

Special Edition

May 2013

Dear Owners and Investors,

There will be a lot of you that read this email that think we know it all, and get it right all the time. Let me tell you if we knew it all I would be on a cruise ship right now drinking cocktails rather than sitting here typing you all an email. Did I mention that we just love to cruise?

If my crystal ball was plugged in and working, we would have sold up most of our property back in 2007 at the peak of the market, but we didn't. Like most of the world we didn't see the GFC coming. We also had absolutely no idea how hard Cairns was going to be hit, nor how long the dark tunnel would last for. Let me tell you there were times that I thought I would never climb out from the bottom of the tenant barrel - but those days are behind us now.

If we got it right all the time, then we would have known back in November 2010 that although the fear was starting to take a grip in the interest rate market, that it would only be short lived and that the rates would level out and then plummet - but our crystal ball was out that day and we locked in the rates for three years. Let me tell you in December we will be doing a little dance when our rate comes out of fixed and onto variable! To give you a brief glimpse at how excited we will be, if the rates are about the same as what they are currently we will be around \$200 per day happier! Oh Mr Ebay and Events Clothing will be oh so happy.

Along the way we have made mistakes, but from each and every mistake we have learnt and take this with us on our journey.

Today I will answer a question that many have asked recently. You know that we do property management but do we actually sell real estate as well? The simple answer is YES, we do. We have a fully licensed real estate agency that allows us to do both.

Now I am going to confess, I am the world's worst agent - I will do everything possible try and talk you out of selling, particularly in this market. The biggest difference between us and most other "sales agents" is that we don't rely on the commission to be able to live and pay the bills. Our income and wealth comes from our personal investments. In this market I have to tell you there has been a significant drop out rate for agents - which is not a bad thing. The figures I have heard are one in six have left the industry Australia wide, but I would say this is closer to one in four in Cairns. Selling real estate is not an easy thing as you have some many different factors to take into consideration.

Right now if you came to us to sell, we would tell you honestly where the market is - not a big lie to try and get you to list the property. I love the line from one agent I spoke to "tell them what they need to hear, then bash them down on price until it sells". The harsh reality of today's market is that your property is worth what someone is willing to pay for it, and what you are prepared to sell it for - and this about it.

Many agents will try to sell you a package of advertising in the local paper. I personally believe the days of print advertising for selling real estate are numbered. Out of all the properties we look after only a hand full of you actually live in Cairns - so the question is if 95% of our owners don't live in Cairns why would you think advertising in the local paper will get your property sold? The probability is that another out of town investor will buy your property.

The question then is why would you pay a lot of money to advertise - would it be to promote the agency and the agent - all at your cost and not theirs? Oh I can see I am going to ruffle some feathers here, but this is the way I see it. Even if you spend \$10,000 on advertising in the local paper, there is no guarantee that you will sell your property. What will sell it is the right presentation and the right pricing. Instead of seeing someone spend this sort of money on advertising, I would prefer them to upgrade the visual presentation of the property. If it doesn't sell at least you have something to show for it.

The way people search for property now is via the Internet, and like it or not it is www.realestate.com.au as the first option. There are other websites that people visit, but in general they all come to this one first. My grumble is the strangle hold they have on the market and the fees they want to charge us as agents. Ramon and I have a policy that if you list your property with us, we cover the cost of listing it onto the internet – a lot of agencies will charge you for this.

The next thing that you will be asked to do is to upgrade the listing so it comes to the top of the pile - another cost that has no guarantee of getting you a sale or even more money. I believe it is better for us to revamp and reload up the advert when it stops being a new listing. This is at no cost to you, and continues to be near the top of the listings. It will also go back out to people that have an email alert for certain properties with specific criteria.

