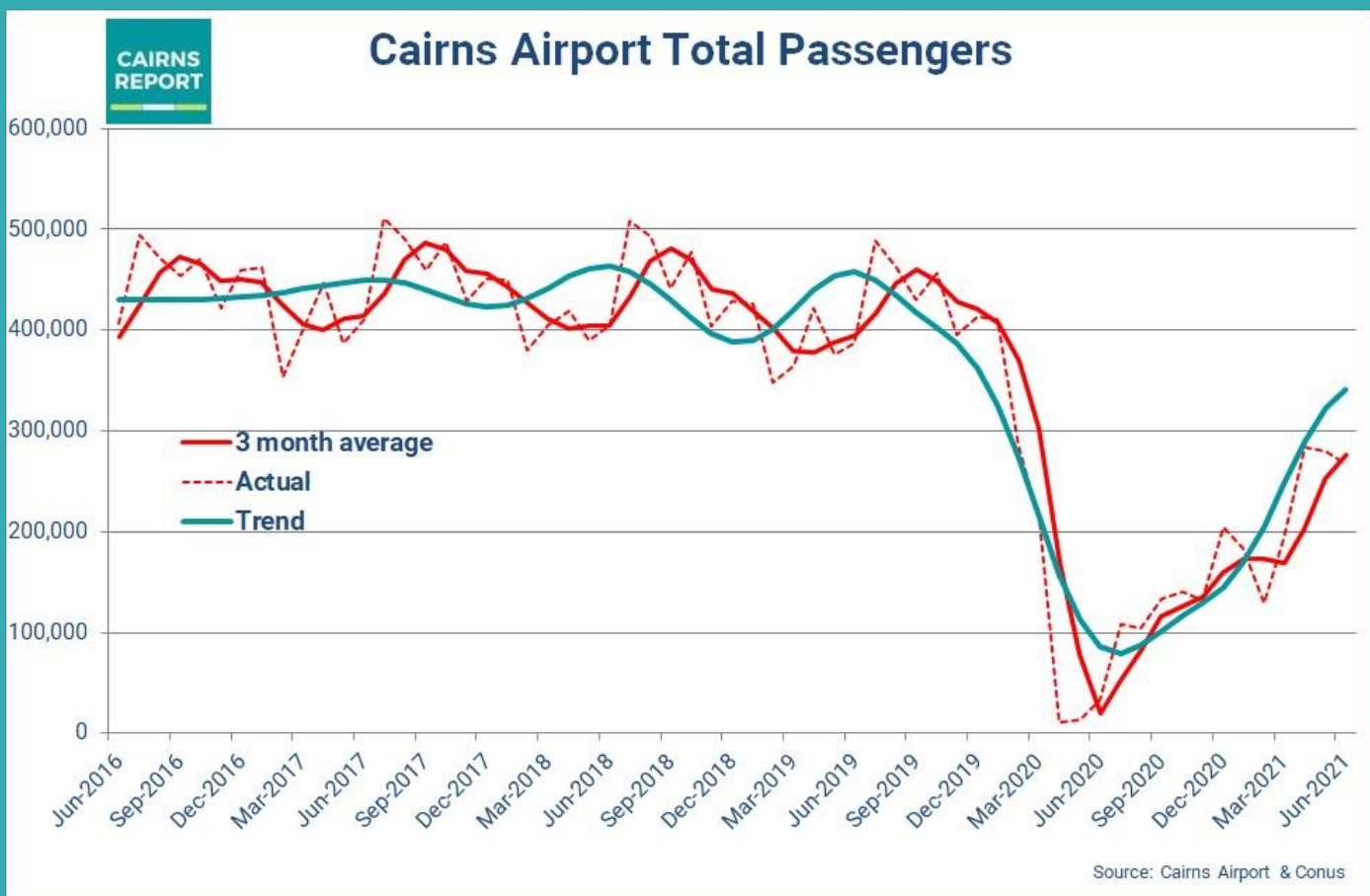
Building approvals increase from a year ago

Strong results again in Cairns for residential home building with 143 Trend approvals in May.



