

Note to Self

9th May 2013

Dear Owners and Investors,

Before I start the newsletter, for those of you that are in Cairns I will be on the radio this Saturday the 11th. It will be broadcast on the Community Radio Station FM 89.1, from 9.00 to 10.00am. I know what some of you will be thinking - how on earth will she be up, and there by 9am? It is pre recorded!

There have been a couple of situations that have arisen over the past couple of weeks with owners and tenants, and I wanted to share one of these with you all. I know we do things differently and in some "property manager" eyes they will think that we do it all wrong. I have always tried to be fair, reasonable and want the best outcome for us, the owners and the tenants. There are times that I hear about the way a situation has been handled by another agent and I shake my head. Sure they are following the rules and the guidelines - but are they going to achieve a good outcome by their actions? Sounds like I am off on a tangent, so I will give you a example.

I have a yo yo tenant - one that is always in arrears, but one that always pays. Sure it is a pain in the butt for me as I have to constantly chase her up, but she does do the right thing in the end. This particular owner has a unit, and just like many of us when she bought it nothing had been done internally since it was built. That was over 7 years ago, so this unit now is nearly as tired as I feel. It has had 20 years of tenants moving in and out, putting marks on the walls and generally being tenants. Although the current tenant is tardy on paying, she does look after the unit internally but more importantly she is paying the top market rent for the unit. Ramon and I have a couple of these sorts of tenants and this is the way we look at it:

Are they paying the rent - or are they so far behind that they have absolutely no chance of catching up?

What needs to be done to the unit internally to secure a good tenant?

What rent would we realistically achieve if we moved them on and did nothing?

What rent would we realistically achieve if we did the internal upgrades?

How many weeks would we need to have the unit vacant to get the work done?

How much will it cost to get the work done?

We have a block of units at Grafton Street and had the Indian Taxi drivers living there. We knew that when they left, we would have no choice but to upgrade and renovate it. It was really ordinary before they moved in, so after five years of the entire Indian Taxi driver population of Cairns living there at one point or another - it was in even worse condition. They were paying \$220 per week at the time that they left, and given the condition it was in and the current rental market that was fair. They also were paying the rent and not annoying the neighbours, so we just left them alone.

They decided to leave so we knew the time was right. We have repainted well Brad the Bogan painter did, put in a new kitchen, tiled the floors, upgraded the fans, put in a new vanity and shaving cabinet, new toilet cistern and just to finish it off new curtains. The cost and time vacant is a fair amount - but the reward is that now we have (or will have in a couple more weeks) a really nice inner city unit that will be in demand.

The demand was not there for the past five years, but now that the economy is moving again we will be able to rent this out for \$300 per week. In this instance, the money invested in upgrading will be worthwhile and give us \$80 per week extra.

In the case of the unit above, this owner really should be looking to repaint, new curtains, new toilet cistern and two air conditioners. All of this will take 2 weeks at a minimum, plus cost in the order of \$3500 - 4000. This is what will be required to get the inside of the unit to a nice standard. The rental market is good but the tenants are picky and want it nicely presented internally. As the unit is unfurnished and has no white goods, with the upgrades completed I think I may achieve between \$230 - 240 per week but I really can't guarantee even with the upgrades I will achieve more than \$220 - which is what is being achieved now.

Without doing these upgrades, we may very well achieve the same rent of \$220 but the issue will be that we may not get a great choice of tenants. I have spent the past few years in the bottom of the barrel scrapping around for tenants, and I am not that keen on getting back in.

I did try my best, but this owner decided to move them on. Now the quickest way would be to give them a Notice to Remedy Breach for non payment of rent - knowing that they won't be able to cough up all the arrears in one hit. I could then give them a Notice to Leave and if they don't go I could go to the Courts to get a Warrant of Possession. Really, this is may be the quickest way to get them out but it will be the hardest. If you are going to be evicted in this manner - what are the chances of the place being clean or the arrears being paid in full?

Instead I did manage to convince the owner to give a Notice to Remedy with no grounds. This means they have to move within two months, but we aren't giving them a reason. I always like to have a good working relationship with the tenants, the better this is the better my chances are of ending things on a good note. The notice was going to be hand delivered today, so yesterday I called the tenant to let her know it was going to happen.

Now you know they are going to ask the reason why - if I say the owner is tired of you being behind that is going to cause friction. Instead I told her that the owner had decided to try to sell the unit, but it needed some work internally. At this point, instead of telling her - I asked if she agreed that the inside was pretty ordinary and needed to be repainted - she agreed whole heartedly. I explained that this and other work just couldn't be done whilst she was living there so this is why the Notice had to be issued.

