

Special Edition

10th October 2012

Dear Owners and Investors,

Today I put aside the whole day to write this email. It is the first day I have actually got to spend at home since we got back from Vietnam so you can imagine the pile of things on my desk.

It is now 6.45pm and I am only just starting to type this up. So much for spending the day writing it!!! Actually I have to tell you, it is now the next day - after a Margarita there wasn't much sense being typed up - so I gave up.

Cairns is in a very interesting place right now. We have so many things that are going forward and in the right direction, but then there is the other side that is dragging us down. On the upside we have the rentals that are tightening up. As at today there are 618 rental properties in all of Cairns to lease. I am able to increase the rents nearly every time we have a tenant move out, it may only be \$5 per week but it is an increase.

I spoke to a lady that was in Cairns last week, and as it was school holidays and we were bursting at the seams with tourists, she couldn't get a hire car. A tenant that works on the Kuranda Train said it is the busiest they have been in years. Masters is now up and running, and this has created jobs and a good vibe. The Mount Sheridan Shopping Centre is now open and Kmart is trading. Again more jobs, and adding to the confidence. There are reports like this coming in from all sorts of sources.

There are two really big things that are happening in Cairns. The first is the start of direct flights by not one but TWO air lines. China Eastern and China Southern will start flights into Cairns before the end of the year. The first flights start in 22 days time.

http://www.cairns.com.au/article/2012/10/08/234838_local-news.html

The next big thing is the announcement on dredging the Trinity Inlet. This will see bigger cruise ships able to actually come in alongside the wharf and this will have a huge financial impact.

I know firsthand what cruising people can spend in a single day, and it will be a huge bonus for Cairns.

There have been a couple of interesting ideas on what to do with the five million cubic metres of soil that will be dredged. I don't know if it is possible but dumping it and creating a satellite city on waste land has been done all over the world - so why not Cairns? Let's be honest we don't have that much spare room to build houses close to the city.

http://www.cairns.com.au/article/2012/10/05/234728_local-news.html

There are negatives such as our high unemployment. I have to say I am surprised at how many people are moving to Cairns on a constant basis. These people already have jobs lined up, so there must be something happening right.

Before I go into the research, I will remind you that we provide a Buyer's Agent Service that is free to use. Remember, it is us that has to make the contact with the Selling Agent and not you. If you contact them directly, then they technically don't need to share the commission they received from the Sellers - we don't get paid.

Even if you do live here in Cairns, do you really know everything there is to know about the property you are going to invest in? I was asked to look at a property just this week for some one. On the surface it looks like a great deal.

A two bedroom unit in Holloways for \$125,000 - and not badly presented inside. What the general public wouldn't know is that there are issues with the body corporate and this investment will be a lot of hard work to bring back on track. The pool that is empty at the front is a sign, but not the whole story.

When we are looking at property, we look at it as if we were going to buy it for ourselves. There are a couple of things that we still believe in. First is that you make the capital gain when you buy the property and not when you sell it. For example if you buy a unit at \$80,000, and the others are all trying to sell for \$100,000 - they will all eventually be selling for the same price of say \$150,000. In this case you have the potential to buy it and make a capital gain of \$20,000 in a very short period of time.

This is a very simplistic view but so far it has worked for us. What we saw when the sales market tightened up was that all one bedroom units in Cairns sold for between \$130 - \$150K - the location, the complex and the presentation played a small part but the price variation wasn't high.

As the market has weakened and people's desire and need to sell has increased - the gap has widened. I have used the one bedroom market as an example, but the same thing applies to most properties in Cairns.

For this Special Edition I am going to concentrate on units under \$150,000. The issue for me is the body corporate insurance, and I truly believe that it will be resolved in time. The Governments need to have high density living and the trend until recently has been in this direction. We have seen a great number of people down size from a house to an apartment. This has essentially stopped due to the high body corporate levies - or at least it has in Cairns.

The question I am asked often is "With the high cost of insurance and increased body corporate fees is it still worth buying into a strata environment?" This question isn't a simple one to answer in a Yes or No format. So I will break it down.

