

Special Edition

22nd August 2011

Dear Investors and Owners,

Today isn't a newsletter, nor is it a Note to Self. I received an email with a question asking what I thought would be a "comfortable" yearly amount for a couple to retire on. The options were \$26K, \$54K, \$70K or \$95K. Each person has their different beliefs on what is comfortable living. The Association of Superannuation Funds of Australia has done some research, and I think you should look at it.

<http://www.superannuation.asn.au/RS/default.aspx>

They have worked it out that a couple will need \$54,562 per annum, after tax to live a comfortable lifestyle. What is scary is this assumes you own your own home outright, doesn't allow for a new car every 10 years, doesn't allow for holidays actually not alot more than comfortable living.

Some of you may have seen our newsletter, but for those of you that have missed it the link is

http://www.plrealty.com.au/uploads/media/Property_Ladder_Realty_Newsletter_July_2011.pdf

Alright, so it is actually July - bit of a hiccup with the technical stuff so it was a bit late. Don't panic because August is almost ready to go.

This week we have spent a lot of time with a couple we have known for a long time. They have come to Cairns to look at investment properties. Not knowing exactly what they wanted we have been through a huge array of properties that are available and I wanted to share some of this with you.

Body Corporate insurance has gone mad as we all know, and this has pushed up levies. Even though some of our two bedroom units are around \$2500 per annum, I still have to stress that you still have to make the same sort of allowances when looking at a property that isn't in a body corporate environment.

We have a block in Holden Street that we own as a whole, and we have lots to do there. All of it we have to arrange, and pay for and we still have an insurance bill of \$4500 per annum to budget for. The gardens need doing, the driveway needs to be resealed, the gutters need to be changed, the building needs to be repainted and the list goes on. Don't get me wrong it isn't falling down around our ears, but it is a continual job to get things done. I then walk to the back of City Park and there is the botanical gardens created by Troy and maintained by Troy, paid for through our levies.

This aside, I can see why some investors are now shying away from body corporates - especially those with large levies in place. Given this, we narrowed our search down to duplex pairs. In the middle of June one of our associates bought a duplex pair on Wilks Street for \$295K. A minor renovation which included repainting, a new vanity, tiles, light fittings and curtains now sees both sides renting out for \$250 per week. I can see you saying - why didn't you tell me about this one - I did several times in my hot tips section! The ones that are now available are much higher asking price, not to say they will sell for this but this is the asking price.

<http://www.realestate.com.au/property-house-qld-white+rock-107559826>

This is probably one of the cheapest listed prices at \$329K. It is in White Rock and some parts are better than others. I didn't particularly like this one as there is a bit a Department of Housing surrounding it, the block is small and there is no way to really value add to this property.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-bentley+park-107581227>

This one is interesting for its long term potential. Instead of the traditional duplex where they share a common wall, this is two small houses that are separate but on the same block. The asking price is \$395K which is on the high side. The agent said there is room to move, but I think it is still over priced for this market.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-bungalow-107535535>

For this one you need to put your special vision goggles on. This is not a pretty one, but it does have the bones for a good long term project. There may be an issue with the parking as it used to be at the back, but this has been converted to a shed. The price is a bit high at \$350K - given that a similar one sold for \$295K in the same street. At the right price it could be interesting.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-bentley+park-107481118>

This one at the right price would be my pick. It is in a good area, big internally, well maintained inside and out, air conditioned and security screens - all the work already done. The asking price at the moment is mid to high \$300K. You could value add to this property by putting a large fence with gates to the front of the property - divided so each tenant has their own private area. There is still a lot of yard, so pets or children are fine. It would be a great one long term to either keep as your income in retirement, or strata title and sell off separately.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-manunda-107380251>

Another one of the cheapest ones at \$334K. It is located in a side street in Manunda, but surrounded by Department of Housing. The house is very run down, the roof needs to be replaced, there is no way to value add in the future. A definite NO!

<http://www.realestate.com.au/property-duplex+semi+detached-qld-cairns-107361945>

I will be totally honest and say that when I got the address for this one just behind the Woree shops I didn't even go and look. It is in the mid \$300k's and there is far better around for the money.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-westcourt-107345388>

This one is on Wilks Street again with an asking price of \$360K. At this it isn't a good one, but if you could pick it up closer to \$300K then it has huge potential. I have seen what can be done very simply, and the long term value adding is huge.

<http://www.realestate.com.au/property-unit-qld-bentley+park-107331631>

This one is listed at \$398K and is on Robert Road, Bentley Park. We were fortunate enough that the owners who live there saw us and asked us in. I have to say there is absolutely nothing to do to this property. It is well presented and on a big enough block to be able to value add in the long term. I almost want to cry as I know what they paid for it near the top of the market and they will be losing money. It is a fantastic duplex, but not in the market at that price.

<http://www.realestate.com.au/property-unit-qld-white+rock-107310208>

This one could be interesting. It is located in a nice, but older part of White Rock. The fact is its side by side facing to the front gives you so many more ways to improve the property. The list price is \$365K. It is fairly run down but solid. At the right price it could be an interesting long term investment.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-white+rock-107188137>

Another cheaper one at \$335K but run down, not the best area and not alot of ability to value add long term.

<http://www.realestate.com.au/property-villa-qld-edmonton-106772776>

This one was in Edmonton, and because we could only see from the street - it looks like there is a bit of potential. The asking price is \$349K and at this level there are others that could be better buys.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-white+rock-106553646>

I have seen inside this one previously. It is located in White Rock but not a flash part of it. The asking price has been reduced to \$345K but even at this price it isn't the pick of the bunch. The layout is such that value adding long term isn't really possible.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-edmonton-107605741>

This one is a beauty. It is a duplex, but they are really two three bedroom houses side by side. It is a fairly new build and it is nicely built. The bedrooms are small, but the living areas are big. There is a big yard and there is a double carport for each side. This could easily be changed to a lock up garage. The depreciation would be good as it is so new. The asking price is \$440K. Given that even crappy duplexes were selling at the peak for \$500K this has good long term capital gain potential. Given they are three bedroom rather than the traditional two, it is a great rental with great potential.

Many of you will be wondering what I mean by value adding. If there is a carport - can this be enclosed to make it another room? If this happens can you then put a carport or garage at the front as this is important for rentals as well as selling. Can you enclose the front yard to give each tenant more useable private areas? Is the back yard big enough to put a patio or extension on? Some it would be easy to change from a two bedroom one bathroom to a three bedroom, two bathroom with a carport and lots of private areas. It will change the bracket they are in and the rents and sale price accordingly.

The next thing to look at - is it possible to strata title them off? You wouldn't want to do this short term, but if you were going to sell this could be a good way of increasing value. At the moment you should be able to pick up a duplex pair for between \$300 to \$350K. If you start to look at a half the range is between \$200 and \$250K - for the same quality.

The rents are apparently starting to tighten up, but not to the point where we can start increasing rents. There is an added advantage on duplexes that Units can't offer - the ability to have a pet. Most body corporates won't allow a cat or a dog - and people are prepared to pay \$20 - 40 per week extra for this privilege. The rents for duplexes currently range from \$200 up to \$250 per week - depending on the condition, the area and the yard.

If you are interested in any of these properties, please let me know and I will arrange to send you more specific information on them. Some people are questioning why to invest in Cairns - I ask you to find me another place that you can buy a duplex pair with potential rental return of \$500 per week for \$350K - and the potential to go back to the highs of \$500K pre GFC.

I hope I have given you food for thought - on how you are going to find an annual income of \$54,562 to live comfortably when you retire.

Hope all is well in your world.

Linda