

MARCH 2022

CAIRNS REPORT

A monthly snapshot of the
Far North Queensland economy



PRESENTED BY



HOLDING REDLICH



Grant Thornton

Cairns unemployment rate drops below 4%

The big news in this edition of The Cairns Report is the local unemployment rate, which is now an incredibly low 3.9%. While the Cairns rate is lower than both the national and Queensland rates and that is worth celebrating, it should be taken with a grain of salt. As Cairns Report data analyst Pete Faulkner notes, the participation rate remains significantly lower than it was pre-pandemic. That means more people should return to the labour market in coming months and this will likely mean maintaining the unemployment rate at current levels will be difficult to sustain.

UNEMPLOYMENT RATE

4.2% 4.4% 3.9%

NATIONAL QLD CAIRNS

PEOPLE EMPLOYED

↑ 13,255,000 ↑ 2,684,000 ↑ 134,000

NATIONAL QLD CAIRNS

PROPERTY PRICES

↑ \$274,000 ↑ \$400,000

UNITS HOUSES

MEDIAN RENTS

↑ \$372 P/W ↑ \$478 P/W

2-BED UNIT 3-BED HOUSE

PASSENGERS

411,163 ▼ 226,694

JANUARY '20 JANUARY '22
CAIRNS AIRPORT

BUILDING APPROVALS

101 APPROVALS IN DECEMBER

▼ -28%

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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Far North Queensland economy

info@cairnsreport.com.au

cairnsreport.com.au

Publisher & editor

Gavin King

Data analysis & commentary

Pete Faulkner, *Conus*

Contributors

Shavi Kanagaratnam, *Grant Thornton*

Ranjit Singh, *Holding Redlich*

Nicholas Slatyer, *Belle Property Cairns*



Cover: Cairns Esplanade

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belle PROPERTY

Grant Thornton

HOLDING REDLICH

The removal of lock-downs across most of the nation has seen a sharp pick-up in employment in recent months.

In Queensland, employment growth has remained even more robust with employment, and in particular full-time employment, hitting a new record high.

In Cairns, Trend employment has been edging higher over the past few months.

Employment is well above its level of a year ago and the pace of growth (+5.8% for the

PEOPLE EMPLOYED

13,255,000	2,684,000	134,000
NATIONAL	QLD	CAIRNS
↑	↑	↑
	LAST MONTH	
13,242,000	2,666,600	132,500




year) is stronger than the State average (+3.8% pa). However, unlike at the State level where employment is now a touch more than 97,000 above the pre-pandemic level, in Cairns Trend employment remains 2,600 below the levels of February 2020.



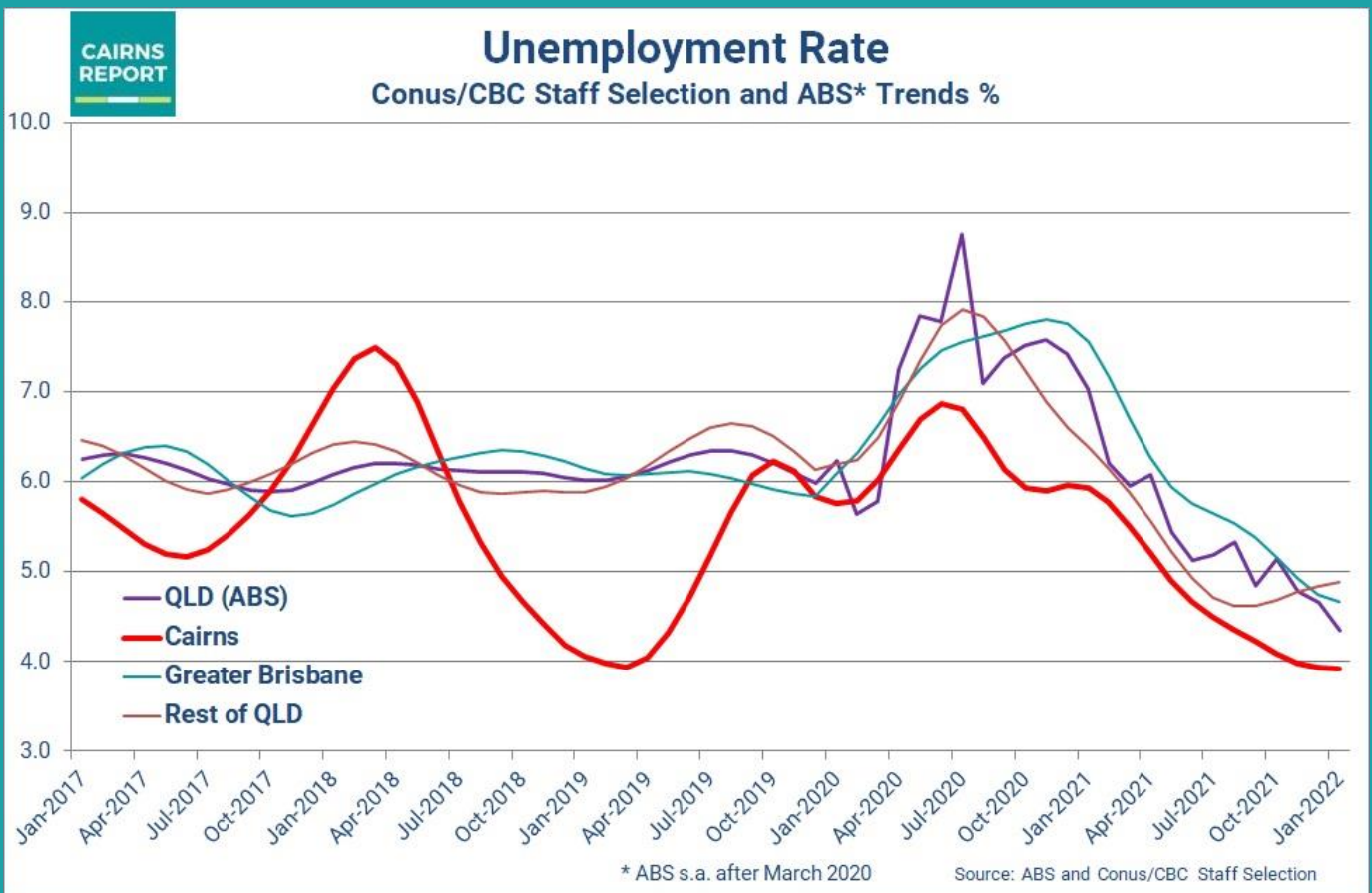
In the latest figures, the national headline unemployment rate was stable at 4.2%, as a shift up in employment was matched by a small lift in participation.

