

DECEMBER 2021



CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy



PRESENTED BY



Cairns jobs market faring much better than early dire predictions

As our detailed analysis of the latest employment data (see pages 3 to 7) of this month's Cairns Report demonstrates, it seems unlikely we will see the kind of disastrous employment declines that some had predicted on the back of the lock-out from our southern tourism markets. Once again, we saw a sharp move higher in the number of job vacancies being advertised online in the Far North and this, together with the decline seen in the number of JobActive cases, suggests the labour market in Cairns remains rather more robust than might have been expected given the challenges the tourism sector faced in 2021.

UNEMPLOYMENT RATE

5.2%	5.1%	4.3%
NATIONAL	QLD	CAIRNS

PEOPLE EMPLOYED

12,835,200	2,649,700	131,900
NATIONAL	QLD	CAIRNS

PROPERTY PRICES

\$259,000	\$398,000
UNITS	HOUSES

MEDIAN RENTS

\$372 P/W	\$482 P/W
2-BED UNIT	3-BED HOUSE

PASSENGERS

456,312	▼	171,500
OCTOBER '19		OCTOBER '21
		CAIRNS AIRPORT

BUILDING APPROVALS

94 APPROVALS IN SEPTEMBER

▼ -15%

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. © The Cairns Report 2021. For media or reproduction purposes, please credit The Cairns Report.

CAIRNS REPORT

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Cover: Sunset at Port Douglas.

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Grant Thornton

HOLDING REDLICH

The number of people employed in Cairns is above the level of a year ago, although the pace of growth (+2.7% for the year) is well below the State (+3.5%) rate.

The effects of the lockdowns in NSW, Victoria and the ACT were still weighing on the labour force data in October with further declines in the number employed across the nation. Queensland too saw a slight decline in those

employed but here, unlike at the national level, this came on the back of a sharp rise in September. As a result, for the first time in many years the Queensland unemployment rate now sits below that seen nationally.

PEOPLE EMPLOYED




12,835,200	2,649,700	131,900
NATIONAL	QLD	CAIRNS
		
LAST MONTH		
12,884,600	2,657,500	132,000

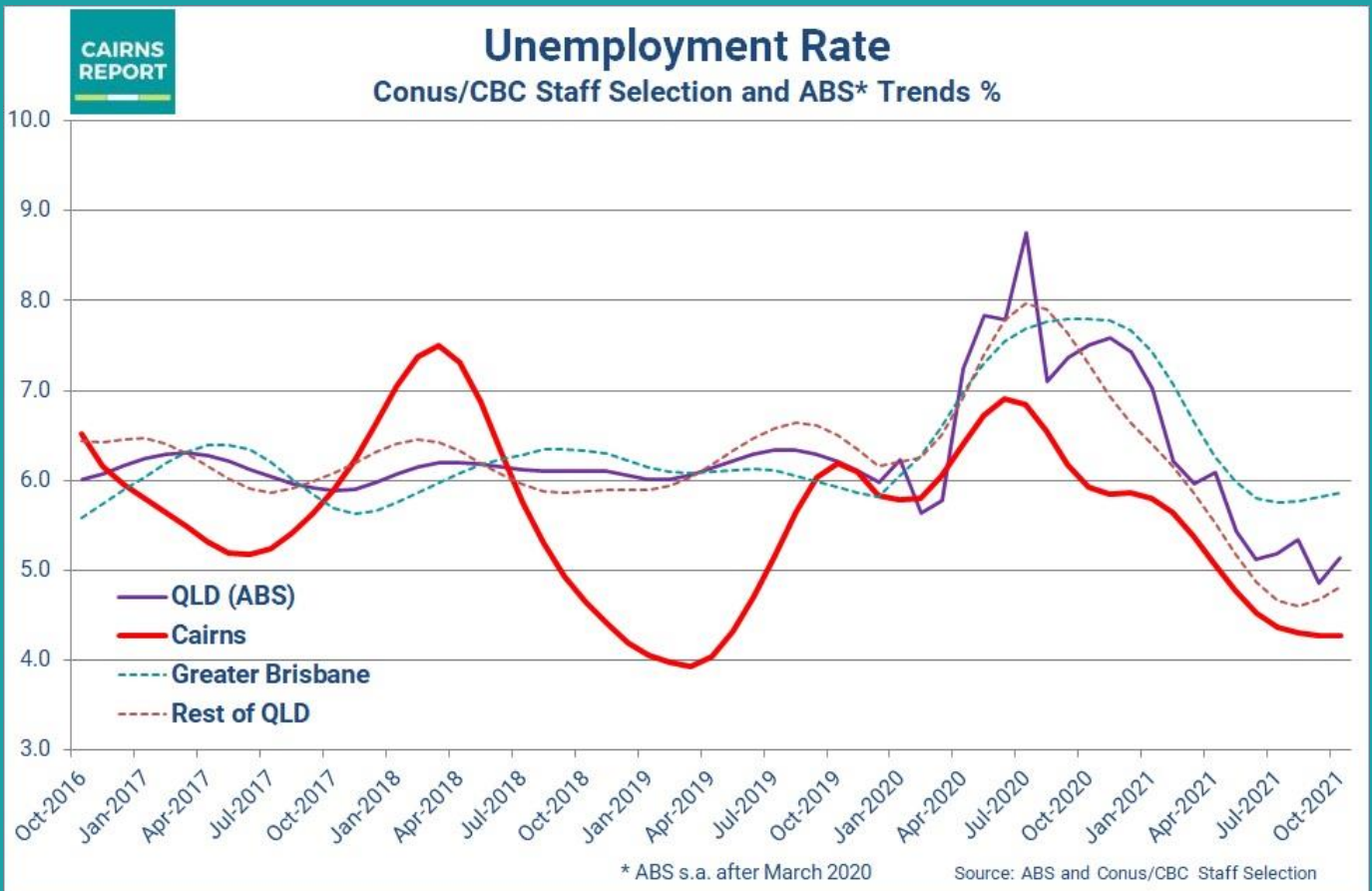


The Cairns unemployment rate remained stable at 4.3% despite a slight fall in Trend employment in October (down 400). The local participation rate barely moved.

