

FEBRUARY 2022

CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy

PRESENTED BY



Cairns economy waits for 'new normal' after Omicron surge

If we had hoped that the re-opening of state borders would see a return to something approaching normality for domestic tourism, the Omicron surge has quickly put paid to that.

With infection numbers soaring, even when these are not matched by similarly dramatic hospitalisations, we are seeing a 'virtual shut-down' as many businesses struggle to stay open as staff are forced into isolation and visitors decide to stay at home out of an abundance of caution. Although vaccination rates in Queensland are now over 90%, the future for our tourism sector is very much tied to the outcome of the current Omicron surge.

UNEMPLOYMENT RATE

4.2%	4.7%	4.0%
NATIONAL	QLD	CAIRNS

PEOPLE EMPLOYED

↑ 13,242,000	↑ 2,666,600	↑ 132,500
NATIONAL	QLD	CAIRNS

PROPERTY PRICES

↑ \$268,000	↑ \$400,000
UNITS	HOUSES

MEDIAN RENTS

↑ \$370 P/W	↑ \$491 P/W
2-BED UNIT	3-BED HOUSE

PASSENGERS

413,137	▼	221,039
DECEMBER '19		DECEMBER '21
		CAIRNS AIRPORT

BUILDING APPROVALS

95 APPROVALS IN NOVEMBER
 ▼ -29%
 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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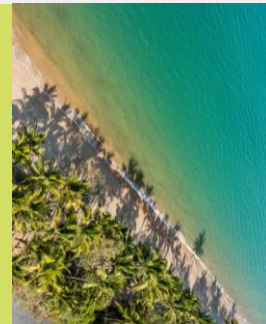
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Cover: Clifton Beach. Pic from Belle Property Cairns

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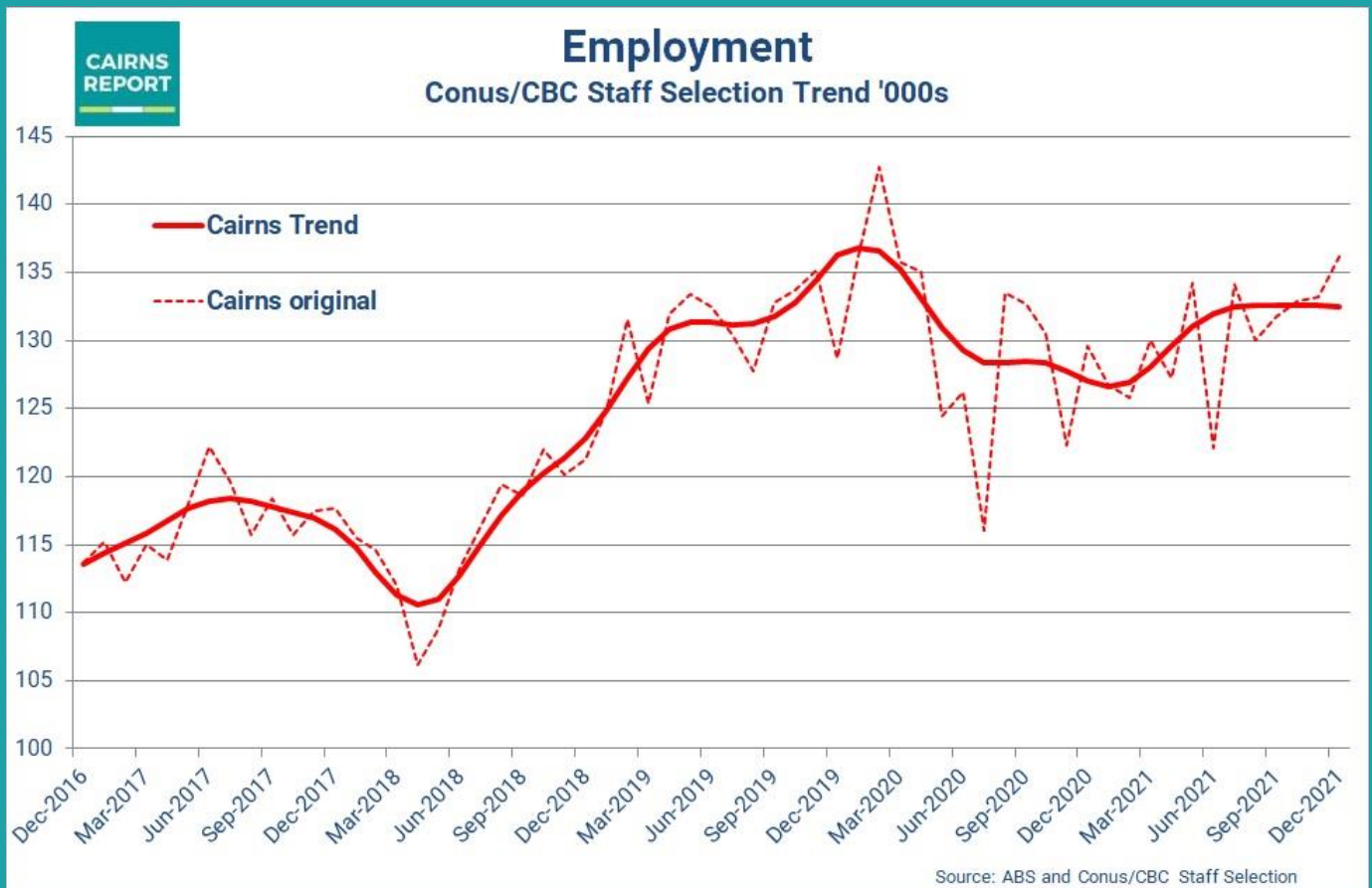
As the lockdowns in the south were unwound, we have seen a sharp recovery in the national labour market.

In Queensland, employment growth has remained robust, although we have not benefited from the post-lockdown bounce seen in NSW and Victoria (simply because we didn't have the lockdowns in the first place). In Cairns, Trend employment has stabilised over the past few months. Employment is above its level of a year ago and the pace of growth (+4.4% for the

PEOPLE EMPLOYED

13,242,000	2,666,600	132,500
NATIONAL	QLD	CAIRNS
↑	↑	↑
	LAST MONTH	
12,835,200	2,649,700	131,900




year) is similar to the State (+3.5%) rate. However, unlike at the State level where employment is now almost 100,000 above the pre-pandemic level, in Cairns Trend employment remains 4,000 below the levels of February 2020.

