

Special Edition

29<sup>th</sup> November 2013

Dear Owners & Investors,

You all know that I have been out there banging the Insurance Drum - and it looks like we are starting to get some traction.

Attached is the Action Plan released on how to tackle rising premiums in the North. The Campbell Government is wanting more of the population to live outside of the South East corner, and move into Regional Australia - great idea except for one small flaw – it's so EXPENSIVE! Our Council Rates are ridiculous compared to anywhere else in Australia, the cost of general living is high but the wages are low and then the Insurance has got to the point where if ever one was honest you would find that at least 30% of the properties north of Rockhampton are either under insured or have no insurance.

Until this is resolved properly, I can't see any development on a large scale happening in Cairns. This is sounding all doom and gloom - but it does come with a silver lining. Because we have had no building of any description for the past five years, there is now starting to be a real shortage of rental properties. The vacancy rate is sitting at about 2% and we have already started to see the rents creep up. As the rents go up and the interest rates come down, tenants are finally realising that the time is right to stop being a tenant and buy a property - as it is costing them the same and in some cases less! When this happens, it takes another property out of the rental pool. I have two tenants that have given notice recently as they have bought property.

Right now we are having a little bit of a wobble in the rental market. It happens every year around this time, it is getting not just hot but melting hot and humid, people are starting to think about Christmas and not moving, and a lot of people are starting to leave town as their contracts are finishing. There will be a quiet period between now and the first week in January - but hopefully we will have most things rented out with minimal vacancies.

I truly believe good things are just around the corner, and the word is starting to get out there in the general media. If you are serious about buying an investment property, this could really be one of your last chances to get a good buy. What I realise is that each investor is different and needs to invest differently. I have picked out a few properties that I think are good - for the right investor.

<http://www.realestate.com.au/property-apartment-qld-manunda-115240151>

This unit is at 2 Mayers Street, Manunda and listed at \$99,500. It is just around the corner from City Park and Scotsdale and right across the road from Raintrees Shopping Centre. It is a good complex, the only down fall is the quality of tenant that resides there. This means lower rents, more hassles and lower sale price. I believe this will change as the rents go up. This would be in my debt reducer pile. I would look to buy, hold and then sell at the peak of the market to reduce the debt on another one that we want to keep long term.

The price is incredible and probably one of the last two bedroom units in the 5km City circle ring that you will get for under \$100,000. At this stage it wouldn't be a keeper. The unit itself it nicely presented internally, but given it is now 20 years old you will need to allow to upgrade it. At this price you can afford to.

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

This is a bedsit at Scotsdale 93 Birch Street - this one has sold however I do know of one that may be coming on the market soon. I believe it will be around the \$90K which is slightly higher than the last sale.

It isn't what you can call a bargain as it is a bedsit, and for a bit more you can get a two bedroom unit above. It is however a nice, easy investment that won't cause you many issues.

The body corporate is very good at \$1400 per annum, there is lots of money in the sinking fund and with a bit of an upgrade internally you can get \$175 per week for it.

<http://www.realestate.com.au/property-unit-qld-manoora-109498081>

This one is at Maytown Close, and I haven't seen inside nor have I seen the disclosure statement. It is listed for \$140,000 but if you could get it for closer to \$120,000 then it may be worth looking at.

<http://www.realestate.com.au/property-unit-qld-manoora-115510307>

This is at 52 Pease Street, Manunda which is Mango Court. It is listed at \$110,000 - this complex isn't the best but it is one that I will manage but can't guarantee I will get the best tenants all the time. These are big units and the new committee is working really hard to clean it up. This would be in my debt reducer pile rather than a keeper. A good price in this market. It traditionally has been cheaper than the rest of the market but still cheap at this point.

<http://www.realestate.com.au/property-unit-qld-bungalow-114845255>

This is located on Kidston Street, Bungalow and listed at \$110,000. I did inspect this one and I just can't bring myself to recommend it. The unit is two bedroom but it really should have been a big one bedroom. The squished it all in, the bedrooms are both small and don't have built ins.