Data from Cairns Airport shows total passenger numbers dipped again slightly in June, although this is to be expected as May and June are seasonally weaker months for airport arrivals. The Trend remains strong and is up 297% from a year earlier. While international passengers have essentially disappeared from the data, domestic passenger

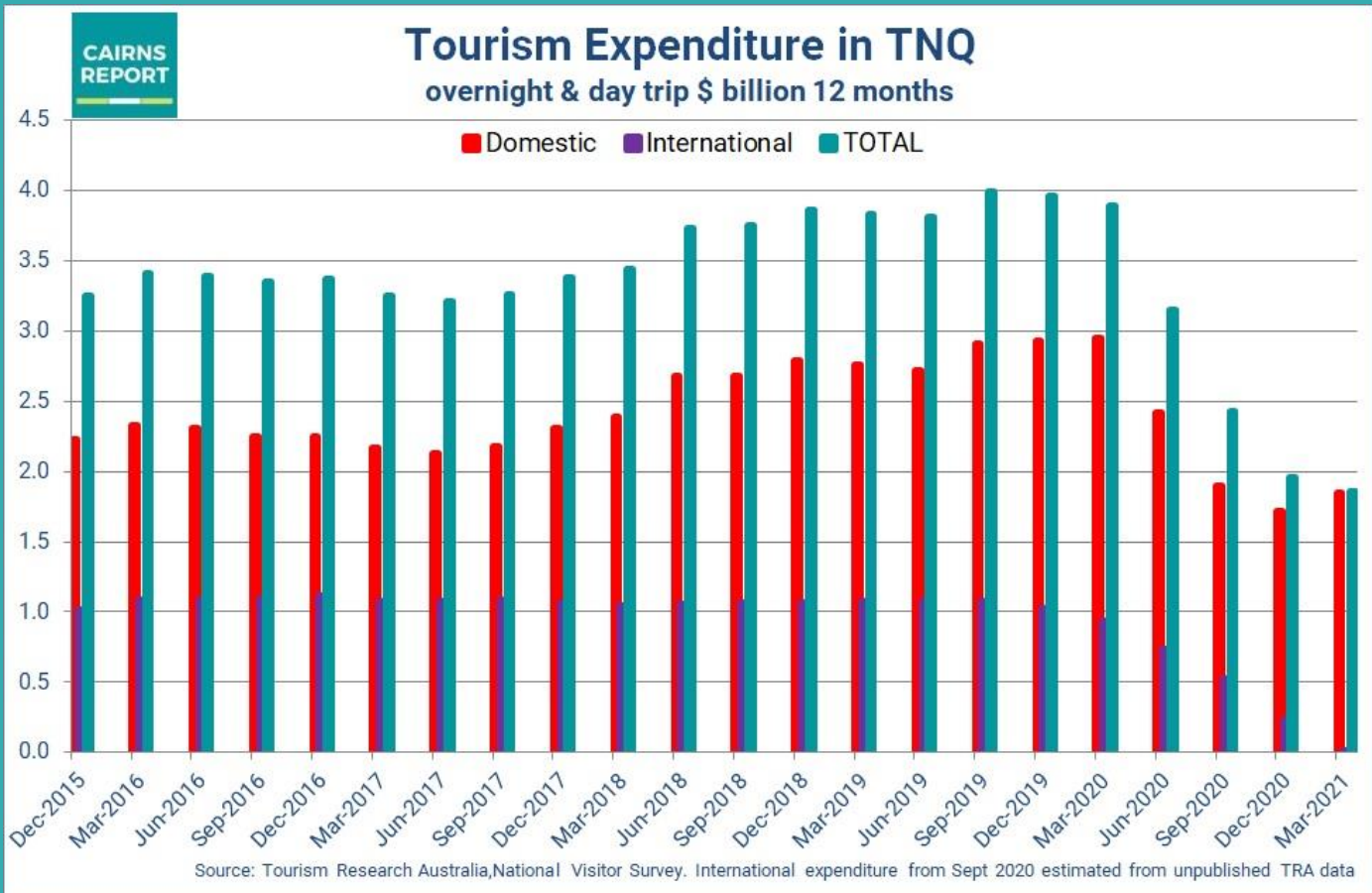
numbers were up a staggering 719% from a pandemic-impacted June last year are now down just 31% for the past 12-month period. For the airport as a whole, arrivals (including both domestic and international) over the past 12 months are down 40%.



There is evidence in the quarterly data to March which shows that, because of the region’s relatively heavy reliance on international visitors, the Far North is not doing quite as well as some other regional areas.

