

Special Edition

16<sup>th</sup> February 2013

Dear Owners and Investors,

There are many of you on my email list now, and some of you are new. For those not familiar with my emails, the Special Edition is where I try to motivate you to do something for yourself and invest. I don't know property anywhere else, but I certainly know property in Cairns. This may not be the place for everyone to invest, but if you take what I try to teach and adapt it to where ever you are, it could make a difference to your life.

I was asked the other day, what would be the best and cheapest buy at the moment. Now there is a big difference between the two. There are many cheap places to buy, but there is no way on earth I would buy them. There are however a few cheap buys at the moment that if we were at the beginning of our investment phase, rather than the end that we would seriously look at buying into. It is fine for me to make this statement, but now I am going to explain my logic.

<http://www.realestate.com.au/property-unit-qld-woree-112622335>

This is located at 1 Anderson Road, Woree. It is part of a motel that was strata titled and sold off. In the last down turn you could pick these up for as low as \$20,000. From what I can piece together a group bought up all the cheap units as well as the management rights.

Around this time the economy started to pick up, the complex was being run as a motel with packages being sold to overseas tourists. It was going really well. At the same time the prices of properties were going up. The group then started selling them off for \$100K with a guaranteed rental return for two years. They sold up, made a fortune and now it is all falling apart. The cheapest I have heard of one go for in here was \$27,000. Even at this figure I wouldn't buy one.

The body corporate still has an onsite manager, and this adds hugely to the running costs. I believe the levies are around \$5000 per annum. The units themselves are very small. They are well under 30 square metres in size. They don't have a laundry within the unit, and they don't have a proper kitchen with a cooking facility. This will make it very difficult to get funding from the bank to buy it. Even if you could, when you go to sell the buyer will have the same problem making it very difficult for you to sell. There are also a lot of people in this complex wanting to sell. The only way to compete in this market is to be the cheapest. When you bought at \$100K and are now selling for \$35K that is not a nice thing at all.

<http://www.realestate.com.au/property-unit-qld-cairns+north-112909203>

This is a similar situation to the one above. It is listed at \$49,000 - which is cheap! It is on Sheridan Street, and again used to be a motel that has been strata titled off. It is not a good investment for many of the reasons above.

<http://www.realestate.com.au/property-unit-qld-manoora-111269407>

This one is listed at \$55,000. I remember looking at these units at Rainforest Grove way back in 2000. They are great units, a great location and a great environment. The issue for this property is the fact that they have an on site manager. For a complex like this it really isn't necessary, and it is an extra expense to the owners. The levies have always been high, and given the increases in insurance I would hate to think what they would be now.

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

This one is \$79,900 and is a true one bedroom. It is located on Nelson Street, Bungalow and is about 1.6km to the City Centre. It is in a small group of 8 units, and we actually used to own one in the block. Since we left I it doesn't appear that much as been done to the outside, and from the pictures you would need to do some work inside to bring it up to a good rental standard. This one is much better than the first three, but it wouldn't be my first choice.

<http://www.realestate.com.au/property-studio-qld-manunda-107567338>

There are three complexes that I know of around Cairns that are similar in size and design to this unit. There is Claridge at 4 Chester Court and Norcroft at 6 Chester Court. There is then another one on Jensen Street. They are studio apartments that are approximately 26 square metres in size. The bed actually flips up and hides in the wall. There is no laundry within the unit, it is shared down stairs which a lot of tenants don't like. There is also no real kitchen. There is a plug in two element burner for cooking, no oven, and just a single bowl for the sink. The banks have an issue with lending for this size of unit, which can be an issue when you want to sell it. I believe the complex on Jensen Street is a bit better, but the ones on Chester Court are not great and attract the lowest quality tenant possible. The asking price is \$69,000.