The unemployment rate in the Sunshine State has fallen to 4.4% and is at its lowest level in more than thirteen years. In Cairns Trend employment has

UNEMPLOYMENT RATE

4.2%	4.4%	3.9%
NATIONAL	QLD	CAIRNS
		
4.2%	4.7%	4.0%
	LAST MONTH	

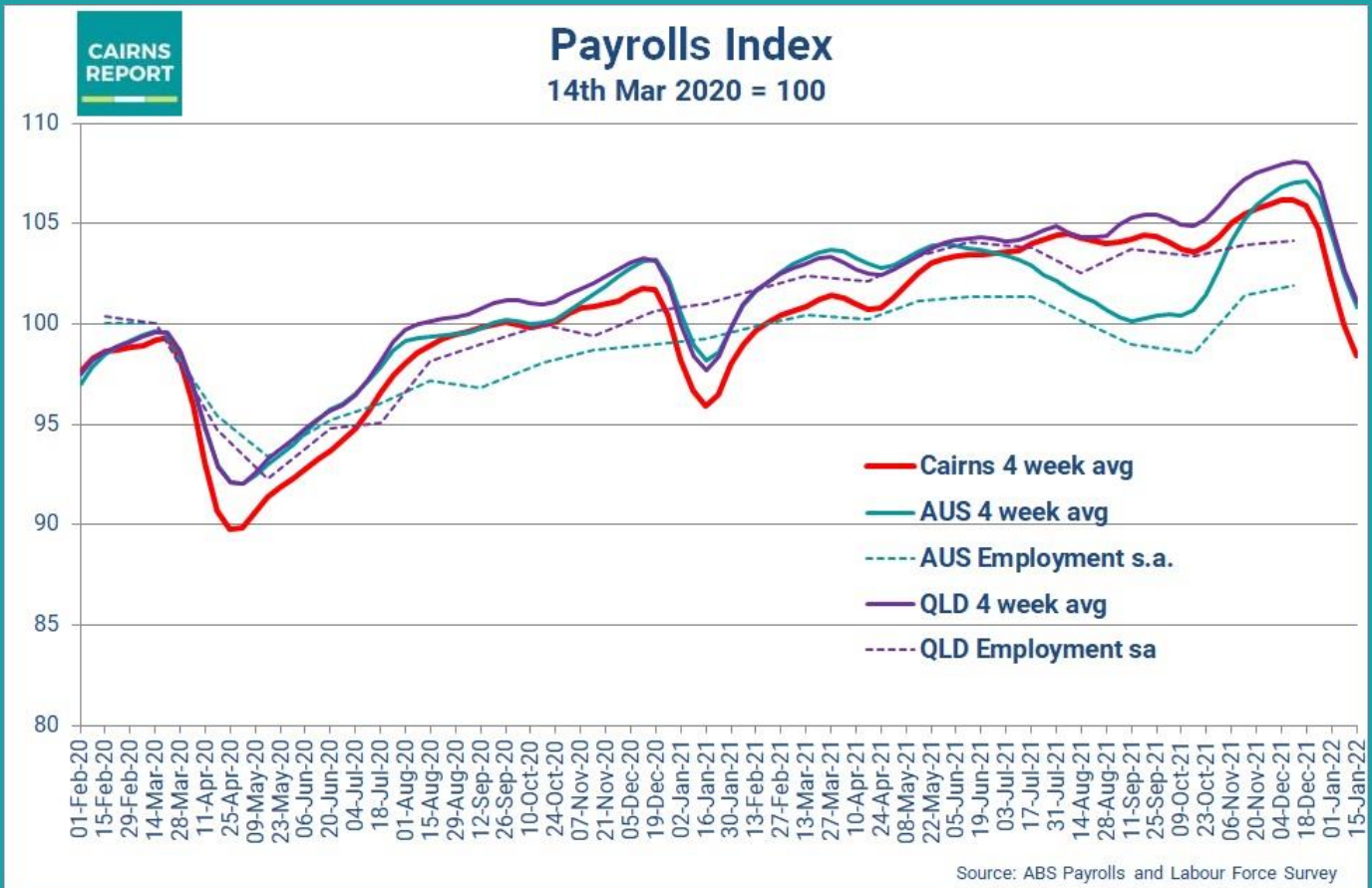
been edging higher over the past few months and the unemployment rate has drifted slightly lower to 3.9%.



The most recent Payrolls data (to the middle of January) 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.