- If your budget will only allow you to buy a property up to \$150,000 or under - you simply aren't going to be able to buy a house. You may but not in a place that I know and would invest in.
- Is it better to invest in a property than no property - yes if you buy the right one.
- For an owner that doesn't live locally, as much as a body corporate can be deemed expensive - it sometimes isn't. This week I had a house for a client that had three things happen. We had to have a follow up termite inspection completed. There was a burst in the mains water pipe - the second one in under two months. Then we found a break in the electrical cable that goes underground from the house to the shed at the rear. Conservatively these will cost \$1,000 - all pretty much unbudgeted costs for the owners.

If the property were in a body corporate environment then each year the owners put money aside for repairs and maintenance of a regular nature such as gardening but also for unexpected things such as burst pipes.

It has to be remembered when doing the numbers you still have to pay insurance for a house - whereas with a body corporate the building is insured within your levies.

- Presentation of the property - the body corporate, or at least the ones that we are involved with have a plan in place to continually improve the appearance of the outside. The owner is still responsible for the maintenance of the inside of the property but for a bomb shelter unit like the ones we have this isn't a big expense.

Recently we had a huge number of trees lopped at our complexes, the gardens are now being mulched and new plants installed. All I have to do with these is look at the invoice and send an email to get the bill paid. As an owner I have already paid through our levies for the gardener and money has been set aside for the improvements.

Now we go to Holden Street where we own the lot and we will be there for the next three weeks cutting, mulching and trying to get the garden under control. I would say that we will be spending close to \$1000 on mulch and dumping fees. I know I would rather be on a cruise ship than mulching. I guess where I am heading with this is for an owner that doesn't live here, or isn't hands on a body corporate environment isn't such a bad thing sometimes.

- Rental vacancies are tightening up and we are starting to see the rents increase. On average we will achieve a 10% increase on our rents this year.
- Body Corporate fees and Council Rates have also gone up - my crystal ball isn't plugged in but I really think by the end of 2013 we will have achieved enough rental increases to offset these increases and bring us back to the same sorts of returns.
- There has been no building of any real description in the past 6 - 7 years. Even if they started to build now, it will be years before they are ready to live in. By then we will be at rental crisis levels and this will be reflected in our rents.
- Right now you can buy property in a strata environment for prices we haven't seen since 2005/06.
- You need to remember that buying any property is a long term investment. Don't think you can buy a property of any description in Cairns and then flip it, making a profit. My definition of long term is 10 - 15 years. If you aren't prepared to invest for that length of time then maybe property isn't for you.

The next thing I want to tackle is location. What we have looked for personally when buying units is not just where it is located but the type of complex it is in. For us our rule has been that we buy in the inner city ring. By this I mean as far north as Edge Hill, out to Whitfield, across to Earlville and then around to Bungalow. Essentially this is within 5 kilometres of the City Centre.

In general terms the further south you go, the less the rental returns you can achieve, and without being mean the quality of tenant is so much lower. We have some units at Robert Road, Bentley Park and these are really nice units. It is just the tenants that cause me an issue. We bought them because they were incredibly cheap at the time, and they essentially pay for themselves. These will be the first ones we off load when the market turns to the level we want it to. There are units on the Northern Beaches but for us personally we haven't bought there - maybe because we live on the south side of Cairns, or simply that there have been better deals closer to the city.

The style of complex is also important. We have bought in large complexes but none that have on site management. This helps to spread the cost out, and with no big contracts for on site management to pay the body corporate can be reasonable. There are a lot of smaller complexes around and these are very nice - but as an investment it is all about numbers.

To give you an example - I will do the numbers on a swimming pool.

The body corporate will pay to have someone service it every week to keep it maintained. There is the cost of not only the visit but the chemicals. In the wet season, as fast as you pour them in the rain washes it out. Then there is the cost of power to run the pump. The insurance is also higher due to the extra risk. There is then the cost of fencing - which now needs to be checked and a compliance certificate done every year. There is then the cost of repairs and replacements to the pump and other equipment. On average I would budget on \$5000 to have a pool. If you spread this cost out between Palm Tree Apartment owners it works out to be \$78 per annum for a bedsit and \$156 for a two bedroom unit. For a complex of only 8 this equates to \$625 per owner. Although tenants ask if there is a pool in the complex, the reality is that very few of them actually use it. Worse still you don't get any better rental returns for having the pool - just extra costs.