I went on to explain her rights - she is on a periodic agreement which means she can give two weeks' notice any time up until the two months is up. I suggested that she start to look now, and we discussed what area and what style of property would suit her best. I did say that if we got anything that would suit her I would let her know immediately and that I would love to keep her as a tenant as she really did look after the place - OK so a little white lie was told at this point in time. I also told her that I would give her a good reference - which I will but I will tell them about the yo yo renting.

The end outcome will be the same - this tenant will move on, but will it be the hard way? Not if I can make it a smooth and easy transition. As to if I can get a better tenant or better rent than what we currently have, well that one I am not so confident on.

I have thought about this for a while, and have come to the decision that I am not really a property manager, I am an investor that happens to look after other peoples rentals at the same time as we manage our own. I know I have said this before, but if I was doing this job to make money, I really would be financially better off driving a truck on a mine - so long as they have high heeled work boots.

Ok so it is time for tenant stories. I have written about Mr S that lives at Sheridan Street - yes, the one with the big hairy cousin that was sitting in his under wear sharpening his knife on the brick paving then shaving his legs. Mr S is well, not all there and after the hairy cousin left it all turned to custard. He ended up in the Mental Health ward for a couple of weeks but I thought he got back on track. That was until the rent stopped getting paid and the recycling bin was full of empty bottles. I left notes and called but no response. I did catch him one day, and let me tell you that shy little Secretary from St Georges Terrace was nowhere to be seen. I never have an issue with a tenant being in arrears - life happens and sometimes things don't go to plan.

What annoys me is when they ignore me - BIG MISTAKE. I let it rip with if you can't afford to pay the rent, but you can afford to drink - well think again. I told him that if he didn't pull it together, he would be homeless and there is no coming back from this, it is going to be a big down ward spiral. At this point, seriously I thought the DT's had set in and by the time I left he was a quivering mess.

The other day we pulled into Sheridan Street and he scurried out and told me that he took my advice to get his life back together - he went to the Doctor and is now on a Disability Pension, which means more money, taking medication and is working his way through it all. That was a lovely feeling, but to see him put five weeks rent in the bank today was even better. How long this good spell will last I don't know, but like the yo yo renter, for Ramon and I right now it doesn't make sense to move him on financially so we will work through it until the market makes the decision with higher rents.

I know that some time I do things that no other property manager will do, and today was one of those days. We have a tenant on the top floor in Scotsdale. He has just had a massive operation to remove a fair chunk of his lung so as you can imagine climbing up three floors to get into his unit isn't the easiest of things. He had asked for me to look out for a ground floor unit, but given his budget this wasn't going to be easy to find. We look after a block of units in White Rock and one of the ladies made the decision to move back to Brisbane to be closer to her family.

The Big Man in the Sky works in very mysterious ways - less than 10 minutes after Ms V called to give Notice Mr E called to say that he really couldn't do the third floor for much longer. Now that was spooky - even for me. I gave him the address and asked that he look from the outside - I did warn Ms V that he may be snooping around. She spotted him and invited him in - it will be absolutely perfect for him.

Today whilst out and about Mr E called me about the move and sounded stressed. I asked if he was home and if it would be alright to come over as the phone is so difficult. He really looked good, compared to what I was bracing myself for. He has had some help in packing boxes so really he is fairly organised. I have been working with a friend of his, and here is the plan - on Monday Bart the best handy man in Cairns will arrange to go to Mr E's unit with a big strong friend to help him move the furniture. When it is all out, I have told him to take the keys off Mr E - and Tasha aka Dijon our fantastic cleaner is going to go through and do the final clean.

It is pretty clean already - but it is something he just can't do. His friend will be at the other end and start to unpack and put it all away. Within a day Mr E will have made the transition and able to relax. Sure it may cost us a bit - but the end result is pretty good. I have a great tenant moving to Ms V's unit with minimal vacancies, the other unit was under rented so with little effort we will get that owner more rent. Mr E will be able to settle into his new place and get better - and the Big Man in the Sky will add a few more brownie points to our tally.

Before I end, did I mention that we are off on another cruise very soon? Not that I am excited about the thought of no tenants for 12 days, or no mobile phone - just sleep, cocktails and snorkelling off a tropical island. The next email will be a serious one - all about DEPRECIATION.

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

Linda