

Special Edition

23rd October 2013

Dear Owners and Investors,

It has been a while since my last email. I bet you all thought that we had run away and had gone on a cruise. Did I mention that we are going on a cruise in 50 more sleeps? Not that I am counting at all. I really don't even know where to begin with this email, so it may be all over the place!

Before I start, there are many of you on my email list now. If at any time you would like to come off this automatic list, please just send me an email and I will remove you immediately. For those of you that do enjoy my ramblings please let me know - it gives me the energy to keep writing even when I am exhausted!

This is the link for the latest Cairns Watch

<http://cairnswatch.com.au/uploads/uploads/201309fullreport.pdf>

I have to tell you that on one hand things are going really strongly, and then on the other hand it has wobbled and badly.

Right now there are a total of 668 rental properties in the Cairns Greater Region. This includes everything from a tiny studio right the way up to an executive home. This really isn't a lot of properties for a region that has 130,000 as its population. About two weeks prior to the election it went quiet on the rental front. It wasn't just the small units, it was houses as well.

I had real trouble renting out properties or even any interest in viewing the properties. I put it down to the election, but two weeks later I was still having trouble. I have to tell you I thought they were going to start playing a new song - you put your left leg in, your put your right leg in - I thought was going to have to climb back into that barrel and start scraping around the bottom to find tenants again.

I spoke to a couple of the other agents around town, and they went through the same patch. Fortunately it seems to have turned a corner, but I am not even thinking about starting up the music and starting the Dance of No Vacancies just yet. Today I did manage to rent out three units and I look to have rented out a house as well. I am really hoping it is just a soft patch that won't last long. We are now heading into the wet season and the weather is starting to heat up fast.

There have been many announcements that will affect our region and help to get things going.

<http://www.cairnspost.com.au/business/new-casinos-touted-to-line-state-coffers-and-boost-aquis-proposal-at-yorkeys-knob/story-fnjpusdv-1226740511590>

Aquis will be the single biggest thing that will change things not only in Cairns, but Queensland.

One of the key components will be the granting of a Casino licence and although it hasn't been awarded the Newman Government is making all the right noises. The project is stepping closer to the finish line, but it isn't a done deal as yet. They have opened an office at Cairns Central and I have to tell you until you see the models and really start to analyse what is going to be built, it is hard to appreciate just how big this project is. Even I found it mind boggling just how big this project is going to be.

http://aquisgreatbarrierreefresort.com/wp-content/uploads/2013/08/Aquis-GBR-Resort_Project-Booklet_MedRes1.pdf

This is the link for the Aquis website. The project is worth \$4.2 billion with work to start mid 2014 and to be fully completed and operations by 2018. The big thing to remember is that it is being built in Cairns which is a small region centre.

To put this in perspective

<http://www.theaustralian.com.au/business/companies/james-packers-crown-wins-ok-to-develop-barangaroo-casino-and-hotel/story-fn91v9q3-1226674287296>

This is the link for the proposed Crown Casino in Sydney which has just received approval. It is a \$1 billion plus project and that is a big deal in Sydney. Now you can understand why this will be such a game changer for Cairns.

<http://www.ellabay.com.au/master.html> This is another billion dollar project that has just got the green light. It is near Innisfail, but it will have flow on effects as it is only an hour south of Cairns.

<http://www.cairnspost.com.au/business/cairns-aquarium-developers-aim-to-have-local-companies-on-board-with-the-35m-project/story-fnjpusdv-1226744970455> this is a \$35 million Aquarium that looks to go ahead in the City. It will be a great attraction for the locals and tourists alike.

<http://www.news.com.au/national/breaking-news/qld-premier-vows-to-tackle-insurance-costs/story-e6frfku9-1226744667235>

I am continuing to push the insurance issue as much as I can. There are some things that I hate doing - public speaking, having my picture in the paper and being on TV. This is how passionate I am about it - I speak on the radio with John McKenzie on 4CA at least once a week. I have been on TV twice and I can't count how many times in the Cairns Post.