When I am looking at a complex, it is important that the body corporate levies are reasonable but it is just as important to know that there is sufficient money in the sinking fund to get things done. Since the increases in insurance, many have put off essential work, and at the same time lowered the sinking fund contributions to be able to take pressure off the owners.

This is sustainable for a very short period of time. Many of the buildings in Cairns are either bare besser block, or rendered. Either way the paint work is not only visually pretty, it is the water proof barrier. The building industry suggests that we repaint every 7 - 10 years to maintain this water barrier. With the change of legislation for Workplace Health and Safety, it has increased the cost of repainting dramatically.

For a three storey property, I would allow \$2000 per unit to repaint. If you have 20 units in the block and it is a few years away from being repainted, I would want to see at least \$35,000 in the sinking fund. Repainting isn't the only cost and you want to know that if you buy in you aren't going to get stung with a Special Levy. If it is passed, you have no choice and will have to pay it. I can see in years to come some complexes having \$5000 - \$10000 special levies simply because not enough money has been collected to cover the repairs and maintenance.

One of the other key ways Ramon and I choose an investment property is to ask ourselves a very simple question. If we were in a position where we had to live in the property - could we? If the answer is no, then how can we expect to have a good tenant live there and pay us rent. This isn't a question of the floor coverings being old, or if it needs to be repainted, or if the curtains are horrible or if the kitchen is big enough or any of those other things as these can all be fixed. It is a question of the area, the complex, the surroundings and the people that will be living next door and above. There are some complexes that even I can't turn around, so no matter how cheap they are we wouldn't buy in them.

With unit complexes, in Cairns there have essentially been three building booms. The first was in the late 1970's to very early 1980's. These are concentrated in Edge Hill mainly. We personally have just one property in Edge Hill, and it is one of our least favourite ones. Some of the reasons include - the height of the ceilings. They are built to 12 blocks high, where as the standard is now 13. This means if you are a really tall person, you don't want to be putting your hands in the air whilst the ceiling fan is on. The plumbing and wiring is now 30 plus years old and many need to have this upgraded. The kitchens and bathrooms are original and you can't really get away with just changing the taps and handles to make it pretty.

The body corporates generally didn't start to collect money for future works until the mid 1990's and by this stage many were 20 years old and had not much done to them. It is a constant battle at the property we own to balance collecting enough levies and improving the property. Although Edge Hill is a very popular suburb as it has the Botanical Gardens and the Village - the rents aren't higher. In fact sometimes it is actually lower than the high density places we have in Manunda.

The second building boom was between 1989 and 1995. The great majority of these were two and three storey properties that range in size from 6 to 44 units. These were built right across Cairns, but with a concentration in Earlville, Manunda, Manoora, Whitfield and the Northern Beaches. The properties that were built were "budget" accommodation. They were besser block construction, simple design, simple finishes but a good size and layout. This type of unit is what most of our strata units are, along with our investors. They are always in demand as rentals, still close to the city and are solid!

The third building boom was between 2003 - 2008 and this was the "posh" developments. These are the next giant step above the developments in the 1990's. They have granite bench tops, stainless steel appliances and some even have gyms and saunas in the complex. There were developments in the middle of the City Centre, Cairns One in Westcourt, the Northern Beaches and even one on Bruce Highway in Woree. In general terms these were much bigger and better developments.

The one at Cairns Once would have close to 500 unit in total spread over a huge parcel of land. It has five pools, a gym, on site manager - everything a Gen Y wants and is prepared to pay for. The city developments range from three storeys up to big high rise development on the Esplanade. The prices for these are much higher, as are the general running costs. For these reasons we personally haven't invested in this type of property.

What is really important is that you buy the right property, in the right area and at the right price for the market. Right now time is on your side, so take your time and really get to know the market. For this next part I am going to highlight just units that are under \$150,000 but I am going to put the ones in there that I wouldn't buy so you can understand why a good property is good. It is very important to remember this is my opinion, and only my opinion. There will be others that won't agree with my thoughts.