You couldn't have two people in the kitchen area at the same time. It is close to the city and cheap, but I really can't say I would buy it.

<http://www.realestate.com.au/property-unit-qld-mooroobool-115529527>

This is on McCoombe Street and is a two bedroom for \$129,000 - on the surface it looks like a good buy but I haven't seen it or the disclosure statement. The area is good as it is close to Raintrees Shopping Centre and the bus service.

<http://www.realestate.com.au/property-unit-qld-manoora-106261369>

I will take a guess and say this will either be in Jensen Street or Maytown Close, Manooora. It does need to be upgraded and I will also guess it is built pre 1985 so it will not have depreciation. It is listed for \$145K but if got it closer to \$120K, it could be interesting. It will also depend on the body corporate levies. Probably not a keeper from what I have seen, but it could be a debt reducer. In the mean time it would be close to paying for itself.

That really all I could find in the cheap end of the units. The prices then jump up to \$140K and over. There is very little cheap stuff left. I believe as the New Year comes in and the investors get wind of this we will see this low priced stock go quickly.

<http://www.realestate.com.au/property-apartment-qld-westcourt-112334199>

This is not something I would have every thought I would be looking at. It is a two bedroom, two bathroom unit at Cairns One - the big resort styled unit block with hundreds of units in it. There is on site management and the body corporate is high at over \$4,000. For the right investor it is a great buy. It has a large depreciation available on the building, fixtures and fittings. They are well built and well fitted out units.

I haven't seen inside this one, but I did see another two bedroom, two bathroom one in the complex and was surprised at how big and nice it was inside.

The rent is \$380 per week and I believe it won't be long before this can go up to \$400 per week. This is the cheapest two bathroom one, there are two more for sale but each is over \$300K. There are also some two bedroom, one bathroom for sale in the complex but they are wanting the same sort of money. The price the original owners paid for this will make your eyes water.

Not for everyone, but someone with the right tax situation it could be a good investment. You have all the right ingredients - high depreciation, high rental income, low purchase price and potential capital gain in the short term.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-white+rock-115395907>

You all know my thoughts on duplex pairs - seriously if we were to invest again we would look at this strategy. You get two for the price of a house, you get more income than a house and if one is empty, the other half is still bringing you in income. Best of all if you want to sell, you can strata title and sell half - can't do this with a house! This is going to auction and it will be a cracker of an investment long term. I don't believe it will go for a bargain. I will guess that the owner would like to get his money back and he will be hoping it will sell for around \$430,000.

I have seen it, and it is a great long term, safe investment. There is very little to do internally to make them rentable. They are stand alone houses rather than a duplex pair as we are used to. They are a good size inside, and in a good area. I would say that you could rent them for \$280 per week currently, and if you were lucky you could get \$300.

If you were looking for something that wouldn't give you headaches, attracts good tenants and were going to hold for at least ten years it could be a good investment. As the price will be on the high side, you will still make a capital gain but probably not as much as buying a cheap one and doing it up.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-white+rock-115570687>

This one just listed at Frangipani Street, White Rock. Again it is a stand alone three bedroom, one bathroom duplex pair. They have it listed for \$429,000. I did see these years ago and they are great little duplexes. Not sure about the garage front on the back one, but I think when you see it for real it will look much better.

<http://www.realestate.com.au/property-duplex+semi+detached-qld-gordonvale-115301387>

This is a duplex pair located in Gordonvale and is listed for \$430,000. I have seen it inside and they are big spacious duplex pairs. They would have been built in the early 1990's so there would be building depreciation. The price is high compared to the two in White Rock. If you could get it for under \$400K then the numbers may stack up. There are two great tenants in place that want to stay. The rental income you will be able to get for this will be \$30 per week lower than the White Rock ones at this stage. It is still the end of the line for the Southern Corridor and lots of people think it is too far out of town. This will change in this cycle.