As we moved into the holiday period this recovery fell away (as expected) but

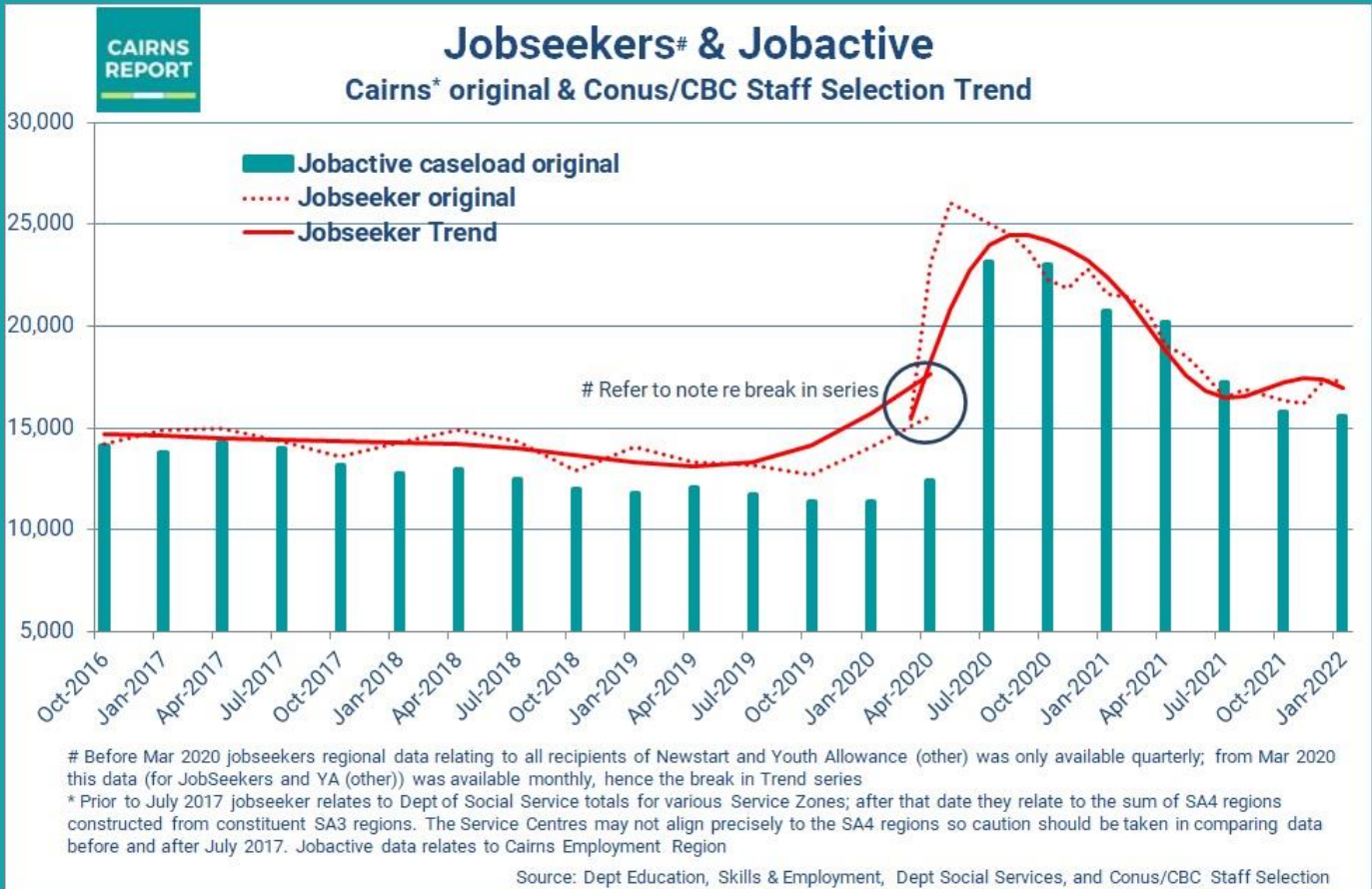
remained above the level seen at the same time in 2020. Given the fact that this data-set is not seasonally adjusted we have to take care interpreting it during periods of such high seasonal volatility; a clearer picture will emerge as we start to get data in coming months.



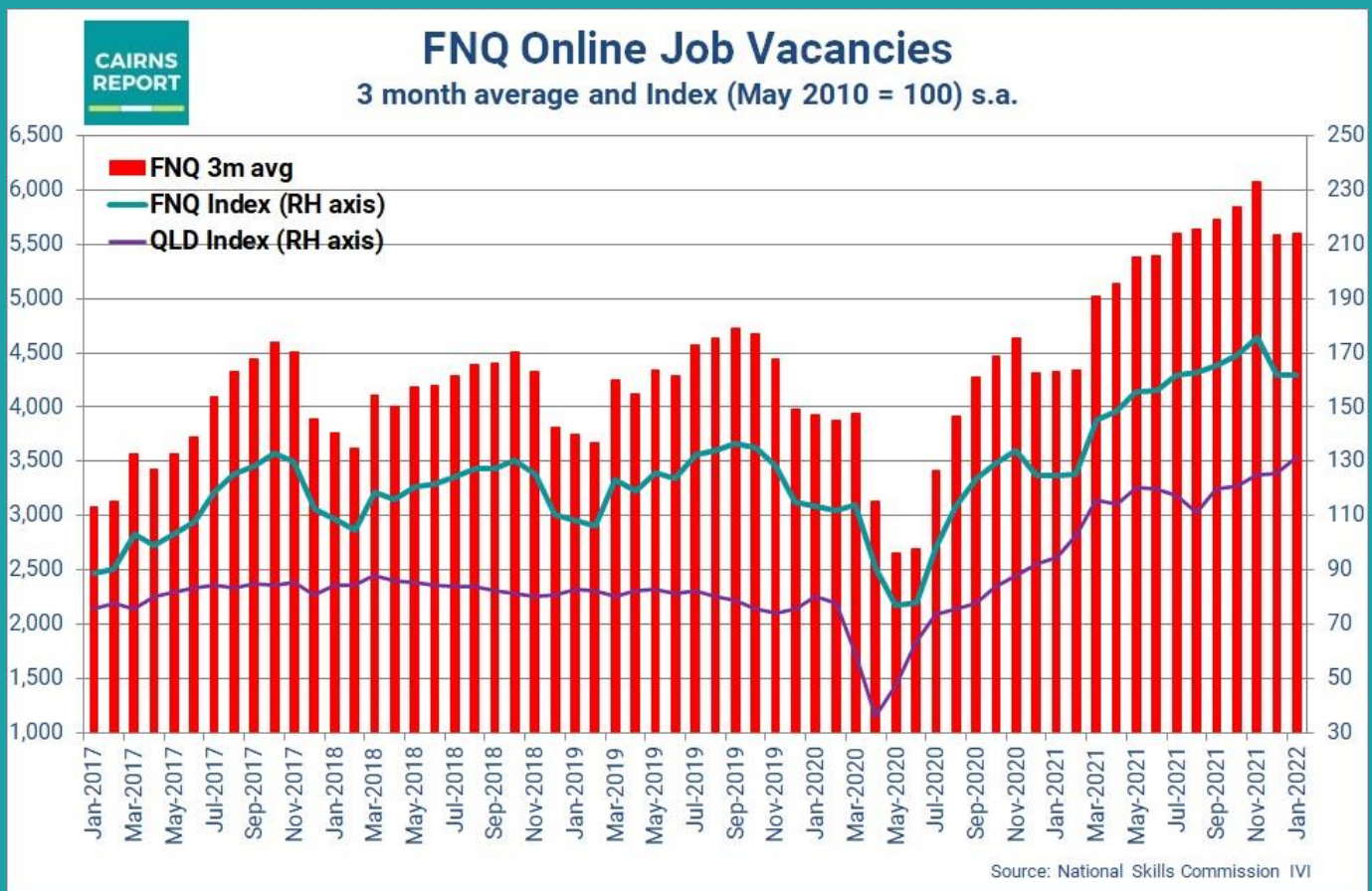
The JobSeeker numbers in Cairns appear to have stabilised in recent months after sharp falls from 2020 highs.