<http://www.realestate.com.au/property-unit-qld-woree-111693087>

These are essentially hotel units. They are at 1 Anderson Street, Woree and the cheapest I have heard of one selling for was \$28,000. This one is for sale at \$38,000. If it were \$10,000 I still wouldn't buy it. The unit is approximately 25 square metres in size. There is no real kitchen facility and this is a big issue for banks with their lending. From what I can work out, it just doesn't work as a motel so you have the rooms rented out on a permanent basis.

Generally these are not the best tenants, and it is not a good place to live in. The body corporate fees are high, I heard \$5000 per annum plus Council Rates. Even if you did pick it up cheap, when you come to selling it, there will be issues with someone buying it. The banks will lend on this, but they will do it at a 0% equity.

This will tie up your equity for other purchases. These were selling at \$100,000 at the peak of the market. I feel incredibly sorry for the people that bought in this property. Worse still for owners in this property, in this market it will come down to a simple thing of the cheapest one is sold. There are so many for sale, that this property at \$38,000 will not compete with an identical property in the same complex that is trying to sell for \$79,000.

<http://www.realestate.com.au/property-unit-qld-cairns+city-109262271>

The story is the same with this property located at 261 Sheridan Street, Cairns North. Its asking price is \$49,000.

<http://www.realestate.com.au/property-studio-qld-manunda-110321977>

There are three complexes in Cairns that I know of that are similar to this property. This is one located at 6 Chester Court, Manunda. The other is at 4 Chester Court, Manunda and the third is at Jensen Street, Manoora. All are slightly larger than the one at 1 Anderson Street, and they are actually residential complexes.

They don't have an onsite manager, and this will help to keep the costs slightly lower. The issue for me is the size at 26 square metres. The bed as you can see in the photo flips up and hides in the wall. In its day, it was an innovative idea, but today 20 years later with no maintenance and upgrading it is not great.

The bank will have issues with the size internally and the fact it doesn't have a really cooking facility. It has an electric two burner plug in element. There also isn't a laundry facility in the bathroom, it is a shared laundry in the complex.

If you owned the entire complex, it could be a different story, however as they are individually owned and they do attract the lowest class of tenant - they are a lot of trouble. The asking price is \$44,900 - which is very cheap. We did have two in the complex and we did sell them. We did well out of them, but would we buy them again - NO CHANCE.

<http://www.realestate.com.au/property-apartment-qld-cairns-110831619>

These are at 136 Sheridan Street, Cairns. It is pretty close to the city centre, and I have heard of these renting for up to \$250 per week. Given the asking price is \$50,000 it sounds like a great deal. This is similar to the first example. It is very small and in a managed environment. The hotel itself doesn't really work, and there are mainly permanent residents in the building. The building itself is very run down and need hundreds of thousands spent on it. The body corporate levies are huge - so this means even with a high rent there is nothing left after paying for Council Rates and Body Corporate Levies. This is definitely in the NO CHANCE basket.

<http://www.realestate.com.au/property-unit-qld-bungalow-111105479>

This one is located at 5 Nelson Street, Bungalow and has an asking price of \$85,000. We actually had one in there, and many years ago we sold it for \$105K. The complex has 8 units in it and no pool. Nothing has really be done or maintained since we sold.

I don't know about the body corporate levies but at a guess I would say they would be between \$1500 to \$2000. The location is good, as it is within walking distance to the city. One of the negatives of the property is that they have nowhere to sit outside in private. There is a landing at the front, but it is a common area. This will equate to a slightly lower rent. They can be painted and new floor coverings, which is a fairly cheap exercise. If it were fully furnished, nicely presented and air conditioned I would say you can get between \$170 - 180 per week.

Although a good option, it isn't one I would jump at. Bungalow will become an inner city suburb in the next boom. The city has expanded North along Sheridan Street, but along Sheridan Street it essentially stops at Bunda Street where Cairns Central is.

Development will happen along Spence Street one day, and then this will make Bungalow a "niche" suburb.

