

Special Edition

27<sup>th</sup> October 2012

Dear Owners and Investors,

I blinked and missed a few weeks, but today is the day I am going to sit down and write all about duplexes. The Cairns market is bouncing along the bottom, but for me there feels like the winds of change are in the air. Don't take this as a sign that things will improve and we will find ourselves in a fast rising market, I just feel that we are past the worst of it.

One of the main issues continues to be the insurance increases. You can do something to help. Please go to this link

<http://www.change.org/en-AU/petitions/help-north-queenslanders-get-fair-and-affordable-insurance-premiums>

It is a petition and it is starting to be noticed by the Insurance Council as well as the Government. It will take you just a few minutes, but it will help to add pressure on the issue.

The rental market continues to increase the achievable rents and the vacancy factor is still very low. As of today I have three properties available for rent. One I am sure has gone, but until the money in the hand - it is still available for rent. One is going to be difficult due to the external presentation and the other one will go very soon. On the horizon we have a two bedroom unit coming up in 10 days which should be no issue to relet, and then a house. This is currently rented at \$280 per week and this will be the test to see exactly where the housing rentals on the southern corridor are. I have an existing tenant that has her sister coming up and they want to see it as soon as I can show it to them. I would like to think we could get a minimum of \$20 extra per week for this property, but we will push for more initially and then if the demand isn't there we will bring it down.

These are some links from the Cairns Post which share my view that things in the Cairns economy are on the turn.

[http://www.cairns.com.au/article/2012/10/24/235570\\_local-business-news.html](http://www.cairns.com.au/article/2012/10/24/235570_local-business-news.html)

[http://www.cairns.com.au/article/2012/10/16/235231\\_local-business-news.html](http://www.cairns.com.au/article/2012/10/16/235231_local-business-news.html) the first China direct flight arrive very soon - this will have a big impact on our economy

<http://www.cairns.com.au/eclipse2012/> Mother Nature is giving us this one with the Far North the place to see the eclipse. I have read that it will fill every hotel room in Cairns - and that has got to be good for the economy.

The last special edition I wrote about buying a unit under \$150,000. Although this is a very good option for some, if Ramon and I were to look to buy right now it would definitely be the duplex market we would target. To be able to do this though, you have to have a much bigger equity to be able to secure the lending. If you only have enough to buy a unit for \$150,000 then this is a better option than buying nothing at all.

The reasons I like duplex pairs is

You get two incomes, and really it can cost you the same as a house to buy.

The two incomes are higher than what you could achieve from a similar priced house.

If one side is empty, you still have the income from the other side.

The Council Rates and Insurance are not that much higher than a house in the same bracket.

The number one reason is - POTENTIAL.

When Ramon and I look at duplexes it is what we can value add to the property to increase the value. This could be by converting the garage into a third bedroom and second bathroom - but the configuration of the building and the land has to allow this.

You can strata title the pair and have one on each title. If you can do this then you have increased the value very quickly for a very small cost. I have been told that to strata title will cost between \$5 - 10K. If you buy a pair for \$350K, spend \$10K you potentially can sell each side for between \$200 - 250K. In today's market you should be able to achieve \$220K if it is well presented.

The type of people that are looking to buy a duplex half right now are those that want something nice, but have a budget that won't allow them to buy a house. This will continue to increase as the price of houses goes up - this means that when you strata title them it is possible to get alot more for them.

We have been tracking the duplexes for some time now. I will give you my thoughts on all the available options. Remember if you are interested in more information - please call us first. If you call the listing agent directly, we can't act on your behalf - nor do we get a share of the commission!

