

Note to Self

11th November 2012

Dear Owners and Investors,

I was recently asked how come I know our tenants so well. This set me off thinking and I guess the most basic answer I can give is that I treat them like human beings. Each of them has a story, and each of them wants to be treated like a real person and not just a "tenant". They all have family, work and issues and although I don't want to become involved I try to know a little about their lives so that they don't just think of us as the Property Manager. Building a relationship with tenants is really important, and this has been one of the keys to our success to date.

I know that Peaceful Lover is going back to live with his parents in Charters Towers - and this will be a good thing for him as he needs this support. It is also a good thing for the owner as I can get \$10 - 20 per week more for her to make her life easier. I know that my Bunnings Lady now has a new fellow and love is in the air and he is about to move in. I know that Miss M (not Miss M the cleaner but another one) has finally got a job. She has been trying for so long and she now is a Lolly Pop lady with traffic control. She is also over the moon as I have just put in next door a lovely couple - the last two people haven't been fantastic. I know that life is tough for Mr A as he battles Cancer, and I continue to tell him that if and when he gets stuck with rent to call out and I will try to get him assistance via one of the charities.

I know that Miss R has her life back on track. She got sidetracked terribly when she stopped taking her medication and nearly lost her little girl to Child Safety. She left owing money, but to her credit she paid it all off, saved up the money for the bond and two weeks in advance and most importantly has her mental health under control. She is now living at one of our town houses - if she can turn her life around so much, the least I can do is give her a chance to make a life for her and her daughter.

I know that Mr S my blind guy is wanting to get an assistance dog - know that because before he even thinks about it he will need permission from the body corporate. I think it will be a huge benefit to him and his life. Mr J who has just moved into Viewmont seems to be thriving. He is the one that has come from OzCare after hitting bottom and has been clean and sober now for 3 months. I even have spooked Mr L who is the biggest Islander man I have ever seen. He lives next door to our office and twice he has gone back to the drink. Each time I have found out within hours and called him to let him know I have called the Police. I have talked to him straight about the fact that if it happens again, he will have to leave. He is desperately trying to get life on a normal track and I hope he succeeds. All I can do is provide him a home the rest is up to him.

I may have very little in common with our tenants but I know that without these people living in our investment properties and paying the rent each and every week - being a property investor just isn't possible.

In my life time I have rented just two properties. One was when I first left home and the second was after I left the first husband - onto husband number three now, who is actually still husband number two. I forget that there are people that will go their entire lives renting - they will never own their own home. I can't seem to fathom this, and this is yet another thing that has been a learning curve for me personally.

The other thing that I can't seem to fathom is the unnecessary expense that some of these tenants have. It is the build up to the wet season, and I will admit it is starting to get warm particularly during the day. In our house we don't have air conditioning, but we do have ceiling fans - oh and windows to let the breezes through. I got a call from a tenant the other day to ask for another air conditioner to be installed. They currently have a huge split system air conditioner that should easily cool down the place but obviously not enough for her. It was running the entire day - I will hate to see their electricity bill when it comes in.

As the rental market is now FINALLY starting to turn, I am going to have to face another one of my demons. I am going to have to face the fact that by the actions I am going to have to take in the early New Year, I am going to put hardship on some of our tenants. It is the owners that have had the hardships over the past few years and we can all start to see the light at the end of the tunnel. It is a bit dim as yet, but it is getting closer and brighter.

I have been looking for a two bedroom unit for a client. There are a few that caught my eye, and I have been very surprised but out of 6 that I chose, 4 have gone under contract. The prices haven't changed or risen, but we are starting to see the lowest priced ones sell. Fortunately these aren't being replaced at the same rate by ones as cheap. I think this is the first part of the recovery phase for Cairns - clearing all the cheap stock.

The rental market continues to do well - HOWEVER - I have to stress that the property has to be in the right location, presented well internally as well as externally and most importantly priced right. Ramon and I have always worked on the fact that we get the best possible rent for the market conditions, but have it with as few days vacant as possible. If you are \$10 or \$20 above what the market is actually renting properties for, it will remain vacant. We aren't at the stage where you can rent it for whatever price - as we don't have that demand as yet.

I had a tenant at a two bedroom unit at Palm Trees write to say she may be leaving at the end of her lease at the end of November. She asked if she found somewhere else early, what the penalties would be. This tenant is currently paying \$220 per week. I wrote back to say she could leave so long as I found someone to take over her lease. I put it on the internet whilst I waited for her answer - just in case she was leaving. Nothing like being organised.

I got a call from an Agency that we have been working with to find homes for new Migrant families and they already have one family in this block so they know it would be perfect. They wanted to apply and take the place at \$240 per week! Great now I have a new tenant, who is willing to pay \$20 per week more than the old tenant - with just one problem! The current tenant is young and didn't understand that she can extend out her lease until her Dad explained it to her - she now is staying put. Will shuffle this family to one of the other units we have and make another owner very happy. Looks like it won't be too long before I hit my crystal ball predictions!

