

Special Edition

1st March 2013

Dear Owners and Investors,

Before I start, there are a lot of you on my list now. My email may not interest every one, and if at any time you would like to be removed from this list please just send me an email. I do try to be different to the standard agents that are in the franchise world, and I try and show things to you from an investor's point of view rather than an agent or property manager.

The rental market continues to be tight, and I think as the year goes on it will get even tighter as more people come into Cairns. At this point in the year, this really is the low season. Cairns has experienced the hottest run of days in a very long time. It is like the scene from The Wizard of Oz where the witch is melting - seriously that hot! People are only just starting to get back into the swing of things after Christmas and New Year, and the beginning of school.

There appears to be a bit more stock available to rent at the moment than has been in the past. Putting this into perspective is the fact we have 331 houses available for rent to a population of 150,000 - that is a pretty tight rental market.

Available Houses - August 2012 - 284 total available, October 2012 - 263, November 2012 - 236, February 2013 - 331

Houses up to \$300 per week - August 2012 - 66, October 2012 - 58, November 2012 - 63, February 2013 - 98

Houses between \$300 - \$400 per week - August 2012 - 144, October 2012 - 127, November 2012 - 113, February 2013 - 163

Houses between \$400 - \$500 per week - August 2012 - 60, October 2012 - 58, November 2012 - 45, February 2013 - 58

Houses between \$500 - \$600 per week - August 2012 - 26, October 2012 - 32, November 2012 - 20, February 2013 - 28

Houses \$600 per week and over - August 2012 - 17, October 2012 - 23, November 2012 - 23, February 2013 - 23

Within these figures for February there have been 39 duplications.

Available Units - August 2012 - 368 total available, October 2012 - 347, November 2012 - 348, February 2013 - 446

Units under \$150 per week - August 2012 - 8, October 2012 - 6, November 2012 - 7, February 2013 - 13

Units between \$150 - \$200 per week - August 2012 - 72, October 2012 - 62, November 2012 - 68, February 2013 - 65

Units between \$200 - \$250 per week - August 2012 - 121, October 2012 - 108, November 2012 - 100, February 2013 - 148

Units between \$250 - \$300 per week - August 2012 - 98, October 2012 - 111, November 2012 - 95, February 2013 - 141

Units between \$300 - \$350 per week - August 2012 - 69, October 2012 - 71, November 2012 - 58, February 2013 - 93

Units between \$350 - \$400 per week - August 2012 - 30, October 2012 - 34, November 2012 - 38, February 2013 - 33

Units \$400 per week and over - August 2012 - 40, October 2012 - 33, November 2012 - 45, February 2013 - 49

Within these figures for February there have been 96 duplications.

The latest Herron Todd White report is out

<http://www.cairnswatch.com.au/uploads/uploads/201302fullreport.pdf>

I don't know whether we should be happy that our unemployment rate is at 8.1% where as Brisbane is at 5.6%, but it is the lowest rate since December 2008 so that is a good thing.

It is still a very funny time of year here at the moment. It is busy, but not busy at the same time. We have three different rentals at the moment and although I am pushing for the higher rents, there just isn't the demand that there should be. It is difficult to explain but I will try.

I have a lovely two bedroom at Scotsdale, and normally people would be lining up to rent it - but they aren't. I do panic a bit when it comes to vacancies, it only becomes actually vacant on Friday - but me being me I like to have someone ready to move in as soon as it is ready. I started to write this mid week, but as of this morning I have pulled a rabbit out of the hat so to speak for one of the units. Working on the other two.

Many of you have been with us on the journey from the beginning. When we bought our properties, they hadn't been renovated and were over ten years old. Up until 2007 this wasn't an issue as the rental market was tight and we could get away with the unit looking a bit tired. During the dark days where you found me in the bottom of the barrel searching for tenants, it just didn't make sense to do any upgrades. It wouldn't get us any more rent, and to be honest the tenants I had to choose from weren't going to look after the properties as they should.

Now that things have started to turn, we as collective investors need to look at our investments and do what is necessary to get the higher rental returns. I will not be asking you to spend tens of thousands of dollars at a time, but we will need to assess each unit individually and see what needs to be done. Many of our properties are now over 20 years old and if I thought they were tired back in 2007, they are nearly in a coma now.

There will be times that I can manage to get the property relet and for a good rental, but it won't be as high as I can achieve if it has been upgraded. Last week in a tenant shuffle, we moved a couple from Grafton Street to Viewmont. I managed to get the owner \$15 per week extra for the unit at Viewmont with just a new sofa and mattress, both had to be replaced, so getting an extra \$15 was great.