<http://www.realestate.com.au/property-unit-qld-parramatta+park-111230955>

This is located at 374 Severin Street, Parramatta Park and has an asking price of \$85,000. It is actually identical to the one above at Nelson Street. Parramatta Park is very close to the city, and popular with tenants. You may get slightly higher rent for this, but only by \$5 per week. It is that perception that it is closer to the city that will get you this extra money.

These two units are the same price, and in this instance I would choose Severin Street over Nelson Street, for the simple reason it is better presented for the same money. I don't like the colours they have painted on the walls. It has also been tiled throughout and this is a bonus.

<http://www.realestate.com.au/property-unit-qld-manoora-111055671>

This is located at 40 Moody Street, Manunda. It has an asking price of \$55,000. The photos show a huge one bedroom unit, that has been renovated. It is much bigger than your standard one bedroom unit. It is in a lovely Rainforest environment and is well maintained. So what is the catch - it has on site management and the body corporate levies are huge. Ramon and I looked at this property 12 years ago, and have looked at it every few years. We could never make the numbers stack, and now with the increases in insurance I know they will be even worse.

<http://www.realestate.com.au/property-unit-qld-manunda-109942456>

I have actually written about this property a few times, and I am so surprised it is still available. It is at 71 Alfred Street, Manunda with an asking price of \$69,500. This is one that we have looked at for the past 12 years but never been able to bring ourselves to buy into. The price compared to everything else is incredibly cheap.

It is actually a one bedroom unit, and it does have a normal kitchen and even a laundry in the unit. It is within easy walking distance to Raintrees Shopping Centre which is a huge bonus. This is what I call a debt reducer rather than a keeper. It is one that you buy, do what you need to just to keep it in the short term and when the market picks up sell it to reduce debt. This may take five years, and you have to remember that it will always be sold at less than other nice one bedroom units - but the price is brilliant for the market. There is just one more thing I need to say - hell shall freeze over before we manage the property - sorry!

<http://www.realestate.com.au/property-unit-qld-manunda-110981883>

This is a bedsit unit located at 85 Birch Street, Manunda. It has an asking price of \$89,000. This is one step above a studio apartment, in that it has a normal kitchen and there is a laundry facility in the bathroom. We personally have 6 of these units and they are never empty. The rentals did go as low as \$140 per week, but we have bounced back and recently we rented two at \$160 and two at \$165 per week. The negative is that they don't have a dividing wall to separate the bedroom from the lounge room. This will get you about \$10 per week less in achievable rent. The positive of these is the low body corporate fees. Even with the increases in insurances, these are still approximately \$1300 per annum. At the height of the market, these did sell for \$115,000 and given the increases in rent, these are still good options for some one that has a small budget to invest in. This one is at City Park and there is another at Scotsdale that are available. Both complexes are large with close to 40 in each. This helps to spread out the increases, and the size of the complexes isn't an issue for potential tenants. Both are financially viable complexes - guess they have a good Chairperson there.

<http://www.realestate.com.au/property-unit-qld-manunda-111138855>

This one is located at 1 Chester Court, Manunda with an asking price of \$99,000. They say they have a really good Chairperson at that complex - so you know that things get done and everything is good. This is a proper one bedroom, with a real kitchen and laundry room. The rent for one bedroom units are slightly higher than a bedsit, but the trade off is generally the body corporate levies are slightly higher. We are about to rent one in the building for \$180 per week. The rents have crept up to this level, and I think as the market tightens up there will be room to push them closer to \$200 per week. The body corporate levies have been affected by the increase in insurance and they are close to \$2000 per annum. This increase will very soon be covered by the increase in rents. In the peak these units sold around the \$160,000 mark. For some one that is wanting a simple, hassle free investment this is a good option. The location is good with Raintrees Shopping Centre just across the road, and the city being approximately 4 kilometres away.

<http://www.realestate.com.au/property-unit-qld-manooora-107742686>

This is at Mates Place - if it is still called that. It is located at McLachlan Street and you can get not one, but two studio units for \$89,000. But wait there's more, not only do you get two units for the price of one, the weekly rent is \$300 per week. The list of reasons why you shouldn't buy in this complex is far too long. If you were young, had lots of money and bought the lot - it would be a great investment. To buy just one, then it would be something I would not want to do - no matter how cheap they are.

