

NOVEMBER 2021

CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy



PRESENTED BY



Vaccination rates now critically important for Cairns

First, the good news: the real estate market and residential construction sector continues to perform strongly, while employment remains steady despite losses in tourism. The key to growth over the next 6 months remains COVID-19 vaccination rates. While NSW and Victoria are surging ahead of the pack with double-dose rates well over 80%, most of Far North Queensland is lagging more than 20% below those leading states – and even further behind in some Indigenous communities. The risk of regional lockdowns remains a serious threat to our economy once the border opens up from December 17.

UNEMPLOYMENT RATE

4.6%	4.9%	4.2%
NATIONAL	QLD	CAIRNS

PEOPLE EMPLOYED

12,884,600	2,657,500	132,000
NATIONAL	QLD	CAIRNS

PROPERTY PRICES

\$252,000	\$394,000
UNITS	HOUSES

MEDIAN RENTS

\$370 P/W	\$462 P/W
2-BED UNIT	3-BED HOUSE

PASSENGERS

430,287	▼	165,015
SEPTEMBER '19		SEPTEMBER '21
		CAIRNS AIRPORT

BUILDING APPROVALS

100 APPROVALS IN AUGUST
 ▼ -1%
 COMPARED TO 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: Lighting up Cairns Airport.

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belle PROPERTY

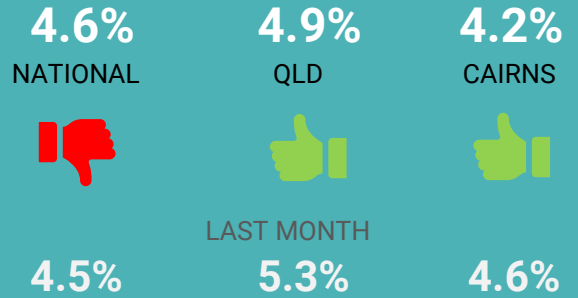
Grant Thornton

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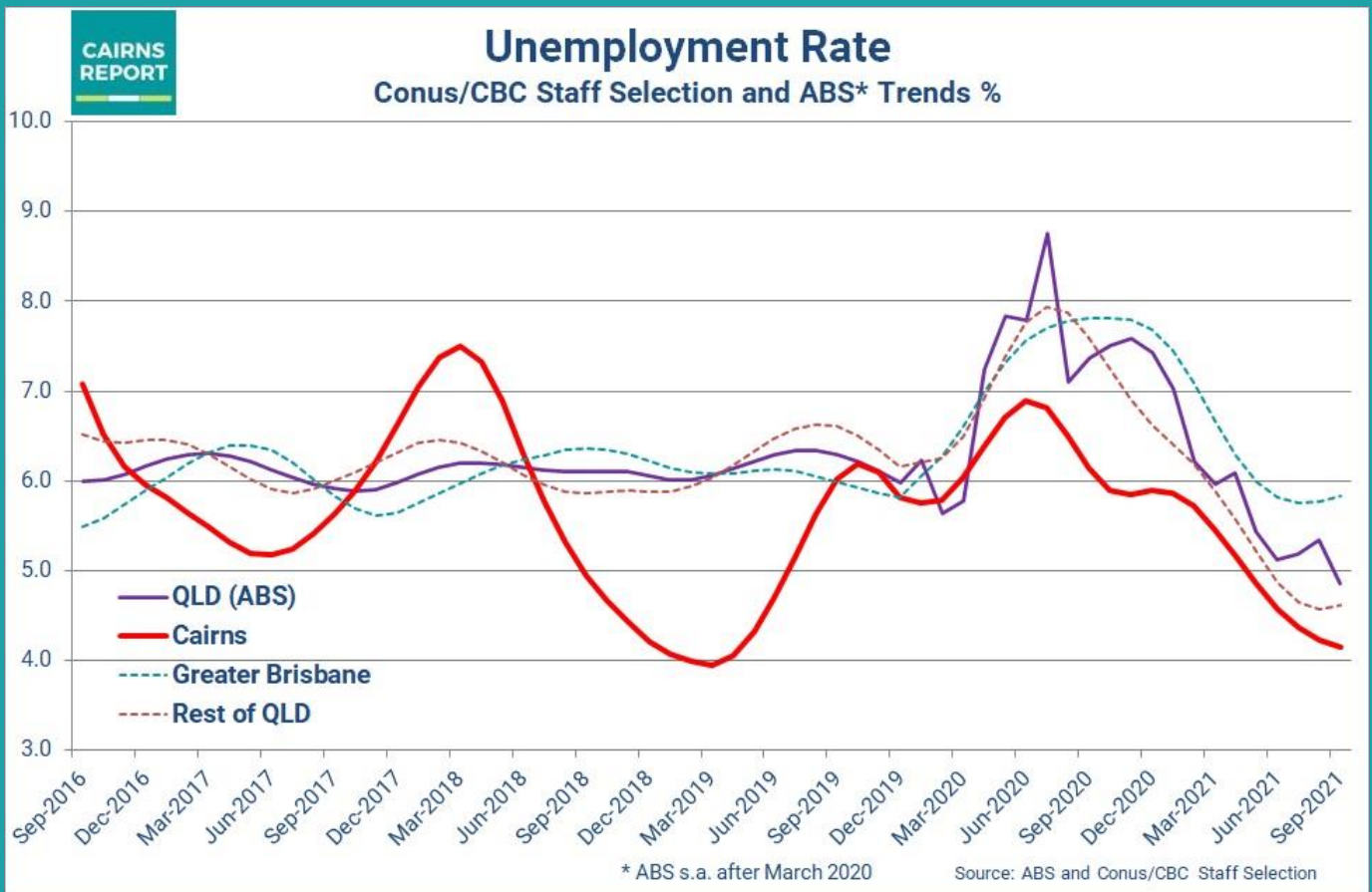
The Cairns unemployment rate dropped again (to 4.2%) as participation continued to weaken.

Nationally, the impact of the Victorian and NSW lockdowns was again reflected in a sharp decline in hours worked along with a large fall in the number employed in September. However, despite that drop a further decline in participation meant that the national headline unemployment rate only nudged slightly higher to 4.6%.

UNEMPLOYMENT RATE



The story in Queensland was very different with a solid improvement in employment, a sharp increase in hours worked and a decline in the unemployment rate to a twelve-and-a-half-year low of just 4.9%.

