

Note to Self

1st September 2011

Dear Owners and Investors,

I have already typed this up once, but then the computer crashed and I lost it all. That about sums up my day - achieving not a lot. It was actually a bit of a check out chick day. You know when you dream about shirking responsibility and being able to clock on, do a basic job, clock out and then go home and do nothing and have nothing to worry about. I dream about these days - but then reality sets in and I realise that these are my tenants. I also have these when I work back late at the office, but when I drive home in the nice car - it makes it worth it.

Over the past few weeks I have had some people say things about me - to me. Brave little souls they are. I have been working with agent for a while on a house for one of my buyers. She has been in the industry for ever, and I hope that when I get to her age that I will be directing traffic from my deck chair on a cruise ship, with a cocktail in my hand. Any way she said to me that "I am a no nonsense sort of person". Then I had another agent say that I am "straight to the point", but the gold medal goes to Elwyn who works with us now. She said that I am like a juggler, not just any ordinary juggler but a very experienced one.

At first I was a bit put out by all of these comments, but after thinking about it, I tend to agree with them all. I haven't always been this way. Ten years ago when first starting out, I was timid and confrontation was not my strong point in any way shape or form. Now, ten years later and battle hardened by tenants - it comes with such ease that I even surprise myself at times. The reason I have brought all of this up is - the other day when speaking to a new on site manager, he asked me how I handled going to court to get tenants out. The truth is I don't know because in ten years we have never had to take it that far. He asked how I managed that, and I guess that once the decision has been made that they have to go, I tell them in no uncertain terms their two options - the easy way or the really, really, really hard way with consequences. I guess I am a bit scary when I need to be.

Ramon and I have had a strategy of buying units and smaller properties that are essentially tenant proof. We have never thought of investing in houses, and up until this point I never really thought about why. Now that we have a few managements of houses, I am really starting to appreciate why we don't have houses. There is just so much more that can go wrong with them. In a one and two bedroom unit, they tend to be in body corporate environments. If something goes wrong and we have a burst pipe, or the gardens are starting to look drab, or the paths need to be pressure cleaned, or the gutters need to be cleared, or outside needs to be repainted - it is SOOO easy. The money has been collected slowly by all owners over a period of time, and it is sitting there waiting for something to happen. It is a phone call and then it is done.

All we have to worry about is the inside, and considering they all better block construction and although finished nicely they are still pretty basic. There isn't much that can go wrong, and damages are limited. A good clean and things are basically back to normal.

Not so with houses and even duplexes or a complete block. With Holden Street which we own the whole complex, I nearly fell over at how much the gardens have grown since we had them mulched and done. It will take us two days to trim it all back and get it back into shape. We either have to do it ourselves or pay someone.

I have visions of my Grand dad at this moment - he was a wog and if he had his way he would chainsaw the lot down and concrete it all. To make it look nice he might paint it green.

With houses, they are the next step up, and the nicer the house - although you may get a better quality tenant than my two bedroom unit and they pay more rent - there is so much more that can go wrong. The dishwasher - don't have one of them in a unit. The appliances are stainless steel and fancy - give me a Westinghouse upright stove for \$750 that will last 20 years. Roller door motor - yep, another thing that can go wrong.

I got an email tonight from a couple that have a house that we will be taking over. They have a tenant in there that they have been managing. It now seems that the roller door has been damaged - and it sounds like that is because they parked the car too close and the door closed on it and buckled. Don't have that with a basic one bedroom unit.

The other reason we love smaller investments, is that you can sell of part of your investment. Can't exactly chop off the garage and sell that part of the house.

I have a few links for you to go to. First is the latest Cairns Watch by Heron Todd White. It shows that Cairns is at the bottom of the market. What I found interesting is the number of houses and units that were constructed in the past year. It strengthens my argument that when the economy does turn in Cairns we will finally be able to put the rents up, and this will happen very quickly as there just isn't enough accommodation to go around.

http://www.plrealty.com.au/uploads/media/Herron_Todd-White_CairnsWatch_August_2011.pdf

The second link is for the August newsletter just in case you didn't get the link, or haven't had time to read it.

http://www.plrealty.com.au/uploads/media/Property_Ladder_Realty_Newsletter_August_2011.pdf

There is one more link that I think is worth reading. It is a presentation that was done at the latest Chamber of Commerce meeting by Bill Cummings. For those of you that don't live here, it will help piece where we have been, what has happened in the past and why we are where we are today in our economy.

<http://www.cummings.net.au/pdf/recent/J2478ChamberofCommerceAddress.pdf>

Tonight Ramon and I should be enjoying the sights of Ho Chi Minh, but instead here I am typing up an email to you all. My Dad got sick, and as my parents were coming with us it was the right thing to do. I take comfort in the fact that in about 5 weeks, we will be sitting in Sydney harbour about to have the ceremonial turning off of the mobile as we sail through the heads on the Dawn Princess.

Hope all is well in your world.

Linda