For the first time in many years, the Queensland unemployment rate now sits below that seen nationally.

UNEMPLOYMENT RATE

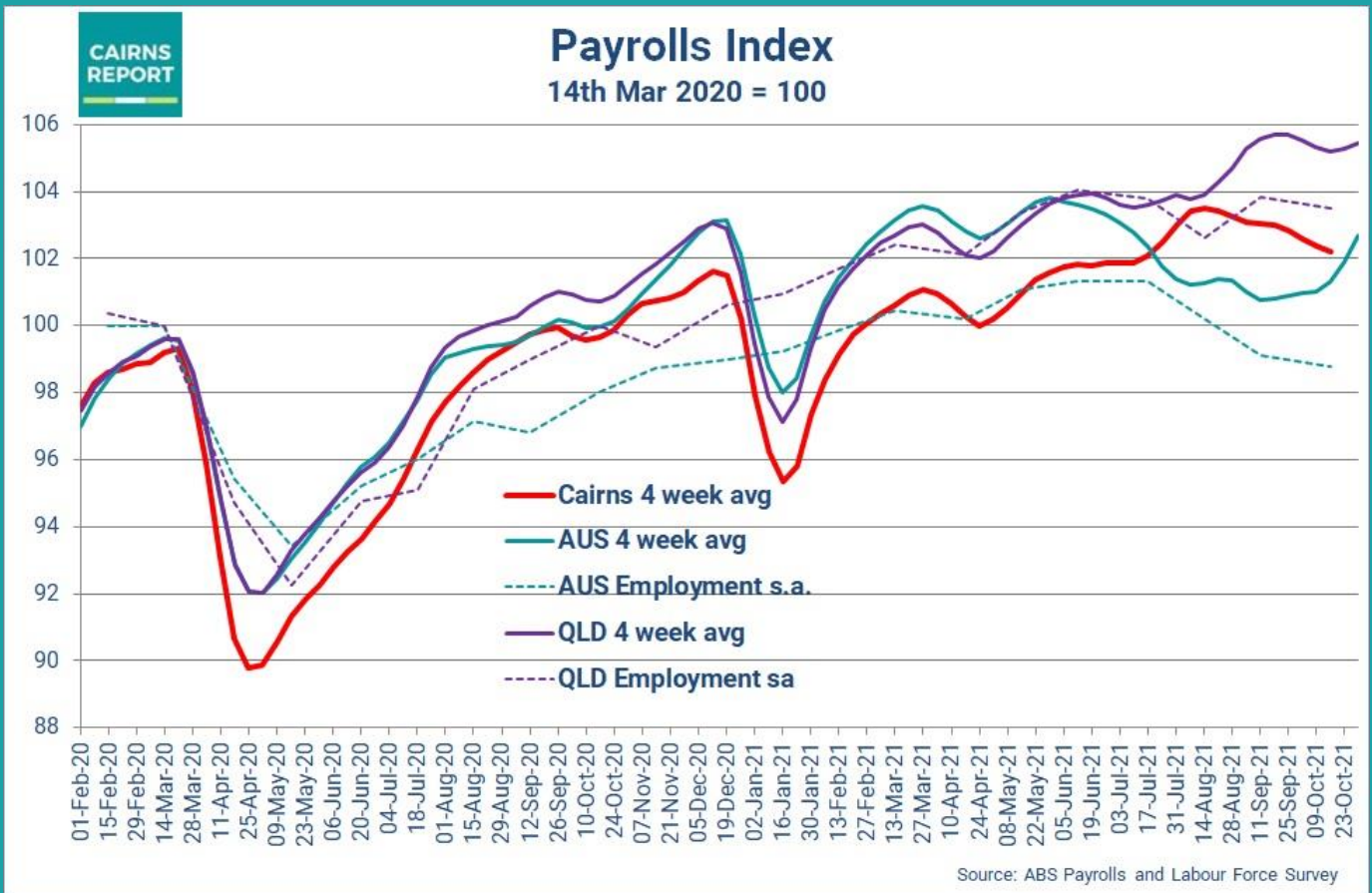
5.2%	5.1%	4.3%
NATIONAL	QLD	CAIRNS
		
4.6%	LAST MONTH	4.3%



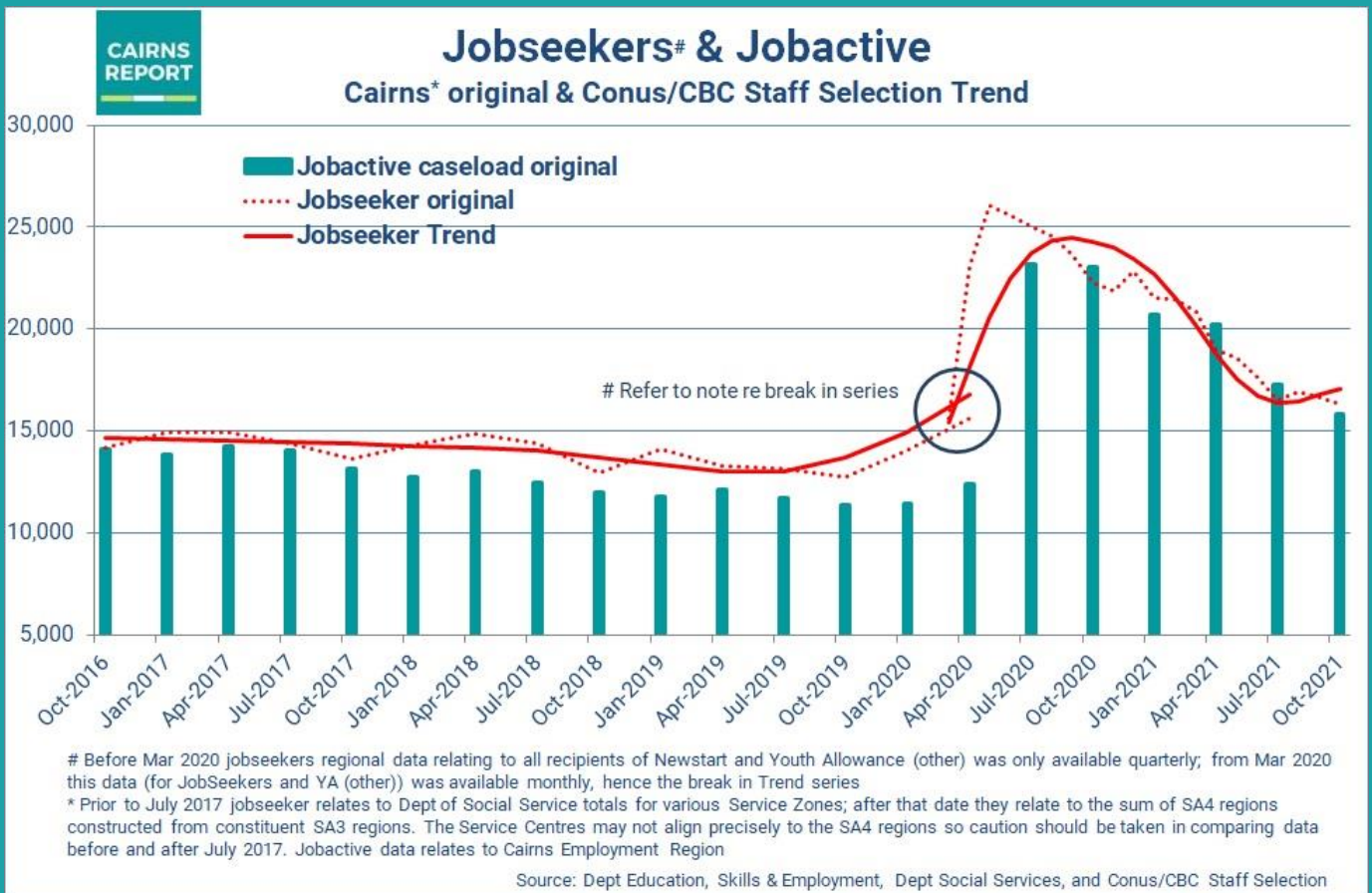
The most recent Payrolls data from the ATO and ABS show at the national level that, as the lockdowns in NSW and Victoria were relaxed, employment enjoyed a very sharp jump upwards.

