

Special Edition

31st May 2013

Dear Owners and Investors,

Before I start, there are many of you on my automatic email list. If at any time you wish to be removed from this list, please just send me an email and I can take you off. I do hope that you enjoy my emails and learn something from them.

Today I will be writing all about furniture and upgrading the property internally. Cairns is a totally different rental market to many other cities in Australia. The houses do attract long term tenants, so these aren't that different to anywhere else. It is specifically the unit market that is unique in my opinion. Cairns is a transient population - we have been here for 13 years now and we are like many others you speak to - we have all come to Cairns for a reason. There are very few people that have been born and raised in Cairns.

Our economic base is starting to expand, but the reality is that we are still very much driven by tourism. People come to work in the travel industries and enjoy our beautiful surroundings. If I had to put a time frame on "tenancies" particularly in the unit market, I would say the average is between 12 - 24 months.

We do get long term tenants in units, but in general terms it is a high turnover rate. Many people that come to live and work in Cairns arrive with little more than their suitcase. For these people they just don't want the hassle of buying furniture and white goods so they are happy to spend a few more dollars on rent per week and move into a fully furnished unit.

To give you an example of the differences we can achieve I will use a two bedroom unit in Manunda

Unfurnished - \$200 - 210 per week

Unfurnished with white goods only - \$210 - 225 per week

Fully furnished with white goods - \$230 - 245 per week

This is assuming it is presented well visually internally, air conditioned in both bedrooms, and security screens.

As the rental market is starting to tighten up, what we are finding is that the better presented it is internally including the furniture the better the tenant and the higher the rent. We had a bedsit unit that was being rented for \$150 per week, after a repaint inside, curtains and a few small furniture upgrades it was snapped up at \$170 per week. Without doing these upgrades I don't believe it would have been possible to rent it out for this.

When furnishing these units, we have over the years come up with a "formula" that has worked well for us. The choices of what we can buy in Cairns is limited as we don't have the chains that are in most capital cities. We do however have Super Amart - and they have great looking furniture, that is quality but on a budget.

Like all things with rentals, I try to get as tenant proof as possible. Many of us have furnished our units nearly ten years ago, and it is now time to start looking to updating the furniture as it has done its job and is looking tired.

I will start with the bedroom. I like to have a slat bed rather an ensemble. It is so much nicer visually when a potential tenant walks into a room and sees a nice bed frame - it can be the difference between them taking the unit or not. I prefer to have a head and foot - again for visual reasons. The timber look goes with anything, and if it does get knocked about we can easily get it sanded back and revarnished. We personally are going to start to look to put a slightly better piece in, although it is a little more expensive.

<http://www.supermart.com.au/bedroom/beds/queen/kimi-40206/>

This is the Kimi and it is a good quality bed. At \$299 it is a great price. The Marconi that we used to buy was a bit nicer, but they don't make that any more so this is the next best option.

The reason I like this over some over the cheaper models is that it not only presents well visually, but it has a good slat base. There are two sections of slats rather than one long one that goes right across the base. It will also pass the tenant proof test of time - two large people doing what two large people do in a bed. This isn't how I say it to Greg from Amart but you get my drift.

<http://www.supermart.com.au/bedroom/beds/queen/clontarf-47576/>

This is the Clontarf which is slightly more at \$379 and it is a good bed. It also presents visually slightly better over the Kimi.

<http://www.supermart.com.au/bedroom/beds/queen/cowra-47586/>

This is the Cowra which cost slightly more again at \$429. This is a good, solid and visually impressive bed. It is a piece of furniture in its own right. The Kimi is a good bed and will last well, this is just a better looking bed and as we personally upgrade our units we will look at this option.

I like to put in bedside tables next to the bed. It just finishes off the room. I don't like chipboard or MDF furniture in the units, I prefer to go for timber as it is harder wearing.

<http://www.supermart.com.au/bedroom/tables-drawers/bedside-tables/madang-42592/>

This is a Madang bedside with one door and a space at the top. It isn't super wide but enough to finish off the room visually. The price for this is \$119.

<http://www.supermart.com.au/bedroom/tables-drawers/bedside-tables/madang-42201/>

This is the larger Madang with two drawers. It is a slightly wider and nicer bedside but it is \$169. For a rental property we would probably put in the smaller, cheaper one. What I like about both is that if the top gets a bit scratches or stained, Bart the wonder handy man can revarnish the top and get more life out of it for us.

