

Special Edition

19th March 2012

Dear Owners and Investors,

Many of you have been on the journey with us from the beginning which believe it or not is over ten years ago. Most of the properties we have in our collective group are basic one and two bedroom units. I know most of our personal ones we have done very little to since we bought them. We have put furniture in over the years and upgraded the washing machines, fridges and air conditioners but little more than that. The rental market was great up until 2008 and we had no problem renting them up until this point in time. Hey, we're starting to look tired inside, but the demand was there and we always managed to get them rented out.

I always said that when we get vacancies then this is the time we should be looking to do these upgrades. The reality was different. During the past few years, I haven't asked for any upgrades to be done unless they were absolutely necessary. The quality of tenant we have been getting is the bottom of the barrel and I just know that they won't look after the property as well as they should. With many of our personal properties, I walk in and can hear my sister calling me a "slum landlord" which I know that we aren't but my goodness they are pretty ordinary looking inside after nearly 20 years of continually being tenanted.

The rental market is turning but we are still in the wet season. It has been raining here for days and I swear Noah and the Arc are going to come floating down the driveway at any moment. This has put a bit of a quiet spell over the rentals, but in the past two weeks we have rented the following

- 2 bedroom at Scotsdale for \$10 per week more
- 2 bedroom at City Park for \$20 per week more
- 2 bedroom house in Manunda for \$15 per week more - plus the \$15 extra that the cleaner was paying - \$30 per week more since January
- 1 bedroom at Cairns One for \$30 per week more
- 2 bedroom in White Rock for \$20 per week more

We have rented a couple of bedsit units for \$5 per week more taking them back up to pre GFC levels of \$150. I will be honest I am still having a bit of trouble with the lower end units but they aren't vacant which is the important thing.

Cairns is a totally different rental market to anywhere else. Most people in the unit market want to go into a place that is fully furnished. Most don't stay long term and don't want the hassle of buying, moving and then selling the furniture when they leave. They do pay more for a furnished property.

At the moment it is only \$10 - 20 more, but when it picks up, the difference can be up to \$30 per week more. Apart from the difference in price, it can also be the time it takes to rent them out. I currently have three unfurnished units available.

One I think I have rented but the other two which are lovely units and present well, and even are in good areas I am struggling with. Neither is actually vacant yet, but that is me stressing.

Over the next few Special Editions I will go through the various things that need to be done inside the units. Today is all about table and chairs!!

When choosing a table and chair for the rental units, you have to remember that tenants are going to live there and use them. Not only do they have to be functional, they have to be "tenant proof". The great majority of the units have either the Kristina or the Havana. Both of these had solid timber table tops and solid timber seat tops. They had wrought iron frames. The Kristina was a much prettier table and chairs, but the welds were weak and they did break where the leg joins the top of the seat. Many of them are still in great condition.

The Havana was a much sturdier table and chairs. It had a solid table top and seat top but the actual frame was much thicker wrought iron. Towards the end they went to a silver coated steel frame, which wasn't as nice but we continued to put them in as they were the most tenant proof. They also were the best price.

The issues with both these tables and chairs were the base of the chair themselves. They had rubber push in stoppers and over the years of people sitting on them they wore through and fell off. This leaves the round tube exposed and this would put small round holes into the lino. The other issue is that timber does get marked and scratched. Considering that most of these sets were around \$270 for a table and four chairs and they have lasted up to ten years, I think we have done exceptionally well. I have attached photos of the Kristina and the Havana for you.

Amart in their wisdom decided to stop making these two lines. I have been looking for a while and have gone with the Boston. This is a nice set but not flash looking by any stretch. We chose this for the price, \$299, plus it is one of the most tenant proof ones around. I like the fact it has timber seats rather than fabric. After just a few years there are tears, stains and markings on the fabric seats - and how much can be called fair wear and tear? It is after all a table and chairs and you are supposed to sit on it. This really isn't my choice but we have put them in as at the time they were the best option. These cost \$299.

<http://www.superamart.com.au/furniture/dining/boston-38377/>

We have also put in a Burma set into a unit. At \$220 for the set, it is hard to go past this. The reality is that they have a fabric seat and it will get marked and not be as good visually after a few years. The chairs are not strong and I can see breakages that we can't blame the tenants for happening fairly quickly. They aren't a good "tenant proof" option long term and I doubt we will get ten years from them.

<http://www.superamart.com.au/furniture/dining/burma-44753/>

Whilst we were in Amart on Saturday, they have a special on at the moment. It is for the Mudgee. The link below is for the square table, but the one that is on special is the rectangular one 1200 x 900.

<http://www.superamart.com.au/furniture/dining/mudgee-44711/>

I can get a table and four chairs for the special price of \$350 per set. These are good, solid, tenant proof and great visually looking table and chairs. They are solid timber, and not chipboard. The table is chunky and will last the distance. We never really have had an issue with the tables, it is the chairs that have broken. These chairs are solid with good joins. We have bought a few to put into our own units and they have said if any of our clients would like to buy some they would give it to them for the same price.

When you consider the options, they are a great long term buy. We recently put this and a nice bed frame into a bedsit unit in Palm Tree Apartments. This has made all the difference, and I know that when I go to relet this unit we will have no trouble. Not only do we have to give them a nice clean place, but they have to walk in and go WOW this is lovely, I want it.

I know that the past few years have been just awful. The costs have gone up, the rents have gone down, the values have fallen to levels we haven't seen since 2006 and the insurance issue hasn't been resolved as yet. The rental market is moving, and we now need to make sure we get the best possible rent with the least possible vacancies. A lot of this does come down to first impressions. I think we can nurse along the paint work and even the floor coverings - it is the furniture that the tenants look at. If you would like a set for your unit, please let me know and I will arrange it for you.

To finish off I will tell of my Sunday.

Last email I told you how I am my own worst enemy, well combine with with my "I collect old people" and that is the 'My Sunday'. I was hoping to sit at my desk and get through the mountain of papers on my desk. Sunday is our day at home to catch up on everything - and that never actually happens. Around 2pm the tenant ring goes off on my mobile. It is Ms P who is the dear I have already moved three times that I think is starting to get dementia. I recently caved and moved her yet again to another unit. As I answered I could hear the smoke detector going off in the back ground. She was panicking and didn't know what to do. We established that there wasn't a fire, it was just the smoke detector going off. That unfortunately happens here in Cairns. Between the moisture, mould, insects and even geckos they do fail - more so the battery ones than the hard wired ones.

We live 30 minutes from the city, and as it has been pouring with rain for days on end we normally get flooded in. I tried every one I could think of hoping that someone would be in town but no luck. I know that I shouldn't worry but I do, and there is no way I can say to Ms P at mid 70's with a funny leg to climb up onto a chair and pull the battery out. I could just see her falling off and breaking her hip. After 20 minutes of ringing around with no luck, I went up to check the tides. The high tide backs up the runoff water and our road floods in three or four places. One night coming home in the EOS I swear it was floating. Fortune was on my side and it was low tide 30 minutes ago. I call her and tell her I am on my way but if it stops to call me immediately.

I am not a great flood water driver, and luckily it wasn't deep but it went for a stretch in one section - bit of an adventure and a long, long, long way away from the secretary clomping down St Georges Terrace a life time ago.

We do have a big four wheel drive and that makes it easier and safer. I got to the unit and the battery had just about run out so it wasn't screaming. It is disappointing that out of the other seven units there not one person came down to see if she was alright - or the place was on fire.

I hope that you are all happy and well in your world.

Linda