Selling real estate is not a 9 - 5, Monday to Friday job and I can't believe how many agents simply don't answer their phones on a Sunday. I had to call one agent today about a property. I have called twice, left a message and not a return call at all so far. Worse than that when it actually rings instead of a ring tone it is a song, then when it goes to message bank it is not a standard "Hello, I am sorry I have missed your call" but it is actually a recorded message in the Charlies Angels theme with her full name in the middle. Then to add insult to injury I then get a text message that says "Sorry. I am busy. Call back later." I wonder if any of her sellers try to call her and are impressed with this.

The next question that a lot of people ask is about professional photography. I personally think it is a lot of money to have someone come and take fancy photo's then photo shop them. The cost will vary between \$100 - 200 for this service - and guess who will have to pay for this? Bet it isn't the agent that has asked you to do it. They will use a fish eye lens to get a wide angle and get the whole room in the picture. It certainly looks good, but I know myself when I have then gone into the property I am very disappointed to find it is a lot smaller than it looked in the photos. The pool isn't blue like something out of Blue Lagoon (which by the way we went to on one of our cruises to the South Pacific).

With most professional photography they only give you a limited number of photos. This ranges between 6 - 10. My thoughts are that people looking for a property on line, what as much information as they can on the property. If I have the ability to load up 26 photos onto the advert, then I should load up 26 photo's. You can learn a lot about a property from the photos - the lay out, will it work for you, what is the outside like, is it air conditioned, do I need to do any renovations - all of this is important in assessing if the buyer wants to find out more information and see it.

I know that if you came to me and asked me to sell your property, I would not just look at it as a sale. I would try to think outside the box and tell you the various options and even the way we would tackle it. If there is a way to keep the property until the market turns we will try to find it.

We recently talked to some one about changing their loan from Principal and Interest, to Interest Only. Something as simple as this has allowed them to keep the property until the market turns. There is also looking at getting depreciation reports done, which although they don't give you money in your pocket, if you are paying tax it could help to reduce this - which in turn helps to keep the property. This really has to be the worst possible time to sell a property - but this will change soon. How soon and how quickly it will turn, I just don't know.

I can assure you that if you came to us to sell your property, we would give you all the fact and do our absolute best to get you the best price for you and your property. I know I would never want anyone to pressure us to sell for a price we didn't want to take, so I will never do this to you. We have in the past three months sold three properties for really good prices - one even surprised me as to how close we go to the asking price. We all as investors need to look at the big picture - whilst we are waiting we will continue to keep the costs down and get the best possible rents for you along the way.

There have been days where we seriously have thought - just sell the lot now and be done with it. The reality is that we would be able to sell up, pay the debt and would have a small amount left - or small amount by our expectations. Could we retire and live comfortably for the rest of our lives - not a chance.

I want to be able to do the things I want to do, when I want to - if I want to waste time and money buying complete rubbish on Ebay then I want to have the resources to do it and not have to worry. I shall digress now - one of the things on my bucket list is to be able to put on and wear fake eyelashes. Yes, I know in a past life I was a Drag Queen. Whilst in Sydney for the Mardi Gras, Miss Tenille and I went to have a make-up lesson, and I have been trying ever since. It is not easy with long fake finger nails and some days it does work. Other days it is a bit more like this

<http://movieclips.com/QAnY-yours-mine-and-ours-movie-helen-loses-her-eyelash/>

We really do try to be different, and not just your average real estate agent. Way back when I was at school I never said "When I grow up I want to be a real estate agent", honestly we have just fallen into it through our investments.

There is the serious stuff out of the way, now time for the stories. Tonight is not going to be about tenants, or even property. It is going to be another life story. Many of you won't know this, but a few weeks ago marked an Anniversary. It was 7 years ago that Ramon had his first TIA - a stroke by any other name. That was the start of realising that life is short and although I still have to push myself make things happen until we can finish our retirement plan, we have to enjoy life along the way. Whilst on the last cruise - sitting watching the sea go by on in Sky Walkers Lounge on the Diamond Princess drinking a Chairman of the Board cocktail, it really brought home how quickly life is going by and that I have to do things when we can.