Despite the low unemployment rate, the number of people in Cairns

receiving either JobSeeker or Youth Allowance payments remains significantly elevated from that seen prior to the pandemic.



Online job vacancies in the Far North climbed slightly in January, maintaining the very buoyant jobs market in the region despite a drop from the highs of October.



After the very strong approvals numbers in the first half of 2021 we have seen the data settle at about 100 approvals per month over the past six months in Cairns.

Although this is well below the numbers from a year ago, it is a solid improvement from the trend seen a few years ago and suggests that the continuation of low interest rates and a tight housing market will keep the construction sector generally robust through the first half of

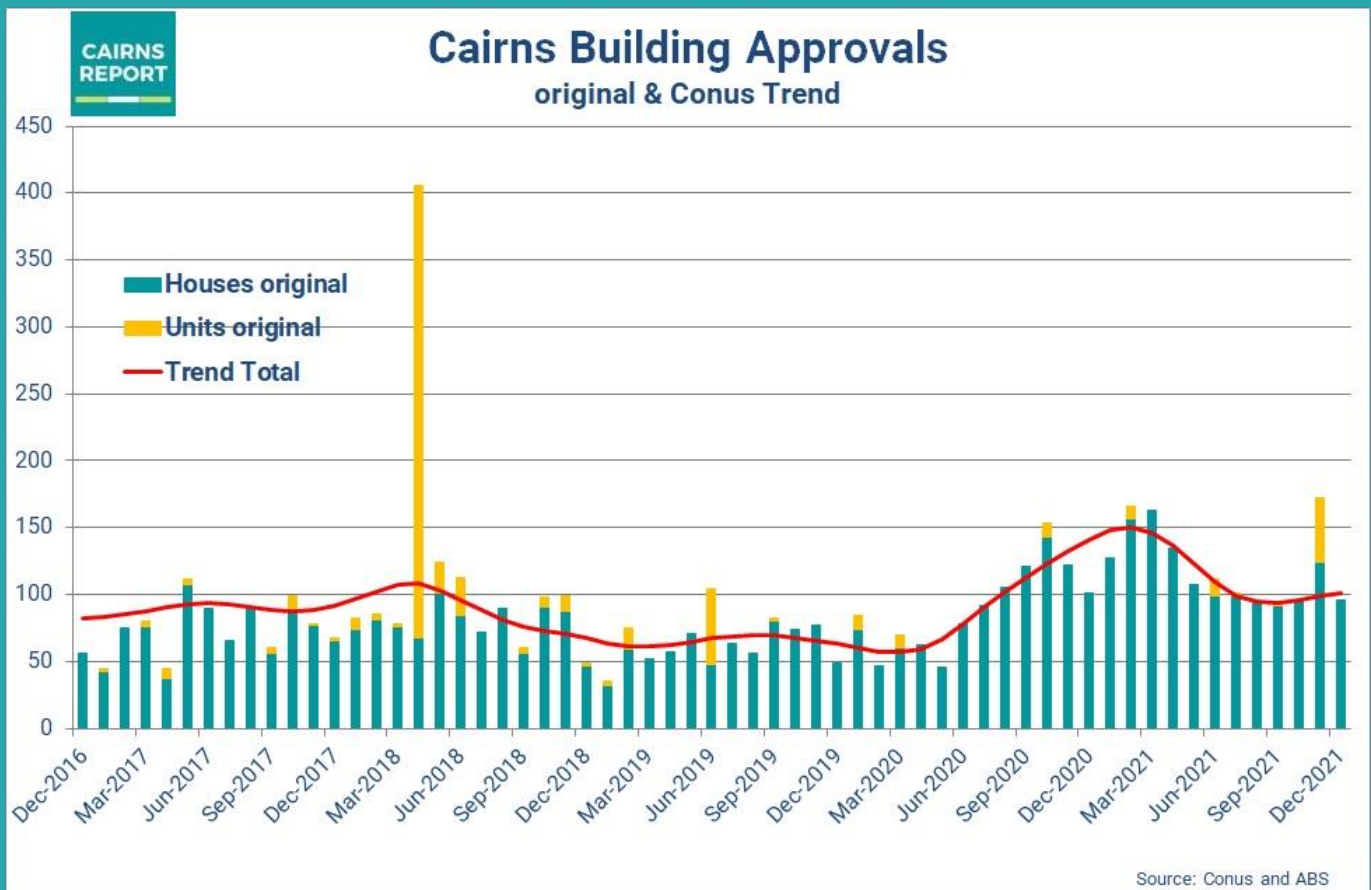
this year. The delay between approvals going through Council and construction work starting on the ground points to the surge in approvals through the first half of 2021 still being generally supportive for the sector as we move through 2022.

HOUSES

▼ -28%

Building approvals change from a year ago

As in recent months, approvals have settled at around 100 approvals per month.



As the Omicron surge has settled down, with fewer infection numbers and hospital cases falling, we are beginning to see tourism, at least domestic tourism, moving towards a 'new normal' with people move confident to move around.

With international borders now re-opened, we can expect to see international tourism begin again; although how quickly

visitors return to the Far North is as yet unclear. We will have to wait until the international tourism data for the June quarter (not due for release until September) before we can get a clear picture of that recovery.