Given the timings of the relaxations this improvement did not show up in the monthly labour force data (which showed a decline in employment) but does suggest that the

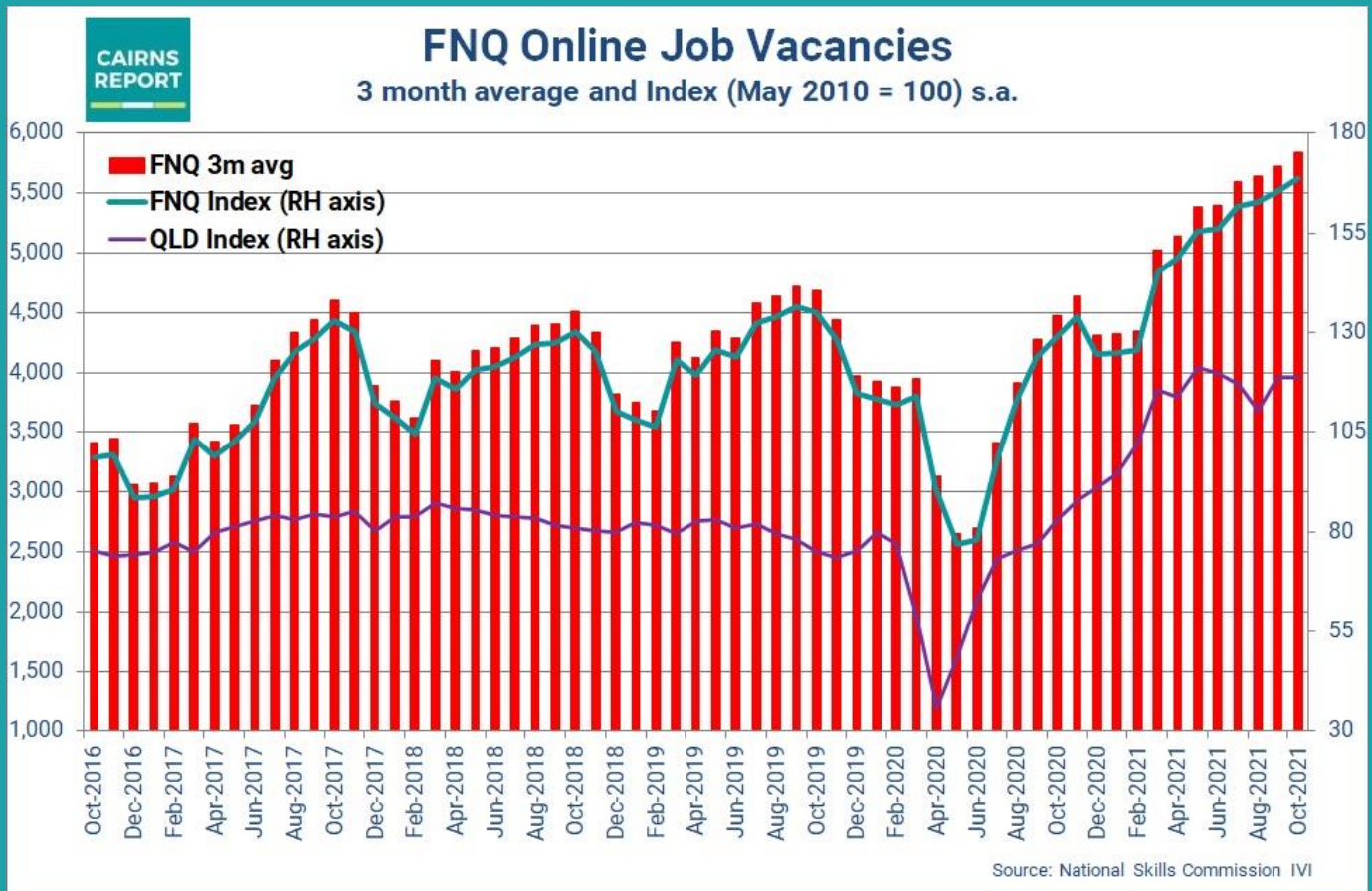
November data is likely to be much stronger. Queensland also saw a moderate payrolls improvement although because there was no lockdown from which the State was opening that improvement was much more moderate. While the data for Cairns is not as current as at the state and national level, we have not yet seen a similar improvement in our region.