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

I have written about this complex many times before. It is located at 71-73 Alfred Street, Manunda. Ramon and I have looked at these so many times over the past 13 years and never bought as there has always been a better deal for us. This one is listed at \$59,000 and from what I can see would be a good investment. It would be a debt reducer rather than a keeper - for this I mean buy it now low, hold on until the market turns and then reinvest the profit into something that you will hold for the very long term. The complex is a bit rough around the edges, but it is located within walking distance to Raintrees Shopping Centre and it is only \$59,000. You are buying a one bedroom unit for \$59,000, with a kitchen and a laundry facility within the unit - yes it may be small but it is a one bedroom unit. The rent should be around the \$170 per week mark. The body corporate fees are high at \$3200 - and this could be the reason it is selling cheap. Much of this would be the insurance component and if we get a resolution on the insurance, then this will come back down to a more reasonable level. This is about as close to cash flow positive as you are going to get.

<http://www.realestate.com.au/property-unit-qld-bungalow-111893311>

This is another unit that we have looked at so many times but never bought. It is at 122 Aumuller Street and is listed for \$69,000. This is a really big, old styled unit. It is a bit dated, but a quick repaint and new curtains would get it looking good again for very little money. The fact it is a big unit, easy walking distance to the city and only \$69,000 makes this one worth investigating. The crunch will come down to what they have in the sinking fund, what their levies are and what work needs to still be done.

<http://www.realestate.com.au/property-unit-qld-manunda-108012481>

This one is listed at \$83,000 and is a bedsit unit at Scotsdale. This is a great long term investment - rather than just a debt reducer. Because it is in a larger block of 43 units, the body corporate levies are kept lower than some of the other complexes around town. The levies are approximately \$1500 per annum. These units do have a normal kitchen facility with an upright stove. They also do have a laundry facility within the bathroom. The rents for these have gone up, and they are now at \$165 per week for a well presented and fully furnished unit. They did sell for as high as \$115,000 at the peak of the market. These are good long term rentals that attract good tenants. The complex has a great sinking fund of \$75,000 and much of the work has already been done. This would be on my list to buy - if I were looking for a long term investment.

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

This one is pretty much the same as the one at Scotsdale. It is listed at \$89,000 and is located in City Park Apartments. Ramon and I have two here and it is a great complex with good long term tenants. This unit is located on the ground floor and has a lovely outside garden area. The body corporate levies are also approximately \$1500, with a good sinking fund balance as well. As an investment the two are similar. If I were a tenant I think I would prefer this one over Scotsdale.

<http://www.realestate.com.au/property-unit-qld-manunda-110493965>

This is located at 1 Chester Court - Viewmont. There are a few for sale in this complex and you should be able to pick one up for under \$100K. I believe one of the owners is very keen to sell so there may be a bargain to be had. They are nice units internally that are approximately 49 square metres in size. The body corporate levies are slightly higher than a bedsit, but the rents achievable are also higher to help offset this extra cost. The rents were sitting around the \$170 mark but the last ones we rented were for \$180 and \$190 per week. I believe as the year goes on, it won't be long before we achieve \$200 per week - this is assuming it is well presented internally.

You need to remember that this is just my opinion, and there will be others out there that won't agree. I really think that we are at the bottom of the market, and things are on the way up. The rental market is the best I have seen it for a very long time. There has been a bit of a slow down due to the wet season, and this is traditional. I do believe we will see rents climb this year steadily as there is no other accommodation being built. The economy is getting better, and more people are coming to live in Cairns. This will add further pressure on our already tight rental market.

The key issues are investor confidence - I am hoping that when the elections are over in September and we have a change in Government this will help to give confidence back to investors. The other is the insurance. I believe that both sides of Government have now acknowledged the issue, but they haven't put forward a solution.

Many of you ask why I bother to write these. If I can motivate just one of you to make a difference to your financial future then I have done my job - and gained yet more points with the Big Man in the Sky. Life is marching on at such a quick pace, and it really isn't that long before retirement age will be upon us. I don't know about you, but I certainly cannot live on the pension so we are trying to achieve a passive income so we can go cruising - did I mention that I love cruise ships? Whilst we were on the last one, we met a couple. Both Ramon and I know the plan we have and are working towards, but to meet someone that has done it and living the life makes you realise it is possible. They are a couple that made their money in franchising, and not property. The end result is the same. They now have a passive income of \$200 per day per person after expenses. I know lots of you will be thinking - what on earth can they spend that on? Let me tell you when you stop working there is so much to see and do that money just evaporates.