Yesterday I got to speak to Campbell Newman on air. The reference in the article is me!! I know that generally Politicians are lots of talk and not a lot of results. I believe if anyone is going to tackle this, our best bet will be with Campbell Newman and Warren Entsch. Warren has been working on this issue for the past few years and now that we have a change of Government hopefully this will start to see some results.

The issue has now spread from just body corporate insurance to house insurance as well - and just as big increases. It is affecting every one north of Rockhampton so it is a big issue. The Newman Government is aiming to get half the population of Queensland out of the capital over the next 20 years. To do this it has to be affordable, the economies outside Brisbane need to work and there has to be somewhere for them to all live. If the insurance stays the way it is currently, no one is going to invest on a large scale to build homes and units as there will be no one to buy them!

Now onto the sales market. Although the rental market has been wobbly, we have certainly started to see the sales market turn a corner. OK so it may be a very long corner but it is still a corner! There are still some great bargains out there, but I would say that for every three I call about at least one is under contract. I am now going to go into my motivator mode.

The past few weeks have been a blur, and someone said this - I have no idea who but I can't take credit for it - "I want to be a rich, old lady, not just an old lady". That pretty much sums it up in a sentence.

Many of you are in the same bracket as Ramon and I. This next era will be our last chance to do something to make a difference to our financial future. If we don't do something this property cycle - it may be too late. This property cycle in Australia is only just starting to take off and if it lasts a normal cycle of 7 years, many of us will be at the start of retirement. We won't have enough time to be able to go through two property cycles - well we can but we will have to be working for the next 14 years and I can think of many better things to be doing. Did I mention that we love to go on cruises?

It doesn't matter where you invest in. I write specifically about Cairns because we live and breathe real estate in Cairns. The prices are the lowest I have seen since 2004/05 and I really don't believe they will go any lower.

In most cases we have started to see the prices go up - but realistically they are well below what they were at the peak of the market in 2007/08. Where else can you buy a two bedroom unit for under \$140,000 that rents out for \$230 per week?

Sure the body corporate fees have gone up due to the insurance but in most cases the rents have gone up to cover these increases. The thing to remember is that if the rental vacancies remain low and the economy picks up then the rents have the potential to sky rocket. With these increasing rents, the values will go up - and fast.

I will explain my logic

We are currently at stress vacancy levels. Units are at 2.2%, houses at 1.5% which overall has a vacancy rate of 1.9%.

The economy is only just starting to take off, we are still wobbling slightly but it is better than three years ago.

When it takes off the population will expand as there are jobs.

The construction industry is non-existent, it has been that way for the past six years.

There has been no real high density unit developments in the past six years.

If Aquis does go ahead we will be inundated with trades people and there is not enough room for them.

Investors Australia wide are starting to come out in force, at the moment there are lots that are looking but only the serious investors are buying.

Our prices are very cheap compared to many other places in Australia - we represent very good value to investors.

The potential capital gains are there to be made. The same unit you can buy for \$125K currently was selling for \$230K at the peak of the market.

Interest rates are at historically low rates

The economy Australia wide is showing signs of a good recovery.

I have been working with a few investors over the past six weeks and we have managed to get them some great deals. I don't know how much longer it will be before everyone else twigs on - particularly the Agents that are essentially giving them away.

Over the weekend we helped an Investor buy a two bedroom unit in Ingham Court for \$125K - nice unit with lots of potential. I am going to admit now that I make the world's worst agent - I know that many of you have called over the past few months to sell. I have done everything possible to talk you out of it as it really just isn't the time. We have all done it tough for the past seven years and it would be just awful to sell now. It is the bottom of the market and things are turning and if my crystal ball is plugged in right by mid next year there will be a lift in prices. If we were relying on the Sales Commission we would be broke!

The essential difference is that Ramon and I have our wealth through our personal properties and rental income - and not through Property Ladder Realty. I will be honest, I would make more driving a really big truck on a mine site than from what we get through the business. There are two issues with me driving a truck - who would look after your properties and where on earth will I find steel capped high heels?

