

Note to Self

22nd July 2012

Dear Owners and Investors,

With the Olympic Games about to start it is time to become patriotic. You have to watch this clip of an alternate way to sing Advanced Australia Fair - I loved it and I bet when the song is played you will sing it differently - I know I will.

<http://www.youtube.com/watch?v=okHs4308nJc>

I am going to tell you about the new category they were thinking of putting in. Many of you have heard me say this before, and I will share with those that haven't heard me ramble about it before. The new sport is MOBILE PHONE TALKING. They were going to make this a new sport, but when they heard about just how much time I spend on the phone, they thought - why bother?

It would be a foregone conclusion that I would win not just Gold, but Silver and Bronze. Oh my, some days it is just frightening how much time I spend talking. On Wednesday alone I had 15 missed calls - that doesn't count the ones I got to speak to - or the messages that constantly come in. It has gotten so bad that lately I have to take my charger with me in my hand bag as I deplete the entire battery by mid afternoon - that is saying something seeing as I don't normally answer the phone before 10am! Yes, new people to the email I it is confirmed I am not a morning person.

Onto another subject and I know I have written about this before, but seriously some people make me shake my head. So there you are looking for a rental property. You go down to the shop and buy the newspaper, sit there looking at the adverts that are in the To Let column, and then make the decision to ring. Do you think they would be smart enough to have a pen and paper ready to write down the address they are calling for? I now actually ask if they have a pen and paper before I tell them the address. The best ones I like is the question - is it a unit? The fact it is advertised under Flats and Units I thought would be a give away!

The rental market is really picking up pace now, and I think we will see rental increases very quickly now. We recently had the following units become available:

A two bedroom town house in Manunda. It is in a nice area, and a nice complex with the current tenant paying \$190 per week. We advertised it and easily got \$220 per week with no days change over for the client. The highest I have ever rented these out for is \$210 per week.

A two bedroom unit in Manunda that is unfurnished. This is via a bank mortgagee that has decided that they aren't going to recover their money and are renting out the unit in the mean time. I haven't seen this before, but it is smart as they will get not a lot to cover the debt. The unit isn't clean and there is a fair bit of maintenance - but we still managed to rent it for \$220 per week. The tenants are busting to move in, and I have a few lined up just in case this doesn't come off. The highest I have ever rented these out for is \$210 per week.

A one bedroom loft town house in Whitfield. It is a nice, roomy unit with cathedral ceilings. The current tenant is paying \$165 per week and the highest I have ever rented these out for was \$185 per week and that was a complete fluke. The tenant only gave notice on Monday so we put it on at \$190. We have another tenant in the complex who is paying \$170 per week and she wants to have first choice on it at \$190 per week. I would be happy to move her across as this would free us up to relet our unit at a higher rent also.

A bedsit has come up in Palm Tree Apartments. Pre GFC we were renting these out for \$150 per week, and for the past few years they went down as low as \$140 per week. The last two we have rented out for \$155 per week. These tenants aren't leaving until 1st August so we put it on at \$160 per week and will see what happens. If this goes, then this will hopefully be the new mark - and I will be having a little jump for joy.

There was a little glitch there for a couple of weeks around the end of financial year, but now things seem to have picked up again. For the first time in a very long time people are asking "Is that property still available?"

We have a block on Sheridan Street - yes where Ron lives. The unit down stairs with the young lads has just become vacant, and we have had it on the internet and in the paper for the past few weeks. We have been struggling a bit with this one. The unit is approximately 1.5km from the city and within easy walking distance to The Hospital, The Esplanade and the city. It is older, but inside is quite nice - especially when you consider it is a two bedroom unit, fully furnished with three air conditioners for \$210 per week.

The barrel hasn't quite gone away - I still find myself at the bottom scraping it for tenants, particularly with this one. I think it is people's expectations of what they get for their money that is the bit they struggle with. A man in his 30's came the other day to have a look and I could see him turn his nose up at it. He wanted to find a furnished place, that he could walk to the city and he wanted it under \$250 per week. I knew this wasn't the place for him so I asked some question on what he was after. He is currently living in Aquarius - which is one of the first big high rise developments right on the Esplanade. He is paying \$260 per week - I told him that at \$260 per week he should be staying there as he wasn't going to find any better for that sort of money. That is when he said "\$260 is my share of the \$520 per week rent". More head shaking at this point in time.

The next guy came to look at it and he was a single bloke in his 50's. He is a painter and you can just tell he would be a drinker and probably not have the rent money on a regular basis. I was nice and showed him around and handed him the form. In the mean time I am thinking, noooo I would rather have the unit vacant.

The next people that looked at the unit were a couple in the mid to late 40's. They have a little dog, and that is the only reason I showed them through - we are such suckers for animals. I had a feeling they were not quite right. They handed me the form and said they had the cash on them to move straight in - alarm bells are going off in my head now. I said I would call them in the morning to work something out. I called their current manager who explained they need a place because he had taken them to Court on Monday to get a warrant for non payment of rent. They had the money in their pocket - oh because they hadn't paid their rent.