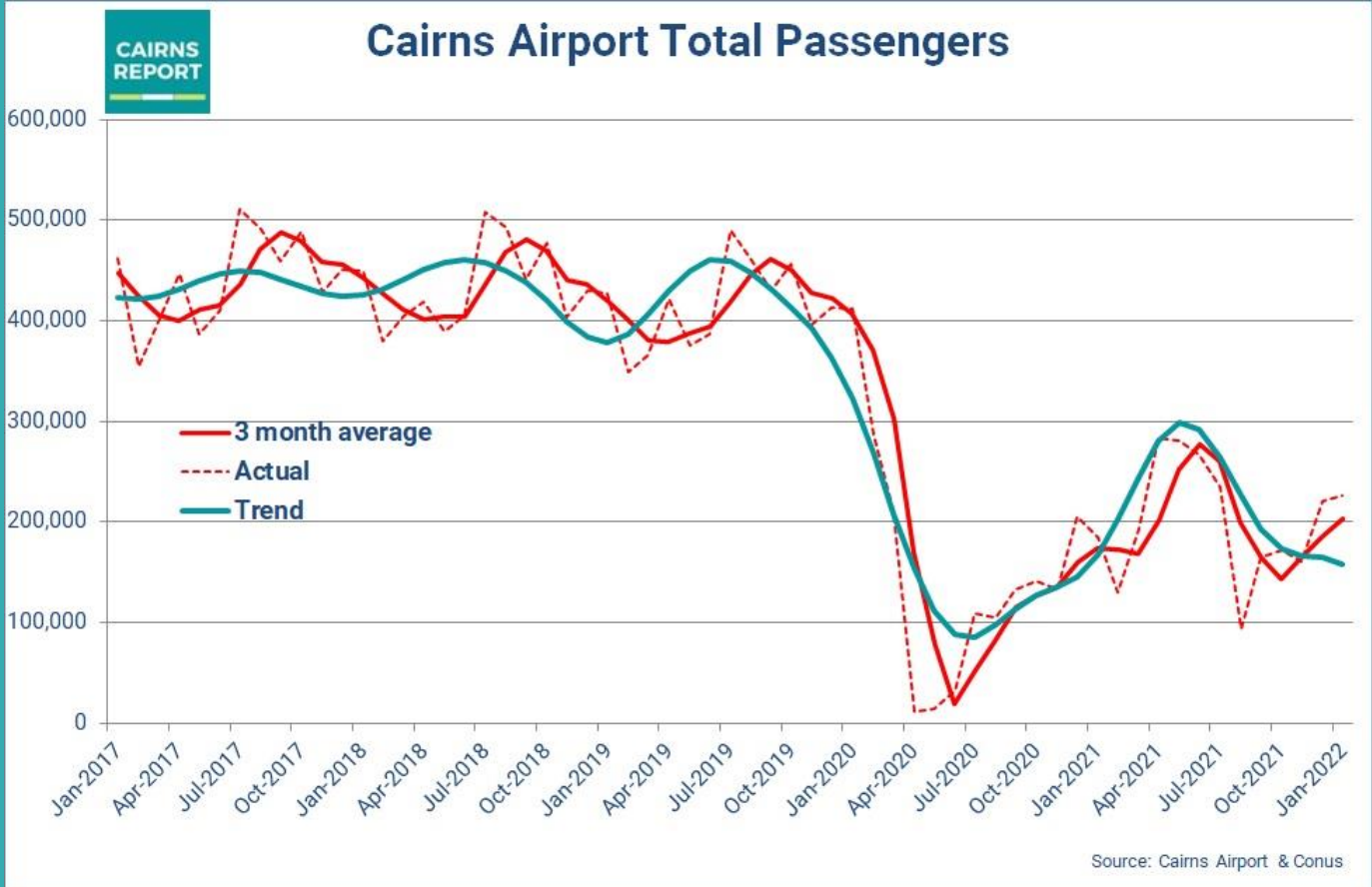
PASSENGERS

411,163
JANUARY '19



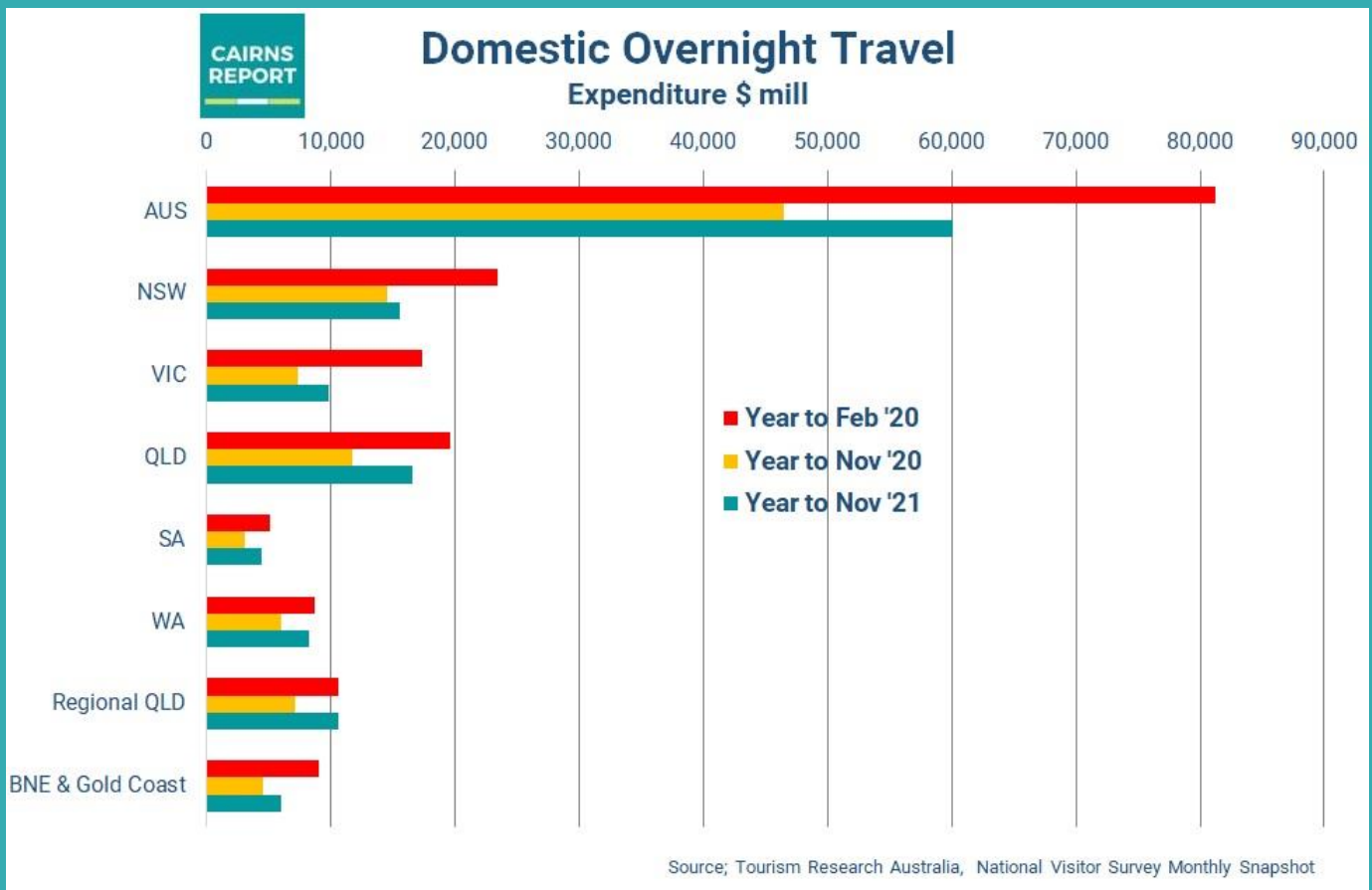
226,694
JANUARY '22

Cairns Airport Total Passengers



Monthly snapshot domestic tourism data for November shows that Regional Queensland tourism expenditure, which had suffered from a domestic tourism slowdown as the southern states endured their lockdowns in the latter part of 2021, has recovered back to levels not seen since just before the pandemic hit in February 2020.

Domestic overnight tourism expenditure in Regional Queensland for the past 12 months is up 48% compared to just a 29% increase