

Special Edition

13<sup>th</sup> March 2013

Dear Owners and Investors,

Before I get into this one, if you are receiving these emails and would like to be take of the list, please let me know. For those of you that enjoy my stories, I would love to hear from you - gives me the encouragement to sit down and write them. Some think I am a good writer, but really all I am doing is writing about what happens each day in our lives - the tenants provide the writing matter for me!

It isn't very often that I forward on other emails, but today I will make an exception as I couldn't write it any better myself. Cairns has suffered probably more than any other place in Australia - well that is my opinion any way. Not only did we have the affects of the GFC, but we had a total slow down in tourism, all four of our major builders went bust, we had a huge vacancy rate with rents dropping but we also had the huge increases in insurance. All of these combined have had a huge impact on the sales figures, and to be honest the interest in buying any property at all in Cairns.

I know that for me personally it has been an incredibly long journey since the beginning of the GFC. I could think of nothing better than being able to sell up all our properties, paying out the debt of a small nation that we owe to the National Bank and sit in front of the computer to see what cruises they have on special - did I mention that we like cruising? There have been times when I have wondered if it will ever happen - we have worked incredibly hard and sacrificed alot along the way and if we were to sell up at the prices we are at today we wouldn't be able to retire the way we want to. It is just that simple.

There are days that I think it will never turn, there are too many obstacles in the way for investors to come back - then I get an email like the one below and it does help to be able to see the light at the end of the tunnel. I just missed out on the "recession we had to have" where the interest rates climbed to 18%, but I do remember being worried about losing my job in the 1980's when all was collapsing around us.

I don't have a crystal ball, but my thoughts are that once we get the Federal Government election out of the way there will be some investor confidence come into the market. At the moment we have the "sharks" circling so to speak. These are the savvy investors that are buying up the cheap properties whilst the market it down. If you look back in time, it was us as investors that were the sharks picking off the incredibly cheap properties, before everyone else twigged it was a good investment.

In the past few months there have been a few more traditional investors that are enquiring on properties for sale - these are the ones that are starting out or aren't professional investors. I even saw an advert on the television the other day that is targeting the Mum and Dad investors to come into property. These are the signs that the "lemmings" are started to come out of the cave they have been hiding in since 2008. I don't mean this in a bad way, but the best time to buy is right now and many of these investors won't start to really buy until the market has already started to turn.

When you look at the actual sales market - I will talk solely about units now, not houses - there is actually not a lot to choose from. If we take out the ones that I wouldn't go near, then we are down to 30 - 50 properties in the circle that Ramon and I would buy in personally.

This circle is 5 kilometres from the City Centre - it goes as far north as Edge Hill, around to Whitfield and then as far south as Earlville. You will be able to get good properties that will rent

well in this area - and you can pick them up for at least 40% less than what they were selling for at the peak of 2007/08.

When investors start to look around, they will see that you can buy a bedsit unit for \$85,000 that is renting for \$150 per week. That in any ones book is a good deal. If we can get a resolution on the body corporate insurance and it comes back to a more realistic rate, than we will see more interest in our properties.

I truly believe we will see something come out in the next 12 - 18 months. Although not nice, there has been a lot of damage in the lower part of Queensland and Northern New South Wales and this will have an impact on their insurances - suddenly the insurance issue will be their problem as they will be receiving their higher premiums. The Politicians will start to take notice and do something about it - I don't know what but with a huge percentage of the population being affected they will have to find a solution.

As investor confidence will build and properties start to sell, we will see the next batch of people put their properties on the market. Many of these will be people that have hung on for the past few years and they want to get their money back. Depending on what they paid for the property, this will dictate the next level of pricing for the market. I will use the one bedroom market for this example. Right now you can buy a fantastic unit for under \$100K - when this stock is sold those that bought for \$110K may look to sell and when they sell the people that bought at \$120K will say it is time to look to sell.