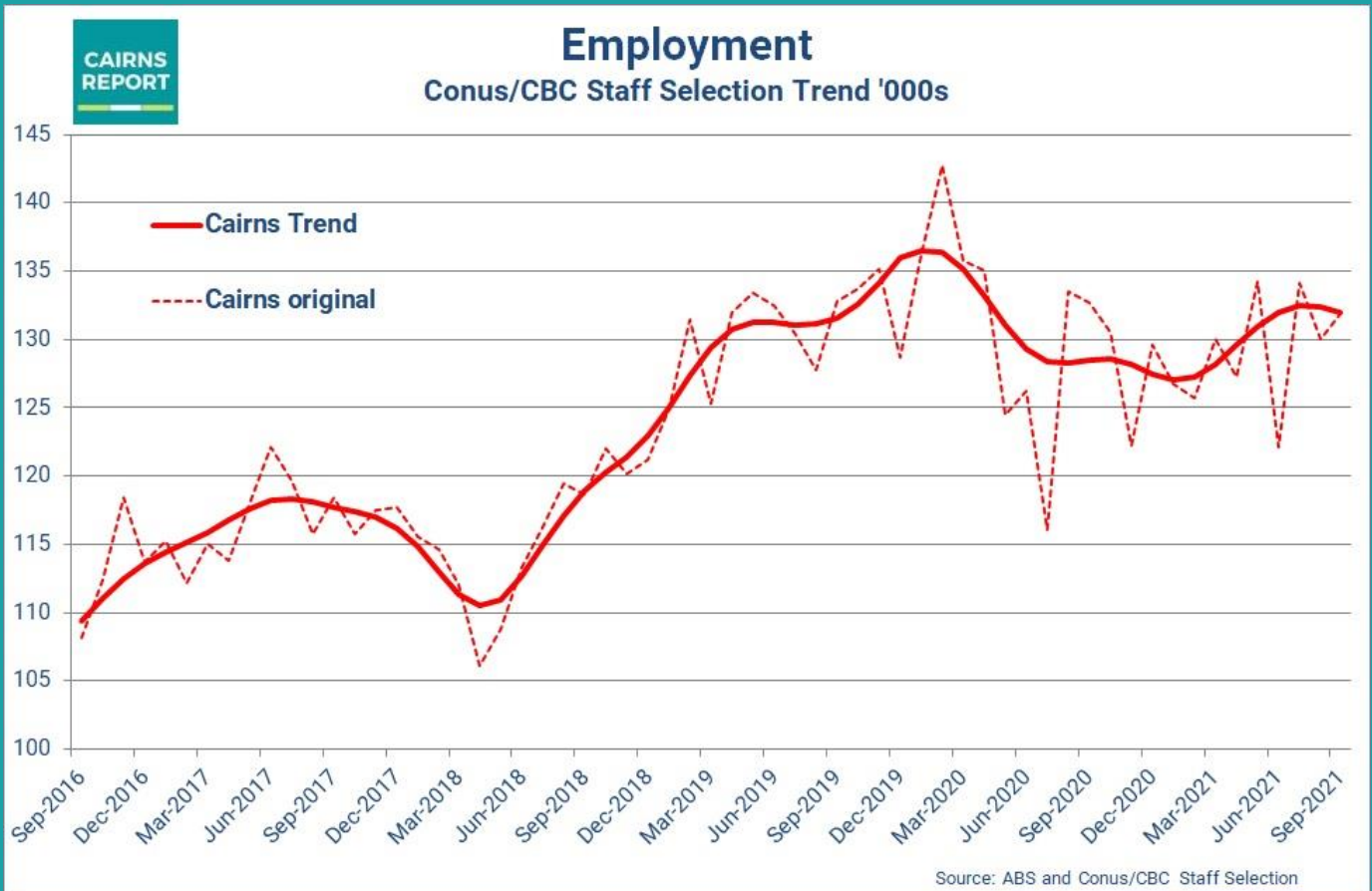


Trend employment in Cairns fell slightly in September (down 400). This means employment levels are higher than a year ago although the pace of growth (+2.7% for the year) is well below the State (+4.9%) rate. Any significant effect on employment caused by the tourism lock-out is still to show up in the data and we might hope

