

Special Edition

24th March 2013

Dear Owners and Investors,

Thank you to everyone that has sent in comments, I really do appreciate it. Some days when no one acknowledges my email I wonder if it has simply gone into cyber space and no one reads them! This won't be for everyone, as I can rabbit one. If you are on the list and would like to be removed, just send me an email and I will take you off.

Today I am going to look at the properties that are for sale, with a maximum purchase price of \$150,000. I will try to give you as much background information on them, and my thoughts as an investment. It is hard to explain in facts and figures, but you can FEEL it in the air of Cairns. We are so close to things turning - it is just a matter of time. The units have been affected badly, and to show this I will give you the prices they were selling for back in 2007.

For Ramon and I, we are waiting for the market to turn, so we can sell some of our properties down. We believe this we will the start in the next 6 - 18 months. On the flip side, it means that this is the time to look seriously at investing. Cairns may not be for everyone, and units may not be the investment of choice for all investors. My thoughts are that if all you can afford to invest - or have the borrowing capacity to only buy something under \$150,000 - then this investment would be better than nothing at all.

Today, I will only be including investments that Ramon and I would look at and think they have potential. You still need to do your home work, know the complex, its history, its finances and the potential for both rents and future sales. If you have any questions, please let me know.

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

This is a bedsit unit at Scotsdale Apartments. This is a great long term rental and in the 13 years we have owned ours we have never had an issue with renting them out. This one has been for sale for some time, and it is listed at \$83,000. I believe there is some negotiation on this figure. It is currently rented at \$145 per week and I think that this is a bit low. You would need to look to upgrade the furniture, white goods and maybe even paint it inside. We have just done this to one of our units and we are hoping to rent it out for \$170 per week. The minimum we will get is \$165. The body corporate here is very financial with over \$100,000 sitting in the bank waiting to be spent on future works. The building, gardens and grounds are well maintained and any work needing to be done has been. The levies for this unit are approximately \$1200 per annum - which even with the increases is still very affordable.

These units did go up as high as \$115,000 in the peak so the potential for them to go back to this level is there. They are just 40 square metres internally, but they do have a balcony and car park area that can take it over the 50 square metres that the banks will require.

<http://www.realestate.com.au/property-unit-qld-manunda-110701701>

This one is at 71 Alfred Street and I have written about this several times before. It is a true one bedroom, but very small internally. We don't have any in here, and the complex isn't as well maintained. I have heard that the body corporate fees are up around the \$3000 mark, but I haven't had this confirmed. The rent is low at \$160 per week, but as there aren't great tenants in the complex it may be harder to get this figure up much more. The unit is well priced at \$80,000 but if this were my budget, it would choose the one at Scotsdale above.

When the market increases, this complex has never historically sold as high as other well presented one bedroom units. The price has always been lower and I believe it will always be this way.

<http://www.realestate.com.au/property-townhouse-qld-manunda-113150279>

This is a loft styled one bedroom town house at 108 Mayers Street. The asking price is \$110,000 and it is a good unit. We have rented one in the complex for \$190 per week, and I believe it won't be long before this will hit the \$200 mark. The complex is big and well looked after. The investor in me thinks that you can still pick up a one bedroom/bedsit for under \$100,000 so it doesn't make sense to spend this sort of money - even if it is a better unit. These went as high as \$160,000 in the peak.

<http://www.realestate.com.au/property-unit-qld-manunda-112998335>

This is at 4 Hollett Close and is a very nice one bedroom unit. The units in this area are big, well built and desirable for tenants and owner occupiers. The asking price is over \$100,000 - which is a good price. You will need to however spend some money on it internally as it is pretty much original and now 20 years old. The floor coverings, walls and curtains all need to be upgraded to make it light and fresh again. We have nothing to do with this complex, so I would need to do some research on the body corporate. On the surface, it is a nicer unit than say Viewmont, or Scotsdale but it does need some work so you need to factor this into the price. As it is a nicer unit and is closer to the city centre, you may get a few extra dollars for rent in this complex.

<http://www.realestate.com.au/property-unit-qld-manunda-112617291>

This is a one bedroom unit at 1 Chester Court, Manunda - the complex is Viewmont. We are heavily involved with this complex, and although there are four units in there for sale I am going to guess that this is the one that you will get the cheapest. It is on the top floor at the end, so it does get an extra window to give it a bigger feeling in the unit. The rental returns quoted are \$200 per week, but I would be suggesting anyone looking at this to do their numbers on \$180 per week. This is achievable, and I will be honest and say I haven't ever achieved \$200 per week in this complex. The body corporate is well run, but with increases in body corporate insurance, the levies are now at \$1750 approximately. These did sell for up to \$160,000 in the peak so there is a good potential capital gain.

As far as a rental goes, this style of unit in this complex has always rented. The average rent is around the \$175 per week mark but as the market gets better and they are better presented internally we can get this figure up higher.

The asking price is \$98,000 but I believe it will be closer to \$95,000 which makes it a good price.

