

Note to Self

13<sup>th</sup> March 2012

Dear Owners and Investors,

There is a change in the air in Cairns, although I can't tell you a logical reason for it - something is happening for the better. Traditionally between December and March it is a battle to keep the properties filled. When December came and we had over a dozen people leave I thought this was going to be a bad wet season for vacancies. Literally from the first week of January until now the quality of tenants, the amount of enquiries and most importantly the actual rent achieved have increased unbelievably. Each property we have rented has been at least \$5 more and some up to \$20 per week more.

Ramon and I have always worked on the policy that we should get 52 weeks of the best possible rent, rather than wait for the extra \$5, \$10 or \$20 per week in rent. We personally have a few one bedroom, loft styled town houses in Whitfield. They are big in size, have parking at the front door, a private courtyard at the rear, in a good area and are fully furnished. At the peak of the last market I achieved \$180 per week, but on average we achieved \$175. The market has gone backwards over the past few years and some of them really do need to be renovated. We have chosen not to do this as the quality of tenant isn't going to look after it, instead we have dropped the rent to reflect this. We have let them go as low as \$160 per week. Recently we rented out one for the incredible amount of \$185 - and this is one that needs to be repainted and revamped inside. We did wait for two weeks to get this tenant and the exercise below shows the financial impact.

Option One: Drop the rent to get it rented with no vacancy between tenants.

At \$170 per week x 52 weeks = \$8840

At \$175 per week x 52 weeks = \$9100

At \$180 per week x 52 weeks = \$9360

Option Two: Achieve \$185 per week but loose two weeks rent

At \$185 per week x 50 weeks = \$9250

If they do stay for the year, then we may be in front but the reality is Cairns is still a transient city. The leases are only for 6 months, so if we assume that this tenant leaves we do the same again, wait two weeks for a tenant to pay the higher rent then the equation is

At \$185 per week x 48 weeks = \$8880

We will continue to try and get the best possible rent, but continue to keep the vacancies down to a minimum. We continually monitor the rentals from when the tenant gives us notice, and adjust the price according to the market.

Sadly, the office has left the Queen Mary and is back at Aumuller Street. Today, instead of a tenant story it will be a few tales from the sea.

What an incredibly beautiful ship, without being over the top like some other ships. Everything was just perfect. My favourite part of the ship was the Queens Room which is the biggest floating ballroom on a cruise ship. Each night at 9.30pm the ships band starts up and the dancing begins. Now like it or not, but us women outlive the men folk so there are all these single ladies on cruise ships and they still like to have a twirl on the dance floor. Cunard have "Gentleman Dance Hosts" and from what I can work out they collected 10 new hosts in Sydney.

In return for a free trip for 21 days around Australia, they have to attend dance classes during the day and at night time dance with all the ladies. To stop jealousy, they have to ask a lady to dance and then at the end of the song, return her back to her seat and choose another one. I found it fascinating that two 70 - 80 years old's that have never met before can twirl around the dance floor perfectly. Ramon wasn't too pleased about being dragged along to watch, but he said it was better than watching another singing and dancing theatre show. At Sydney this lot of Gentlemen Hosts disembarks and a new batch come on for the next leg.

On board they have a spa and after having to sell a body part to pay for the treatment, the girls try to sell you a whole lot of product. We were sitting with a group of six ladies all travelling alone and all well into their 70's. One was telling us how she went to have a facial and the girl wrote up a list of products that would help her - they came to close to \$1000. One of them leans across and taps this ladies hand and says "Love, the horse has bolted. We're now stuck with this face and no amount of cream is going to change that."

The best one was another single lady and when we talked about leaving money behind she told us her strategy - if she does it right she is going to live a fantastic life, leave nothing behind and the last cheque she writes is going to bounce. A woman with my kind of thinking.

I will be doing lots of research over the next week or so and will send you a few more emails. I am still working my way through the 700 emails that greeted me when we returned.

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

Linda