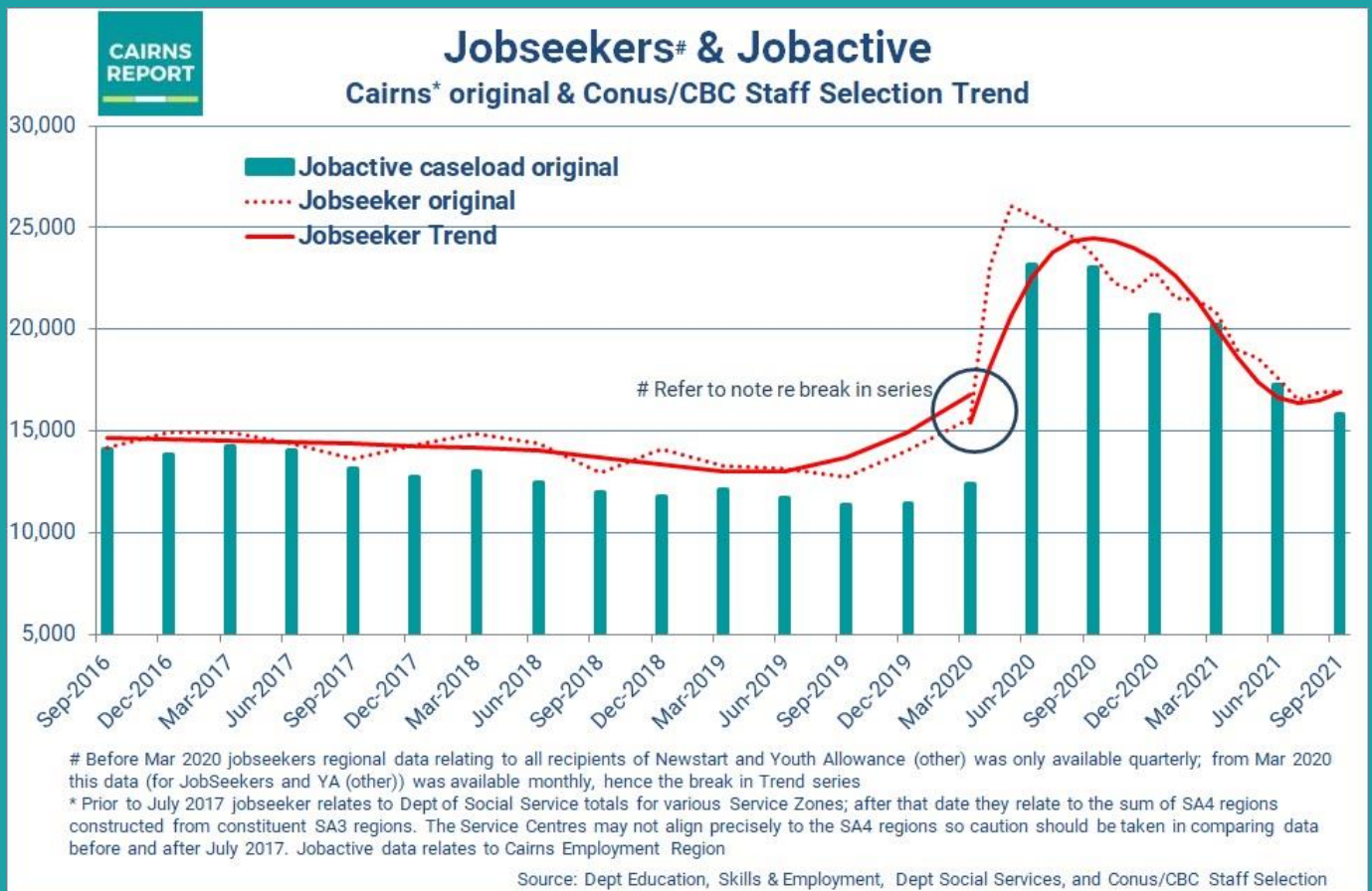
PEOPLE EMPLOYED

12,884,600	2,657,500	132,000
NATIONAL	QLD	CAIRNS
LAST MONTH		
13,022,600	2,626,700	132,400

that now a return of domestic tourists is just a few weeks away, businesses may be able to hold on to staff in anticipation of a Christmas bounce-back.



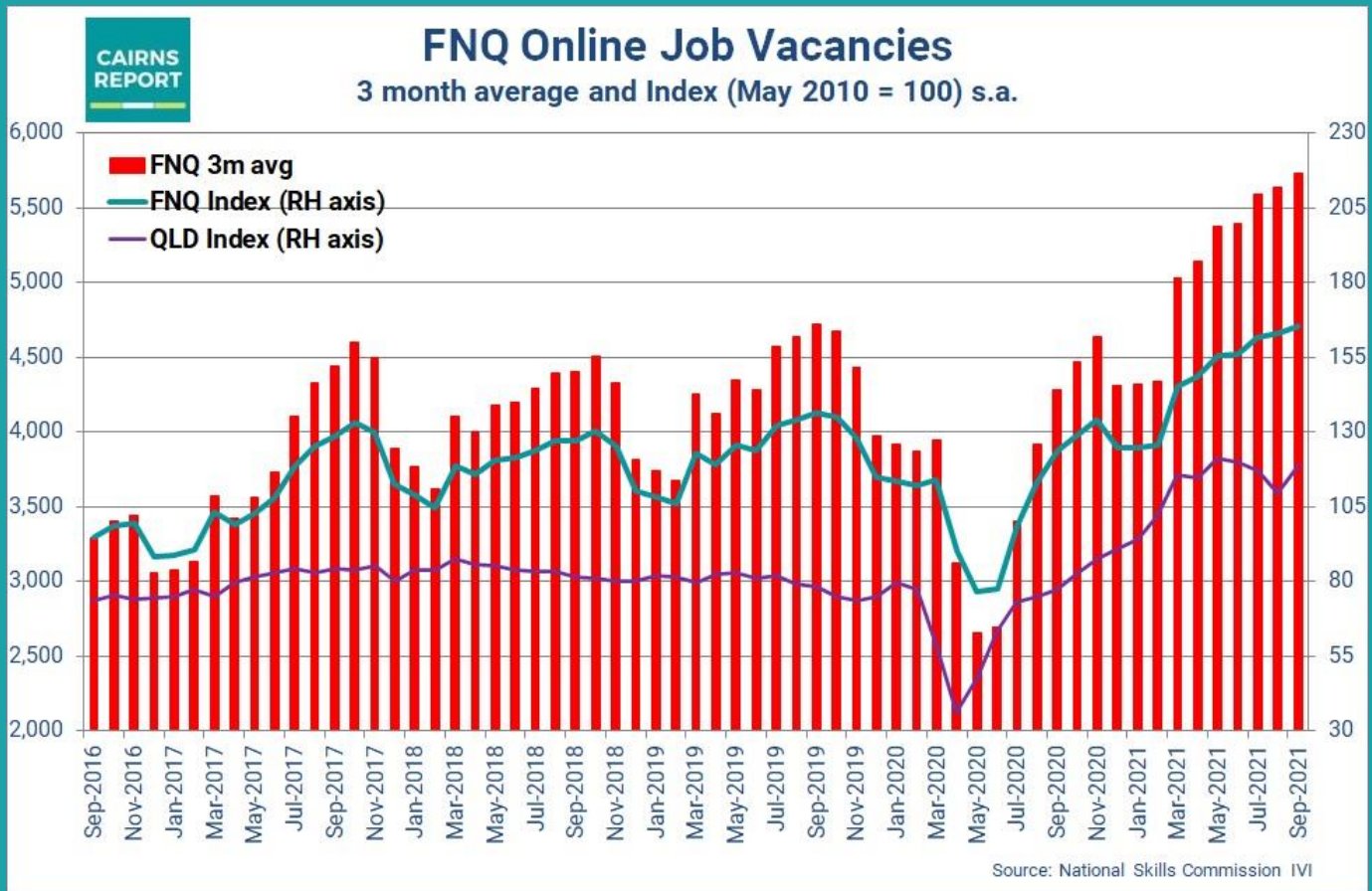
JobSeeker numbers in Cairns appear to have stabilised at a level well below their post-COVID highs but still some way above the levels seen before March 2020.



Once again the number of local job vacancies being advertised online during September moved sharply higher.