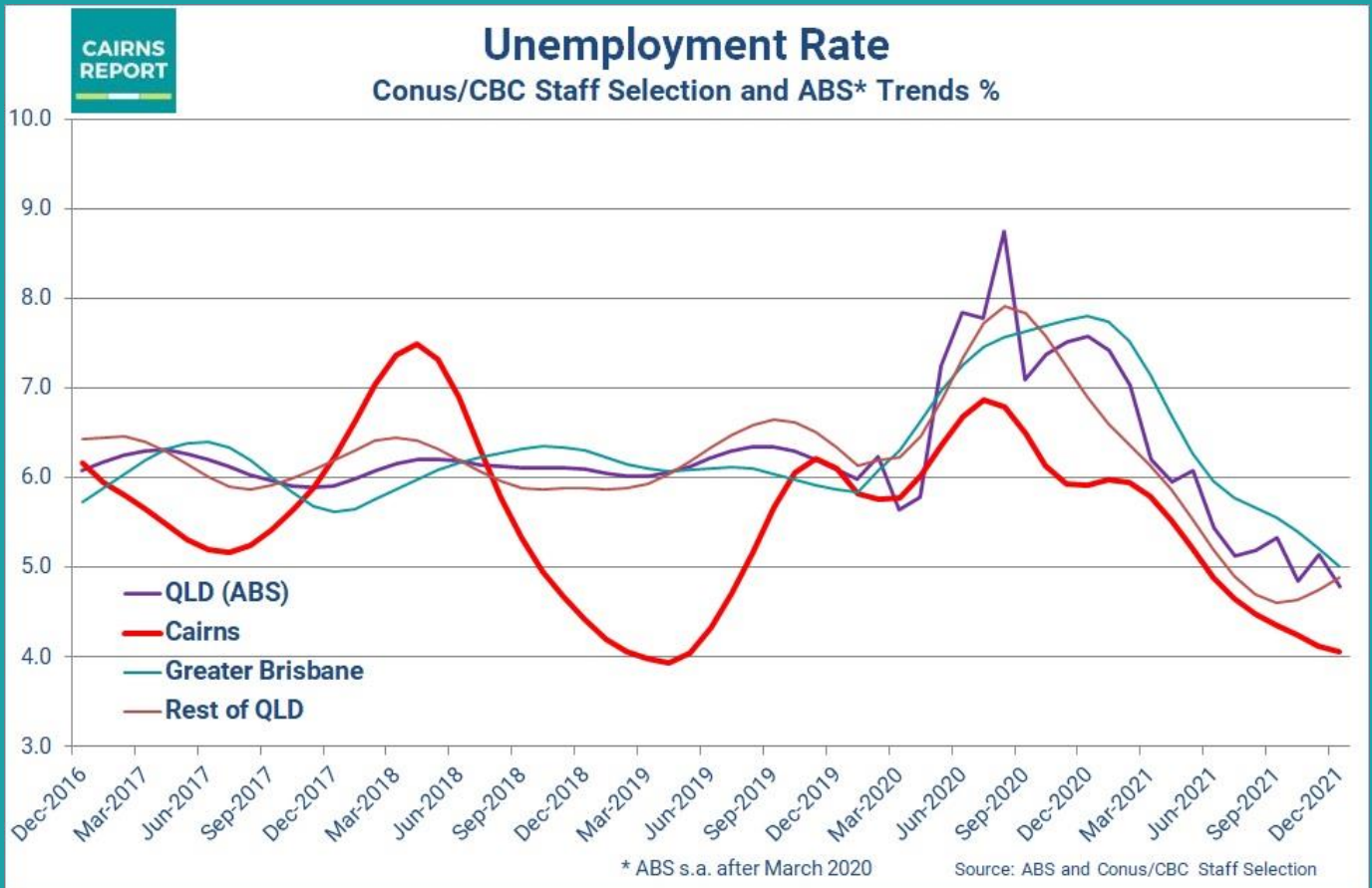


The Cairns unemployment rate has drifted slightly lower to 4.0%, while the national rate fell to 4.2%, its lowest rate since August 2008.

The unemployment rate in the Sunshine State has fallen to 4.7% and is at its lowest level since February 2009.