Total tourism expenditures in the region for the 12 months to March are down almost \$2 billion (or 52%, which is in-line with the national average) since the same period last year.

However, the anecdotal evidence since Easter is pointing towards a strong showing for the region when we get to see the domestic June quarter data (not likely to be released for another two months).



MEDIAN PRICES

▲ \$254,000
UNITS

▲ \$380,000
HOUSES

Source: SQM Research

As noted in the last edition of The Cairns Report, the tight rental market is starting to have an effect on prices; data suggests median unit prices are up 6% from a year ago with median house prices lifting 3%.

CAIRNS
REPORT

Real Estate; Sales and Prices

Cairns region



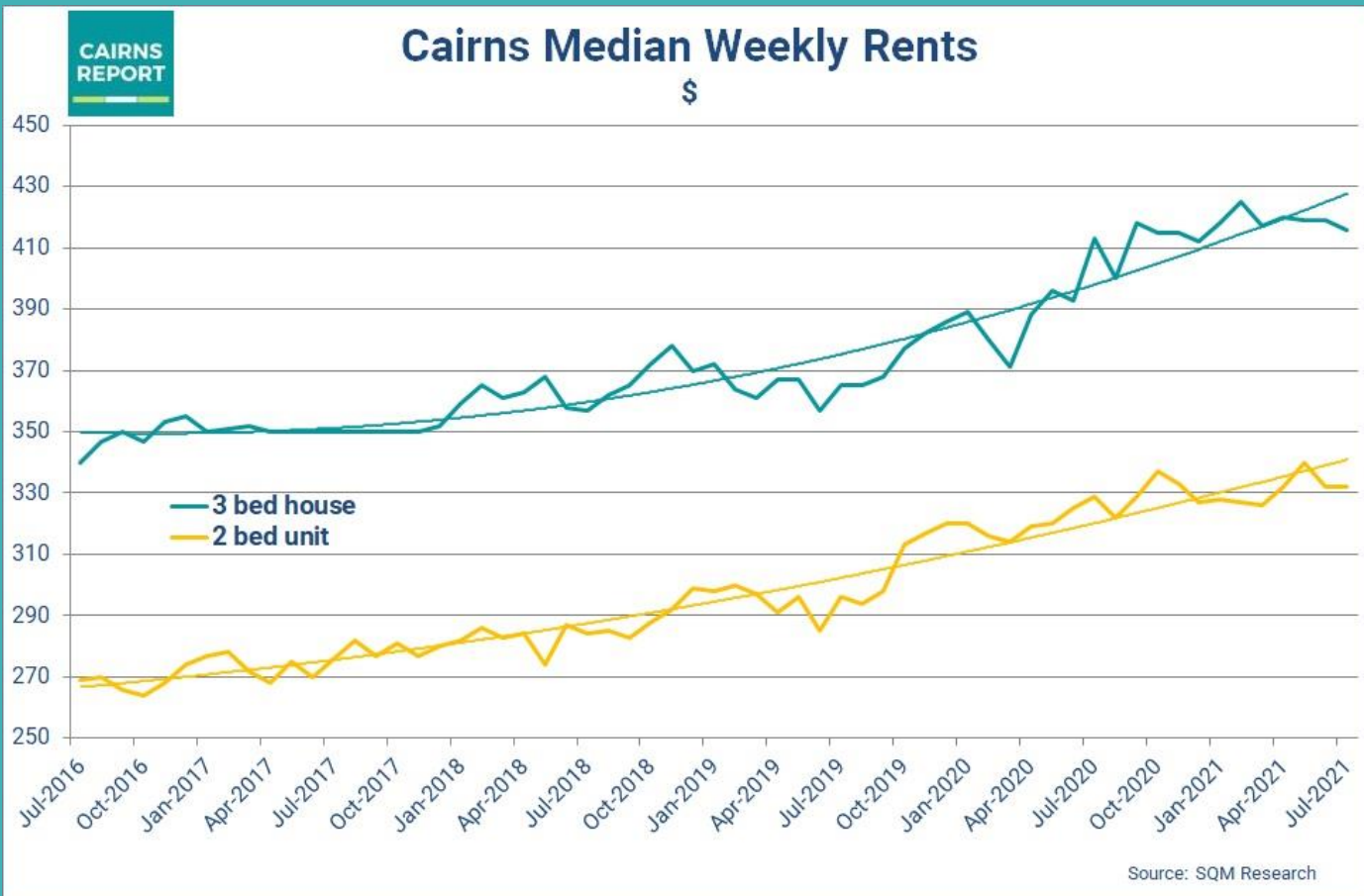
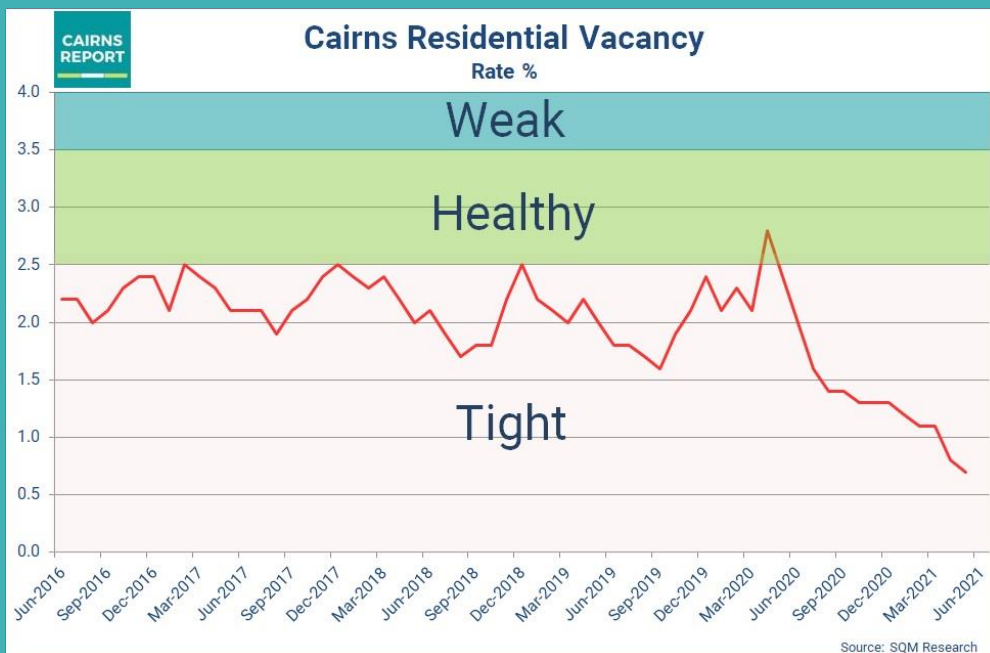
The rental market remains very tight, with vacancy rates falling again in June to 0.6% (a multi-decade low).

