

Special Edition

6th November 2011

Dear Owners and Investors,

I was recently asked why I bother to write these emails and updates. The Note to Self ones are not just for a laugh, but to show what really does happen each and every day in property management.

I try to shield you all as owners from the day to day trouble as this is what I get paid by you to do. Property investing would be so much easier if we could buy it, hold it and then sell it - without having tenants along the way!

The Special Editions that I have been doing lately are in the hope that Ramon and I can make a difference to the lives of just one person. I know that many of you that read my emails think it just isn't possible to achieve what we have. I do try to make these as personal as possible rather than the ones most other agents put out. I guess I do this so you can see what we do is possible by anyone with passion and determination, and willing to sacrifice.

For those that don't believe we are just average people who didn't start out with a huge amount behind us, I have attached a couple of pictures just for you.

Ramon and I arrived into Mission Beach in 1999 and lived on our Catamaran in the North Hull River at the bottom of our two acres of land. We had been travelling for the past few years, and could be best described as "asset rich, cash poor". By this, we had a house in Perth and two small units - all mortgaged with the rents just covering the expenses. We had some equity, but by no means could be classed as RICH! It is scary going to the supermarket and hoping that there is enough money to pay for the groceries.

We bought a Queenslander and had it brought down to the block and stumped up high so we could enclose it. Whilst we were trying to get finance of \$50,000 to buy this house, we went to all the major banks. The one we were with said that if they put the application in, based on our past earnings they would look to recall our existing loan for the block. The bank we are with now actually declined - I am sure the manager at the time couldn't stop laughing at the poultry amount of money we had lived on for the past two years. Yes, this is the same bank we now owe the debt of a small nation to.

About this time our next door neighbour mentioned that she had just bought a unit in Cairns for \$32,000 - as they say the rest of this part of the story is history. Each time Ramon and I had the money saved to do anything to the house, it went on a deposit for another unit. We lived in this house for at least three years pretty much the way you see it in the photos. For the first three to six months we didn't even have stairs going up to the first level - it was a ladder - try dragging your groceries up the ladder!

We used the original kitchen, our built in wardrobe consisted of two plastic one inch pipes hung from the ceiling with ropes, we had all the second hand furniture from the units and the highlight was when two years into living there someone gave us a second hand gas hot water heater.

One night we came home from Cairns to find a card tucked into the trap door above the stairs - we didn't feel it was really necessary to lock it up as what did we have they could steal? It was from a Policeman in Tully asking us to call him back. We had been dobbed into Crime Stoppers as someone couldn't understand how we were buying all these properties with no real form of income - so we must be dealing drugs or something like that. The lovely Policeman explained that he had to investigate each allegation, but he had been to our house and had a good look around and there was no way would be living the way we were if we were making lots of money illegally!

We bought our first bedsit unit in September 2000, and although it has been a huge sacrifice to keep buying I can honestly say we would not be where we are today if we hadn't of invested in property. The next myth to bust is we now live in a big mansion that is beautiful. We have a very basic pole home, and we have honestly done nothing to it in the eight years we have been here. I have only just managed to get my office set upstairs and in a nice environment. Our bathroom window leaks, the oven is on its last legs, the whole place needs to be repainted, the decks need oiling (managed to do it once in eight years) we need a driveway, we need to enclose downstairs - oh the list goes on. One of my clients recently made a lovely comment that is so true - we are like a carpenter with a chair that has only three legs (Sorry Roger if I got this wrong). The moral is that we are so busy looking after our investments, the tenants and your properties that our stuff comes last.

There you have it, the reason I do this. If I can make a difference to just one person's life in retirement, then it has been worth it – after all if the two of us can do it – anyone can.

I have scoured the listings and have found lots of interesting ones. In August 2011 I wrote a newsletter and talk about different styles of properties.

The link to this is

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

I will refer to these type of properties below. It is important to understand why these are better than some of the others listed in the same area and the same price, so I have included these as well. If you do find something that interests you, please get in touch with me directly so I can work on your behalf with the listing agent. The unit I highlighted last email for \$76,500 has been sold.