UNEMPLOYMENT RATE

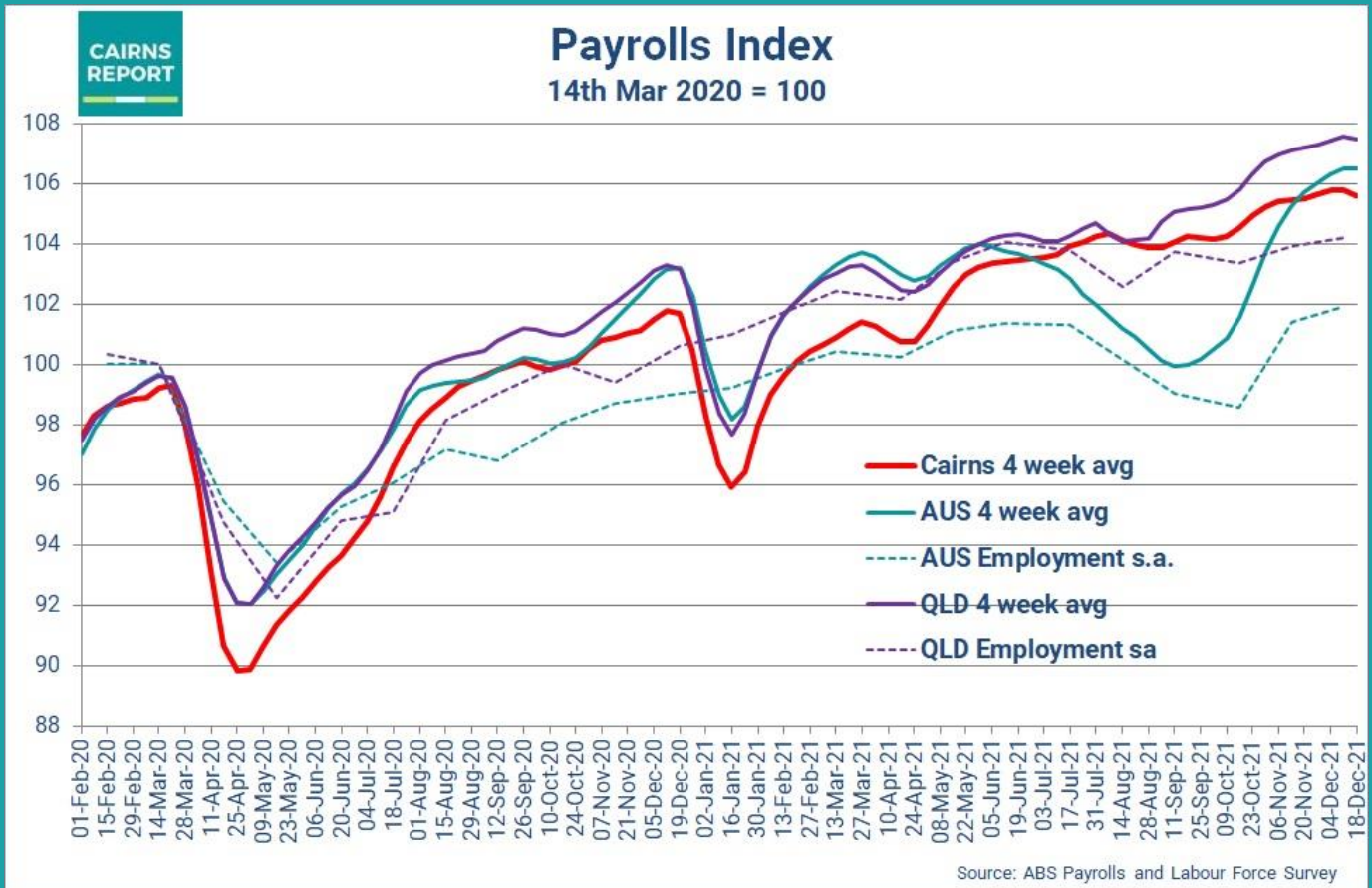
4.2% NATIONAL	4.7% QLD	4.0% CAIRNS
		
5.2%	LAST MONTH 5.1%	4.3%



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.

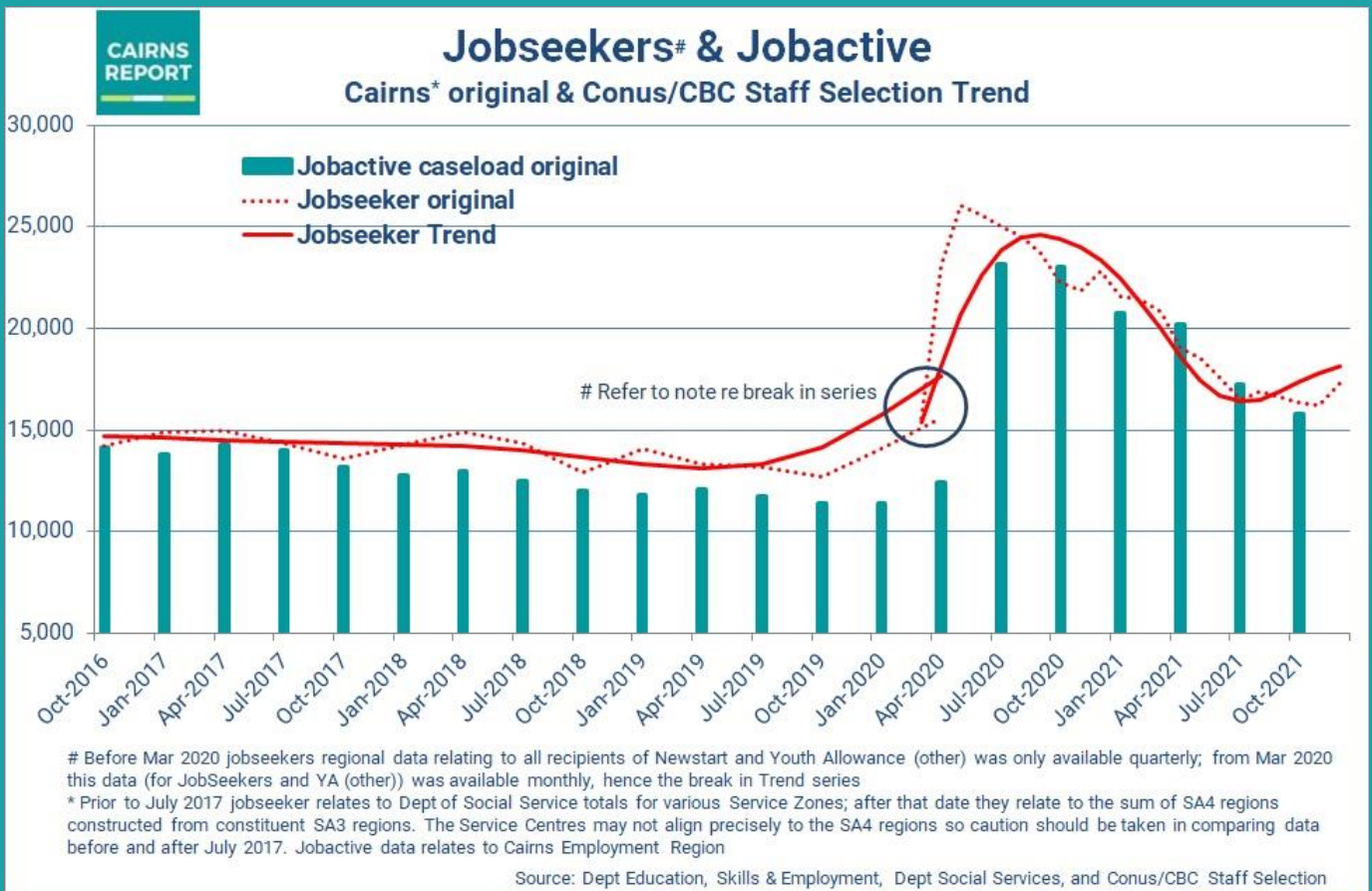
This improvement has also now shown up in strong labour force data for November and December.

The most recent Payrolls data, to 18th December, is inevitably impacted by seasonally holiday effects and these are likely to persist into the middle of January. The improvements in Queensland and Cairns were, as expected, not as dramatic as nationally.