<http://www.realestate.com.au/property-unit-qld-manooora-113295087>

This is the first of the two bedrooms I am suggesting. This is located at 176 Hoare Street and in Helena Court. The asking price is \$115,000 and at this price it is one of the cheapest two bedrooms around that I would look to invest in. There are some cheaper, but none that I would buy personally. The rent is quoted at \$200 per week which I believe is low. We just rented a fully renovated one unfurnished for \$250 per week so there is potential there. There is some upgrading to be done to the unit - carpets in the bedroom, curtains etc but generally the unit appears to be in good condition internally. It is located close to Raintrees, school and TAFE so it is an in demand complex. We aren't involved in the body corporate currently, but we were when it was repainted. It is a solid building, and at \$115,000 it is worth looking into. I don't have the body corporate fees, and will need to get them if anyone is interested.

Two bedroom units in this area were going for up to \$230,000 in the peak. There is a great potential capital gain if the market just goes back to where it was in 2007.

<http://www.realestate.com.au/property-unit-qld-manunda-106526341>

This is in the same complex as the one above, but it is for sale at \$130,000. I think the one above is in better visual condition and \$15,000 cheaper.

<http://www.realestate.com.au/property-unit-qld-earlville-110955371>

This one is located at 25 Balaclava Road, Earlville with offers at \$129,000. I don't have anything in this complex, but we do look after some at 23 and 27. From the photos it appears to be very similar to the internal layout we have. These are good long term rentals, but from the photos this unit is looking tired with much of the inside being original and now 20 years old. The rents we can get for this style of unit will depend upon presentation and if it is furnished or not. For a well presented, fully furnished, air conditioned unit we can get somewhere between \$220 - 250 per week. This will depend upon when we have it for rent and the demand in the market at that time.

<http://www.realestate.com.au/property-unit-qld-manunda-112924443>

This unit is at 93 Birch Street, Scotsdale Apartments. It is a huge two bedroom unit, and would be at least 10 square metres bigger than the three I have picked out above. The asking price is \$135,000 and I don't think there is much negotiation in that price. There is another one that was listed in the complex and there may be some room to move on that one. You still need to sit down and work out if this is worth \$15 - 20K more than the one at Hoare Street. These units did sell for as high as \$230,000 in the peak, so there is a great potential capital gain in all the two bedroom units.

<http://www.realestate.com.au/property-house-qld-white+rock-113217647>

There are many more units that are great units, but as the prices start to get closer to the \$150,000 mark I personally start to think you are better off looking at a duplex pair if you can afford it. The best and cheapest is the one at Arizona Street, White Rock. I have been writing about this one for at least a year and can't believe it hasn't sold. The asking price is \$309,000 and I believe there is not much negotiation in it. Although there is no body corporate fees as such, you really should still make the same allowance for external maintenance and upgrades.

If Ramon and I were at the start of our investment cycle, rather than the end this is one that we would seriously look at buying. We would enclose the garages to make this an extra bedroom and bathroom, then fence the two properties so that each has a good sized and private yard. We would put up new carports to each unit to offset the garage we have enclosed. The next step would be to make it as owner occupier appealable as possible. By strata titling them and then selling when the market is high there is a real chance of making a good capital gain. These properties for us would be debt reducers rather than keepers.

This is one of the last duplex pairs on the market under \$350,000 that I would look at. The balance have all increased between \$350,000 and \$400,000 which is a long way from where they were when we first started to track them.

<http://www.realestate.com.au/property-unitblock-qld-mooroobool-113260167>

Now this is an interesting one, it is actually three x two bedroom units on the same title. The asking price is \$530,000 which makes each unit \$176,000. This isn't cheap but is it still very good value. A lot would depend upon the layout, configuration and potential to strata title.

<http://www.realestate.com.au/property-unitblock-qld-white+rock-112306691>

This is a group of four x two bedroom units at Tiffany Street, White Rock. These are nice internally but will probably need some upgrading. If you could get these for around the \$150,000 mark each they could be worth looking at. We look after the one right next door and have great

tenants. Their rental returns could be increased by doing some upgrading and making the properties pet friendly. You could potentially take the rents up to \$860 per week - or even higher.

<http://www.realestate.com.au/property-unit-qld-woree-113310951>

This is a complex of four x two bedroom units on Sandown Close, Woree. If you asked me years ago what I thought I would have said you were mad to invest in this street. Now that we are past the worst of it, I think we will see this and other similar streets clean up. As the rents go up, these tenants will be forced further south to cheaper rentals. At an asking price of \$600,000 this is good value - but I think there is a bit of room to negotiate on this price. For this to really get good capital gains, effort would be needed to get involved in the street and help to keep the other owners informed - and deal with any issues that arise. The location is great within walking distance of Stockland Shopping Centre and the school.

There you have my picks in the market right now. If you have any that you would like my opinion on, please send me the link and I will let you know what I think.