nationally, an increase of 41% in Queensland, and an increase of 33% in Brisbane and the Gold Coast.

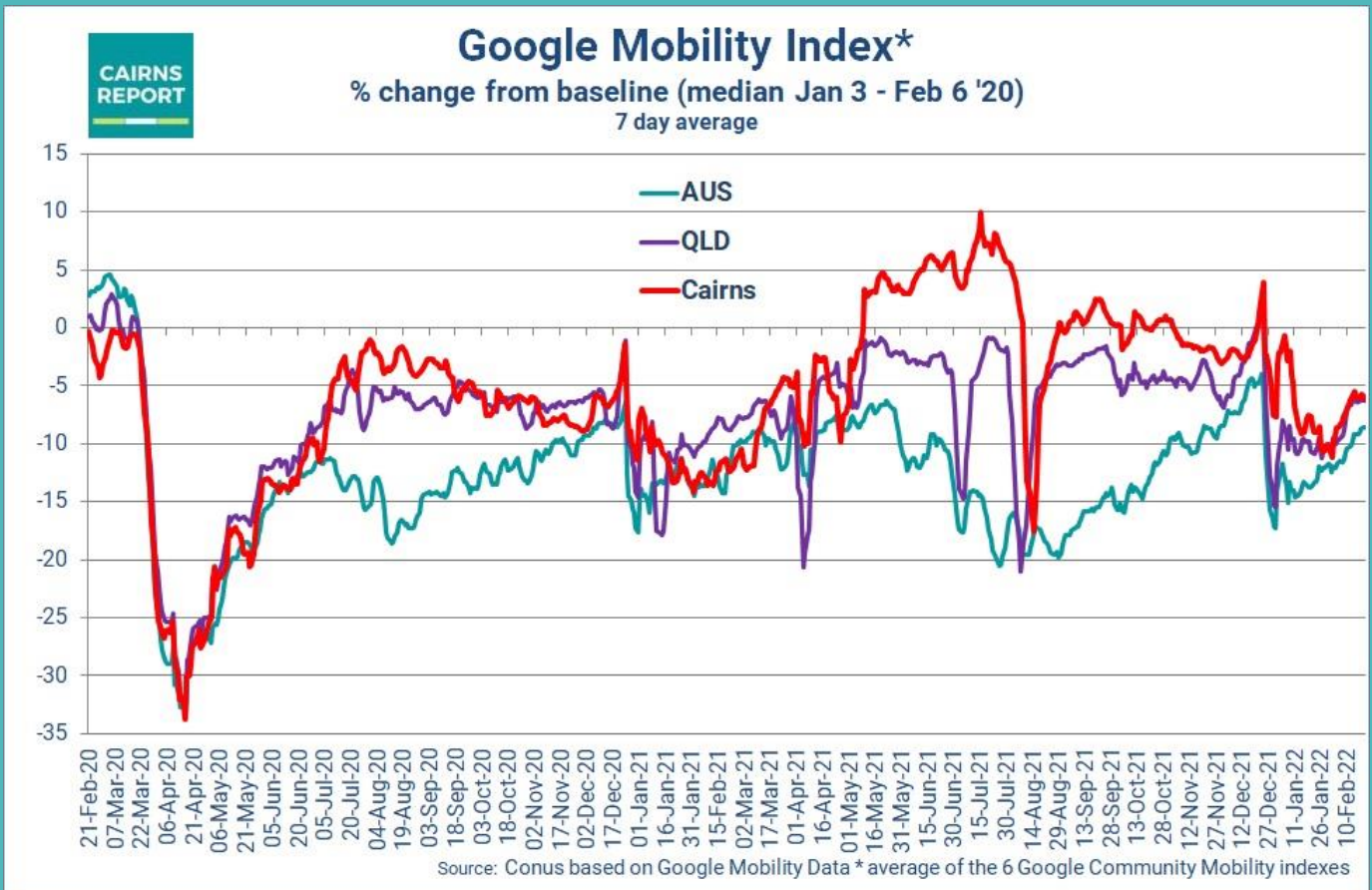


The Google Mobility data to February 20th shows that things are slowly starting to improve following the negative impact as Omicron became common in the region following the border opening.

It also confirms that any advantage Cairns had over the rest of Queensland prior to borders opening has evaporated since, although the state still enjoys a small advantage over the nation as a whole.

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 8-10% for the year.