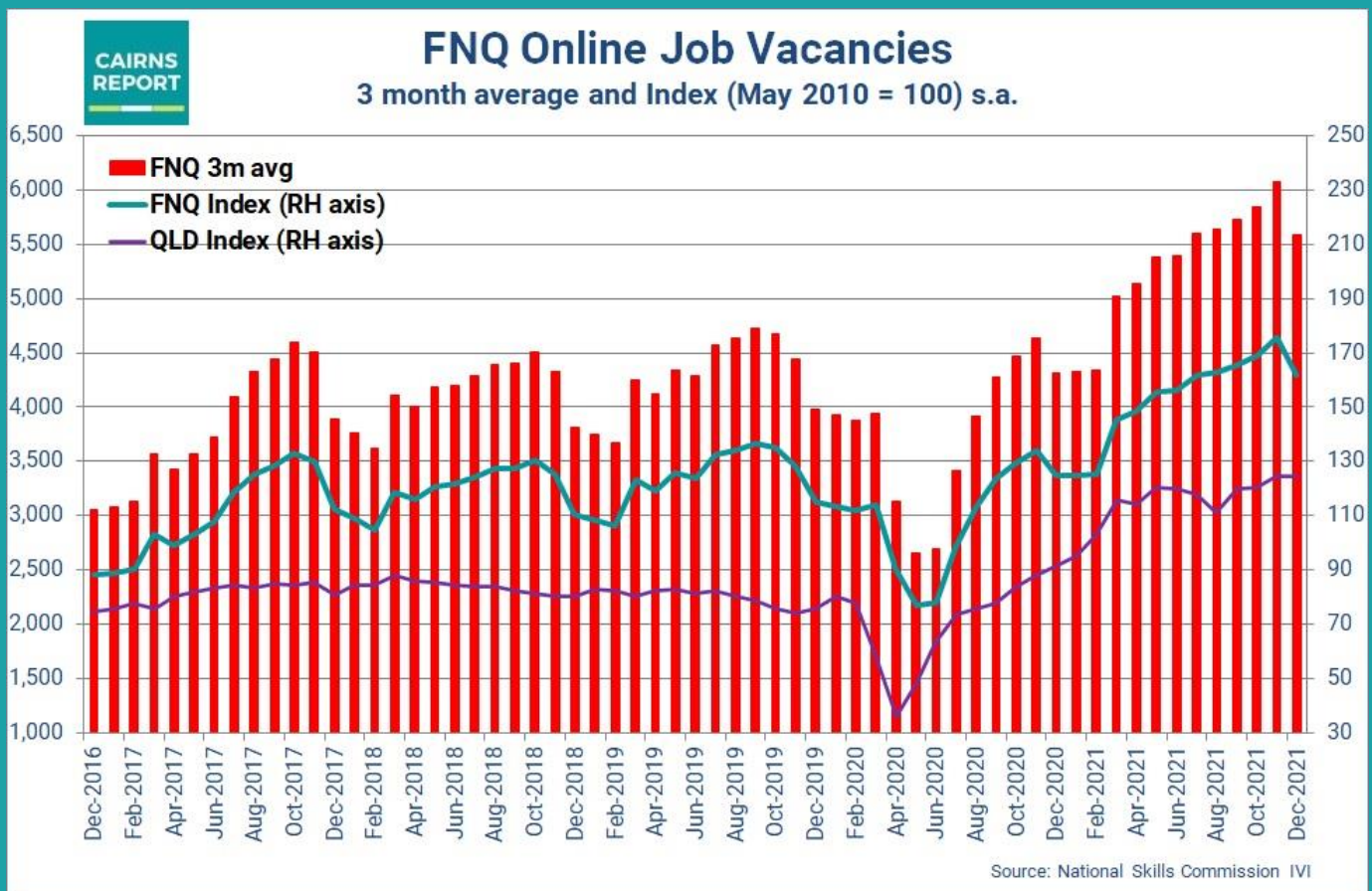


The JobSeeker numbers in Cairns have been showing a gradually increasing trend since the effects of the lock-downs in Victoria, NSW and ACT took hold. This tallies with the slight decline in the number employed that we saw in Cairns over the 4 months of 2021 and reverses at least

some of the decline enjoyed since the mid-2020 peak. JobSeeker numbers in Cairns remain elevated compared to the pre-pandemic data despite the historically low unemployment rate.



The number of online job vacancies advertised for the Far North in December eased from the highs of the October figures, but still remain extremely strong.



After the very strong approval numbers in the first half of 2021, we have seen the data settle at just under 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 at least through the first half of this year.

