

Note to Self

13th September 2011

Dear Owners & Investors,

Before I get into the day to day stories of property management, I just want to give you my two cents worth on this article

<http://www.news.com.au/breaking-news/tsunami-to-hit-australian-real-estate/story-e6frfku0-1226134184169>

I don't have a crystal ball, so I really don't know what the future holds. I do believe that we aren't over the worst of it, and I am so glad we live and invest in Australia - and not America or Europe. I do believe that things will get worse before they get better, but do I still believe in property?

The fundamental difference between property and shares is - it is really difficult to live in your share certificates. Every one still needs some where to live, and many people cannot afford to buy their own home - or don't want to. We have a population that is increasing naturally and through migration. I don't know about the rest of Australia but here in Cairns we haven't seen any real building occur for at least three years.

We have seen prices come off, and as people get more desperate the prices are continuing to tumble - this creates great opportunities to buy well for the future. We are seeing some properties at prices comparable to 2005, so there has already been a significant drop off for us here in Cairns. To succeed in property investing you have to look at it long term - a minimum of ten years, but to get the most out of it you should be aiming to hold on for two property cycles or twenty years.

If you are looking to invest in this market, you need to do your homework, buy well, know that even if it gets worse what the worst possible rent return will be, be able to fund it and then hold on for the next ten years. If you cannot make that commitment for ten years minimum, then I don't believe property is the right investment tool for you. Some have been very lucky and made good money in a short period of time - but this has been through a rising market and not necessarily good planning.

I know that Ramon and I have lost "value" in our properties - but until we actually sell the property it is only a figure and not cash we have lost.

OK, doom and gloom aside. Welcome to the world of property management. I know many of you think I collect these stories for months, but seriously the below is just a few of the things that has happened in just the past week.

I got a text message from a tenant to say that she had lost her key and would like a new mail box key. I told her that next time I was around I would drop one off - and to be honest I didn't think any more of it, after all it was just the letter box key. About six days later I get a phone call from her asking if she could come and pick up a set of keys after work. She had managed to lose not just the mail box key, but the key to the unit - and the spare key.

I asked her if she had a tag on the keys to trace back to the property and if she felt that changing the locks was necessary - about this point in time I started to wonder how she had been locking and unlocking her unit for the past six days. Her reply, "Well, I have been leaving the back door unlocked, go out through the front door and lock it. When I come home, I jump the fence and go in through the back door, but I hurt my ankle and thought I better get another key". I shake my head, I guess it is easier to jump a 1.8 metre high fence than chase up a new key. Oh to be young and fit enough to jump a fence that high.

When you have a tenant that goes off the rails, there are indicators. Normally the first thing is the rent stops getting paid. The second is the place is a mess and I can pick this up without going inside. The mess seems to extend to the outside as well. Sometimes they can be clean, and pay the rent but noise is the issue. This one is a far more difficult one to pick up on quickly. Luckily we have concentrated the units we manage into blocks, rather than spread them out all over the place. Many of our tenants have been there for some time, and it is their home and where they are going to stay.

Some of the blocks are big with the largest having 44 units in it. That is a lot of people to be living in one area all the time. Over the years I have managed to convince my tenants that dobbing is fine, no one will know it is them and the problem tenant will get moved on very quickly. What is nice is that they also tell me when something is wrong at the complex. The other day, we had a fence damaged at Viewmont. The next morning I get three phone calls from tenants, and it is fixed before the body corporate is even notified. I love my dobbers.

The other night I got a phone call at 11.40pm from a distressed tenant. His car had just been stolen from the carpark and he thought it would be an idea to let me know. He had called the Police and they were on their way, but he thought I should know. I didn't want to sound like a cow, but really what can I do?

I have saved the best for last. I had to call a tenant about a small issue, and she was the one that had been behind for ages. I sent her to the good people at OzCare and they helped her out. I congratulated her on catching up on the arrears and at the rate she was going she would be ahead - first time in a very long time. I asked if they had helped her out financially and she said that they had only sat down and helped her budget. I forget that common sense and sacrifice isn't a tool that everyone has automatically.

Her and her partner used to walk to the shop three doors down each day and each buy a can of Red Bull, so they now stay at home and make a coffee. They also used to eat take out at least four nights a week, and now cook at home. Just by making these two small changes they have managed to get back on track. What can I say?

Not that I am bragging, but in 22 days we will be on board the Dawn Princess and about to have the ceremonial turning off of the mobile phone. This year has been a difficult one, with many hurdles that we didn't anticipate but each with a silver lining. I know that I am passionate about what we do, and the way we manage property but even for me I still need some down time. I am so lucky to have a fantastic team around me and I know that all our properties and tenants will be well looked after whilst Ramon and I are sitting on deck chairs and sipping on cocktails.

Hope you are all happy and well.

Linda