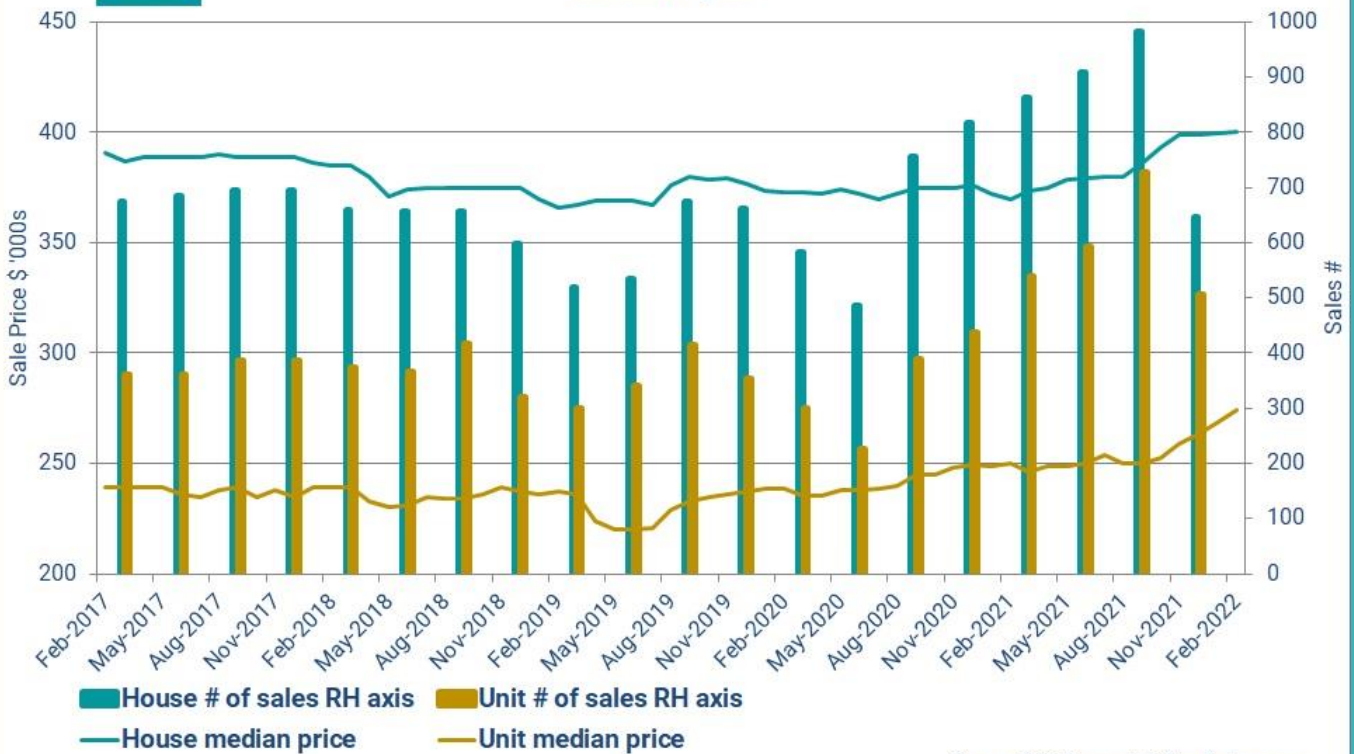
The somewhat delayed sales volume data shows just how strong the market was through the end of 2021 and there is, as yet, no sign of that easing as we move into 2022. All indications are that the real estate market in Cairns remains very robust.

MEDIAN PRICES

▲ \$274,000 UNITS ▲ \$400,000 HOUSES

Source: SQM Research

Real Estate; Sales and Prices Cairns region



Source: SQM Research & Pricefinder.com.au



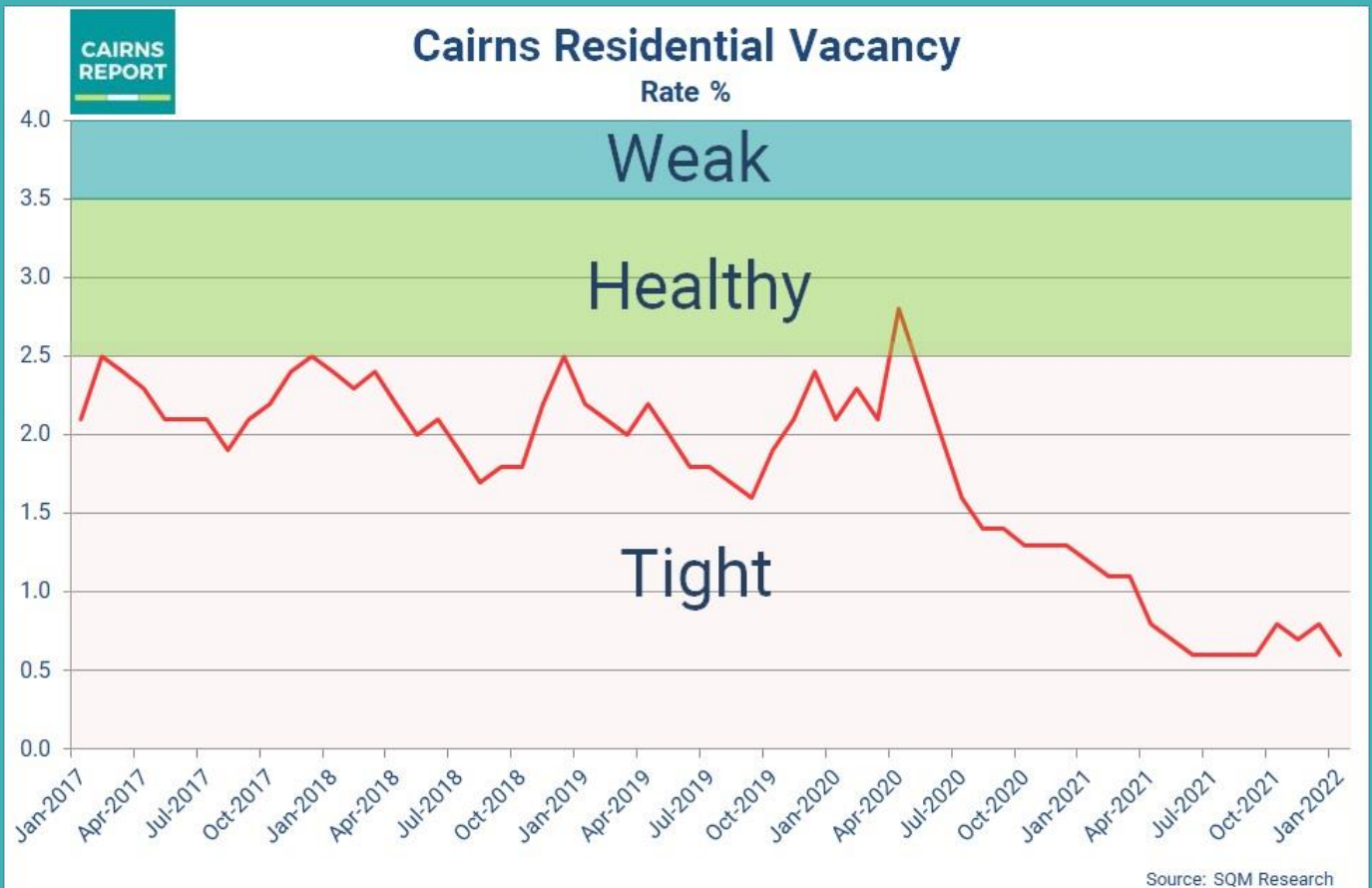
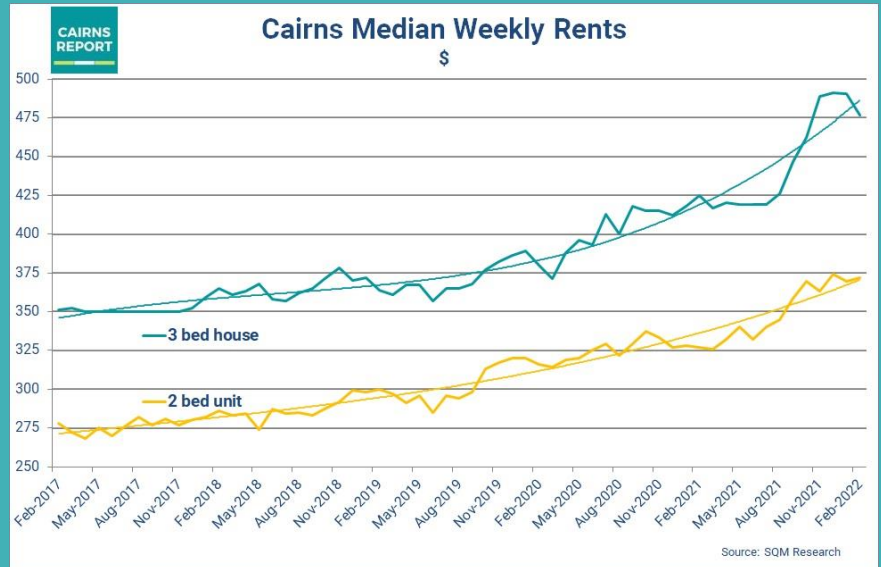
The vacancy rate in Cairns has once more declined to the record low level of 0.6% in January.