This rise, together with the decline seen in the number of JobActive cases, suggests the labour market in Cairns

remains rather more robust than might be expected given the challenges being experienced in the tourism sector.



Residential building approvals continue to come off recent highs with the Trend dipping again in August.

However, from a historical perspective, the number of approvals remain high and suggest a solid pipe-line of work to come for the sector through the end of this year and into early 2022.

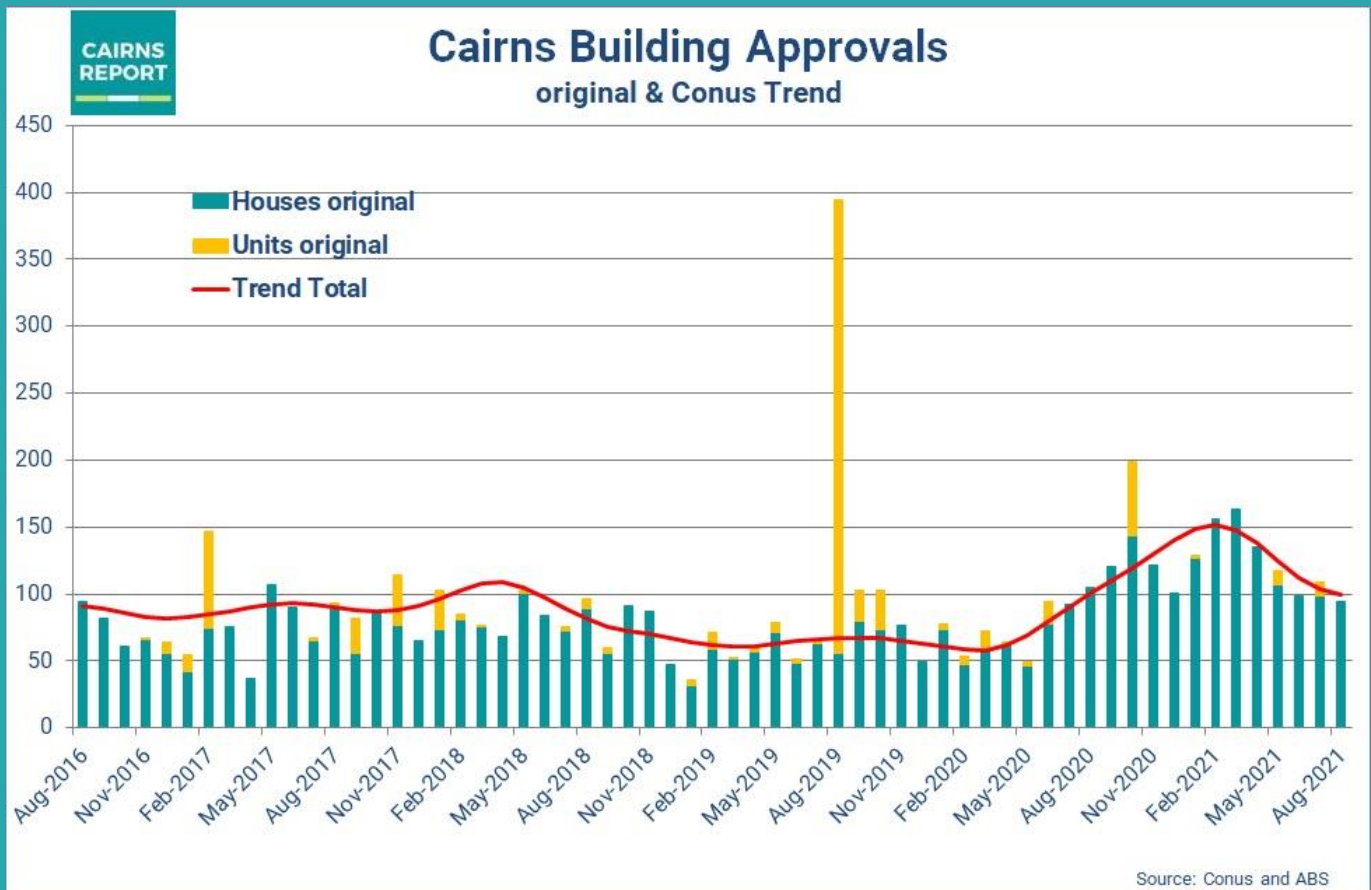
HOUSES

▼ -1%

Building approvals change from a year ago

Residential approvals eased again in August with 100 Trend approvals.

The construction sector is clearly enjoying robust conditions as the difficulty in getting trade services attests.