We are now starting to see rental increases happening fast - but what frustrates me is that some of the other property managers are not increasing the rents where they can. I know why - they are just property managers and don't understand that we as investors need to get the rents up to cover the increased costs we have had to cover ourselves over the past few years. There is a bedsit unit at Scotsdale - not one of ours and they have just resigned the tenant up for a further six months at \$145 per week - seriously people I am now getting \$165 per week for a well presented unit so why is this so low?

Unlike many other property managers I am not going to be asking you to spend lots of money, and I can't help myself trying to get you great deals - as I am always on the look out for us. I have attached some before and after pictures of two kitchens that we "upgraded" on Saturday. We did nothing to the kitchen except put on new handles. The grey cabinets got the last of the cheap handles that were at a \$1 each, and the pink colour cabinets got the expensive ones at \$2 per handle. It is just simple things like this, new curtains, new fans and lights that can make a big difference for very little outlay.

The other thing that is a cheap and simple upgrade is a shaving cabinet mirror. I normally buy ours from Bunnings and they are \$169 for a 900mm wide cabinet. We haven't had much junk mail since Ron at Sheridan Street has been in hospital but I was clearing out the mail at a house that just vacated and luckily I brought it home. There in the Mitre 10 catalogue is the very same cabinet for \$99!!!

<http://www.mitre10.com.au/Housewares-and-Electrical/Bathroom-and-Toilet/Mirror-Shaving-Cabinet/?product=46653&catalogue=2373>

I am going back to Bunnings to see if they will price match, if not it is off to Mitre 10.

I have attached some before and after pictures of what a vanity and shaving cabinet can do visually to a property. The vanity you can get for \$399, the shaving cabinet for \$99 now at Mitre 10 and then there are some tiles and of course Bart the wonder handy man to put it all together. You can spend more money on the cabinet but really it isn't necessary - this is tenant proof and with spending less on the upgrade you can do more in the unit on other things.

I will finish with a couple of stories not about tenants, but why I am my own worst enemy! We are doing an upgrade for a unit on Cairns Street, which is just out of the city but still within walking distance. We had just rented a unit on Grafton Street and I was still getting calls about this unit. A lovely French back packer called and I gave her the address and explained where it was, what was happening inside and how lovely it will be when it is finished. About 15 minutes later I get a call back from her to say she can't find it on the map she has. As luck would have it

I was at the property and had about 30 minutes to spare until my next appointment. I asked where she was, and that I would come and pick her and her partner up.

This unit is a one bedroom, fully furnished and is going to be pretty swish when it is done. I am aiming high at \$250 per week, but I have nothing to lose as it isn't ready just yet. I drove them back to Cairns Street and showed them around - they were happy with it, but really wanted a two bedroom unit closer to the city.

I don't actually have one to rent - not today. The Indian taxi drivers have just left our unit on Grafton Street and we are about to start the upgrades to that unit. This is going to take us about 3 - 4 weeks to get done as we are completely renovating - except for the bathroom. I drove them past the Grafton Street one on the way back to the hostel and saw how close to the city it is. They loved it, and I planted the seed! It is going to be beautiful when it is finished, but it is more expensive at \$300 per week - and it is two bedrooms. Her brother is coming out to Australia as well so it will be perfect.

At this point Bruce Springsteen came on and he started to hum in the back seat - I turned and said he was too young to even remember who he was as I am sure he wasn't even born in that era. Oh to be young and back packing around the world seeing new and interesting places! As I was approaching the hostel they asked if it would be possible to take the Cairns Street unit initially and then move to Grafton Street when it is done. I thought about this for oh 5 seconds and then said with a smile "only for you". So here it is, our client gets the rent increased from \$180 per week to \$250 for at least a month. They move in as soon as the unit is done. As I get closer to finishing Grafton Street I will advertise Cairns Street and have lovely finished photos to show people and access to the unit whilst it is being rented.

I am going to talk to the girl in Unit 4 at our Grafton Street. We haven't renovated that one yet. I tell her that I have to increase her rent but if she takes the newly renovated unit I will give it to her cheaper. We then move the girl from 4 into 3 and get an extra \$30 per week extra for that unit. We then get moving and renovate unit 4 and have the French back packers move into there at \$300 per week - which is \$70 per week more than we are currently getting. It also means that we have three out of the four units renovated and if one of these tenants leave - it is all DONE!!!

Sure it is going to be mucking around doing more paperwork and moving of people and bonds, but if we all get extra rent money it can't be a bad thing.

Yesterday Ramon and I were putting another one of our clients units together after the painter had been through. I was putting the handles on, Ramon was putting the towel rails etc back on the wall and then we were putting the furniture back where it should be. At this point a potential tenant came through that is actually tossing up whether to buy or rent one of these units. He is here for work, but actually lives in Townsville. They have three investment properties there and when he figured out that we were the property managers he looked puzzled and asked why we were going all of this. Surely we had some contractor to do it all - sure we do, but this will help to save a few dollars and we get to check everything is done properly. It only took us half an hour of our time but it is one step closer to being finished and ready for tenants.

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

Linda