The 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



The latest online job vacancy advertisement data (October) shows another sharp move higher in the Far North.



After the very strong approvals numbers earlier in the year we have seen the data settle at around 100 approvals per month in Cairns.

This is a solid improvement from the trend seen a few years ago and suggests that the continuation of low interest rates and a generally tight housing market will keep the construction sector robust over coming months in the new year.

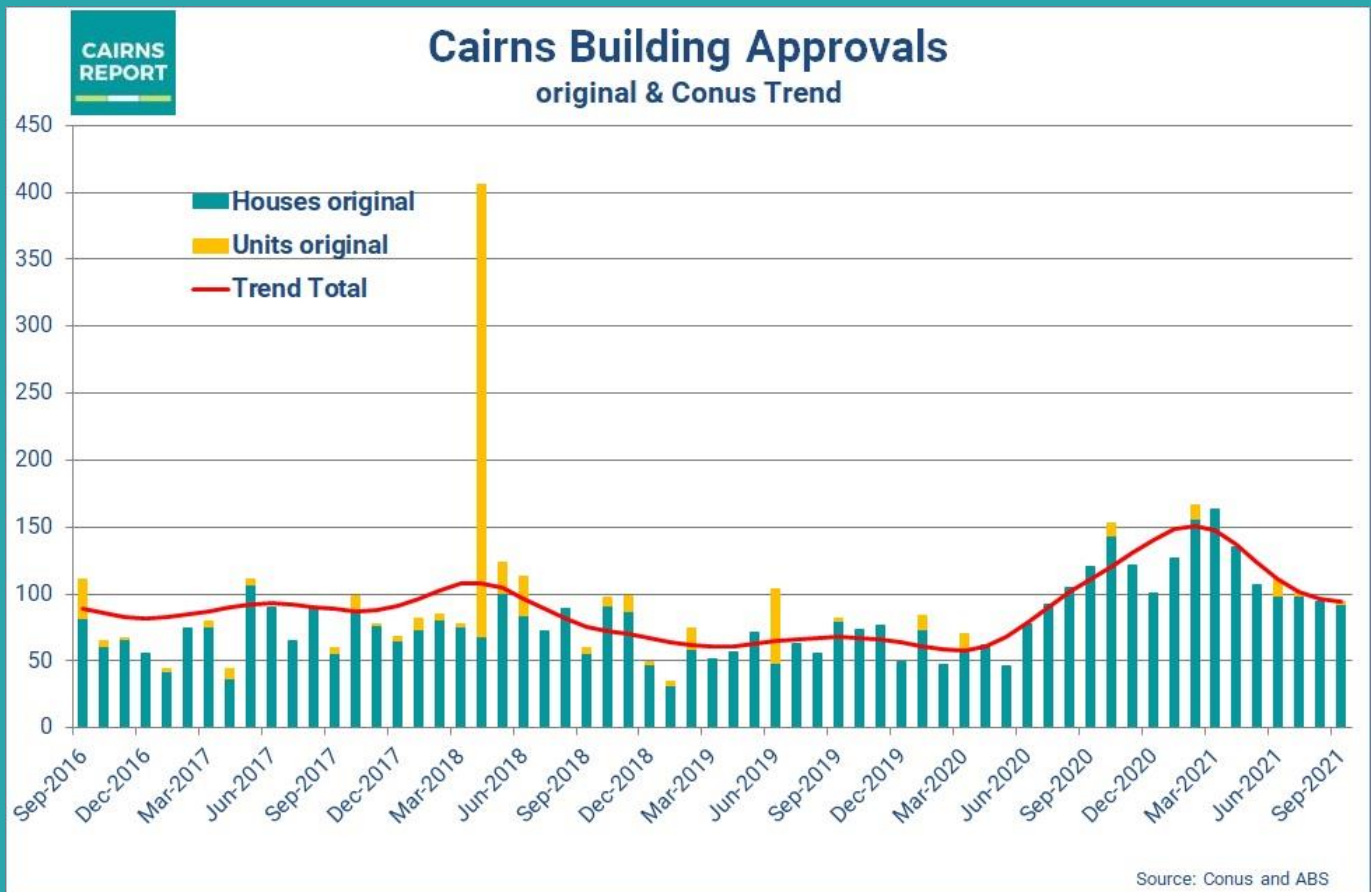
HOUSES

▼ -15%

Building approvals change from a year ago

Residential approvals seem to have settled at around 100 approvals per month.

The delay between approvals going through Council and construction work actually starting on the ground points to the surge in approvals through the earlier part of this year also supporting the sector as we move into 2022.