I do believe the market will get back to the levels we saw in 2007/08 - how long it takes to get to this level I don't know, but it will get there. History tells us that it will - the people in the depression didn't think it would happen, nor those at 18% interest, nor those after each and every down turn - but it did and it will again.

It is only with age and experience that you can see backwards and this was highlighted to me the other day. Miss Tenille and I arrived into Sydney for the Mardi Grass. It was late when we got in so we sat and watched the last half an hour of the late night movie - Pretty Woman. I remember going to the movies to watch it, and countless times since then. Yes, I will confess at the back of my wardrobe I even have a pair of those boots. At the end of the movie I said to her that it was a lovely movie that is a classic - she then tells me that she had never seen it before.

It isn't about the movie - a whole part of life has never been experienced by her or her generation. I now realise that Gen Y's haven't been through hard times, this would be their first time. I can imagine for them and others that haven't really been through tough times it would be easy to believe it will never end. I have had my share of these moments over the past few years.

Enough of the "Good Times are Around the Corner" speech - time for the tenant stories. I seriously wonder at times if tenants have any common sense. The other day I got a call from one of our tenants to say that the hot water system was leaking. I now am going to dazzle you with my useless knowledge - it can be a couple of different things that causes a tank to leak.

Generally it is one of two things - the element has a rubber seal around the outside that holds the water in the tank. With age and continually being heated it will perish and the water will leak from the edges. You can normally see the water leaking from the side and down the side of the tank. This is a fairly easy fix and will require a new seal to be put in place.

It is just as cheap to put in a new element and seal at the same time and these both need to be done by an electrician. The other main cause is the tank has a hole in it. This can be anywhere but it is normally at the base where you can't see it. We check this by wiping all the water away from the base and wait - if it comes from underneath we have a hole and there is nothing to fix

it. This will mean a new tank - so I crossed all fingers, toes and anything else that could be crossed as a new tank is far more expensive.

Bart went out to have a look and the Big Man let us have a win as it was just a seal at the side of the tank. The electricians were supposed to go there on Friday to put a new seal in. I sent a message to the tenant to check it was all done - you can imagine how pleased I was when at 4.59pm on a Friday evening they called to say no one had turned up yet. Seriously people - do they expect me to magically pull an electrician out of my - yes at this point I went in to a bit of a rant with Ramon shaking his head at me.

They don't tell you what you really are in for when they give you the Property Manager badge - nowhere in the Idiots Guide on Property Management do they tell you about the people you will meet along the way. Mr S has been at Sheridan Street since the end of last year. I did write about him before saying that I really thought I was at the bottom of the barrel again, but he actually has been pretty good - I spoke too soon.

A few weeks ago we turned up and there was the really big, hairy bikie dude at the back. He had all the leathers with skull beaded bracelets, and actually lots of skull things everywhere. His bike even had a leather jacket over the fuel tank. He was a cousin of Mr S - and I knew trouble had ridden into town.

Sure enough I get a call from the guy that does the lawns for us there to say he didn't actually mow all the grass. The big hairy bikie dude was sitting on the brick paving of the gazebo that Ramon and I built. He said that nothing better get onto his bike from the mower. Normally Mr B would say to move but ready - you will just love this - he didn't think he should as he was sitting on the brick paving, just in his under wear whilst sharpening a knife on the pavement and then shaving his legs.

Just as I was saying to myself I am going to have to do something about the big hairy biker dude, I find out that Mr S is in hospital. Why you ask - because he locked out the big hairy biker dude because he was drunk so he beat Mr S up - as you would! The Police came and there hasn't been a sighting of the big hairy biker dude since. Unfortunately this has had a huge affect on Mr S, and the down ward spiral has begun.

This is how good my spy net work is - as the Police are in the drive way banging on the door to get into Mr S's place my phone is ringing. The Police have been there on three occasions and each time I have known about it within hours. Sadly Mr S is in hospital now in the Mental Health ward. I spent the morning trying to sort out the issues so he has some where to come home to.