<http://www.realestate.com.au/property-duplex+semi+detached-qld-gordonvale-110833063> This duplex is located in Gordonvale. As the economy picks up, you will be able to get better tenants and better rents, but right now I would expect lower rents than what you could achieve closer to the city. It is only a 30 minute drive into Cairns City itself, but Cairn people think that anything more than a 10 minute drive is the boonies. The asking price is \$320,000 which is a very good price. It is a newly built duplex so this will mean no maintenance for some time. I will also give you a great depreciation allowance. It does have a lock up garage which is a big selling point for potential tenants. I wouldn't cross this one off my list, but it wouldn't be one of my first choices. The only reason for this would be the distance from the City.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-woree-110981631> This duplex pair is located at 7 Coral Close, Woree. I am very surprised that this one hasn't sold as yet. The rent return of \$250 per side is good, but even better with the huge fenced yards there is potential to increase this rent to \$270 per side. The building will need to be renovated internally but the current tenants are going to be long term tenants and have no plans to move any time soon. The big positive is the massive block size and the potential to put another dwelling to the rear or even create another block and sell it off. The big negative is that this isn't possible whilst the High Voltage tower is in the back yard. There is talk of this coming down - but at this stage it is only talk. At an asking price of \$329,000 it is one of the cheapest duplex pairs around. I have to put this in the same category as the duplex pair we have on Bruce Highway. We bought this pretty much sight unseen and in the 8 years we have had it we have done essentially nothing. The tenants pay the rent and we are now just sitting and waiting for the economy to bounce back. Our positive is that it is on the main highway into the city - our negative is the economy. With our property as well as Coral Close - when that negative is removed the pay off will be huge.

<http://www.realestate.com.au/property-unit-qld-manunda-107380251> This one is a pair in Manunda. The list price is \$334,000. This one has been for sale for at least a year and no matter the price, I really wouldn't buy this. It is surrounded by Department of Housing properties and there is nothing you can do to clean this area up. This aside, the configuration of the building on the land makes it impossible to value add.

<http://www.realestate.com.au/property-house-qld-bungalow-107536188> This one is located in Wilks Street, Bungalow with a list price of \$335,000. Again this has been for sale for at least a year. This is in a great area, but the property needs so much work - but not the cheap paint and change floor coverings type. I wouldn't buy this as I believe there are far better properties around.

<http://www.realestate.com.au/property-unit-qld-woree-111628215> This property is on Anderson Street, Woree. The list price is \$385,000. I am sure that this property is good, however is it worth \$60,000 more than Coral Close - not sure about that. If you put \$60,000 into renovations into Coral Close - you would have a fantastic property that would be maintenance free for many years, attract great tenants and could even achieve up to \$290 per week. I say this because of the massive back yards that are fully fenced and if you allow pets tenants will pay this.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-parramatta+park-111492595> This one is in Parramatta Park with a list price that has been dropped down to \$359,000. This isn't a true duplex, it is a Queenslander that has been divided into two units. There are many issues I have with this - but at the end of the day the main one is that I don't believe you could strata title it off and sell them separately.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-cairns-107361945> This one has also been for sale for over a year. It is in Woree and although a good area, the fact the carports are on the outer sides rather than the middle make it more difficult to value add easily. The owners have now increased the price from \$350,000 to \$360,000 - they can see the market getting better so they have lifted the price!!!

<http://www.realestate.com.au/property-duplex+semi+detached-qld-white+rock-111809023> This is on Coolabah Street, White Rock with a list price of \$379,000. I haven't seen the property but from the photos I am going to guess it would be pre 1987 and therefore no real depreciation. The style of duplex was very common in the early 1980's and we would need to be sure that built in robes have been put into the rooms. The main bedroom is big, but the second room tends to be small. On the surface it is a good duplex, but for the asking price of \$379,000 I am not so sure it is value for money. White Rock, Woree and the other Southern Corridor suburbs are very cheap to buy at the moment. When the economy turns, this will be a high growth area and this I believe will push up the prices. You have to buy right to be able to make the most capital gain long term.

<http://www.realestate.com.au/property-house-qld-manunda-111189071> Now this would be one of my picks. It is on McCormack Street Manunda. The asking price is high \$300's and I believe this is around the \$380K mark. This is not your traditional brick duplex. It is two houses that have been put onto the block, with one common wall. They are actually three bedroom one bathroom properties - rather than two bedrooms. It is right across the road from the primary school. The rear unit has not been renovated, but this wouldn't be a huge expense and to be honest it isn't absolutely needed to be able to secure a good tenant and good returns. The front one has been renovated with a new kitchen, bathroom and the walls repainted. Both properties have polished timber boards which are in good condition. The issue could be that the walls are asbestos. I personally don't have this as an issue or a reason not to buy it. There are hundreds of thousands of properties that were built in this era that have it - but that is something that each person needs to understand and work out if it is for them. As a straight investment, it is a great price; given you get three bedrooms rather than two. It is on a big block that can be easily fenced so you can have pets. I would say the achievable rent for this would be \$270 - 300 per week per side.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-edge+hill-111861462> This is at 51 Boden Street, Edge Hill with an asking price of \$410,000. It is a fantastic area that is very much in demand and you can get better rents than you would in Woree or White Rock currently. It appears that all the work has been done with it being tiled, painted, air conditioned and well presented externally. This is a great property - but can I justify the price of \$410,000 currently - not so sure.