<http://www.realestate.com.au/property-unit-qld-manunda-111156075>

This unit is located at 21 Douglas Street, Manunda and has an asking price of low \$100's. This is one of the nicest and biggest one bedroom units I have seen in Cairns. It currently is renting for \$190 per week, but give it a coat of paint and new floor coverings I really think you could get \$210 per week. If you were downsizing, and wanted a nice place that was manageable then this would be ideal. Because of the size and location, you will always get more rent than other one bedroom units.

<http://www.realestate.com.au/property-unit-qld-manoora-111639503>

This is located at 20 Springfield Crescent, Whitfield with an asking price of \$129,000. It is a nice unit, well presented and in a good area. In this market, can I personally justify paying \$30,000 more for this unit over say 21 Douglas or 1 Chester Court - no. It would probably be a nicer unit to live in, but the amount of achievable rent is similar to what you would get for the cheaper one bedroom units. Right now in this market, you can get a really good two bedroom unit for just a little bit extra. If it is just an investment, then I would be looking at two bedroom units over this.

<http://www.realestate.com.au/property-unit-qld-cairns-111063307>

This is in the same complex, but this is actually a two bedroom for \$129,000. Obviously you would buy the two bedroom, over the one bedroom if they were the same price. It is in "Lego Land" and this isn't such a bad thing. The entire area is nice complexes and these have been well maintained. The quality of tenants is generally higher than those you would find in a high density block in Manunda. They are also eligible for building depreciation allowance, where as something you would get in Edge Hill won't. I don't know the body corporate figures on this complex, and that could be what it takes to make this not so attractive to investors.

<http://www.realestate.com.au/property-unit-qld-manoora-111522011>

This property is located at 73 Pease Street with a listing price of \$140,000. This is a two bedroom unit that is fairly big inside, well built and even comes with a lock up garage. Following our own rules, the price is good but could I live there - probably not at this stage. It is surrounded by Pioneer Street, and this is not a good street. There are many social issues, and this spills into surrounding streets of which Pease Street is one. In years to come as the rental market gets better, many of these tenants will move further out of the city but right now it isn't good. For this reason alone, we wouldn't buy this property.

<http://www.realestate.com.au/property-unit-qld-manunda-111186239>

This unit is a two bedroom unit on Chester Court, Manunda. The asking price is \$139,000. This is a good street, within 150 metres of the Raintrees Shopping Centre. It is a well built unit with nice features. There is the added bonus of a lock up garage, which is very rare in units and a good point when looking for a potential tenant. The complex is well maintained, and on the surface it looks like a good deal. The rent I think is a bit low at \$190 per week, and this could be increased easily to \$210 or even \$220. The issue for me is the current body corporate levies which are \$3536 per annum.

<http://www.realestate.com.au/property-unit-qld-bungalow-109692221>

This is a two bedroom, two bathroom unit at 201 Aumuller Street. The size of this unit is huge, and it is very rare for a property of this age and price to have two bathrooms which is a big selling point. The location is fantastic as it is inner city Bungalow. It is close enough to the city and other amenities to be a good rental. Its downfall at this stage is simply the high body corporate fees which I have been told are close to \$5,000 per annum. The asking price is \$119,000 which is great, but we wouldn't look at this as an investment.

It is around the price of \$115,000 upwards that there appears to be a cross over between the one and two bedroom units. The one bedroom's that are competing at the same price as a two bedroom unit generally can't be compared. The one bedroom's would be somewhere that you could live in, they are in good areas and are nice big units that were well constructed. As an investor, it is a matter of holding costs and then potential capital gain down the track. It is a case that you can only get so much for rent as a one bedroom unit - and this is generally less than a two bedroom - even one that isn't as nice as the one bedroom.

In general terms, the prices for bedsits at the peak of the market reached \$115,000, one bedroom's went for between \$150,000 - \$165,000 and two bedroom units went between \$220,000 and \$235,000.