With the mattress I still find it hard to justify the price of them, but at the moment I don't get a choice as Super Amart is the only cheaper option.

<http://www.supermart.com.au/bedroom/mattresses/queen/super-dream-series-one-47944/>

This is your basic mattress and it is \$289. Over the years we have bought the cheaper range and they just don't give us the life span of the more expensive one. There is far less padding in the mattress and the spring system isn't great. Personally we won't put these into our units any more as we find we have to replace them too quickly.

<http://www.supermart.com.au/bedroom/mattresses/queen/super-dream-series-two-47950/>

This is the mattress that we put into our units. It is a better quality one at \$429 but you can feel the difference between the two. We put on a good quality cotton, washable mattress protector on all the mattresses. The cost is about \$30.

Where possible we always put in a Queen Size bed and I have given the prices above for a Queen. There are some properties that a Queen will over power the property and in this case we will put in a Double instead.

At the moment Amart is doing a great deal for us and if you are interested please let me know as soon as possible as I have only until mid next week to put in the order. If you buy a mattress they will give you a Kimi bed frame for free!! Originally it was just for the cheaper mattress, but I talked the bosses into letting us do it for the better mattress. So for \$429 you get a mattress and the slat bed. I know that normally we would get the Cowra, but at this price even we are going to take a few Kimi's!!

Now onto table and chairs. When looking at these I have to keep coming back to tenant proof. Some look great, but I don't take anything with a padded base as the tenants mark them and they are difficult to repair or clean. I prefer to go a solid timber chair. The next thing I look at is the joins - tenant will lean back on the chairs because they can so they need to be strong. They have to look good and most importantly they have be a good price.

<http://www.supermart.com.au/furniture/dining/5-piece/tulsa-47020/> This is their budget range and although they may look alright visually, they just aren't tenant proof. Back in the days when we could buy Kristina sets, these lasted. Many of our units still have them in and they are now ten years old! I bought a few of these sets and they lasted just a few years. I wouldn't suggest buying these.

<http://www.supermart.com.au/furniture/dining/5-piece/cremona-46562/> This looks lovely and at \$359 it is a good price. The issue for me is that it has fabric over the entire chair. It will get dirty and I am sure there will be tear or even a cigarette burn eventually. If I had no other choice, I would take one of these but it wouldn't be my first choice.

<http://www.supermart.com.au/furniture/dining/5-piece/lockhart-47620/> This is a solid table and chairs. The price is \$499 for the five piece set. They visually look good and will be about as tenant proof as we can get. We got a great deal last year at \$370 - so if these come up again at this price I will let you know.

There are some properties where I wouldn't put in a table and chairs - Viewmont is one of these properties. The kitchen and lounge area are open plan. By the time I put in a sofa and a TV unit, it is enough. There is a large balcony area so I have been putting a nice outside table and chairs instead. As it is open to the weather I have gone with a hard wearing option and normally go with timber. I don't buy these often, and I normally do the rounds or Bunnings, Masters and then to Amart to find out the best option.

Recently we had to upgrade our sofas, and this is the one piece that I struggle with the most. I would love to think that I could put in a nice sofa and it will last for ten years - sorry not an option. Of all the pieces of furniture we have in the units, the sofa is the one that we have to change over the most. I have tried so many options but not really happy with any of them long term. We have tried vinyl or even bonded leather, but in the tropics the layers separate and they start to "peel" and split. The fabric has its down falls as well as it stains and tears.

<http://www.supermart.com.au/furniture/lounges-sofas/nikko-45404/> This is the cheapest option at \$249 - some times when they are on sale we can get them for under \$200. They are a simple click sofa bed. They are low to the ground and are what you would expect of a sofa at this price. It is fabric and I get the darker colour to try and hide the dirt.

The main failing of these is that the strapping underneath breaks and the base collapses after time. Ramon is sure that they jump up and down on the sofa to do the damage we see some times. With these I expect to have to change them every few years.