I do have an ulterior motive - whilst he was good he put all the bins out each Wednesday night and brought them back in for me on Thursday morning. Ramon has his own ulterior motive, he knows that if I move him on then I will be saying we really should renovate the bathroom. The thought of cutting out that huge, heavy cast iron bath tub is not something Ramon is wanting to think of right now. It is nearly as nice as putting up curtains in his book.

Ramon and I bought a duplex on the main highway into the city way back in 2002. I have to tell you that we never bought it for anything else really than the commercial value it will have soon. It is one of the last blocks to be redeveloped before you get into the main part of the city. The duplex is as basic as you will ever get, but the land it sits on is prime.

The same tenants have been there ever since and Ramon and I have pretty much NOTHING to it since we bought it. The rent has been cheap because of this, but the tenants are never a bother at all. I got a call from Mr K to say that he had found work in Townsville and had no choice but to give up the property. He came up one weekend and took some things away, and

then came again the following weekend to finish it. He even had a skip bin out the front apparently that was filled before I did the inspection.

Ramon and I knew it wouldn't be pretty inside, so we braced ourselves for what we would find. Mr K did say that he couldn't take everything with him and had left "a few things behind". I said no problem, anything that can go to the charity shop we would take over so they could use. You have absolutely no idea of what we saw, and to say I nearly cried would be an understatement. He was a single guy living on his own - and I don't think it had every really been cleaned. Don't get me wrong it wasn't dirty as in dishes and food scraps lying around rotting but dirty as in the flyscreens were so thick with dust that even with the windows open you couldn't get a breeze through. He had left "a few clothes behind" - I packed 6 boxes - packing size moving boxes full of clothes. They were all in good condition, so I called my friends down at OzCare to come over and see what they could use. Now when I see a homeless person around the OzCare office I will know where they have been clothed - the house of Mr K.

Monday Ramon and I had dedicated to cleaning out the unit and getting it ready. There was not a sign of a high heel on Monday as I donned the working clothes - a rare sight these days. We had a trailer full of things to go to the dump, OzCare took lots of the furniture that was useable and of course the clothes, there is another trailer load of metal and then a trailer load of things for the charity shop - and we still have things to go. I know I go on about the different styles of investments - this one for us is a debt reducer. We could spend money on it and upgrade the kitchen, put in a new bathroom, new floor coverings and everything else that is required to get a better rent - but really this isn't that sort of investment for us. Right now for a well presented duplex we could get somewhere between \$240 - 260 per week. For this we really should upgrade the bathroom, floor coverings, repaint and air condition at a minimum. Not only will it be the cost of the materials but the time to get it all done.

This property will be sold to a developer so they won't be looking at the rent returns. They will probably knock it down and build a purpose built office on it. For this reason we have decided to tidy it up, repaint it, but new curtains up but that is pretty much it. Fortunately Ms R who was with us before wants a place and she will take it as soon as we have it painted for \$210 per week. I could probably get more in the open market but for us this is easy and she will move straight in. Ok so she is a hoarder and I will have to monitor the amount she brings in, but she does look after the place, pay the rent and not annoy any one - so for us this is the right decision for this investment.

I know that I am getting tougher, and not such a push over - yes, I admit it I have become a cranky cow! Last night I got a text message at 11.50pm from one of our tenants to say he had lost his keys and was locked out. A few years ago, I would have listened to the sob story and then driven into the city, let them in and driven back home. The drive in and out alone is over an hour, but the softie would have done it. Oh those days are long gone!! I did offer to come in the morning to open the door, or he could call out the lock smith. I used the excuse that I had a few wines and even though I really would love to come in, I really shouldn't be driving. Most other tenants wouldn't be able to get their property manager at midnight, let alone convince them to drive out. He stayed with a friend around the corner and we got him a key today - all happy again. I won't admit it to myself, but you know that if the story had enough tears in it I would have driven in! Yes, I am my own worst enemy.

I hope you are all happy and well in your world and have enjoyed my latest email. Let's hope that 2013 will see the market start to turn and our retirement plans start to take shape.

Linda