Right now you can pick up a bedsit for \$85,000 so if the market went back to the peak, there is a potential \$30,000 gain. One bedroom's you can pick up now realistically for \$100,000 so there is a potential \$50 - 65,000 gain to be made. The two bedroom units have been hit the hardest and I can't really explain why. Right now I believe you can buy a good two bedroom unit for \$135,000. Assuming the prices just go back up to \$220,000 this could be a potential capital gain of \$85,000.

<http://www.realestate.com.au/property-unit-qld-westcourt-111079711>

This is a two bedroom unit on Rose Street Westcourt. This is a really nice pocket of Westcourt with nice units in the area. This is well built and well finished unit. It has the nice things done already - tiles on the floors, big kitchen, good sized rooms, nice complex. The asking price is \$110,000 which is one of the cheapest two bedroom units on the market. Potentially you will get more for this unit than you would for one in a high density block in Manunda. It may only be \$5 per week extra, but every bit counts. This will in the long term become an in demand area. The extra nice features will be very attractive to owner occupiers when the market returns to normal levels. The body corporate is \$2766 which in the environment we are in right now is fairly good. I have heard it has just gone under contract - but not unconditional as yet. This would be one of my picks so far.

<http://www.realestate.com.au/property-unit-qld-cairns+north-110646593>

This is a property I wouldn't normally look at, but it is two bedroom and within walking distance to the City. It is at 292 Sheridan Street, Cairns North and has an asking price of \$125,000. The outside is not much to look at, and to be honest nor is the inside. With a small amount of money, it could be made into a nice property and you will get a slightly higher rent just because it is close to the City.

<http://www.realestate.com.au/property-unit-qld-cairns-111809379>

This is a very nice pocket of Manunda, and nothing like the high density on Birch and McCormack Street. This is on Ingham Street, Manunda and this is one that I would look more into. There are just four in the complex, no pool and the body corporate fees are under \$2,000. I don't know this particular one, but I have seen inside a similar one a few doors down. They present really nicely inside, although the tiles would not be my choice. At an asking price of \$130,000 it is worth following up on.

<http://www.realestate.com.au/property-unit-qld-cairns-111809387>

This is a lovely two bedroom unit at 17 Grantala Street, Whitfield. The asking price is \$135,000. This is still in Lego Land, but it is a lovely unit in a lovely unit complex. The body corporate fees for this one are \$4,000. This appears to be a bit on the high side, but this can be explained by the fact there is a pool there and only 8 units in it. Not to be thrown off the list, but the body corporate fees do appear to be high compared to some of the others. You will get a slightly higher rent for this property than a high density in Manunda so this could offset the higher body corporate fees. The price is fantastic and you get two bedrooms!!

<http://www.realestate.com.au/property-unit-qld-manoora-111740459>

This unit is just a few doors down from the one above. It is at 8 Grantala Street, Whitfield. This is a beautiful unit that has been renovated to a really nice standard. This will get a great tenant that is willing to pay slightly higher than what you would get for a standard one bedroom unit. The body corporate fees are only \$1509 per annum - although given there is a pool in the complex I find this difficult to believe. The average insurance per lot now is \$1000 so add this to the running cost of a pool, plus a sinking fund I would want to do some home work to ensure this levy is sustainable. The asking price is \$135,000 which is the same as the one above. It is a beautiful unit but it is only one bedroom for the same price.

<http://www.realestate.com.au/property-unit-qld-manoora-111704327>

This property is also at 8 Grantala Street, Whitfield. The asking price is \$145,000. It is \$10,000 more than the one above, but this has two bedrooms. It doesn't state on there the body corporate fees, so we would need to follow up on this. The fact the unit also comes with a lock up garage is a huge selling point when it comes to getting good tenants paying good rents. This one is certainly worth putting on the short list - the body corporate fees will make or break this for me.

<http://www.realestate.com.au/property-unit-qld-parramatta+park-107567646>

This property is close to the city, and within easy walking distance. It is a two bedroom unit on Minnie Street, Parramatta Park with an asking price of \$149,000. Unlike many of the units close to the city, this one is in good order and well maintained internally and externally. It also appears that the rooms are a good size, which is a bonus. The rental return seems a bit low at \$210 given it is so close to the city. What will make or break this is the body corporate fees. A unit close to the city will have a premium on the price, but you would need to establish if that premium is 10% over a unit in Lego Land.