<http://www.realestate.com.au/property-house-qld-westcourt-108291501>

This is a Queenslander and as original as you are going to get. Even if you don't like it as an investment you just have to go and see the bathroom photo! This is on a quiet side street in Westcourt, surrounded by other Queenslanders, and this suburb is still to boom. The prices you can get for properties like this is Parramatta Park are far more, and as our economy gets better people are going to want character homes that are close to the city. If you could legally raise it and enclose underneath then you could have a fantastic two story home with lots of room. For \$259K it would be ideal for a handy couple to live in and renovate. This isn't for an investor as there is so much work that needs to be done, and to pay someone to do it isn't feasible.

<http://www.realestate.com.au/property-house-qld-edmonton-108454081>

This is a house in Edmonton. It might not be the best value one around, but I chose it as an example of what is possible. This is a new three bedroom, one bathroom home and you can buy it for under \$250K. Considering you were lucky to buy a two bedroom unit in Manunda for \$240K at the peak of the market, it shows how far back the market has come. Edmonton will be the new satellite city of Cairns with plans to put the second hospital there (eventually). A new business park is about to start and it will be a centre in its own right just as Smithfield is to the North. Ramon and I personally find that units and duplexes work better for us, but some people like houses as investments.

<http://www.realestate.com.au/property-apartment-qld-woree-107630491>

There are a lot of units for sale in this complex. It is at 1 Anderson Road, Woree and it is part of a hotel that has been strata titled and sold off. In the peak they were being sold off to investors for over \$100K with guaranteed rent returns for the next three years. I have heard of some in here selling for \$25K recently. There are so many reasons why this is not a good investment – only 20 or so metres internally, banks don't like to lend on them, on site management, high body corporate fees, tenant issues etc.

<http://www.realestate.com.au/property-apartment-qld-cairns+north-108513021>

This one is located at 259 Sheridan Street, Cairns North and is pretty much the same story as above. There is also the block next door to this where I heard the body corporate levies were over \$5,000 per annum! The asking price is offers over \$50K. I will be honest if they gave it to us for \$10K we probably wouldn't take it.

<http://www.realestate.com.au/property-unit-qld-manunda-108168021>

This is a studio apartment located on Chester Court. There is Norcroft at 6 and Claridge at 4 that were built by the same developer. Ramon and I did own two in here some years ago. We sold them when we doubled our money and would never look to buy in here again. They are only 26 squares in size internally. They are so small the bed flips up and hides away in the wall. There is no real kitchen just a two burner plug in element. There is no laundry internally.

The banks don't like these so getting money is very difficult. Even if you can get the funds, what happens when you want to sell – your buyer is going to have the same issue? The other reason is the quality of tenant is attracts – a whole level below those I already deal with. You can pick one of these up for between \$60 - \$75K at the moment.

<http://www.realestate.com.au/property-studio-qld-manooora-108233411>

This is pretty much the same unit development but in Springfield Crescent. They are slightly nicer in that they do have a sliding door to a courtyard or balcony area but I still wouldn't buy one personally.

<http://www.realestate.com.au/property-unit-qld-cairns+city-106862381>

There are lots of units for sale in this complex. It is located in Sunshine Towers 136 Sheridan Street Cairns. They are essentially strata titled units in a hotel. Although you can get up to \$250 per week in rent, it still isn't one that we would invest in. The whole place is run down and needs to be renovated externally. There are issues with the on site management, the body corporate fees are huge – need I say more?

<http://www.realestate.com.au/property-unit-qld-manunda-108012481>

This is one that I have highlighted in the past. It is a bedsit unit in Scotsdale – 93 Birch Street, Manunda. The differences between a studio and a bedsit are many – 42 square metres compared to 26, a proper kitchen with an upright stove, the furniture all stays on the floor, the bathroom also has a washing machine, dryer and laundry tub, there is a sliding door to go onto a private balcony area and garden – and most importantly the banks will lend on these.

You will need to check with your bank as to the LVR as this will vary. This one is listed at \$88K. The last one sold for much cheaper than this so there may be room to move. Ramon and I have six of this style unit, and they are always rented, we normally get good tenants and even with the body corporate insurance increases they are still manageable levies. They sold for up to \$115K so they have a lot of potential gain to make when the market picks up. You tell me of another good investment that costs under \$90K and rents for \$145 per week?