<http://www.realestate.com.au/property-unitblock-qld-gordonvale-108592386> this duplex has been for sale since February 2012 at least. It is in Gordonvale with an asking price of \$440,000. It does say it is a three bedroom, but the rooms are incredibly small. The three factors for me are the price is too high, the location and the actual size internally of the property. If it were \$300,000 then it would be a different story but at \$440,000 I would chose another property over it.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-gordonvale-106369632> This is pretty much the same as the one above. The size of the rooms is better but there are other issues with this property. It may be a good one for someone looking to owner occupy, but as an investment it isn't the right style for me. The asking price is also \$440,000 which is another reason I wouldn't consider it.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-trinity+beach-110655213> this is at Trinity Beach and has an asking price of \$450,000. When I saw it had a pool I could see the dollars of expense that will get you no real extra return. It would be a night mare if it were a shared pool. This could be a great option for some one that would like to live in it, but again as an investment property it wouldn't be one that I would consider.

<http://www.realestate.com.au/property-house-qld-edmonton-111258863> This is on Cooktown Street, Edmonton and has an asking price of \$465,000. Although it is much higher than the other duplexes, this is something we would look at. It is newly built, so there is alot of depreciation. There would be no real maintenance to be done for many years. They are both three bedrooms. The presentation both internally and externally is very good. Each has a double lock up garage. There is a patio area, it is fully fenced and pet friendly. The current rental return is \$570 per week and as the demand increases I think you could get this up to \$300 per side. You are essentially buying a new three bedroom home for \$232,500 - which I am not sure if you could do in this market. You may but then you would have to spend money to get it to the same level of presentation. This would be what I would deem to be a long term passive income earner. You would get good tenants, good rents and very little hassle. Depending where you are in your investment strategy this could be a good property.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-holloways+beach-111326963> this is at Holloways Beach with an asking price of \$469,000. There is a three bedroom unit that has a pool, and then a two bedroom unit. They appear to be well presented, and the rental income is \$300 per side. Holloways is very much in demand as it is a beach suburb, but still very close to the city. It is a great property, great location but as an investor I would have difficulty justifying an extra \$90,000 over say McCormack Street which could get the same rental returns - and no hassle about the pool!

For the next part of this email, I am going to try to motivate you - or at least really understand why you need to do something.

I want you to go to <http://www.superannuation.asn.au/RS/default.aspx> then I want you to go to the budget break down.

I am going to work through the comfortable couple in retirement. The Association of Superannuation Funds of Australia has determined that for a couple to retire and live a comfortable live they will need \$1058.87 per week income or \$55,213 per annum - remember this is not each but as a couple. Sounds like a reasonable amount of money, until you start to really think about what your life is like right now and what you will need to change to be able to live on \$55,213. Of course the next issue for so many people is how on earth they will get a passive income of \$55213, not just for one year or two years but for the rest of their lives - however long that may be.

If you have no super, and you are eligible for an aged pension, a couple will receive \$30,300 between them - which is a lot of cost cutting from the "comfortable couple" living on \$55,213. I would like you to be realistic with the figures they have used to get to the annual figure, and then work out how your life will be if you had to live on this - or worse the aged Pension. I know I have done this once before based on Ramon and I, but I am going to do it again.

Building Insurance - \$25.57 per week - or \$1330 per annum. We are sunk on the first item as ours is now \$2700 per annum. Guess I will have to cut something else out.

Rates - \$30.03 per week or \$1561.56 per annum. Our house here has no sewerage so our rate are about this, but if we lived in Cairns itself I know we would be short again by at least \$800 per annum.

Home Improvements and Repairs and Maintenance - \$23.43 per week or \$1218.36 per annum. I don't know about you, but that isn't going to get alot of handy man work done. As we get older we really shouldn't do some things - ask Molly Meldrum about putting up Christmas lights. I know I fret each time Ramon gets up on the roof to clean out the gutters.