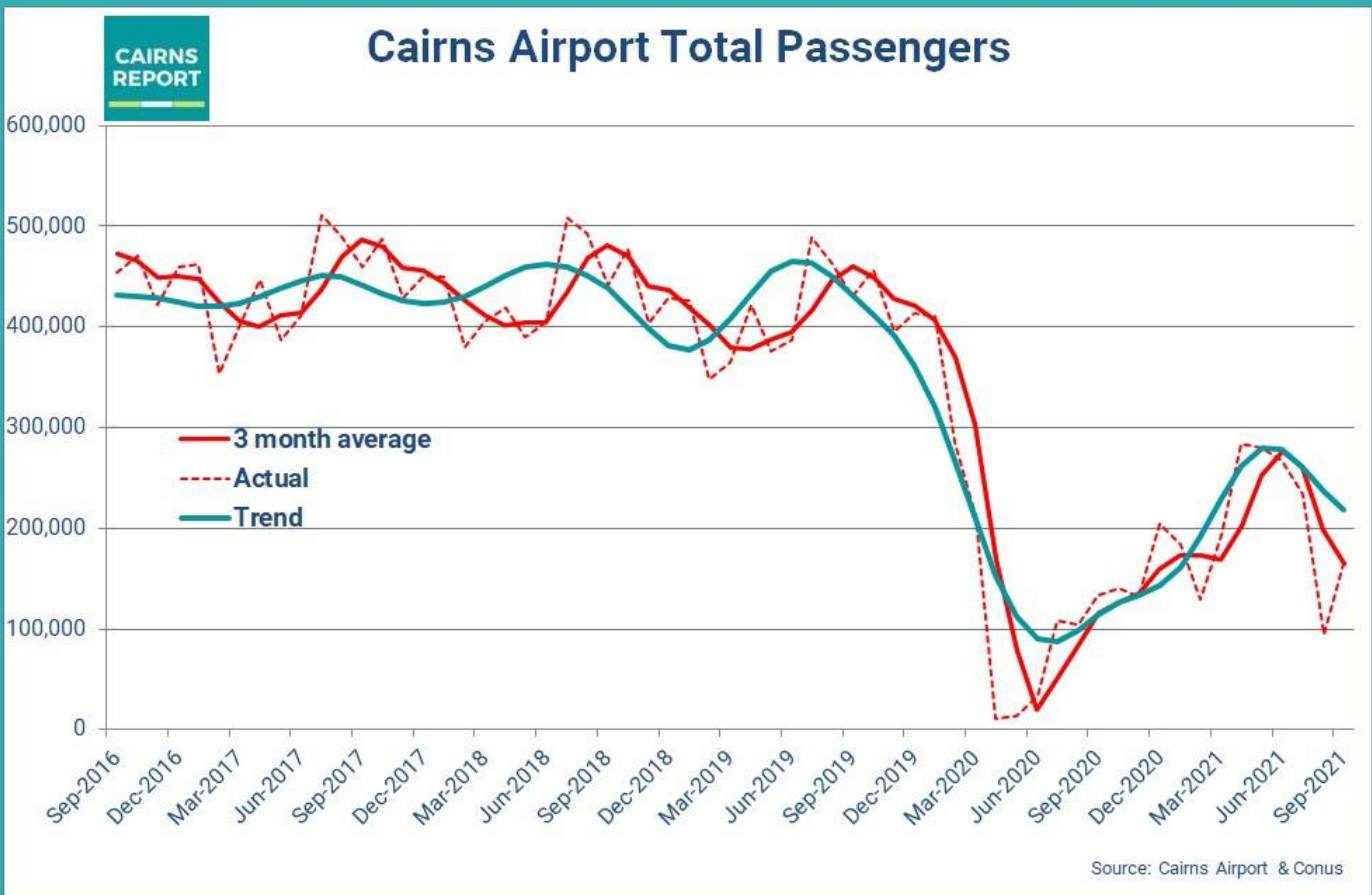
Data from Cairns Airport for September showed something of a recovery after the weakness seen since mid-year.

Nevertheless, the data remains concerning and the Trend is still well below that seen in the first half of this year. Now that there is some certainty around the reopening of state borders, we can hope to see a solid

return to something that looks more 'normal' for domestic passenger numbers once we move into December. International travel, of course, will remain a severe challenge for some time yet.

PASSENGERS

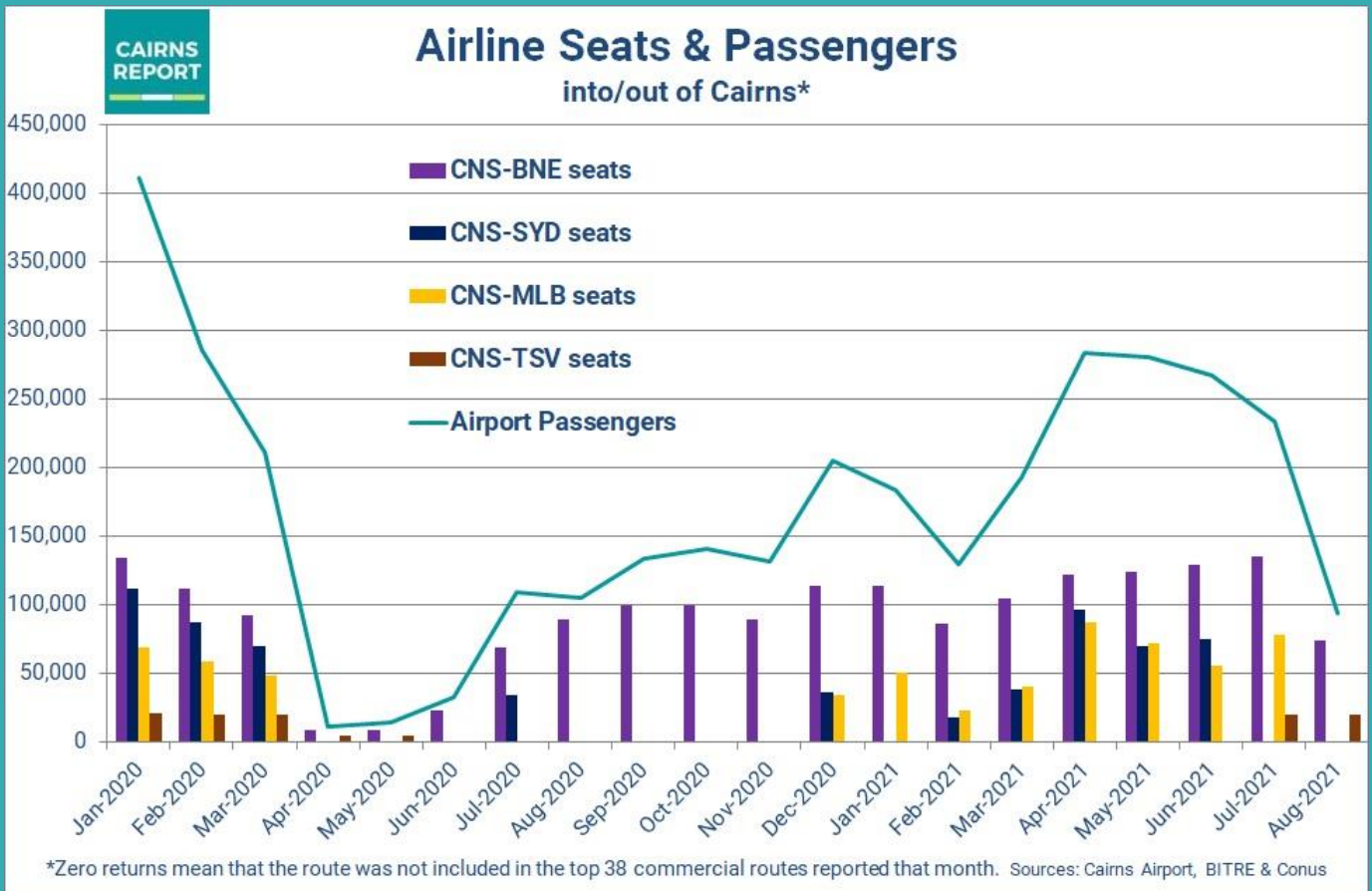
430,287 SEPTEMBER '19	▼	165,015 SEPTEMBER '21
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Monthly snapshot domestic tourism data for July shows that Regional Queensland is still enjoying a boom despite the lockdowns in the South.