<http://www.realestate.com.au/property-apartment-qld-cairns-111648607>

OK so this one isn't actually under \$150,000. This is a one bedroom unit located at 12 Gregory Street, Westcourt. It is in Cairns One which is one of the new complex with all the bells and whistles. The asking price is \$185,000 which for a one bedroom unit appears to be high. The body corporate fees are \$4,000 which is double what you would expect for a one bedroom unit. The difference is that the rent you would get for a one bedroom in Manunda is \$170 - 190 per week at the moment. The last one we rented in this complex, which was fully furnished was \$330 per week. The depreciation allowance is great as it a much newer construction. I haven't done the numbers but it would be an interesting one to look at. When we went to rent them out I was very sceptical that I could achieve \$300 for a one bedroom unit - we didn't we achieved \$330 per week. Even worse we had a huge choice of brilliant tenants to pick from. This was early this year, so given the pressure on rents it may be possible to even get a higher return. A lot of home work would need to be done on the body corporate for this if you were serious.

<http://www.realestate.com.au/property-townhouse-qld-manunda-108218591>

This one is worth looking into as well. It is on Behan Street, Manunda which is behind the Colonial Club. This looks to be a nice complex. The asking price is \$150,000 but wait until you hear what it has. It has two bedroom plus a study, two bathrooms and a lock up garage. I believe the body corporate fees are high at \$5,000 but even with this it would be worth looking into. There may be a reason the levies are this high, and it could be fixed. For \$150,000 for essentially three rooms and two bathrooms it would be worth looking into.

That pretty much wraps up the home work for units under \$150,000. There are many more on the market that are similar and the prices go all the way up and over \$200,000. As an investor right now we have to look through and pick the good ones up that are cheap. As investors that already own properties here in Cairns we have to remember "What it is really worth, isn't what it will sell for today". The tide will turn and the prices will go back up, it is just a matter of time.

Now that this email has taken me two days to complete, it will only be a few short tenant stories for you tonight. I am going to give you all permission to say in a few months time "I told you so".

I am still working with the people at OzCare and Mission Australia. We have had a couple of success stories, and then we have had a couple of total disasters. I really do try to be a good person and take each one that they send my way on face value and try not to let the bad ones affect my judgement, but some days I get "Karma Fatigue".

There are only so many points that I will need to score to make the Big Man in the Sky happy - but no I am a sucker for punishment.

We have a new tenant going into one of the one bedroom units next week. He has been in a rehab programme for the past six months, and he has been clean and sober for many months. He called me to plead his case the other day, and he spoke really clearly and explained where he was now, where he had been and how he had gotten there and why he won't be going back there again. He was a Chef and the drink took him to dark places. In a moment of weakness I caved and he is moving in. Not only did he get the usual drill on how I know if he steps out of line, but he got an extra serving on how it won't be tolerated and I have doblers everywhere in this building that will tell me the second he steps out of line. I also have a happy owner that has only two days vacancy between tenants, and \$15 per week extra.

I am going to lose Karma points with the next story. You all remember my guy that went to jail, for two - not two days, not two months, but two years. The girlfriend, who is no longer the girlfriend called me the other day begging me to help her find a place. I told her that it just wouldn't be possible as although the place was spotless when she left, there was money owing on the rent. The guy in jail has been sending me \$10 every month or so to pay it off so he won't get listed on the data base. She asked how much it was and for the bank account number - and then went to the bank and paid it all. Sadly we don't have a unit at this stage that will suit, but I do have really happy owners that have received the balance of the rent. I also now can call the guy in jail to tell him he doesn't have to send more money.

I have to tell you that we now have a lovely new tenant in a bedsit in Scotsdale. What makes him different is that he is the first person I have had that works in a Funeral Home. He is a lovely young man, and you would never pick what he does for a job. No laughing now, but now I know the person that will eventually be meeting all my "I collect Old People".

That is me done for the night. I will be writing a few more Special Editions over the next two weeks. The next one will be about duplexes as we are starting to see more come on and some movement in the market. The one after that will be houses for under \$250,000. If you are looking for a property, please get in touch so we can do the home work for you.

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

Linda