Electricity - \$48.28 per week or \$2510 per annum. Luckily we don't use air conditioning so we will be fine on this. Any savings we make we can use to pay for our house insurance.

Food - \$188.97 per week or \$9826.44 per annum. I know that I don't want to think about what I put in the trolley and when I get old I don't want to do that either. I want the nice, soft toilet paper I don't want the scratchy stuff just so I can save a few cents. Maybe I will be able to lose some weight as I won't be able to afford so much food on the budget - oh no how will I be able to live without my fix of chocolate?

Home phone, broad band, and mobile - \$32.49 per week, or \$1689.48 per annum. I guess when we do retire I won't be in training for mobile phone talking so my plan can come down on that. Between my mobile, Ramons mobile, the house phone, the home internet and the Ipad there is no way we are going to be able to stick within this budget.

Household Cleaning, and other supplies - \$25.10 per week, or \$1305.20 per annum. Let me tell you, I will go without food, water and sleep with no electricity if it means that I get to keep our cleaning lady. We came home the other night and she had even mowed the lawn for us! Oh my goodness can this woman clean so sorry, there is no way I am going without her.

Cosmetic and personal care items \$2.99 per week or \$155.48 per annum. No seriously, that is not going to be possible. I went to the Hair Warehouse the other week and as I don't actually get to make it to the shops very often I bought in bulk. I like to have nice shampoo and conditioner as well as leave in moisturiser and hair products. That shopping trip alone was close to \$300 and that isn't going to last two years.

Barber or Hairdresser - \$20.08 per week or \$1044.16 per annum. It is very expensive being a pretend blonde, and I really don't know which hair dresser the people that created the budget went to, but that isn't one that I go to. Even when Ramon goes to get his curls and colour it is now close to \$200 for the visit.

Computer, printer and software \$4.12 per week or \$214.24 - I guess they are assuming that your computer will never crash or need to be replaced.

Household appliances \$11.52 per week or \$599.04 per annum - you see when you get older you need to have things bigger - but in this case you can't afford to buy a new big flat screen TV. What happens if your TV goes in the same year that the fridge or washing machine goes? Maybe that is why when the government handed out \$1000 to the pensioners they all went out and bought new TV's.

Clothing - \$58.50 per week or \$3042.00 per annum. Are you laughing as hard as I am right now? I mean how on earth am I supposed to buy new stilettos on that budget? Remember that is for two of us, so they really expect me to buy clothes and shoes for \$1521 per annum? Seriously?

Car Transport and Running Costs \$137.53 per week or \$7151.56 per annum. Again sounds like a lot but has any one filled up a car lately - gone are the days where you could pull in put \$5 in and it would last you for a few days. We have three cars now - the work car, the EOS Lemon and the SLK. The insurance for each of them is \$800, plus then \$800 for registration. Great after that we have \$2351.56 for the year. We just bought two new tyres for the Rexton which cost \$700 recently, and four new tyres for the EOS (grumble, grumble what a lemon) and that was \$1000. Its ok because we won't have enough money to fill the car with diesel so we will won't use the tyres as quickly. We currently budget on \$100 per week for fuel - that is if we drive into the city together in just one car. That's fine, because they have made an allowance in the next section.

PUBLIC TRANSPORT - \$5.33 per week or \$277.16. Now wait, that is for a couple, not a single. That works out to be \$2.66 per week, per person. Now I haven't caught a bus in Australia for a very long time, so maybe this is possible. We did however catch the bus when we were in Ho Chi Minh and that was 50 cents each way. Maybe they did the numbers based on being in Vietnam not Cairns or Sydney. Can you imagine me catching a bus?

Health Insurance, Chemist and Out of Pocket Expenses \$127.40 per week or \$6624.80. That sounds like a lot of money. Our health insurance - which is another thing that I would rather give up food and possibly even the cleaner just so we could keep it. After we pay for that, half the allowance is essentially gone. The reality is that as we get older, we get sicker and the visits to the doctor become more frequent - and more expensive. We have had our run of specialists and tests, and we know firsthand that much of it isn't covered by either the health insurance fund, or Medicare. You also need to pay for prescriptions with this money - any one bought tablets lately - it is frightening how much they can cost if you don't have a concession card.