<http://www.supermart.com.au/furniture/lounges-sofas/kiso-45403/> We bought lots of these when they were called the Zen. They are a great looking sofa at \$349 the issue is the vinyl covering. There are some that are still like new - and I like the fact you can wipe them down. There are others that have peeled and we have had no choice but to replace them as visually they are awful looking. The bases seem to have held so I have been let down visually rather than structurally. I wouldn't buy these again as they just don't last the distance.

<http://www.supermart.com.au/furniture/lounges-sofas/debbie-41345/> this is a Debbie two seater sofa. It is a great price at \$329 but I wouldn't put it into any of our units. It is fabric all over, so it will stain and tear easily. The arms are very wide and covered in fabric - I know that there will be coffee cup and drink marks on there. The main issue is that it is a two seater and tenants will want to lie down on it - I can see fee marks on the ends as I type. If I am going to put a sofa style like this in, it needs to be a three seater.

<http://www.supermart.com.au/furniture/lounges-sofas/orchid-44626/> This is the Orchid at \$399 and it is bonded leather. I have just bought two of these for clients, and the only reason is that there is a five year warranty on the frame and material. They are much more padded than the cheaper click sofas - and we will see if they last the distance. At this price it is still one of the cheapest options for a sofa.

<http://www.supermart.com.au/furniture/lounges-sofas/monza-38377/> The Monza is a better quality than the Debbie - it is built better and much more padding. It is a far more comfortable chair to sit in. This is a two seater and it is \$449. It is the arms that concern me as a long term tenant proof option.

In most one bedroom units, we only have to put in one sofa. Out of the above, I would probably go with the Orchid unless I was prepared to buy a new sofa in a few years. If that is the case then I would look at the cheaper Nikko.

To finish off a room, we normally put in a TV entertainment unit. At the moment Amart doesn't have one that I really like - well not the price that I like. There are cheaper options but for rental properties I don't like to put in glass or MDF as they just don't last. Many of the timber units we put in nearly 10 years ago are still looking good. If we stick with the timber look through out then it will all match in - even if there is a slight colour variation between the pieces.

<http://www.supermart.com.au/furniture/tables-units/entertainment-unit/kyoto-45682/> This is a nice unit, but at \$399 I think it is a bit much. I can get nice timber pieces from Early Settler for around the \$299 mark.

With Amart, they do a great interest free finance package. If you have a GE card then we can arrange this for you, even if you aren't in Cairns. Ramon and I use this for our furniture purchases all the time. We get the furniture immediately, which we put in to the units to get an extra \$20 - 30 per week extra. We get the tax benefits immediately - and we get 60 months interest free!!

There are four pieces of white goods that are in the units - dryer, washing machine, fridge and oven. Most of the units still have the original oven in place and these are now over twenty years old. There are essentially two options for upright stoves - solid tops and coils.

http://www.thegoodguys.com.au/buyonline/Euromaid_50cm_Electric_Upright_Cooker_SC205

This is the cheapest option around. It is \$497. It is a Euromaid and is 50cm wide.

http://www.thegoodguys.com.au/buyonline/Chef_54cm_Electric_Upright_Cooker_CFE532WA

This is a Chef at 54 cm wide and slightly more expensive at \$547.

Both of these have solid top elements. When they are brand new stoves, they look great. If we were doing up a unit to sell it - we would probably look to put one of these in as they are cheaper. They still look good, but they aren't as hard wearing as the coil top stoves. The issue is the tops pit and rust over time. They have changed the materials they use and there is a huge improvement - but still not enough for me to swap over and buy these. They will still work, but after even just a year visually the top doesn't present well.

http://www.thegoodguys.com.au/buyonline/Westinghouse_54cm_Electric_Upright_Cooker_PAK_143W

This is the option that we put into our personal units. It is the Westinghouse, coil top oven. The price is slightly higher at \$698 but these last so much longer visually than the ones above.

Apart from the tops, the other big difference between the two is where the control knobs are located. On the solid tops they are located on the front face, below the elements and above the oven and grill. On the Westinghouse, they are located at the back above the elements. This may mean nothing to you, but the issue is the heat that comes out from the grill and then directly onto the knobs. The underside gets scorched and discolours easily.

For home, we have a front loading washing machine but I would not put on into a rental unit. The door locks, and I can just see the door getting damaged. Yes, I have become cynical over the years. We put in top loading washing machines.