They live in Canada but don't like being there for winter. They basically pack a suitcase and travel for the winter, going from place to place and cruise ship to cruise ship - yes, I can totally relate to that!! They said that some of the trips or hotels cost them more, but they figure all they have to do is sit at home for a few days and they have accumulated enough money to be able to splurge on a fancy hotel or new toy. I then see the other side of the coin as I am visiting Ron in hospital - who doesn't have two cents to rub together. Or Ms P who has a bigger Visa card debt than money she has saved.

Today I worked out that she has a grand total of \$160 per fortnight after the retirement village takes their money out. She also has to pay for the power and telephone out of this, as well as anything else.

I know these are two extremes, but unless you plan and prepare it could be you trying to live off an aged pension making ends meet.

Now to finish with not a tenant story, but one about how I am my own worst enemy.

We manage a property for a couple, and they have just had a huge insurance claim on a house. It was actually a blessing that the water pipe burst in the slab and came up through the floor. All the work has just been completed and they have new floor tiles, new kitchen, two new bathrooms and lots of other things. The house wasn't completely finished internally. The lights, fans and switches hadn't been upgraded. The outside of the property needed to be washed down and repainted. The gardens hadn't been done for the past six months, so you can imagine the state.

The decision was made to finish it off and try to sell it whilst it is in pristine condition. They live in Western Australia so I decided to take on the role of getting it finished for them. There are some things that I love - shoe shopping, clothes shopping, going on a cruise and going to lunch with my fellow dinosaurs. What I really hate is shopping for lights, picking out kitchens, tiles and anything else for someone else. I am also an investor at heart and the tussle between what I like, what is good for the property and what is a good price is not pretty. I must have visited Bunnings, Masters and the light shop at least three times each before I made my decision and that was just to pick out the light fittings.

I had the electricians coming in the morning so I just had to make my mind up for these owners and just buy them. That day Ramon stayed at home and I came in with my lemon EOS - not even thinking about how to get all these lights and fans to the house. I should have taken a photo as you really wouldn't believe it - but I didn't so you will have to use your imagination!

Remember the EOS is a two door convertible, that really is not that practical. Before I ventured out on the shopping run, I grab six curtain rods that we have bought and are in the store room. They went in through the boot, through the middle drop down bit in the back seat and sat near the front console.

My first stop was at Early Settler where I have my two for one fans. I pick them up in lots of ten - so ten lots of ceiling fans went into the boot, but when they couldn't all fit in they went into the back seat.

I then went to Bunnings where I bought 5 long fluro battens, 1 exhaust fan, 4 ceiling lights, 8 sets of spot lights for the walls, one letter box with numbers, assorted light switches and power points. As it is being put on the trolley I am not even thinking about how on earth this is all going to fit into the car. I am so rubbish at stacking things neatly, but I did manage to get it all in. I then was faced with the choice of driving about 15 minutes there and then back again so I could go to Masters to buy the rest of the things. Nah!!! I can squeeze more into the car.

I then go to Masters and buy 4 more ceiling lights, one three light shade pendant light and just to make it interesting a five light shade pendant light. Now I am really pushing to get this into the car. Seriously, I had to drive to the office with a box of light fittings on my lap! There was no way I could see out of the side window - and as for the back window that was all light fittings. I dropped off 4 fans at the office and I could see out the side window - and that was only just.

It has all been put together and looks fantastic. The link to the house is <http://www.realestate.com.au/property-house-qld-brinsmead-113050635>

There is just one small problem. We have a resident scrub turkey, and I never knew they could build nests so big. The boys that did the gardens moved it all, then mulched the gardens and thought that was the end of the matter. They came back the next day and the turkey had scratched it all from the garden beds and back into a big pile. So the boys then pulled the nest apart again, and then poured some smelly stuff that is supposed to stop them wanting to build a nest. That is what is says on the internet - too bad the turkey can't read because over night it was built up yet again.

So if any of you have an idea on how to deal with a huge scrub turkey nests - please let me know.

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

Linda