There is a time to sell the properties, and I think I will be able to do a fantastic job of selling them - but now is not the time to sell. If it were, Ramon and I would be listing and selling our personal properties so we could pay down the monster loan we have with the National Australia Bank.

The other thing many of you should look at is your lending - the market is being very competitive at the moment and Banks are looking to get more business and are offering very attractive rates to get your business.

We have been with the NAB for the past ten years, and they have been great to us. We were with another lender and we had reached our lending limit. If we hadn't of swapped banks, we wouldn't have the number of properties we have now. Our current manager Craig Davis has been fantastic, and as he is an investor himself he knows about lending for investments.

If you would like his details to see what the NAB can do, let me know and I will send them to you. No Merlot bottles have been exchanged for this endorsement - not yet anyway.

On to the fun part of the email - tenant stories. We are just in the middle of upgrading some of the properties air conditioning. I have had quite a few of the Aura split systems installed and we actually had four of them installed in our office. They are really very good and although I may not have them in our personal house, I have no hesitation in putting them into our units.

I had Mr C who has just moved into a unit on Buchan Street. I explained to him that I was in Perth, Maureen was on holidays and the installer wanted to come and do the job on Friday so he would have to let him in. It was arranged that he would meet them in the morning and let them in to do the job and he would go to work. The split was installed and the boys locked up and left.

So Mr C comes home at 11.45pm and goes to turn on the new split system air conditioner - I would guess that he probably had just come home from the pub and probably had a few drinks. Mr C could not find the remote, so what else do you do but send a text message to your property manager at 11.45pm asking where the remote would be! No seriously, he knows I am in Perth and it is nearly midnight in Cairns but somehow it is a good idea.

I was lost for words and I knew if I called it would end up not pretty so I ignored it. Five minutes later I get another text message to say he found it - they had put it in a holder on the wall - next to the light switch. I couldn't help myself so I sent a text message saying "Great, will stop looking for the remote now."

Whilst still on the subject of the installation of air conditioners I received a text message from one of the tenants - again it was after 11pm. It was also nearly a week after the installation.

This text went on for pages and pages about how bad the dust was and how distressing it was. She only had one installed - we had four installed into the office and I know it was dusty but it wasn't horrendous. Seriously you would think that a dust bomb went off in her unit and covered everything. I checked with all the other tenants, many of them are picky tenants but everyone else said sure there was a bit of dust but they were more than happy with that as a trade off for a new split system air conditioner. I can't win every time!

I got a call from one of my "I collect old people" to ask if I could send someone out to look at the stove. I always grill them on what is wrong so I can work out who is the best person to send out. I asked if the elements were all working fine - yes. I asked if the griller was working fine - yes. I asked if the oven was working fine - yes - OK I am now stumped as I have eliminated all the working things on the stove. He wanted someone to come out because the oven wasn't level and when he put oil in the fry pan it all went to one side. No, seriously!

We got a call from one of our tenants to say someone had tried to break into the unit. This particular unit is on the first level and to get to the windows is not easy as there is nothing to climb on. It could be the lounge window which is close to the front door landing, but no it was the kitchen. He told me that his flat mate was home when he heard the glass break in the kitchen window. He rushed to the window to see what happened and saw two men outside throwing rocks - I can smell a rat now. Why would someone throw rocks and how could this be considered breaking in?

I sent Ramon over as he is more diplomatic than I am but I told him to have a look at where the glass was. I knew these tenants wouldn't have been smart enough to clean up the evidence. It is a casement window and it is one of the small bottom panels. There is a hole in the glass like a rock - but the question is if someone has thrown a rock from the outside - surely the glass would be on the inside of the house?

Not in this case, it is all down stairs on the ground and where the hole has been made the glass is pushing out to the street and not inside. Seriously - these tenants thought that by cooking up a story they could get away with breaking the window! I have been watching CSI and I pick up these things!

I will try to write more about properties that are currently available in the next week. If you do see something that you think is worth looking at please send me the link.

I hope you are happy and well in your world.

Linda