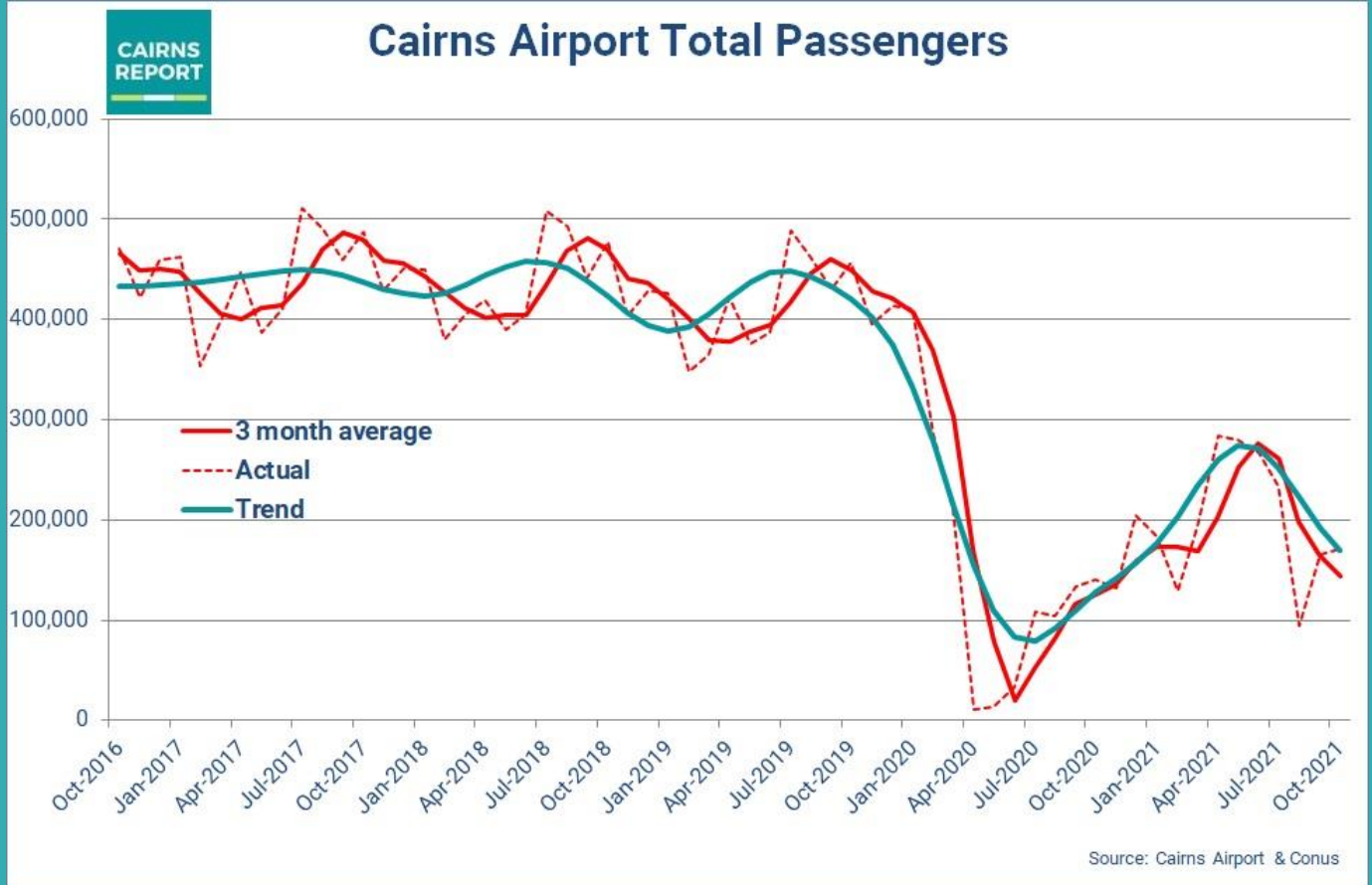
With State borders re-opening on December 13, we can expect (and hope) to see a solid improvement in the number of passengers moving through the Cairns Airport.

However, with data currently only available to October we are still in a period where activity at the airport is being severely restricted by the lockout of NSW, Victoria and ACT. Having said that, since the middle of the year we have seen a modest improvement in

PASSENGERS

456,312	▼	171,500
OCTOBER '19		OCTOBER '21

the data; although this has been insufficient to shift the direction of both our Trend and seasonally adjusted series. That will surely change once we get data for December and domestic travel ramps up again.