Last Special Edition I wrote about what we need to do as investors to get our properties more attractive for investors. We have a one bedroom unit that one of our owners is trying to sell. The issue is the body corporate is high compared to some other body corporate.

The tenants have been there for some time and earlier this year we increased the rent by \$30 per week up to \$190 per week. This is a good rental return on the money invested but when you look at the outgoings it makes it less attractive. The current tenants are great and they want to stay for now. In the morning we have a "mini make over" happening in the unit. We have the tenants packing all their belongings into boxes and putting them on the kitchen counter.

Bart is going there first thing in the morning and taking all the furniture apart and putting as much as he can into the bathroom, laundry and even on the kitchen bench tops. What he can't fit in there will go into the carport. Then at 8.45am the lads from Carpet Bob - the best and cheapest person in all of Cairns to get carpet and vinyl from (yes, they get this email so I need to be nice to them) come in and remove the original lovely shaggy carpet and down goes wooden floor board lino through out.

Later that afternoon the process is reversed and by the evening the tenants have their things back in place, the furniture is re assembled and the place is going to look so much better. Visually this will be a huge boost and the cost is under \$1500. When a potential buyer comes to look it will be much more appealing. We are not going through this exercise just to make it more appealing visually.

Come mid January, I have the task of increasing the rent again, and probably up around the \$210 mark depending on what the demand will be in January. This will take effect in March. If the tenants do decide to leave, then I should be able to get somewhere between \$210 - 250. In the case of this owner, I will chase a higher rent rather than the low vacancy rate. If I can achieve this high rent - then the property becomes more attractive to an investor and in theory will sell quicker and in a perfect world will sell for more than it will as at today. That is the plan! Stay tuned for the results.

One of the issues that I face with many of the tenants in regards to rent increases is their lack of real understanding of why the rents are going up. The media here has been reporting a lot on the rental increases and the shortage of rental accommodation. The message is getting through to some, but not others.

Today I called a couple that are renting a house in Mount Sheridan. This is a four bedroom, two bathroom house with a double lock up garage. Prior to the GFC this property was renting for \$320 per week. Unfortunately there was a huge glut of properties in this area during the GFC and the rents dropped down.

This particular property is nearly as tired looking as I feel tonight. It desperately needs to be repainted, new floor coverings and spruced up internally and externally. We and the owners are hoping to buy a bit of time before we need to do this, and this couple are essentially babysitting the property until this point in time.

This couple has been with us over three different properties, and have been at this house now for over a year. The time has come for the rent to go up as the market is getting better. This will happen in the New Year, however I wanted to let these tenants know well in advance so they can start to plan financially for this. I think it really came as a shock to them that we would look to put the rent up - they may read about it for other people but this couldn't happen to them - could it?

I didn't give them an exact figure as I am waiting to see what we rent a property that is smaller but in the same area. I did say it would be at least \$20 per week. I tried to explain that the insurance has nearly doubled and the council rates have also increased significantly - I even told them that it was renting for higher five years ago. He tried to tell me that he could rent a similar property for cheaper than \$300 per week - I don't think he has really had a good look around lately. I reassured them that the Notice isn't going to be issued until January and then they would have two months from this point before the higher rent come into effect.

Less than ten minutes later he called back. You are going to love this. He said he would be happy with a \$20 per week increase, but in exchange for this could the owner please replace all the floor coverings in the entire house. He would prefer tiles but lino would be alright. In his mind he thought it would be fair and reasonable for the owner to spend \$3000 plus to put down new floor coverings in exchange for \$20 per week increase in rent. I had to think quick as I was sure I was going to tell him the first thing that I was actually thinking and that wouldn't be nice. Even now as I type I am still shaking my head.

To finish, I am not going to tell a tenant story but instead it's about my Granddad and my Dad. When I was living in Perth in the house I bought during the divorce, I made the realisation that I am a rubbish gardener. With the garden not looking its best, and it being the time of year to prune back the roses I trotted off to work and the garden fairies came over. These particular garden fairies are of the European Ethnic kind and their version of gardening entails cutting everything off at ground level only to be replaced with concrete. If you want green - paint the concrete green! Seriously I came home and there was almost nothing left standing in the garden!!

Fast forward twenty years and we have been tackling the gardens at Holden Street, which I will say have turned a bit feral since we last cut them back. I think I have turned into a garden fairy - or at least started to think like one and then have someone else do the actual work. Everything is being cut back to the point where it will grow - but it will take a very long time to get back to the size and shape it is currently! You can now actually see the buildings! Oh no, my Granddad will be up with the Big Man in the Sky smiling down at me saying she finally gets Wog Gardening!

There are very few days of the year that we actually say we are taking the day off - and Monday is one of those days. It will be Ramon's birthday and we are off to have a very long and pleasant lunch with a Dinosaur. I hope you are all happy and well in your world.

Linda