Tourism expenditure in the regions for the past 12 months is up 34% compared to just a 5% increase nationally and 18% in Queensland. Note also a decline of 1% in Brisbane and the Gold Coast. Although this monthly data does not allow us to split out the data for the Far North,

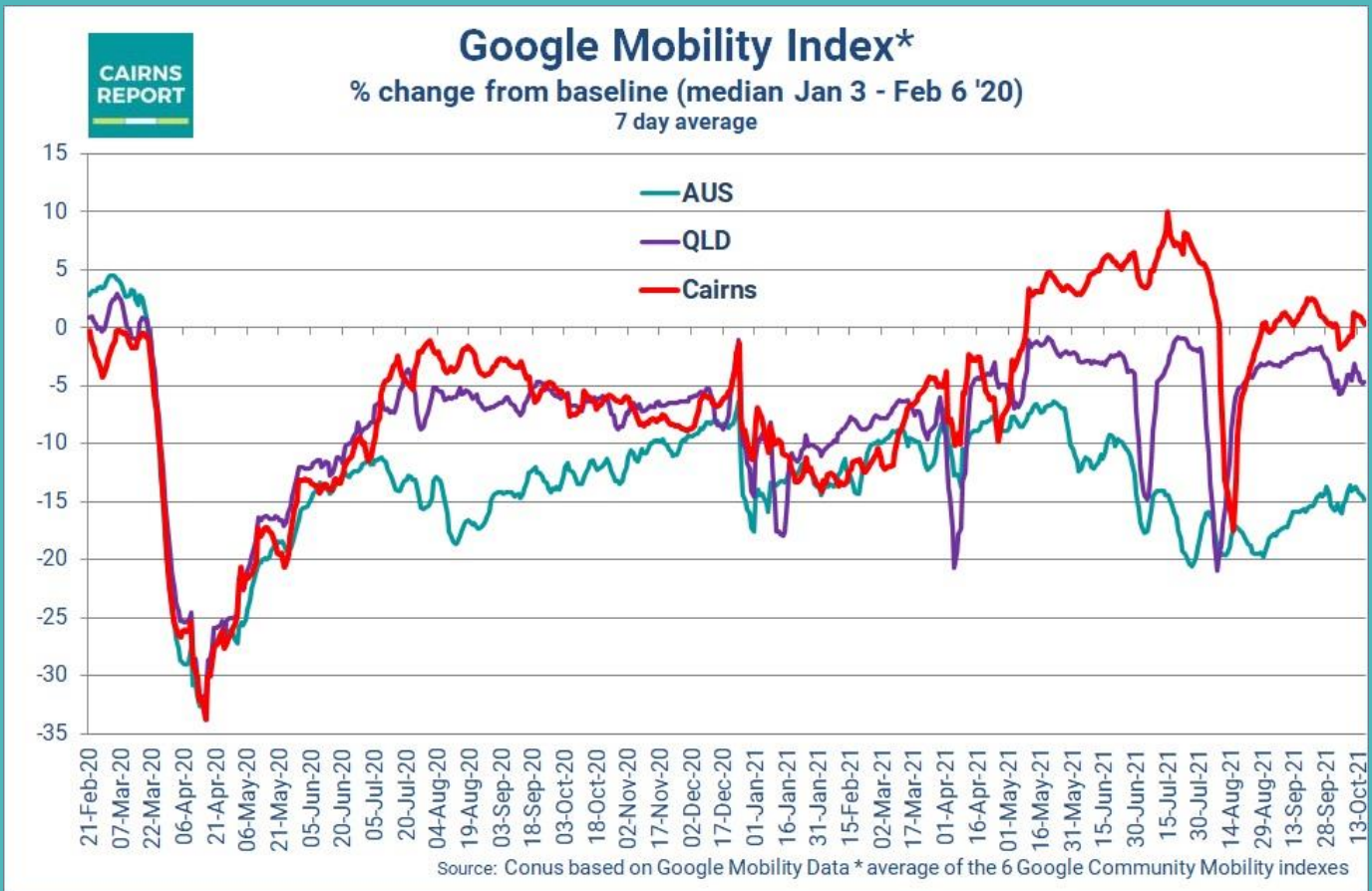
consideration of previous data allows us to estimate that this increase across regional Queensland will not have been as strong in the Far North. Nevertheless, this strong performance from Queenslanders visiting Queensland will have at least eased some of the pain experienced by the tourism sector caused by the NSW and Victorian lockdowns.



The Google Mobility data to mid-October shows that, despite bouncing sharply from the initial lows of August as the lockdowns bit down south, mobility has struggled to return to the strength we saw in the middle of this year. The tourism lock-out is still clearly impacting mobility in the region.

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.



MEDIAN PRICES

▲ \$252,000 UNITS ▲ \$394,000 HOUSES

Source: SQM Research

House and unit prices continue to increase, but the fact that so much trade is occurring 'off-market' means that the officially reported prices may not be a true indication of just how strong the underlying market really is.

Reported house and unit prices are only up between 3-5% year-on-year even though anecdotal evidence, as well as reports from agents, suggests the reality is a much hotter market.



