

Special Edition

14th July 2013

Dear Owners and Investors,

I wrote to you in early June with an offer of a split system air conditioner, supplied and installed for \$799. The flyer is attached. I have to put the final order in this week, so if any of you are interested in upgrading your properties, please let me know so I can add it to the list.

I agree, I probably wouldn't put one into our home, we would pay the extra and go for a bigger one that is made by a big brand. However for \$799 supplied and installed for a 12,000 btu split system air conditioner that does come with a 5 years parts and labour warranty - we will be putting them into our rental properties.

Before I start with today's topic, I have one property that I think really is worth looking at

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

This is a bedsit at Scotsdale - 93 Birch Street, Manunda. The list price is \$80,000 which is a fantastic price when you think back to the highs of 2007 where they sold for \$115,000. There is a tenant there, however they aren't managed by us and have really cheap rent at \$145 per week.

We have just rented a couple in this block for \$165 and \$170 per week - depending on if we repainted internally or not. The body corporate is very reasonable - well compared to what is at other complexes.

Purchase Price: \$80,000

Interest @ 6% = \$4800

Body Corporate = \$1400

Council Rates = \$2200

Management Fees @ \$170 per week = \$1167

Rental Income @ \$170 per week = \$8840

Net Loss = \$727 or \$14 per week

These are very basic figures, but you can see that to buy and hold an investment property is possible, and it won't break the bank for you. These are long term investments and you need to be able to make the commitment to hold this for 10 years for it to be a good long term investment. If you would like more information on this, please give me a call. Remember if you go directly to the agent, then I don't get PAID!!

I was asked by a client that has a two bedroom unit to let them know what it is worth. This is a difficult question to answer, particularly at this point in the market. What it is worth today if you were going to sell it, really comes down to what someone is prepared to pay for it, and what someone is prepared to let it go at. It is really that simple. Does this mean that is what it is actually worth - NO! It is what it will sell for, and in this market that in my opinion is different to what it is worth.

The properties I am going to highlight are the ones that I would follow up on as investments.

There are a lot more that are cheaper, but there are reasons why I haven't included these. The properties that are for sale that would be similar to those found at Scotsdale, City Park, Palm Trees and even Tropic Gardens. These are what I call the "budget accommodation" properties that were built in the boom between 1989 - 1995.

These are solid, big properties that were fitted out to a basic standard. These do not compete at all with the units that were built recently that are a higher finish internally, and either in big complexes such as Cairns One or close to the beach or the City.

<http://www.realestate.com.au/property-unit-qld-manunda-113702311> This is listed for \$138,000 and is located at 59 McCormack Street, Manunda. Compared to the two bedrooms at Scotsdale, City Park and Palm Trees I find them slightly smaller internally particularly the kitchen area. The rental returns are approximately the same.

<http://www.realestate.com.au/property-unit-qld-mooroobool-113409063> This is listed for \$139,000 and is located in Ingham Court, Manunda. I quite like this street as it is a cul de sac and has a nice feel to it. The fact it is a villa style with a rear court yard is a good point. Although I haven't been inside this one, I have seen similar and they aren't huge internally. I believe this is a Mortgage Sale and there could be room to move on this.

<http://www.realestate.com.au/property-unit-qld-edmonton-113090419> This is listed offers over \$100,000 and it is located at 29 Mount Peter Road, Edmonton. Traditionally we only look at properties that are within the 5 kilometre circle of the CBD. The southern part goes down to Balaclava Road, Earlville. This is further out of the city. We personally bought two town houses in Robert Road, Bentley Park during the last boom. The price we paid for them was cheap when you compared it to what we could get closer into town, there is but however.

The quality of tenants you can expect to get is lower, the rents are lower, the wear and tear on the property is higher and the sale prices long term will be lower to what you may achieve on a similar unit closer to the city. All of this aside, if you can purchase an equivalent unit for \$25 - 30K less than what you can get in the city then this is worth looking at. You would then also need to work out your investment strategy. If this is going to be a simple debt reducer then it may be worth looking at. If it is going to be a long term keeper and the only investment you are going to make, then I probably would look closer to the city.