There are essentially two options

http://www.thegoodguys.com.au/buyonline/Baumatic_5kg_Top_Load_Washer_BWM5001 this is the cheapest option at \$399. Sometimes you can get a no name one for less, but this is about the average price you will pay. I don't like this option and won't put it into any of our personal units. The reasoning is that the control panel is at the front. It is a press button style which really is thin plastic over the electronic board. The panel is located at the front of the machine, on the top.

I am sure some of our tenants get out chop sticks to push on the buttons - how they manage to break the plastic is beyond me and I am sure when they do they then sit and pick at the edges to make it worse. The other reason I don't like them is that when the washing is taken out of the machine, the wet clothes are dragged over this front panel - and it doesn't take much for water to get to the electronics. Of all the machines we have bought of this style I would say that we have less than 20% of them still in the units. They just don't seem to last.

http://www.thegoodguys.com.au/buyonline/Simpson_5.5kg_Top_Load_Washer_SWT554 This is the option we buy and normally they are around the \$460 mark. At the moment they are \$399 which is a fantastic price. These look like the washing machines of old with the pull out dial that clicks around - but it is all electronic now.

The controls are still at the back and they are far more tenant proof. Like all new appliances, they won't last like the old ones used to. We still get a good life span out of these.

Most of the units come with a dryer, and these generally don't need much more than a new belt on the back. They are pretty simple appliance and it is rare that we have to replace them. If we do, then we go for the simple and cheap option.

http://www.thegoodguys.com.au/buyonline/Simpson_4kg_Clothes_Dryer_39P400M This is a Simpson dryer for \$289. We don't need anything more than this in the unit.

Now onto fridges - we live in the tropics and everything goes in the fridge. Things that you can leave out in other cities, you just can't here as it will go mouldy. I could go the smaller fridge in the bedsit and one bedroom units - the smallest I would go is 220 litre. To be honest this is a pretty small fridge and if I can get a good deal on a larger fridge I will take that option. Potential tenants look for certain things when inspecting a property - air conditioning, the bed, fridge and security screens.

http://www.thegoodguys.com.au/buyonline/Hisense_222_Litre_Top_Mount_Refrigerator_HR6T_FF222 This is a Hisense 222 litre fridge at \$429. I am in two minds about the no name fridges. Some have lasted just as long as others, and then there are others that haven't. I haven't had any issues with this brand, but the GVA's just didn't last as they should have. Of course they would die just outside of the warranty period. This is a good option, but it is a small fridge.

http://www.thegoodguys.com.au/buyonline/Westinghouse_280L_Top_Mount_Refrigerator_WT_M2800WB This is a Westinghouse 280 litre fridge for \$599. It is a good sized fridge.

http://www.thegoodguys.com.au/buyonline/Whirlpool_340L_Top_Mount_Refrigerator_WRO34UW For a few dollars more you get a 340 litre Westing house. This one is \$639. This is the size that we have been getting. We find it is a good size but not to big. The cost over a 222 litre is slightly more, but if it means we get the unit rented out quickly and for slightly higher, then it is worth the extra few dollars.

Now all the serious stuff is out of the way and it time for tenant stories. This is going to be just a short one, as I will be writing a long Note to Self as so much has happened this week. There are some crackers - this the best one. As you all know I am a softie and have given a single Mum and her girls a chance. She is indigenous and I thought she would be good - well she was for the first two weeks. There have been issues and I have been working with her to try and sort them out.

Now in the tenant hand book there should be a section on "How to Work with Your Property Manager". If an issue arises try to work with your property manager. Try to make a time to sit down and talk through the issues and see if there is a resolution - do everything possible to make your property manager happy and comfortable about the tenancy.

Obviously this particular tenant didn't read the book, particularly this chapter. After at least four phone calls from her - most of which I ended up hanging up on her - she decided to call yet again. I am now at the point of handing out a Notice to Leave which will make her and the children homeless. Instead of fluffing my feathers so to speak she came out with this "If you got out of your Barbie High Heels for just five minutes and lived in my shoes, you would see how difficult my life is."

OK people - is this supposed to be a compliment? I am guessing as she slurred her words and said it in an angry tone, she wasn't meaning for it to be taken in a nice way. I just love my tenants.

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

Linda