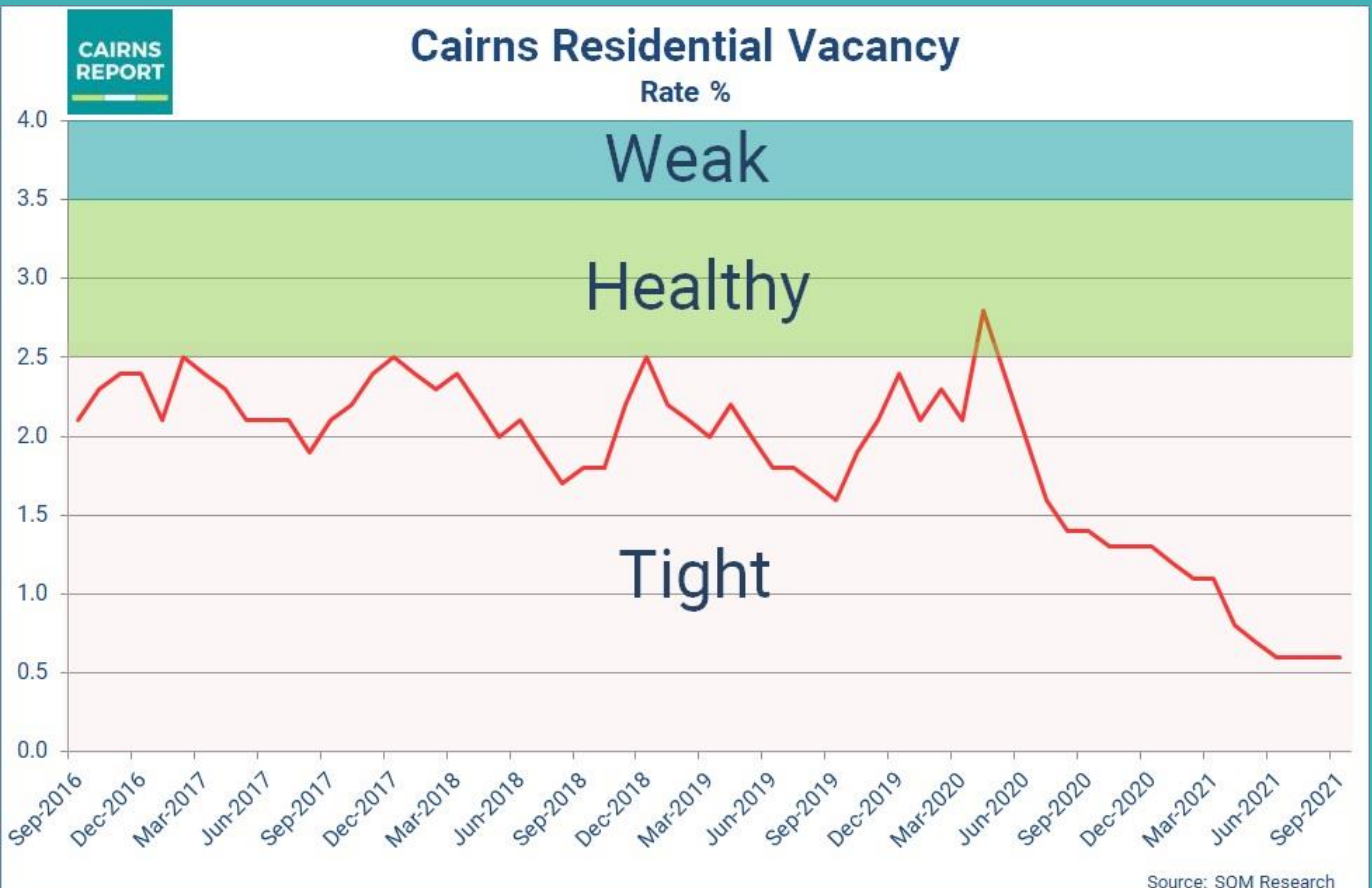
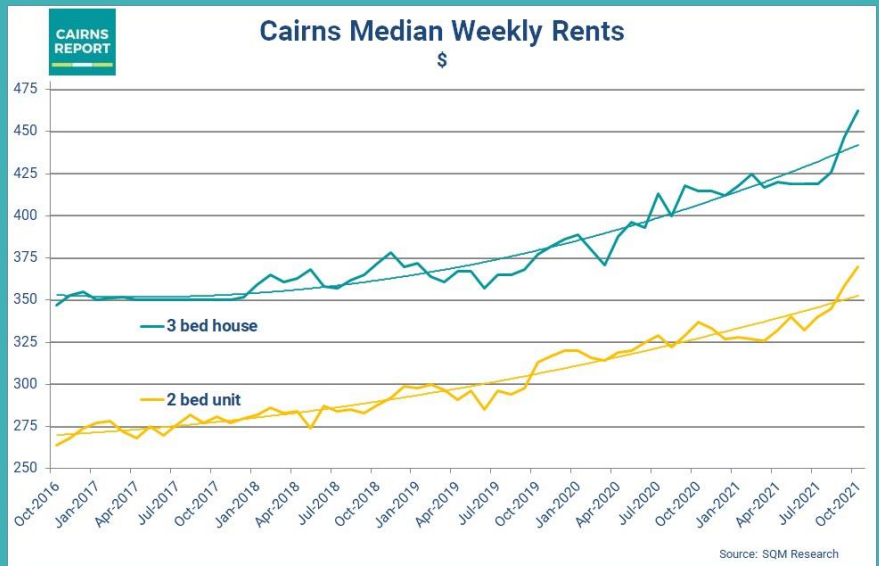
The extremely tight rental market, with the vacancy rate having been at a decade-long record low of 0.6% for the past four months is being reflected in very solid increases in median rental.

Rents appear especially strong at the moment with 2-bed units renting at a median weekly rate of almost \$370, an increase of more than 8% for the year to October, with 3-bed houses fetching \$462 per week, up more than 11% for the year.

MEDIAN RENTS

▲ **\$370** P/W
2-BED UNIT

▲ **\$462** P/W
3-BED HOUSE



Council areas across Far North Queensland continue to lag well behind the national vaccination rate, which could hold serious consequences for the tourism sector and health authorities.

The low rates on many Indigenous communities remain a major concern, with

only 24.5% of over-16s in the community fully vaccinated compared to the national rate of around 77%.

It is now vital that the region gets its vaccination rate as high as possible before the inevitable arrivals of COVID as visitors return from late-December.

LOCAL GOVERNMENT AREA	AS AT 24/10/21	FIRST DOSE	SECOND DOSE
Tablelands Regional Council		72.0%	60.7%
Cairns Regional Council		74.7%	62.8%
Douglas Shire Council		73.4%	60.6%
Cassowary Coast Regional Council		70.4%	55.5%
Mareeba Shire Council		61.9%	50.7%
Townsville City Council		72.5%	60.8%
Yarrabah Shire Council		42.9%	24.5%
QLD & AUSTRALA	AS AT 31/10/21	FIRST DOSE	SECOND DOSE
Australia		88.3%	77.5%
New South Wales		93.6%	87.8%
Victoria		91.8%	80.7%
Queensland		77.8%	64.1%



GROWTH OPPORTUNITY

The Indigenous business sector is growing rapidly, and faster than the rest of the economy. The number of Indigenous businesses has increased significantly. Between 2006 and 2016, the number of Indigenous businesses jumped by almost 72 per cent to 11,587. Despite this rapid growth, the rate of business ownership by Indigenous Australians is much lower than non-Indigenous Australians.