There have been times where I have thought, I really should do that and haven't - and you just can't go back and do them later as that time has passed. You all know that I am a wog, with the family back in Perth. Now one thing I have learnt over the years (and I have it in my genes so I do the exact same thing) is that when a decision has been made to do something, you just have to do it NOW! My parents decided to get a new bed, with the old one having to come out they decided to repaint the room. Sounds simple, until it gets into their heads that "oh well whilst we are painting the room, we really should look at the lounge as well".

That quickly turns into the hallway, the kitchen, the dining, the family room - oh while we are at it why not the bathroom, toilet and laundry room as well? This would be so much easier if the house was empty, and not full of 37 years worth of things that have been accumulated - as you do. They live in Perth so it isn't like I can just pop over and lend a hand.

It is not until you have to do something, that you realise that you aren't as young or able as you used to be. The job was just too big for my parents to finish on their own. The call came and well what do you do but put everything on hold, book the ticket and fly to Perth to help out. Being wogs, it can't be delayed for a week for us to get organised, we got the call Thursday and the flight was booked that night. Ramon and I flew in on Friday night for five full on days of painting, changing taps, lights, power points and light switches. Instead of going to coffee with the Aunties, we managed to get to Bunnings twice and Masters twice - seriously the rest of the time was painting and renovating! If I thought I was unfit, then after five days of painting I certainly knew it! I have to tell you that we don't paint our own units any more - and I was tempted to fly Brad the Bogan painter out with us.

I have to share with you all the catch phrase whilst we were painting. For this to really work you have to visualise and then do the actions - you have to take you arm from your waist and then in an arcing motion you have to raise it up and over your head, then to finish it off you flick it over your head. When Ramon and I were painting the gutters on my Grandfathers duplex, and we told him about the hole he said

Man in aero plane cannot see

Now you have to start the arm motion

Doesn't matter - of course you have to say this with a woggy accent.

Those of you that have been on the email for a while now, realise that there isn't an off button when I am working. For me, if it needs to be done and I know that it is waiting I just have to get on and do it - can you tell by the time this is being sent out? I have also realised that for our "retirement plan" to really pay off we have to be in this for the next 3 - 5 years. Yes, it is like waiting for our parole to come up and we get out of jail. I also know that after 13 years of doing this, at the pace we have been doing it for - I can't mentally or physically do it without taking a break. The only way I can take that break is yes, you guessed it on a CRUISE SHIP.

Today a deal came past our desk that Ramon and I just couldn't say no to. We are off to the South Pacific to go swimming and snorkelling and sitting on a beach under a coconut tree doing absolutely nothing. Better still it happens to coincide with my birthday. What better way to spend it than with Husband number 2 & 3, sitting on a beach with NO MOBILE RECEPTION!!!

To finish it off with a tenant story I just have to share with you. Tonight I received an email from a tenant complaining about his rent increase. He has a really big two bedroom unit that is furnished. I will admit it does need to be repainted, probably another air conditioner installed and the furniture upgraded but it is still a very nice unit. His rent was \$200 which has been at this level for many years now. We decided to increase it to \$215 which is still very reasonable when you consider we are achieving \$230 - 240 per week for similar units in the complex.

I was oh so tactful that you would all have been proud of me. I first explained the dollar increase to the body corporate fees, then the increase in the council rates and then I put in a link to all the available two bedroom units in Manunda currently. There are two that are cheaper and let me tell you these are not the sort of places you want to be living in. The rest of them were at \$230 per week and higher.

I did explain that I had two options that the owner gave me - increase the rent slightly but keep the tenant or to move him on and redo the unit. Seeing as he was such a good tenant, and we appreciated him looking after it so well, we decided it would be fair and reasonable to only increase it by \$15 per week which really is a discount of \$15 per week over the other units we have in the complex. If we renovated the unit we would be looking at \$250 per week.

As a final note I told him that I have just thought of a third option - that we improve some of the furniture and look at an air conditioner but in exchange for this the owner would need to increase the rent again slightly. I wonder if I will be hearing from him to take up that offer!!!
Let the countdown to the cruise begin!

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

Linda