<http://www.realestate.com.au/property-unit-qld-cairns-108404081>

These are located at 7 McLachlan Street, Manunda and if you didn't know the market you would think these were fantastic. You get not one, but two bedsit units for \$85K, with each of them renting out for up to \$150 per week!!! If we had a group of investors and we could buy the majority of them, get the on site management out and convert it to a regular long term rental environment – oh and I was ten years younger and had the energy to do all of this – they this would be a fantastic investment. Buying one on its own can still be alright, but it isn't one that we would ever look to manage for you!!

<http://www.realestate.com.au/property-house-qld-gordonvale-107628977>

This is what we class as a value adder or a doer upper. It is a house on 592 square metre block. It is pretty awful inside, but I would like to know if there are timber boards underneath the existing floor coverings? Just look at the timber walls and french doors – this could have potential. For a young couple starting out how can you possibly go wrong at \$150,000!! It is in Gordonvale which will take at least another cycle to reach its full potential, but at this price the long term potential capital gain is huge.

I haven't been able to find a two bedroom unit that is a bargain – or one that I would recommend. It is interesting that the good cheap ones have sold, and the market seems to have stabilised off in price. There are some new ones that have listed, and instead of being lower than the last sales, they are going up. It is the same with the one bedroom units to a smaller degree – maybe the winds of change are in the air?

Now onto duplex pairs – these seem to be a really good option at the moment. The prices seem to have increased slightly since the last report that I did, or all the cheaper stock has been sold. The new listings are higher in value, but haven't sold – this could mean that they are over priced, or it could just mean that there are no buyers around. With the body corporate insurance increasing to the level they have, the duplex pair offers great value for money.

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

This is one of the cheapest ones on the market – would we personally buy it – probably not. The layout of the building doesn't allow for you to value add long term. By this I mean enclose the carport to make an extra room, and then put a carport on for the parking. This then can potentially increase it from a two bedroom to a three bedroom duplex. This will mean more rent and long term higher values. The other negative of this property is its location. Not all of White Rock or Woree are bad, but this particular area has a lot of Department of Housing and all the issues that come with this. At \$315K, it is still great value but not my pick.

<http://www.realestate.com.au/property-house-qld-edmonton-108295491>

This is a duplex pair in Edmonton for \$329K. It is a three bedroom and a two bedroom and when you see the photos I would guess the owner lives on one side as it has been renovated recently. I don't know this area really well, and I haven't seen it from the outside as yet, but this one would be worth a look at.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-edge+hill-108079836>

This is a duplex in Edge Hill for mid to high \$300's. Edge Hill is an older suburb and I would guess that this would be built in the late 1970's or early 1980's. The value is always slightly higher as it is a nicer suburb and closer to the city. This goes for the rental return as well. I have not inspected this one, and the price would determine whether it is a good deal. If it is more mid than high then it could be a good deal.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-woree-108065911>

We have this duplex listed a for \$339K. The tenants are paying \$500 per week. This is a value add property, and long term could even be a debt reducer. There is an easement at the back for the high voltage power lines. These will be coming down – eventually and when this happens and the easement is lifted you end up with a huge parcel of land. As the population squeeze continues, you could look to put another dwelling in the back corner.

<http://www.realestate.com.au/property-house-qld-woree-107357126>

This is a three bedroom duplex, that was actually built as a three bedroom duple – so it still has the carports at the front. It is on Rigg Street, Woree and at \$360K for the pair, I am surprised it is still on the market. I have been inside them twice and they are really big inside. Located just across from the primary school and only a few minutes drive in to the city, they have good long term potential. I was sceptical about the area but was pleasantly surprised that the area isn't too bad.

<http://www.realestate.com.au/property-unitblock-qld-white+rock-106877183>

This is actually a block of 4 x 2 bedroom units in White Rock. They haven't been strata titled as yet, so the council rates will be slightly cheaper. There is no body corporate fees and the insurance will be cheaper as it isn't strata titled. They have had this on the market for at least a year, and they have dropped it down to \$730K. I think it is over priced at this level for the current market but at a lower price it could be interesting. Each investor has a different strategy, and you have to work out what works best for you. No point in buying a place that needs renovating if you aren't handy! If you ever want to go through different options, please just let me know.

I hope you have enjoyed the Special Edition and that you are all happy and well in your world.

Linda Tuck

MISSION BEACH PHOTOS