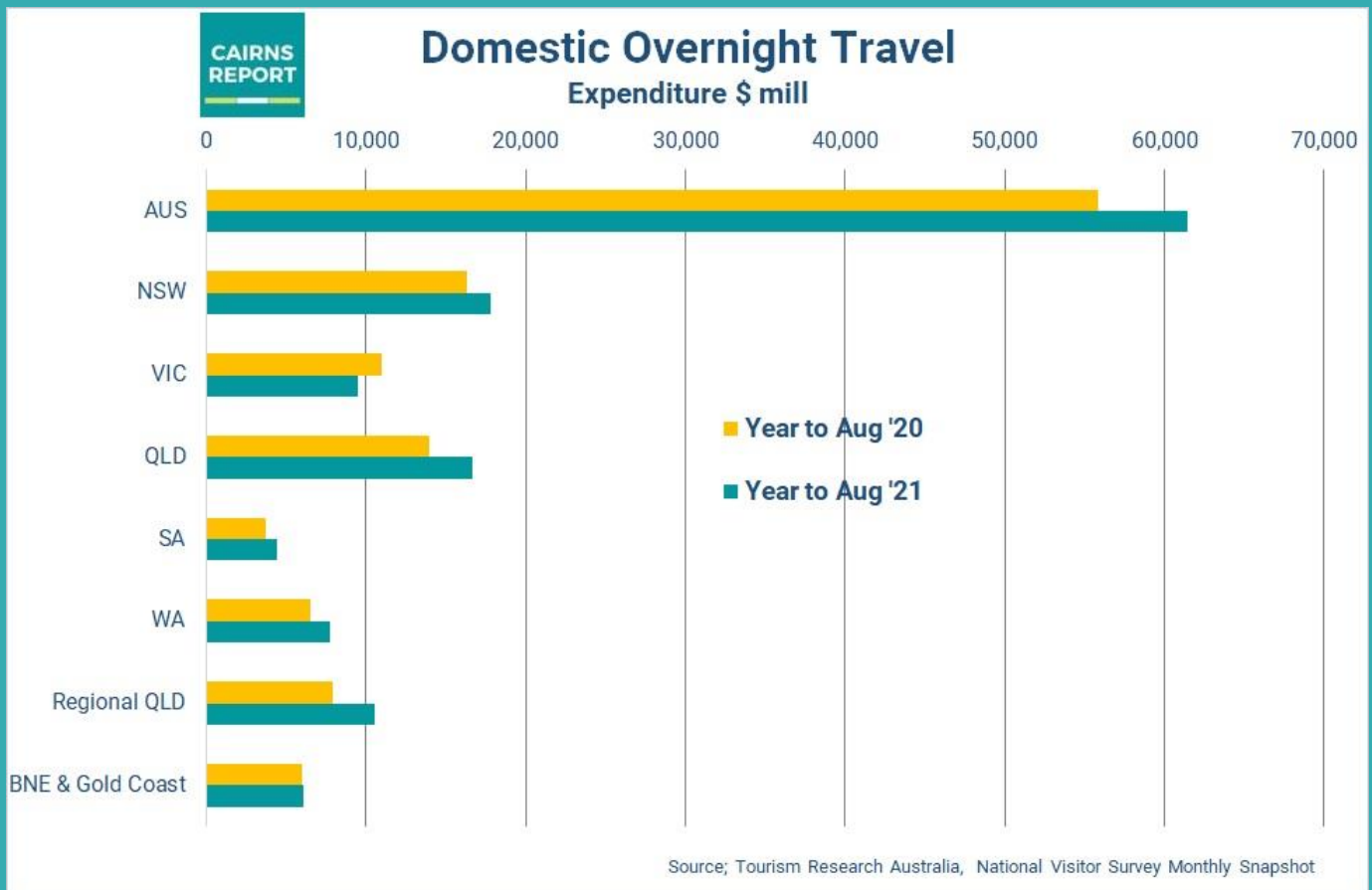


Monthly snapshot domestic tourism data for August shows that Regional Queensland suffered from a domestic tourism slowdown as the southern states endured their lockdowns.

Nevertheless, even in the face of this slowdown, tourism expenditure in the regional Queensland for the past 12 months is up 33% compared to

just a 10% increase nationally, an increase of 20% in Queensland and an increase of less than 3% in Brisbane and the Gold Coast.

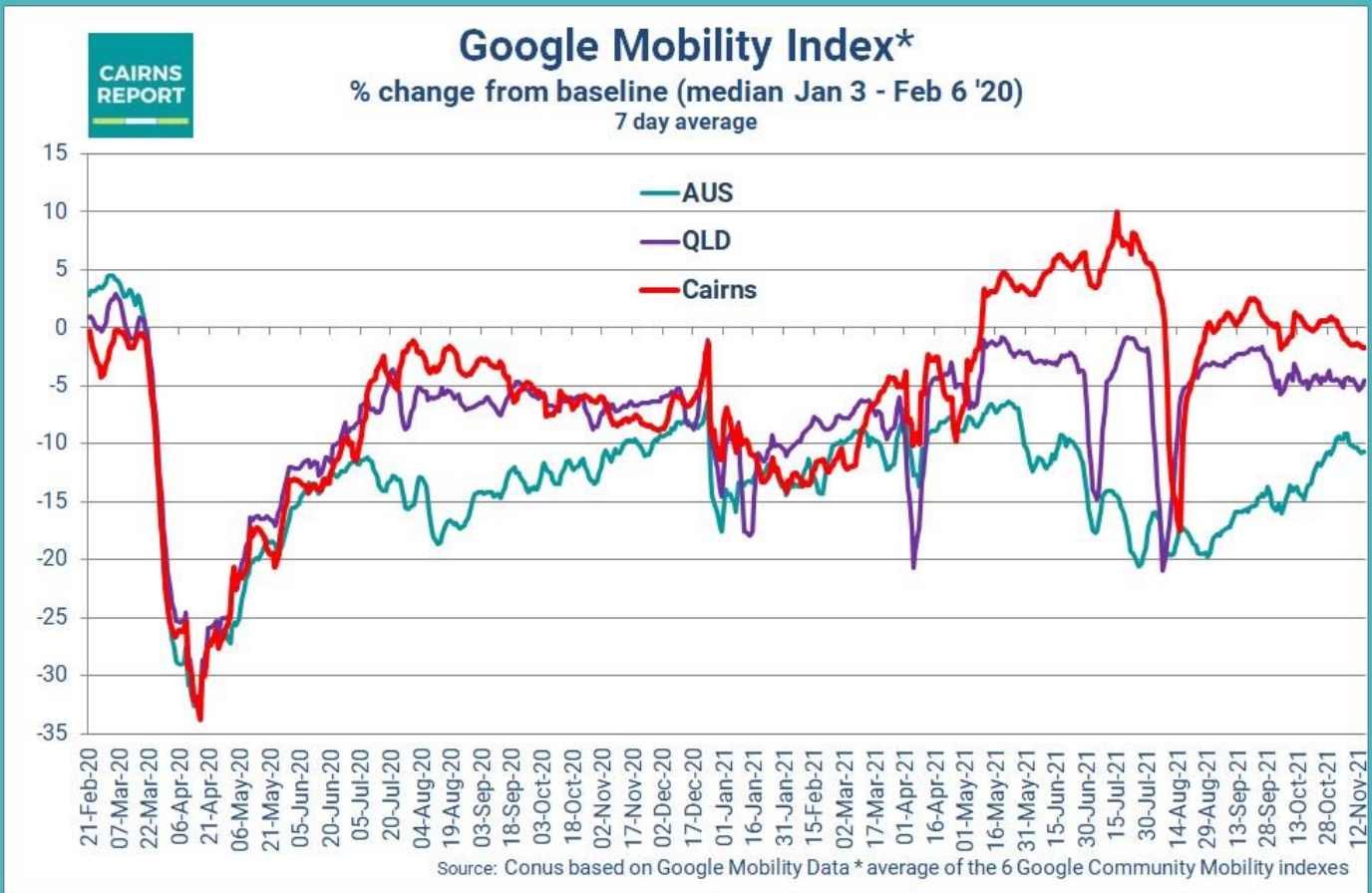
This monthly data does not provide granular data for the Far North but consideration of previous data suggests that the increases seen across regional Queensland will not have been as strong in the Far North.



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.

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

▲ **\$259,000** UNITS ▲ **\$398,000** HOUSES

Source: SQM Research

House and unit prices continue to increase with reported price rises averaging between 4-6% for the year.

Commentary from within the market make it clear that this data is still not capturing the scale of the actual increases being seen with many sales notching up double-digit increases across many suburbs and off-market transactions somewhat clouding the data.

Quarterly sales volume data (which is quite lagged due to reporting delays) confirms the anecdotal evidence of a very healthy market in the region. Over the course of the past 3 quarters (to Sept this year) sales volumes were up more than 52% on the same period 2 years ago, before the onset of the COVID pandemic.