<http://www.realestate.com.au/property-unit-qld-bungalow-113150847> This is listed at \$125,000 and is located at 37 Winkworth Street, Bungalow. I am not sure about this one until I actually see it. Some parts of Winkworth are good and others not so good. The bathroom will need to be renovated, the kitchen looks like it has been upgraded, but by the look of the carpets they will also need to be replaced very soon. The location is great as it isn't very far at all from the city.

<http://www.realestate.com.au/property-apartment-qld-manunda-113820295> This is listed at \$139,000 and is at 93 Birch street, Manunda. It has been listed for some time now. I don't believe the owner will negotiate on this price and has decided to sit and wait. I believe another property in this complex sold recently for around the \$130,000 mark. These are great sized units and the body corporate is well run and has a great sinking fund in place - I know because I am going to do their budgets this weekend. When you consider these were selling for \$230,000 at the peak of the market and they actually would cost more than \$139,000 to rebuild, you can understand when I say what it sells for right now is not what it is worth.

<http://www.realestate.com.au/property-unit-qld-manooora-114022331> This is listed at \$139,000 at 8 Grantala Street, Whitfield. Now it could be my eyes, it could be my monitor but I swear they are iron marks on the carpets - not just one but lots. Not that any of our properties have them!!! Traditionally the units built in this area are nicely constructed and a good size. The area is in demand for rentals, and traditionally they have good sinking funds in place. I don't know this one but it would be on my list to investigate.

<http://www.realestate.com.au/property-unit-qld-manooora-113917943> this is another property listed in "Lego Land" which is Whitfield. The list price is again \$139,000. I don't know this property or complex, but it is normally well built and a good size in this area.

The above properties I would put in to the category of "Motivated Sellers" this means they have priced their properties to sell according to the past sales. The upper end of this range seems to be \$139,000. Fortunately we aren't seeing prices go much below this level. There will always be a seller, in any market that needs to sell and is prepared to give it away to get a quick sale. Most of these sales appear to have taken place already and there aren't that many that are lowering their prices. It feels like sellers are prepared to sit and wait. This could be for a variety of reasons - they don't need to sell immediately or it could be that they paid this much and the bank won't let it go for any less.

Looking through this price bracket, there are actually a fair few that have "Under Contract" next to them. This is saying to me that there is a bit of movement in the market and things are starting to sell. I have heard from one settlement agent that this is the busiest few months for settlement that they have had since pre GFC. Does this mean the market is moving - not really, but it does mean that people are starting to buy again.

The next bracket is \$150,000 and over. I believe that when the existing stock at \$139,000 and under has been sold off, the investors will start to look at the next bracket up. There will be those in between but when looking on line today there seems to be a distinct line where the asking price changes.

<http://www.realestate.com.au/property-apartment-qld-manunda-110974003> This is a two bedroom at Palm Tree Apartments - 55 McCormack Street, Manunda. The asking price is \$155,000. These are great units, that are a big size internally. The body corporate is well managed and has a good sinking fund in place - yes, I am the Chairperson at this one as well.

I will let you know that there will be a listing in this same complex very shortly. It is for Unit 30 and this is a Mortgagee Sale. You just never know what it will actually sell for, but this is one that could be interesting. Given it is the bank selling the property, and their aim is to just sell it - this property could very well go cheaply. If you picked this up for \$130,000 or under, I think it would be a good long term investment. When it is listed, I will send you the link. The catch is you will need to be very organised as it is going under the hammer - which means your finance must be in place and you must have a 10% cash deposit to put down on the day.

<http://www.realestate.com.au/property-townhouse-qld-manunda-113772175> This is a two bedroom town house located at Tropic Gardens, 6 Cannon Street. This isn't one that we manage so I can't tell you what it is like inside, but from the photos it would need some upgrading internally. The list price is \$159,000 which for this time in the market I believe it too high.