Cairns is a regional hub for Cape York, the Torres Strait and also North-Western Queensland communities. The percentage of the Aboriginal and Torres Strait Islander population is increasing and there are opportunities for Cairns businesses to partner and develop opportunities in the sector and to employ more Aboriginal and Torres Strait Islander people.



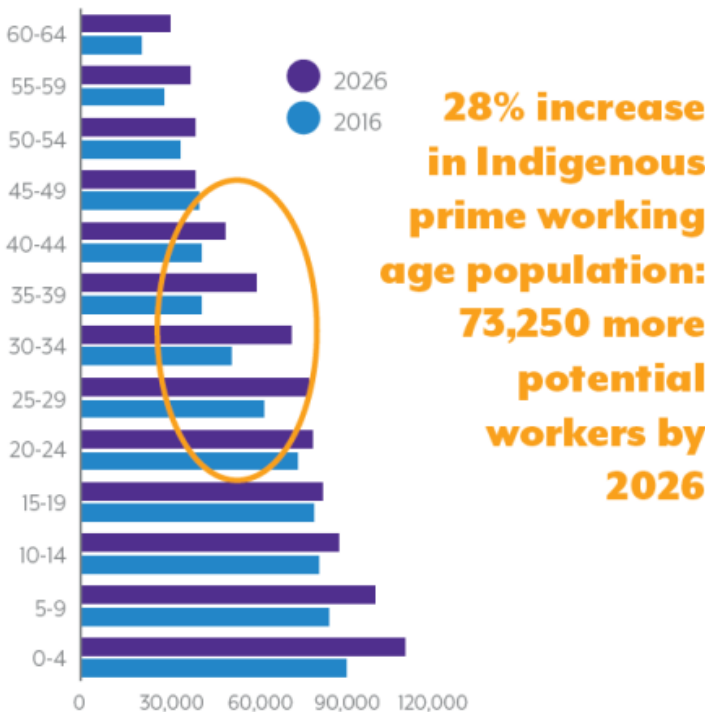
Anthony Beven
Partner – Indigenous Advisory
Grant Thornton

KEY TAKEAWAYS

- > Aboriginal and Torres Strait Islander businesses are defined as businesses that are 50% or more owned and controlled by Aboriginal and Torres Strait Islander people
- > Indigenous businesses only represent between 0.6 and 0.8 per cent of the 2.1 million businesses nationwide, whilst 3.3 per cent of the Australian population were Indigenous at June 2016
- > Collectively, Supply Nation registered Indigenous businesses earn more than \$1.15 billion per year with revenues growing at an annual average rate of 12.5%. Average revenue per business was \$1.65m. (NIAA, 2021). The businesses in 2016 employed 15,064 people at an average of 14 workers per business

Massive demographic dividend on the horizon

Indigenous Population projections by age, ABS ⁵



Source: Supply Nation

Source: ABS & Supply Nation



DRIVING DEMAND

State, Territory and Commonwealth governments and some corporate buyers are already driving demand for Indigenous businesses. The Commonwealth Government’s Indigenous Procurement Policy (IPP) has driven rapid growth in demand for Indigenous goods and services. How the IPP works:

- > Annual targets for the volume and value of contracts to be awarded to Indigenous enterprises by the Commonwealth and each Portfolio.
- > The Mandatory Set Aside (MSA) requires that Indigenous businesses be given an opportunity to demonstrate value for money before a general approach to market. The MSA applies to procurements to be delivered in remote Australia and for all other procurements wholly delivered in Australia valued between \$80,000 \$200,000 (GST inclusive).
- > Indigenous employment and business participation targets apply to contracts

Estimates for the number of Indigenous businesses

Source (year of research)

Estimate (year)

Census (2011)	8,900
Hunter (2013) (self-employed)	12,500
PwC Indigenous Consulting (2016)	11,760 to 16,260

wholly delivered in Australia valued at \$7.5 million or more in 19 industries, known as Mandatory Minimum Indigenous Participation Requirements (MMR).

- > Over 943 Indigenous businesses secured more than 10,920 new contracts during the 2020-21 financial year. As of 21 September 2021, these were valued in total at \$1.09 billion.
- > The Commonwealth and all portfolios exceeded their 2020-21 targets of 3 per cent of the number and 1.25 per cent of the value of accessible contracts being awarded to Indigenous businesses.

INDIGENOUS BUSINESS REPRESENTATION

TOP 10 INDUSTRIES

REVENUE \$M

% OF TOTAL

Construction	395.5	34%
Administrative and Support	115.9	10%
Electricity, Gas, Water and Waste	77.2	7%
Transport, Postal and Warehousing	67.0	6%
Professional, Scientific and Technical	64.4	6%
Healthcare and Social Assistance	51.2	4%
Wholesale Trade	44.8	4%
Financial and Insurance	44.1	4%
Mining	43.7	4%
Rental, Hiring and Real Estate	40.2	4%
Total across all sectors	1148.4	



Nicholas Slatyer
Belle Property Cairns

As a tourism driven city, the manner in which vaccine mandates may soon effect tourism operators, customers and staff remains unclear. In New South Wales and Victoria, clear guidelines and various stages of 'freedoms' are in place for vaccinated and non-vaccinated residents. but we are yet to see what hard and fast rules might be in place in Queensland once the border opens from mid-December. As a national firm with a strong presence in Cairns and across Queensland, we are constantly working through the latest updates and plans from governments to provide clarity for clients. The tourism sector needs clarity sooner rather than later so they can start planning for the next phase of re-opening.



Ranjit Singh
Holding Redlich

The number of available rental properties is rising since July, which could be an indicator that our prolonged lack of tourists is starting to have an impact.

It will be very interesting to watch what happens when the flood gates open for Christmas. Will there be enough workers to accommodate the expected influx of tourists?

The number of properties selling in the upper end of the market (properties over \$1 million) is incredible. We are headed for a 300% increase in volume over our previous record.

Our 2021 statistics show that 60% of our buyers in that range are local, down from closer to 80% in 2019.

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