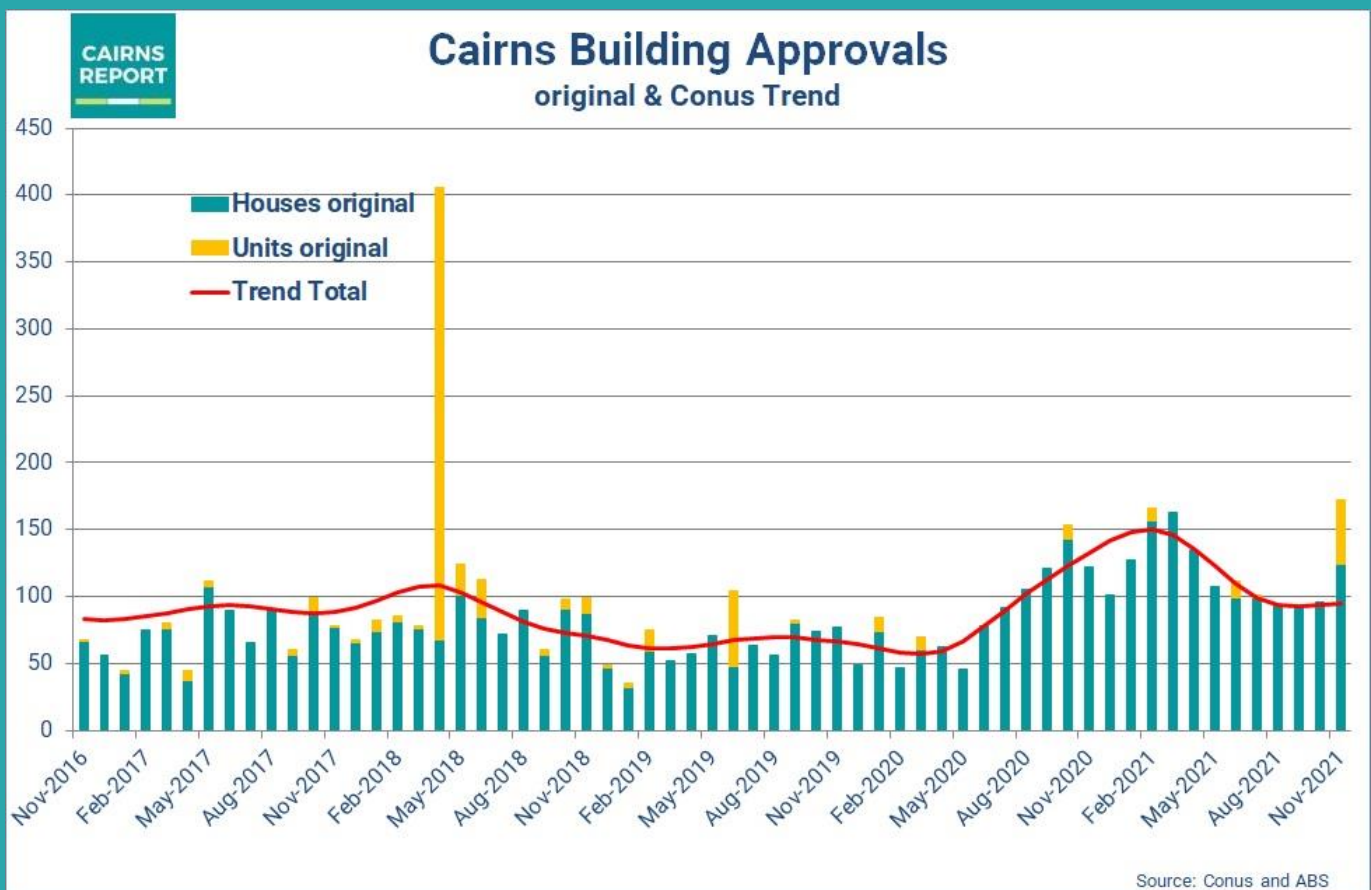
HOUSES

▼ -29%

Building approvals change from a year ago

Residential approvals have settled at just below 100 approvals per month.

The delay between approvals going through Council and construction work starting on the ground points to the surge in approvals through the first half of 2021 also being supportive for the sector as we move through 2022.



Although vaccination rates in Queensland are now at virtually 90%, the future for tourism stills appears to be very much tied to the outcome of the current Omicron surge.

Even with some quarantine-free international travel restarting in January, until such time as the Omicron surge is

waning and people feel comfortable to travel again, we are unlikely to see tourism numbers significantly higher.

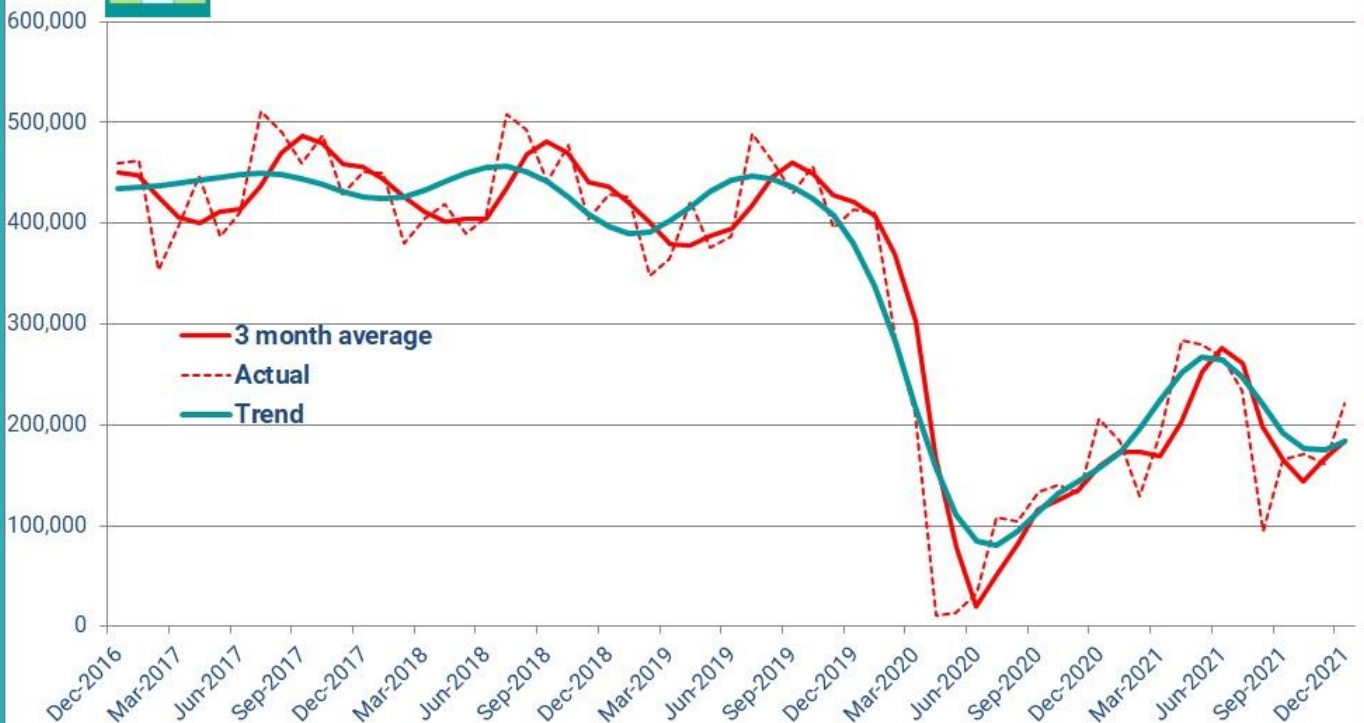
PASSENGERS

413,137
DECEMBER '19



221,039
DECEMBER '21

Cairns Airport Total Passengers



Source: Cairns Airport & Conus



Monthly snapshot domestic tourism data for October shows that Regional Queensland expenditure, which had suffered from a domestic tourism slowdown as the southern states endured their lockdowns, has recovered back to levels seen in the middle of 2021.