<http://www.realestate.com.au/property-apartment-qld-cairns-109513431> This is one at City Park Apartments, 85 Birch Street, Manunda. This has a list price of \$189,000 - which I believe it is worth this at least given the cost of the land and the actual cost to rebuild it. Unfortunately until all the lower end stock has been sold off this will not sell at this price.

Many people still shy away from Body Corporate investments, and I think that is because they just don't understand them. I am writing a Special Edition on Body Corporates to try and explain it better for you. Now onto the light part of the email - tenant stories.

The other day we put a tenant into a house and it was a few days later I got a text asking for us to send someone around as they couldn't turn the oven on. It is a new house, so the chances of it not working were slim. It is times like this that I realise just how much useless knowledge I possess. I gave him a call and over the phone - whilst in the Spotlight car park trying to fit in all the curtains I had just bought - I talked him through it. There are three knobs - one for the temperature, one to put it to grill, bottom heating, top heating or both and then there is a timer. With these new ovens, unless you have the timer on, the oven won't work!!

Now many of you think that Ramon and I know it all, and get everything right every time. Big myth that just isn't true. We are in the middle of doing the renovations to Ron's unit at Sheridan Street. He is now at the Nursing Home at Masonic Care. The kitchen has been removed and the boys were putting in the splash backs for the kitchen.

Our formula is we use white gloss ripple tiles that are 200 x 300 with a border in the middle. We always buy the tiles from the same place. We are one box short for the kitchen so off I trot down to see Anthony at the tile store. They do have white gloss ripple tiles that are 200 x 300 but it is a different manufacturer and although they are white, they aren't the same white as what the last batch is. Grumble, grumble, grumble. Not sure what we are going to do about this. See, we don't always get it right!

Now when we took on the role of Property Managers, I must I have missed the section in the Idiots Guide to Property Management about go go mobiles. You all know that Ron has been the King of my "I collect Old People". When he first started to be less mobile, we bought a mobility scooter for him. He had no money, so we paid for it and he paid it back over the next few years. It was second hand and when we brought it home there were a few scratches on it. The guy in the shop gave us a bottle of paint to touch it up, which was on the list for Ramon to do. That was until he actually saw Ron drive it, backing over the garden, into the fence and going full pelt down the road. This mobility scooter lasted for a few years and it actually still going really well although it does have a few more scratches on it now.

As Ron wasn't able to get around as much, and well a man can only smoke so many packets of cigarettes a day, a bit of money started to accumulate in his bank account. About a year ago he decided that he wanted a new mobility scooter - but it had to go faster than the current one. Ramon had to spend two days taking him around to all the stores to see what they had in stock second hand. We found a great one and it went really fast! The plan was that we would paint up the first one, put this in the paper and then sell it - good plan just haven't the time to implement it.

Ron has now been in a hospital/nursing home since February and until a few months ago, the Government were wanting to send him home with assistance. Fortunately they have realised this just wasn't going to work. Whilst he has been in hospital, the Government has bought him a wheel chair that is his to keep. It is a manual wheel chair, and Ron is a lazy bugger and doesn't want to push it himself so he doesn't go very far.

I know I have written about Ron for a few years now, but for those that haven't been on the list that long he is a cranky, miserable old git that never married, never had children and to be honest never really had a social life. He never went anywhere apart from the shops to buy food and his Lotto. Since he has been at Masonic Care he has actually started to socialise. They have a great social program there, and every day there are heaps of activities to attend. Ron now goes to Bingo and Keno every day, and he even went to Morning Tea the other day.

To top this off he is now going to Wheel Chair Ten Pin Bowling!!! He has now decided that he would like a motorised wheel chair. We have started the hunt, and instead of a day off this week we are going to drive up to Mareeba to go and look at one there.

So to recap, very soon we will have one slow mobility scooter with a few dents and scratches, one really fast mobility scooter, one manual wheel chair and a motorised wheel chair. The Big Man in the Sky had better be watching and taking notes.

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

Linda Tuck