The last section is the best one. It is all about living and enjoying life. When you are retired, you have more time on your hands and you want to go out there and do things. The total amount they budget for is \$295.08 or \$15344.16 per annum. Remember this is not just for one person, this is for a couple. Again sounds impressive and a lot of money, but it isn't really.

The ones I like are...

TV, DVD, digital camera - \$1.71 per week or \$88.92 per annum. Now if you wanted to go down to the DVD store to rent a movie, or download one, you would have to save up and get one a month. Or you could watch is on your Foxtel or Austar - oh sorry that hasn't been budgeted for.

Alcohol consumed in the home or equivalent spent - \$38.75 per week or \$2015 per annum. There will be some like me that will be wondering how on earth that is possible. I am not a big drinker, but let me tell you we gave up drinking wine that comes out of a cask box many years ago and we have no intentions of going back any time soon.

Lunches or dinner out - \$77.50 per week or \$4030 per annum. Again this sounds like a lot, but our society is changing. When I was growing up no one went out for coffee - now even my 86 year old Auntie loves to meet up for a coffee and cake. When you are retired you want to go out and do things and enjoy life - do you really want to be thinking if you can afford to actually order a main and a drink?

Cinema, plays, sport and day trips - \$12.99 per week or \$675.48 per annum. Guess they didn't anticipate that in the next year this little black duck wants to go to see Pink and go to the Mardi Gras - that is just for starters. Of course one cannot go alone, and seeing as Ramon would rather have pins stuck in his eyes, I have to take Miss Tenille with me. Not only do I have to allow for the tickets but the flights there, the hotel and then who is going to go to Sydney and not go shopping? Ah but that is in the next section.

Domestic Vacation \$74.24 per week or \$3860.48 per annum - for a couple, not each. I guess we have been very spoilt and the way we all live now is changing. We want to travel, we want to experience the world and enjoy what there is in other places. Long gone are the days where your first holiday is when you are a grown up. Children are travelling with families and it is common place. If you have family in other parts of the world as so many of us do, are you going to be able to visit them when you want?

Overseas vacations \$51.95 per week or \$2701.14 per annum. So you are now retired and you have the dream that you want to finally go and see all the places you have dreamed of - Paris, London, Greek Islands, Las Vegas and see all the casinos! Well, you may have the air fare to get there, but you won't have money for a hotel, to do anything and as for buying anything to bring back - no chance. I guess you could save this money and go in five years time. You know my dream is to be granny up on stage that has sailed over 100 cruises and still going strong. Not sure how we are supposed to do this on \$2701 per annum for the two of us. Now I have saved the best for last.

Gifts and/or alcohol or tobacco - ZERO ALLOWANCE. When you are retired it is a good time to give up the cigarettes as not only is it bad for you, but you can't afford them anymore. As for drinking that is also a bad thing for you so it is a good idea that they don't make allowances for this. Christmas, birthdays, anniversaries and Valentine's Day also cease to exist as you really don't need to buy or receive gifts as you have everything you need now.

I have one more thing to bring up. We had to take our Holly to the vet as she was sick - thank you very much there was \$300 gone in the blink of an eye. Two days later it was Tuckers turn and there went another \$300 quicker than you could say it. Our boy had to have blood tests and then he had to have an ultra sound to work out what was wrong with him. Fortunately it isn't the Big C, but he does have Cushing's. This is treatable, but it will mean a tablet a day for the rest of his life. The brand name drug that they suggested took my breath away when they told me the cost per month - but fortunately there is a no name brand that is just as good.

This is \$270 per month or \$3240 per annum. We are fortunate that we are able to do this financially, but do you want to be in a position where you can't?

Another thing that isn't allowed for in the budget is upgrading anything. Our cars may be new right now, but in 10 or 15 years time they won't. The same can be said about our furniture, the white goods, the television. Let me tell you, I have become a snob. Although the EOS is a lemon, it is a lovely lemon to drive. Do I want to go back to a basic Hyundai - no I don't.

I have been totally honest with you on the budget, and I hope that you go away after this and be honest with yourself. There is still time to make a difference to your retirement. It may not be with property in Cairns, but this is what I know so I will continue to try to motivate you. So long as you do something to make your life better, then I have achieved something. I have lots of new tenant stories, but will save these for the next Note to Self.

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

Linda