Indeed, October 2021 was only 4% below October 2019! Domestic overnight tourism expenditure in Regional Queensland for the past 12 months is up 46% compared to

just a 23% increase nationally, an increase of 37% in Queensland, and an increase of 26% in Brisbane and the Gold Coast.

The quarterly National Visitor Survey to September showed that total domestic expenditure in TNQ was up 54% for the year and is back to just below the record high seen in the year to the March 2020 result (\$2.93 bn versus \$2.95bn); all up this is stunning result for the domestic tourism sector.

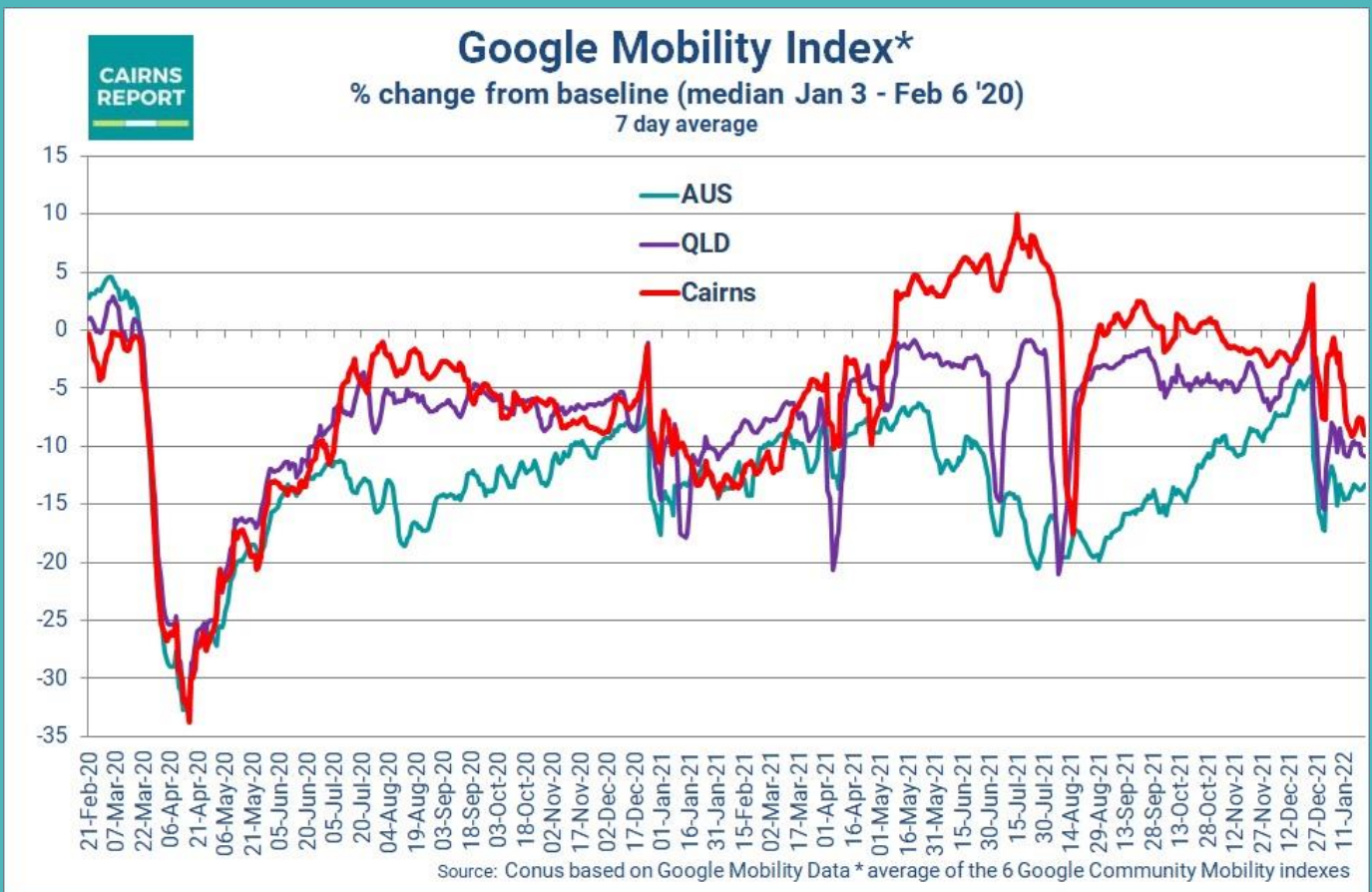


The Google Mobility data to mid-January shows that, having been largely COVID-free for so long, Cairns is now seeing a significant drop in mobility due to the Omicron surge.

Average mobility indicators show that Cairns is now some 20% below the highs seen in mid-2021 prior to the southern state lock-downs and the 'locked-out' impact that had 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.



House and unit prices continue to increase with reported price rises averaging between 7-8% for the year.

As we have noted in previous Cairns Reports, this reported price action now appears to be aligning more closely with the anecdotal evidence that we've been hearing for some time of a very strong market.

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 3 quarters to Sept 2021 sales volumes were up more than 63% on the same period 2 years ago, before the onset of the COVID pandemic. In the September 2021 quarter alone almost 1,000 houses and 1,000 units changed hands in Cairns.