The Grafton Street unit is one of our personal ones. It has had very little done to the inside probably since it was built in the mid 1970's. The kitchen is original, the bathroom is original and the horrible floor coverings are original. We did repaint it inside about 6 years ago, but we have had hard tenants in place over this time. We did upgrade the furniture but that was years ago. We did put in three air conditioners but really not much else. The couple that left were paying \$220 and I was bracing myself for the work we would have to do to bring it up to the one we renovated next door. This achieves \$290 per week so the reward is there if we do the work.

I had an Indian couple that were friends of existing tenants and they met us at the unit. It was the first time I got to see the unit since the last tenants moved out. I was cringing and everywhere I looked there was work to be done. These tenants have been looking for some time and really want to be able to walk into the city, but for it still to be affordable. As I was cringing, they were saying how good it was - different people seeing different things. I had loaded it up onto the internet at \$260 per week - with no real chance of getting it but you never know. I asked them when they wanted to take it from and when they said the next day, I couldn't believe my luck.

To seal the deal I let them have it for \$250 per week - they were happy, we got \$30 per week more than the last tenants were paying, there was no vacancy days and best of all Ramon and I didn't have to do any renovating. Just as we were rejoicing at this, the tenants in Unit 3 in the same block gave us two weeks notice. This one unfortunately we will have to get stuck into and renovate as it is just awful inside. The reward will be that we should be able to get close to \$300 per week, whereas the current tenants are paying \$230.

I will try to tackle a subject each time, so you are aware of the costs involved. I was going to do this today, but I still have to pack and get ready - I would normally be telling you that we were going on a cruise, but today it is Sydney to the Mardi Gras!!

I will finish with a very quick tenant story. A few weeks ago I told you that I would give you permission to say "I told you so" and it looks like the time frame is going to be far shorter than even I thought it would be.

We put in a tenant that came to us from Mission Australia. This morning I got a call from the neighbour to say he had visitors that arrived late last night and they had been drinking and partying all night long. I made a call to Mission Australia and within an hour they were there and moved on the three others. I bet the tenant was surprised that we knew and dobbed him into Mission Australia so quickly.

He has received his first breach notice, and at this stage I will guess it won't be long before we move him on. I can only give someone an opportunity - what they do with that opportunity really is up to them. I do have some success stories, but for each success story there would be ten failures.

I have written in the past about how I am acknowledging changes in my outlook and I am going to admit it now - I have turned into a snob. By this I mean what I see now, isn't what I used to see before. Confused? Yesterday I met on site at a house with an owner and some of the team from OzCare another charity I work with. The people that had been at this house did a runner - I wasn't involved at all in this rental I am just trying to help the owner pick up the pieces.

The amount of stuff that has been left behind is unbelievable and all of it junk in my eyes. There was nothing of value and nothing that I could even think of reusing. Along comes the team at OzCare and the agreement was that anything they thought they could reuse for their clients they could take for free - so long as they take it with them.

In the lounge room was a wall cabinet which I wouldn't even let Ramon put into his shed for storage - it is fire wood as far as I could see and nothing more. Yet the boys from OzCare were saying that it would be great in a property for one of their clients, and then they goo'd and gaa'd over the bed that I wouldn't even let my dog sleep on.

If you want to hear how life changes, when we arrived into Mission Beach in 1999 our bed was a second hand one that our neighbour gave us and in hind sight it was probably worse than the one at the house. Our wardrobe was a combination of robes from hooks in the ceiling and then plastic pipes running across. If you needed another rack you put in another pipe. Our coffee table was one of those big wooden spools that the cables come on with a big piece of ply wood over the top to make it look pretty. Oh and the best was our car - the Lada Niva.

I know many of you that have been reading my emails for years now just see and read about the cruises - this time last year we had just go off the Queen Mary!

It is about the nice cars and holidays and many of you probably think what we have achieved is something you can't. Let me tell you if Ramon and I can pull it off, just about anyone can. It isn't easy and some days like yesterday I still have Check out Chick Days - that is where I would rather punch into a time clock, scan food all day with no responsibility and then clock out. I would then go home and sit on the sofa all night doing nothing but watching TV!! When I look at where we have come from, it even surprises me.

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

Linda

PS Will wave to you all in the cameras at Mardi Gras!!