Surprisingly, this is being reflected in only moderate increases in median rentals with both house and unit rents up less than 1% for the year. This may only be a short term slow-down in what has been a rapidly rising market since the second half of 2019.

MEDIAN RENTS

▲ **\$332** P/W
2-BED UNIT

▲ **\$416** P/W
3-BED HOUSE

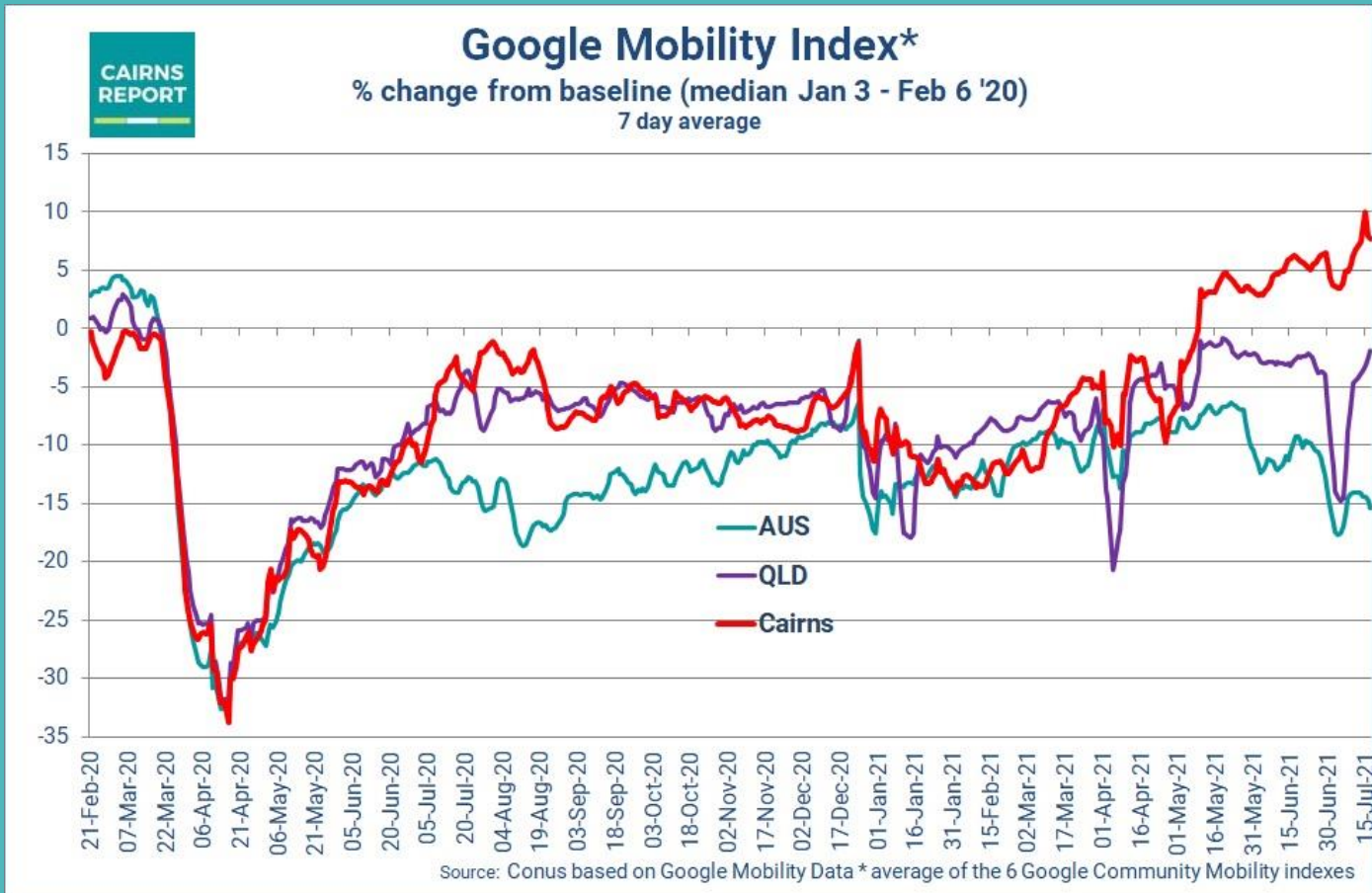


The Google Mobility data to mid-July shows just how strongly the Cairns market was doing compared to both the national and Queensland averages.

The increase in flights from New Zealand will also see at least a limited number of international arrivals being added to the data in the second half of the year.

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.



Due to COVID-19 and the current political climate, we have had a dramatic drop in goods exported to China, in particular coal, and the number of Chinese students and the number of Chinese tourists has also reduced to almost zero. As Australia's biggest trading partner, China's recent population and education policies should boost Australia's economy and provide greater opportunities for our markets in the next decade.



Grace Ge
Grant Thornton

The lockdowns in Cairns, South-East Queensland and New South Wales have once again slammed the brakes on our tourism industry with an estimated 80 per cent drop in visitor numbers. Calls by tourism leaders for the Federal Government to introduce some kind of wage subsidy for impacted businesses should be considered given the ongoing rollercoaster ride our local tourism sector is on.

There is lots of talk about low vacancy rates for rental properties. Stressed is a word that readily comes to mind for the state of Cairns rentals... There are 70% fewer residential rental properties available on July 1 versus the COVID peak (20/04/20). The limited availability is pushing rents up significantly and creating a lot of anxious tenants in the marketplace.

Ranjit Singh
 Holding Redlich



Nicholas Slatyer
Belle Property Cairns

The recent COVID scares in Cairns and outbreaks across the nation have delivered at least one positive outcome - people are motivated to get the job. So, we're finally seeing the vaccine rollout gathering pace and we've got a national roadmap out of border closures and lockdowns, so it's important for businesses to remain confident and positive during these uncertain times. The fundamentals of the Cairns economy remain solid - it can only get better from here as vaccine rates climb over coming months.



Gavin King
The Cairns Report

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