That afternoon I got a call from two travellers. I told them to go past and have a look and if they liked the outside to give me a call and I would get Ramon to show them through. They called and five minutes later Ramon called to say they have filled out the form and they will be moving in - it was more a statement than a question. They are two young French backpacker girls and he didn't mind if they didn't have the bond, they could move in! Luckily the tough old property manager had already told them they needed six weeks rent to move in - they are going in Thursday and we are now back to full house at Sheridan Street.

Seriously, the shortage has only just started. As the economy gets better, this will put a huge pressure on the existing housing and we are going to see consistent rent increases over the next few years. I am but a mere property manager, and I don't fully understand all the triggers, but I would have thought in a normal market developers would be looking for the tightening of the rental market. They would also be looking for the properties that are currently ready for development but have been sitting vacant for some time during the down turn. They would start the process of development knowing that not only rents but also values are starting to go up.

In this case, the rents may be going up, but there will not be any development of significance North of Rockhampton for the foreseeable future. My reasoning for this is:

The rents may be going up but the values aren't

Who would develop a high density unit block when they won't even break even

If you can buy a nice unit currently for \$140K and under - who on earth would be buying a newly completed one?

I have continued to hear some horror stories. Today I heard about a penthouse that their levies are now at \$23,000 per annum. That is unimaginable to think on how they will be affording this. I have to be honest, of the complexes we are directly involved in we are very lucky to have the levies as low as what we do. I would guess our levies would be between \$1200 - \$2800 for the buildings we are involved in. Some of the average body corporate levies I am seeing are around the \$5000 mark. We were very lucky by reviewing the values at Scotsdale to get a reduction in the premium. I just did the budget and the levies for a two bedroom unit have gone down by \$300 per annum - very happy owners.

There have been a couple of good announcements. From October we will have three direct flights a week between Shanghai and Cairns with China Eastern Services. This will bring in 700 people a week extra into our beautiful city and hopefully revive our tourism industry.

http://www.cairns.com.au/article/2012/07/20/229365_local-news.html

http://www.cairns.com.au/article/2012/07/21/229535_local-news.html

You will love this one. It is about the rental vacancy rate dropping - I have been saying it for a while but now it is in the paper means it is widely accepted

http://www.cairns.com.au/article/2012/07/21/229515_local-news.html

The Federal Government is saying that the \$40 million funding is still on the table for the Entertainment Precinct

http://www.cairns.com.au/article/2012/07/20/229415_local-news.html

To finish off I am going to tell a tenant story but I will start with an investor story. You all know that I struggle with having anything vacant. I start to stress when the tenant gives notice and if we haven't found any one suitable by the time they move out, the stress increases. We do everything possible - reload up the advert to take it to the top of the rental site, look at the achievable rent, advertise it in the Cairns Post but most importantly any time someone suitable asks to see the property we show them. If this means staying back late after work or even driving in on the weekend - we do that so we can rent the property.

Just recently we had a three bedroom, two bathroom unit on Digger Street. The tenant was paying \$310 per week, and we tried at \$350 but when we didn't get a result we brought it down until it went. We ended up getting \$320 per week and had it empty for a week. This is a really nice unit that is unfurnished and demand as it is close to the city.

This week we found out that the unit right next door, no not in the next complex but right next to our was vacant. It is a mirror image and even better it comes fully furnished. The current tenant gave notice to say they would be breaking their lease. They gave SIX weeks' notice and then their lease ended. The agent from what I have been told has had access to the unit to show people through since the tenant gave notice. They found no one. This unit has now been empty for a further FOUR weeks and still has no tenant. I don't even want to tell you how frantic I would be if the unit was vacant for this long.

Is it that this unit is not as nice - I have seen the photos, so I don't believe this is the reason. Is it the rent they are asking - no we achieved the same rent and the property was unfurnished. Is it that the unit is furnished - no as most tenants do want furnished particularly close to the city. Can I give you a logical reason why this property is still vacant - no, all I can put it down to is that people aren't seeing it when they want. When someone wants to find a property, they want to see it, apply and then move in.

The second is a tenant story. This is the exact text message I got from the tenant,

"Hi Linda, how are you? Linda the light in the toilet is not functioning already and one more thing with regards to my rental, I have salary sacrificed it from now until October 2012. My agent might right you. One last one the microwave takes ages to heat up the food. Hope I can get it replaced please."

I had some one go out to the unit as I thought it could be just a fluoro batten, maybe even the starter that has gone - or it could need a new fitting. It should be a fairly easy fix one would think. You have seen the message above. I may be blonde but does anywhere in that message mention that the toilet upstairs is leaking water so much that a hole has now appeared in the plasterboard ceiling? I don't know what to say!

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

Linda