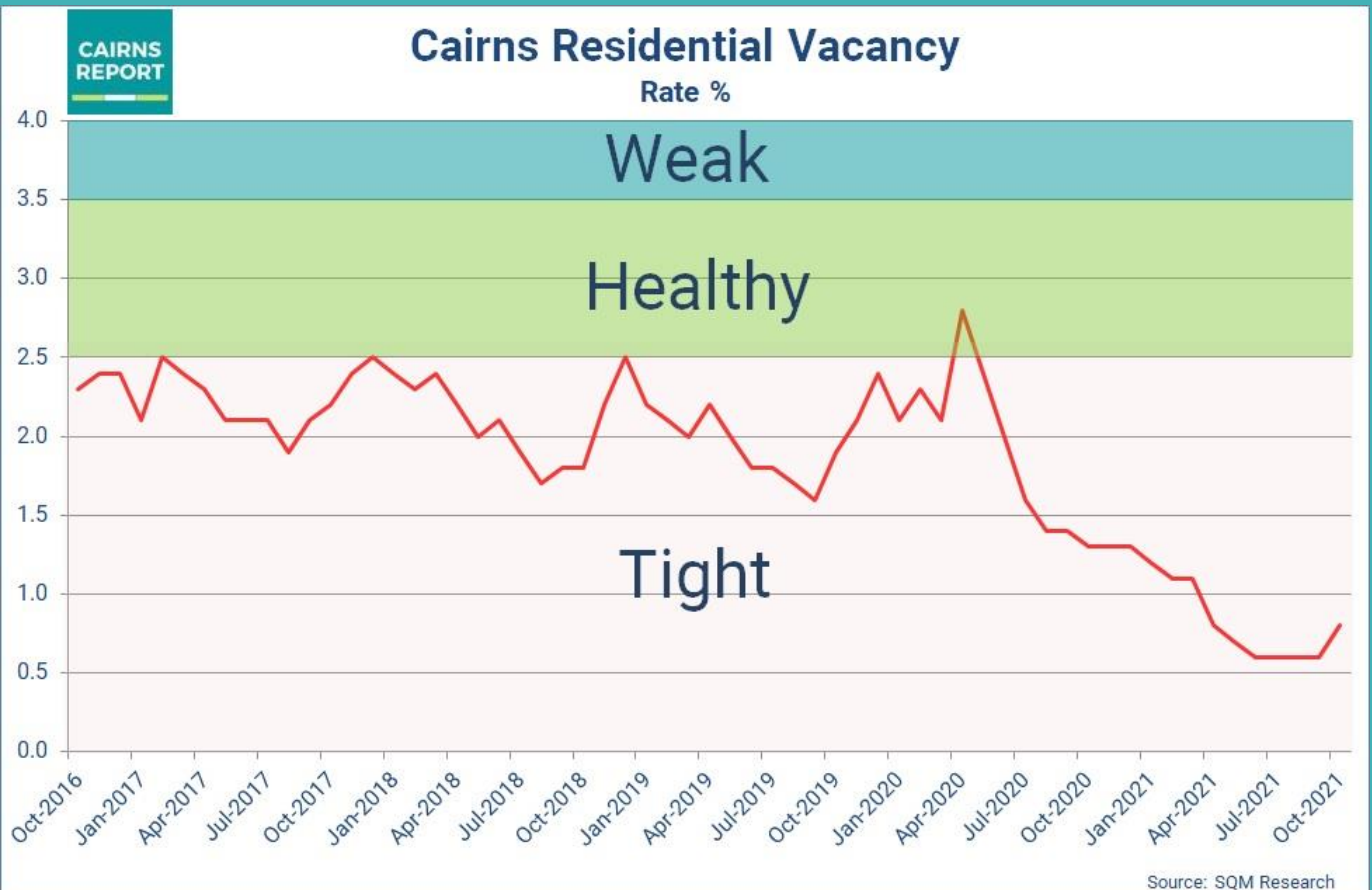
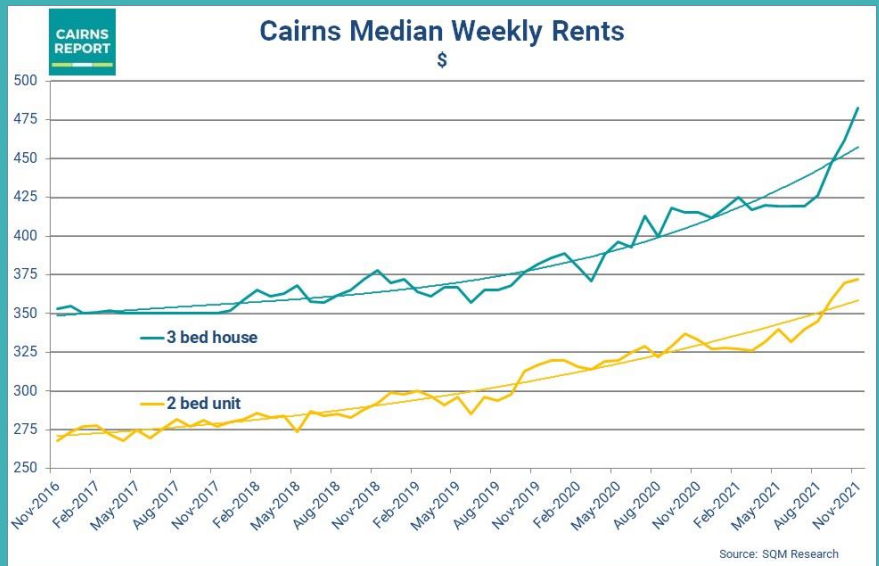
The vacancy rate in Cairns appears to have eased slightly in October but still remains, at 0.8%, close to record lows.

The data suggests no easing up in the strength of rents which continue to climb sharply. 2-bed units are renting at a median weekly rate of \$372, an increase of almost 12% for the year to November, with 3-bed houses fetching an eye-watering \$482 per week, up more than 16% for the year.

MEDIAN RENTS

▲ **\$372** P/W
2-BED UNIT

▲ **\$482** P/W
3-BED HOUSE



With vaccination rates slowly rising to 80% in Queensland, the recent announcement of the border re-opening on December 13 means we should see a healthy return of visitors in the run-up to the Christmas holidays.

Quarantine-free international travel is slated to start once we hit a 90% fully-vaccinated level so it is imperative for our tourism sector, as well as community health, that vaccine rates continue to climb.