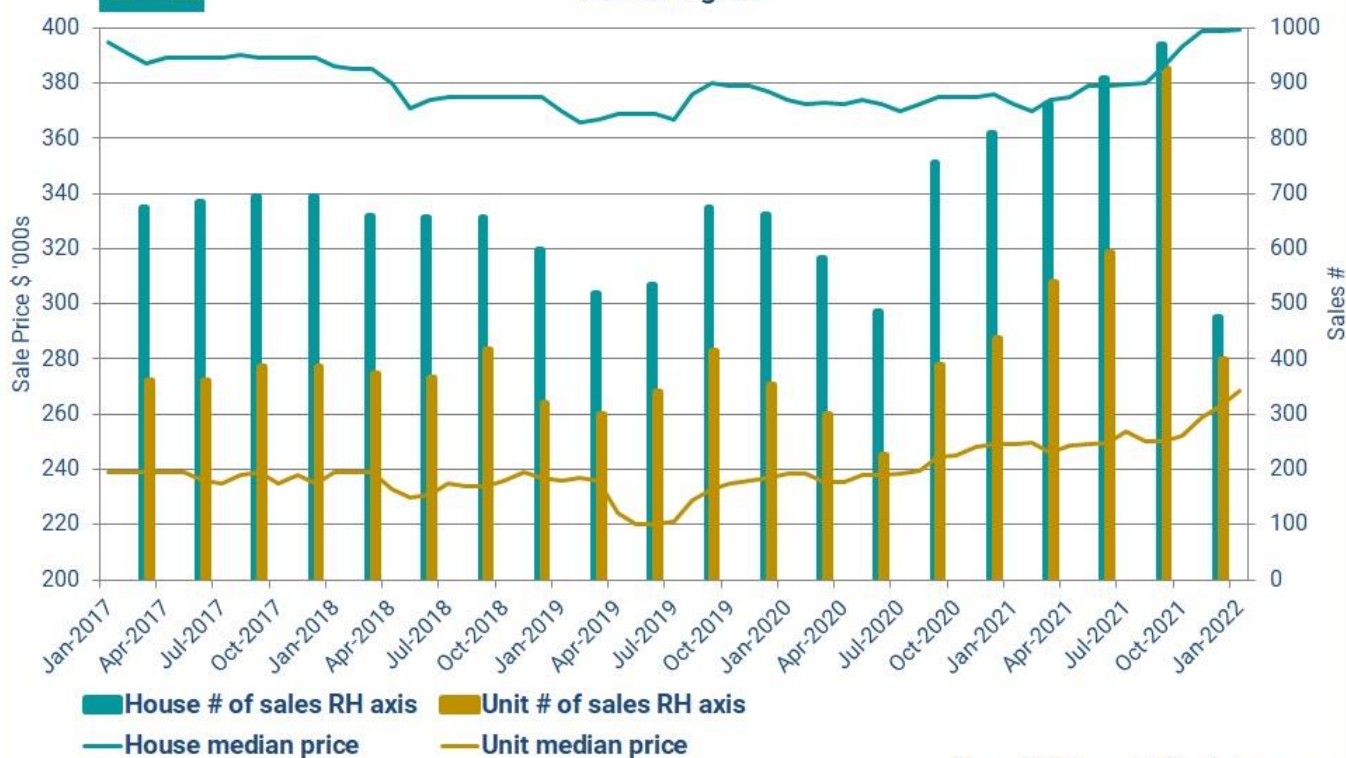
MEDIAN PRICES

▲ \$259,000 UNITS ▲ \$398,000 HOUSES

Source: SQM Research

Real Estate; Sales and Prices

Cairns region



Source: SQM Research & Pricefinder.com.au



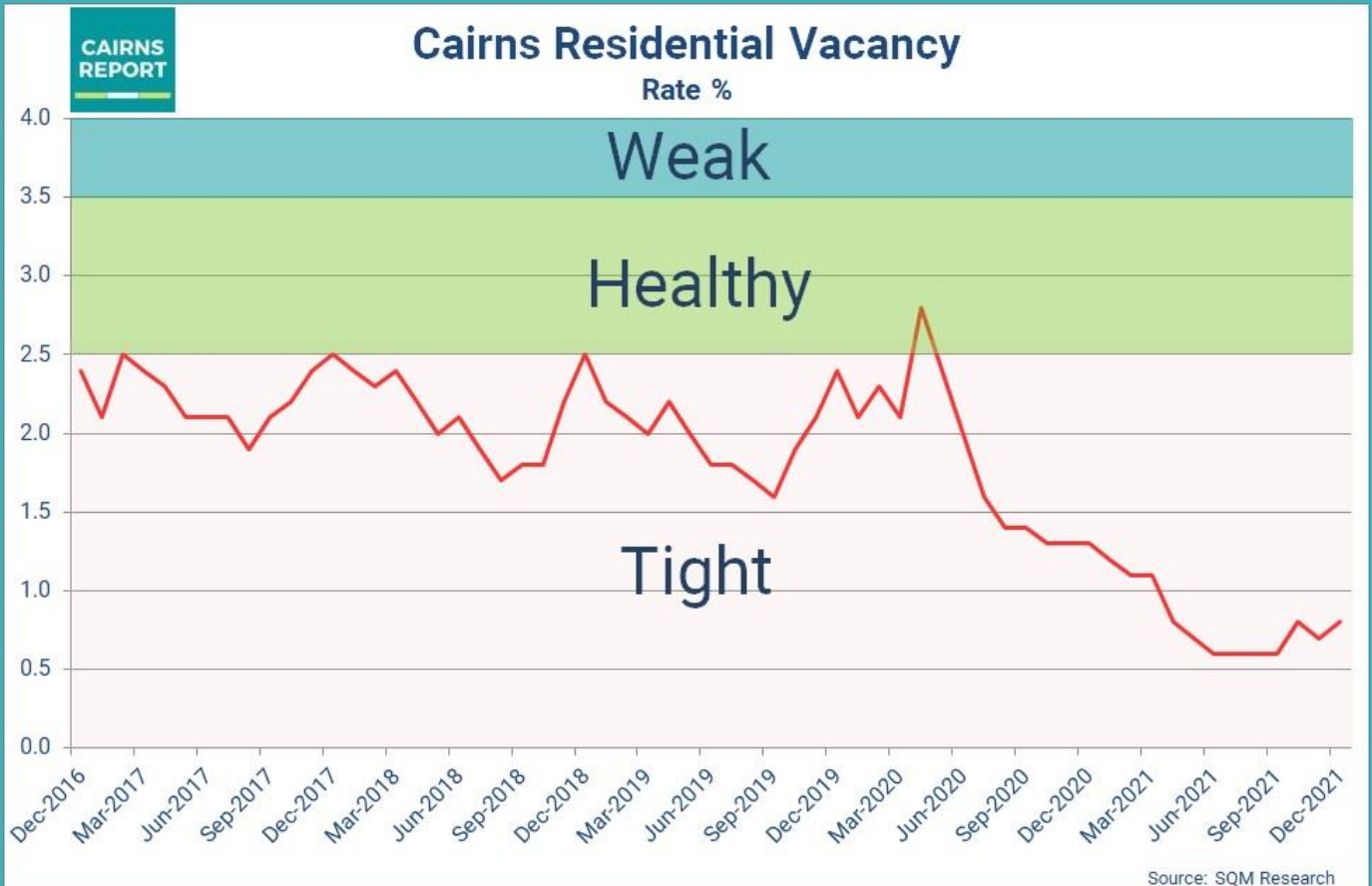
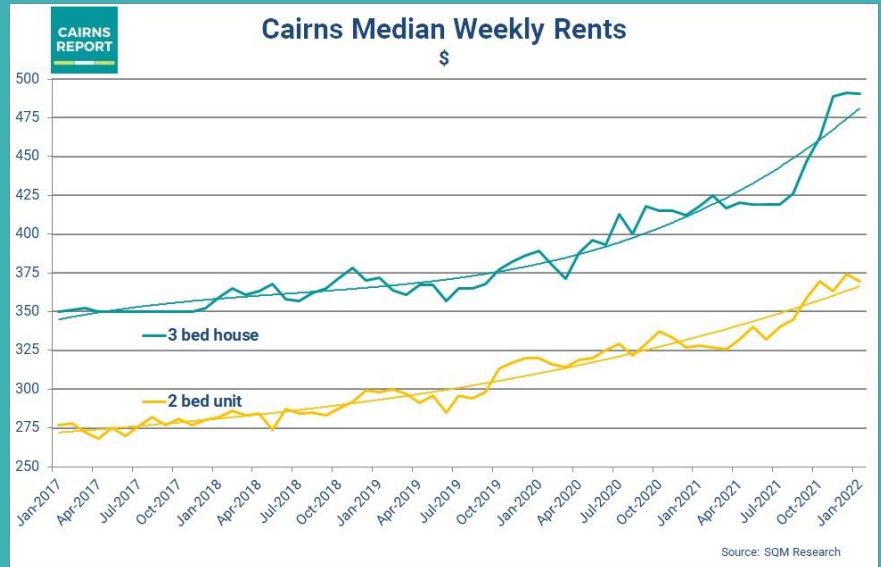
The vacancy rate in Cairns appears to have eased slightly but still remains, at 0.8%, close to record lows.