<http://www.realestate.com.au/property-house-qld-bungalow-114899103>

This is a house on Wilks Street, Bungalow and is listed for \$229,000. We actually did see inside and it has great potential. You can buy it for the same price as you can buy a duplex half. It is close to the city and will rent well. It does need some work so it would suit some one that can do the work themselves rather than an investor that doesn't live here. We have a few properties in this area and it is a great spot.

<http://www.realestate.com.au/property-house-qld-white+rock-115144383>

This is a house on Phoenix Street, White Rock. It is a three bedroom, one bathroom house for \$243,000. It has been renovated internally and will attract good tenants. I believe that the boom suburbs will be the ones that have been hit the hardest with price drops.

These are mainly on the Southern Corridor and the closer they are to the city the more they will rise. We have Mount Sheridan Shopping Centre open, the Southern Access Road is open and has cut the time to get to the city as well as the congestion. To put it in perspective you couldn't buy any house for \$300,000 at the peak of the market. There were two bedroom basic units selling for \$230,000. This would be one that I would look at.

<http://www.realestate.com.au/property-house-qld-white+rock-115380231>

This is a three bedroom, one bathroom house on Arizona Street, White Rock for \$249,500. I really like this street - we have a few properties we manage in this area and it is nice and quiet.

I am guessing these are floating floors rather than lino - they won't last and will need to come up. These just aren't suited for a climate that has high humidity. Nice little house with not much that has to be done from what I can see.

<http://www.realestate.com.au/property-house-qld-manoora-114262667>

This is closer to the city in Manoora and it a two bedroom house on Mulligan Street. The list price is \$250,000. This is close to Raintrees Shopping Centre, the City and Edge Hill. The area will be in demand as it is so close to the city.

I really believe this is the last chance you will have to buy a cheap investment in Cairns. There will always be the one off, desperate seller that needs to sell but in general terms I believe these are the last of the cheap investments available.

Now onto the fun stuff. I have a very different relationship with my tenants, especially when you compare it to most other agents. I never anticipated being a Property Manager, and let me tell you if we could find a way to buy an investment property and have no tenants but still have an income - we would patent it and sell it to all you investors. Unfortunately part of having an investment property is dealing with tenants. I am your buffer and that is what I get paid for.

Some days even I have to sit and shake my head - they never had this in the Idiots Guide to being a Property Manager.

As you all know you can call any time until I go to bed, but then it goes to silent. I was up until well after midnight writing this. I checked my phone this morning and saw a text message that came in just before 1am from a tenant. It was a picture message - I am thinking I hope they haven't taken a photo of something that a property manager shouldn't see and sent it to me in error - it has happened! I opened it up and there was a picture of what looked like a slept in bed with stuff on it, the cogs are turning but no traction as yet. I scroll down and this is the message

"Hi Linda, I know Maureen is supposed to be coming through today, can I get her to come on Monday. I have a vomiting 4 year old who has been sick with it yesterday and today."  
Too much information for this little black duck.

I had a tenant come to my office the other day, and before long she was in tears. Great, I seem to be having this affect on a lot of my tenants lately. She was sitting at the shops with her rent money in the deposit book, got up and left it behind. Well as you can imagine when she went back, it wasn't there and it hasn't been handed in. She has no spare money to pay for the missing rent and with kids and Christmas coming up she just didn't know what to do.

Technically I can give her a breach notice and she could be moved on, but do I really want to do that? She is a great tenant and has never caused us a bother, so instead we have come up with a plan. She is going to pay \$50 per fortnight extra until she catches up.

Well this is just a short tenant story section as I have not one, but FIVE AGM meetings today. I hope all is well in your world.

Linda

PS Did I mention that we are going on a cruise? Only 12 more sleeps to go! Not that I am excited or counting.