LOCAL GOVERNMENT AREA	AS AT 5/12/21	FIRST DOSE	SECOND DOSE
Cairns Regional Council		89.3%	78.9%
Douglas Shire Council		86.6%	77.7%
Tablelands Regional Council		85.9%	75.1%
Cassowary Coast Regional Council		87.0%	74.7%
Mareeba Shire Council		77.4%	66.0%
Townsville City Council		86.6%	77.2%
Yarrabah Shire Council		66.5%	48.0%
QLD & AUSTRALA	AS AT 6/12/21	FIRST DOSE	SECOND DOSE
Australia		93.0%	88.3%
New South Wales		94.7%	92.9%
Victoria		93.5%	91.4%
Queensland		87.5%	79.1%



Nicholas Slatyer
Belle Property Cairns



After another rollercoaster year for Cairns (and the world), there are some key priorities that our region should now focus on to ensure we build up some stability and momentum in the local economy. Reinstating the skilled migration program to address the growing skills shortage across most sectors, setting a firm date for the return of international tourists and students, and a united front when we push for campaign promises during the Federal election campaign are just some of the priority areas we need to focus on. We also need longer-term, energetic vision from our Council, State and Federal representatives to drive the city forward over the next few years beyond the immediate challenges the business community will face over coming months.



Ranjit Singh
Holding Redlich

I don't believe our property market is overheated. There is a lot of talk about what stage we are at in this upturn, and how long it will last, and my thinking is that we are in the first year of a 2 to 3-year upswing. It will ebb and flow of course but the trend upwards will continue... I think. Whilst this position obviously suits our business, I'm not spruiking. The economic indicators are sound and, fundamentally, property in Cairns isn't overpriced... just higher than it once was.

No matter what happens in the next few years, interest rates will not skyrocket to a level that is unaffordable. Unemployment Australia wide is at record lows and predicted to continue in that direction. Our borders will be open, local business will get back to some version of normal and most importantly for the Cairns property market (in my opinion) we will have strong net population growth.

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2021 has been an interesting year. We act for a number of Aboriginal and Torres Strait Islander health organisations in the region and in this sector, COVID-19 has actually resulted in significant additional government investment in new health initiatives and infrastructure for a number of health organisations. However, challenges in this sector remain. Vaccine hesitancy due to misinformation circulating on social media has resulted in very low vaccination rates in some communities and attracting enough qualified doctors and nurses to deliver services in remote areas remains difficult.

We also act for a number of Aboriginal and Torres Strait Islander housing organisations which is another area that has proven challenging for Indigenous people. Often Aboriginal and Torres Strait Islander people cannot afford high rental rates and so a number of housing organisations are only able to charge lower rent levels. These rents often do not cover the cost of repairs, rates and insurance which continue to increase each year. Governments no longer provide operational funding for housing organisations. Whilst it has been evident that tenants have been

more up to date with their rent than ever (due to a fear of eviction for non-payment of rent in the pandemic) this is often not enough to cover costs. We are seeing overcrowding in houses as people and families don't have anywhere to live. The situation is not helped by the shortage of accommodation across the rest of Australia and rising costs of residential properties and maintaining them.

Another trend we have seen with the Native Title Representative Bodies we act for (Land Councils) is that finally our Aboriginal and Torres Strait Islander people are getting some closure on the Native Title claims that have been ongoing for the last few decades. This means that, finally, the traditional owner groups (Prescribed Body Corporates) can see some light at the end of the tunnel in getting their land back and this means so much to these groups both spiritually and physically. It very much aligns with the 2021 theme for NAIDOC (National Aborigines and Islanders Day Observance Committee) of "Heal Country!".



Helen Wilkes
Grant Thornton

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Pete Faulkner
CONUS



Although we've seen massive disruption in the Cairns economy in 2021, we end the year with a Trend unemployment rate below 4.5%.

However, that needs to be seen in the context of a large reduction in the size of our labour force as many people removed themselves from either being employed or actively looking for work.

Obviously, a full opening of the international market is still some way off for our tourism sector, so a full recovery will have to wait until later in 2022.

In sectors not as impacted as tourism, there have been signs of solid growth. Ultra-low interest rates combined with government incentives saw residential building approvals soar in the first half of 2021 and this pipeline of work to be done, along with government funded infrastructure works, should see the construction industry enjoying a solid 2022 with all the add-on benefits that has for our economy.

The region's largest employer, the Healthcare and Support Services sector, continued to expand and this looks set to continue through 2022. The potential return of international

students in the early part of 2022 means our Education & Training sector should also begin to recover.

A Federal election is just around the corner and that will (hopefully) deliver a flurry of funding promises for a variety of projects in the region. With some good news already regarding promised funding for CQUniversity's CBD campus, we can expect to see at least some other announcements for projects such as the University Hospital, Cairns marine precinct, roads and water infrastructure.

Challenges still exist; not the least of which is the problem for many of finding suitable accommodation in a very tight rental market. This will need addressing urgently if the region is to see a continuation of the strong internal migration already witnessed from southern cities to regional Queensland.

I am optimistic that the Cairns economy has the potential for a strong bounce-back through 2022 as we reap the rewards of having remained largely COVID-free and the attractiveness of living in our slice of paradise.

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There's never been a better time to subscribe to The Cairns Report – at least that's the verdict since our launch in April 2021.

With so much uncertainty and change in the local economy (not to mention at a state and national level), The Cairns Report delivered clear, concise, factual information and analysis at a time when the business community needed it most.

We surpassed 1000 subscribers in mid-November, and the feedback from readers has been incredibly rewarding with the Report fine-tuned as it grows with each monthly edition.

A huge thank you to Cairns Report's presenting partners, without whom it wouldn't be possible to deliver the Report free to your inbox each month: Grant Thornton, Belle Property Cairns and Holding Redlich.

Thanks also to our data analyst Pete Faulkner from CONUS and videographer Tate Robinson for their stellar contributions this year.

Have a fantastic, relaxing break over the festive season. We look forward to presenting your monthly economic snapshot in 2022 with our first edition in the new year to be published in February.

Please drop me a line with any feedback or inquiries: info@cairnsreport.com.au



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