It is therefore no surprise to see the strength of rents, which have continued to climb. 2-bed units are renting at a median weekly rate of \$372, an increase of almost 14% for the year to February, with 3-bed houses easing very slightly to \$478 pw, which is still up more than 12% for the year.

MEDIAN RENTS

▲ **\$372** P/W
2-BED UNIT

▲ **\$478** P/W
3-BED HOUSE





Nicholas Slatyer
Belle Property Cairns



My crystal ball doesn't extend to 2023, but 2021 / 2022 could go down as the best performing years for the Cairns property market, ever. I started in real estate here during the last run in 2003, opened my first office in 2005, and enjoyed 3 solid years in a booming market... before going backwards very quickly whilst we dealt with the GFC. The GFC taught me a few lessons I will never forget (like don't open 3 offices when you're already stretched very thin...), but what we have going on now feels very different and much more permanent. I don't think we are in a bubble that is going to burst.

Part of me believes that we are at the beginning of what could end up being a 5 year up cycle. The last couple of years have been led by owner occupiers and lifestyle buyers. Houses have dominated the sales results, and the stats for 2021 are telling. Sales of residential property over \$1m, are up by 238% on the previous record, and sales over \$2m up by 183%. Apartments are getting stronger, but still aren't nearly as hot as houses.

The number of investor buyers is still a small proportion of overall sales, but it's increasing. Traditionally, southern markets have eventually become so unaffordable that investors start to look further afield, and Cairns is still very cheap, easy to get to, a nice place to visit... Add to this, a promised circa 50% reduction in Body Corporate insurance

coming in July (which will make rental returns better) ... watch this space. If we start seeing a lot more investors, we will see unit development.

There are two aspects of a strong market that provide new challenges for us: pricing and multiple offers. Predicting the eventual sale price of some more unique properties is tricky. More and more frequently our best estimates are blown out of the water, which is why we use "best offers" etc. and a "reach" guide price... I don't mind a property not selling in the first 2 or 3 weeks, because I know we are testing the market.

As an office, one of our increasingly common topics of discussion is how to deal with multiple offers on a property. It is a challenging situation and sometimes emotions run high (on both sides of the table). I actually had a buyer tell me they had another agent encouraging a Dutch auction (where you keep going back to each buyer and tell them what the other offers on the property are), which I would never advocate for. Our policy is for buyers to present their "best and final" offers. Obviously, we can choose to negotiate further if the price doesn't meet expectations. What we are seeing as a result, is an increase in unconditional offers, which certainly resonates well with sellers.

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Shavi Kanagaratnam
Grant Thornton

Aboriginal and Torres Strait Islander businesses and organisations have historically been situated on the margins of the Australian economy. However, history is changing and Indigenous Australia is starting to play a much more central role in the economy especially in regions such as Far North Queensland and the Torres Strait. Industries such as agriculture, land management, health, tourism and the arts are seeing strong contributions from Aboriginal and Torres Strait Islander business. This "sector" is becoming a significant employer and economic contributor.

There have also been significant steps forward in self-determination in this sector, which is very encouraging given that this year marks 30 years since the 1992 Mabo decision. One great example of this forward momentum is the transition of some federally funded services to a wholly Indigenous owned and operated organisation in the Torres Strait Region.

With an election on the cards government funding continues to play a part in this sector with recent announcements including a \$21.9M Indigenous Leadership and Governance package to support the next generation of Indigenous Leaders and a \$54.7M boost in funding and longer term agreements for Aboriginal Community Controlled Health Services.

Continued capacity building activity in the sector will provide ongoing opportunities for professional services businesses (such as legal, accounting and advisory firms) to develop and expand partnerships with Aboriginal and Torres Strait Islanders businesses and organisations.

I believe Aboriginal and Torres Strait Islander businesses will continue to grow and evolve and will become an increasingly significant contributor to the economy of this region and beyond.

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