Despite the slight easing in conditions 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 \$370, an increase of almost 13% for the year to December, with 3-bed houses fetching an eye-watering \$491 per week, up more than 17% for the year.

MEDIAN RENTS

▲ **\$372** P/W
2-BED UNIT

▲ **\$482** P/W
3-BED HOUSE



The Cairns local government area continues to lead the way in North Queensland COVID-19 vaccination rates by hitting the magic 90% (and beyond) double-dosed rate in late January.

While earlier concerns about

vaccination rates within Indigenous communities have eased as first dose rates surpass 80%, the fully vaccinated rate remains some 20% below the general population.

LOCAL GOVERNMENT AREA	AS AT 23/01/22	FIRST DOSE	SECOND DOSE
Cairns Regional Council		94.9%	91.7%
Douglas Shire Council		90.7%	88.1%
Tablelands Regional Council		92.0%	88.2%
Cassowary Coast Regional Council		93.4%	88.9%
Mareeba Shire Council		85.2%	80.2%
Townsville City Council		92.0%	89.2%
Yarrabah Shire Council		78.8%	69.4%
QLD & AUSTRALA	AS AT 31/01/22	FIRST DOSE	SECOND DOSE
Australia		95.6%	93.4%
New South Wales		95.4%	94.0%
Victoria		94.3%	93.0%
Queensland		92.0%	89.6%

What a difference a few months makes. As we headed towards the end of November, the business community was looking forward to the re-opening of borders and the effects of COVID settling down with a substantially vaccinated population.

Then came Omicron. The Cairns region appears to have been spared the worse of the health impacts to date, however supply chain pressures have created difficulties for most industry sectors. The combination of isolating employees, and government/ employer requests to work from home created something of a voluntary lockdown situation. In turn this caused an exodus of customers for the retail and hospitality sectors with knock-on effects for employees in affected businesses. This has made for a difficult January from which we are slowly emerging.

It is yet to be seen whether the reopening of schools in early February will cause a resurgence in the virus or for how long the difficult conditions will continue. For now, the general mood appears to be one of a "holding pattern" until some certainty returns.



Robert Ince
Grant Thornton

There was once a time when the first quarter of the year was guaranteed to be a bit slower. That's not the case anymore. Last year felt as if the tap wasn't turned off and 2022 has begun in the same fashion. With January now behind us we can confirm that the property market continues on an upward trajectory - listings are incredibly scarce and buyer competition is high. January saw the number of available properties to buy hit record lows. It's incredibly hard to reconcile the two speeds we have running in Cairns. Front page news of tourism operators bracing for a tough few months ahead coupled with record increases in median house price growth - has that ever happened here before? We don't see much change this year. It would take a big spike in availability to soften things and where would that come from? Are we overheated? I don't think so. If you look at our market, the majority of older homes that are selling (especially in the upper price ranges) are still below replacement cost and the current boom is driven by owner occupiers not investors.

Nicholas Slatyer
Belle Property Cairns



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In early March, it will be two years since the World Health Organization declared COVID-19 as a global pandemic, and the rollercoaster ride for our economy - not to mention our personal lives - hasn't stopped since. With our local health authorities reporting that the Omicron surge is already peaking in the Far North, some of the business community's attention should now turn to the upcoming Federal election. With the Morrison Government facing a tough time in the polls, the seat of Leichhardt is being viewed as critical to the success of either side. We need our city's business lobby groups to unify behind some key projects and policies now and push hard for bipartisan support so that our region benefits no matter which side of politics forms government over the next few months.



Ranjit Singh
Holding Redlich

In the pre-COVID era, the Cairns economy would wake up just after Australia Day as we emerged from the haze of our wet season. But the start of 2022, some two years since reports first surfaced of SARS-CoV-2, seems to be dragging even slower than usual. Some kind of battle fatigue has set in. Despite hopes and promises of a return to 'normal' once we hit 80% and then 90% vaccination rates and borders re-opened, the current self-imposed isolation phase as Omicron peaks has caused a sense of malaise across the city. One business contact suggested to me recently that it'll be this way until Easter... meaning 2022 won't actually start revving up until mid-April. Coincidentally, that's when the Federal Election is tipped to be in full swing ahead of a polling day in May. If businesses can hang on until then and political parties deliver some big sweeteners, might we see a surprising snapback in our economy as population growth consolidates and tourism returns? The data and the charts in the next few editions of The Cairns Report will tell the story. We might be pleasantly surprised.

Gavin King
The Cairns Report



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