

# MANAGEMENT RIGHTS IN THE EASTERN STATES

Q2 - 2011

# QUICK MARKET OVERVIEW

- The availability of Bank funding will dictate how the industry fares for the balance of this year, with some Banks not lending to first timers.
- The overall market is still very mixed with some sectors doing better than others. Eg: Permanents far more popular than holiday complexes.
- The south east corner of Queensland remains the strongest, but within this area there are real weaknesses.

# QUICK MARKET OVERVIEW cont...

- FNQ is now very weak and will take some time to recover. Obvious stress in the form of receiverships.
- Sydney & NSW continue to have strong enquiry, with little stock available for sale.
- Victoria, whilst a limited MR marketplace, is holding up in terms of occupancies and multipliers.

## CAPITAL CITIES CORPORATE SECTOR

- Corporate Occupancies
- Brisbane Estimated 82% by years end. Currently 75% to 80%.
- Sydney 85.6% at end 2010. Estimated 87% by years end.
- Melbourne Estimated 82% by years end. Currently 75% to 80%.
- Nationally Currently 62% Predicted 65.6% by year end.
- Revenue Per Available Room (RevPAR) is expected to increase by 9.1% in 2011 to \$97 up from \$89 in 2010 and \$84 in 2009.
- Deloitte's put the demand down to (1)an active resources sector and (2) a prolonged absence of significant additions to accommodation supply.
- Source (ABS/Deloitte/Jones Lang Lasalle)

# QLD LEISURE SECTOR

Deloitte's take on this sector include the follow factors:

- Financial pressures in the domestic market.
- Unfavourable exchange rates.
- FNQ and the Gold Coast, they feel will remain under pressure and find it difficult to drive significant rate growth. Floods & cyclones have exacerbated what was an already weak market.
- The downturn in foreign students, that support the hotel industry, may add pressure to profit margins, especially in the resort sector.

# BRISBANE

- The sub \$100k NOP market remains strong due to people buying themselves a job. Multipliers are between 3.0 and 4.0.
- Brisbane in the sub \$250k NOP bracket has improved with good enquiry and sales.
- Buildings with \$250k to \$500k still very attractive to the experienced Operator as these have the ability to employ additional staff.
- Brisbane CBD and Inner City multipliers are around 5.0 and 5.5 times.
- Brisbane Metropolitan multipliers are between 4.0 and 5.0 times.

# GOLD COAST

- Good permanent buildings in demand.
- Holiday difficult to sell and fund. Many for sale. Occupancies and tariffs both down.
- Receivers sales still evident and will take time to sort through. Raptis stock is substantial and has flooded the northern coast end of the market.
- NOPs under \$500k are achieving multipliers around 4.5 and 5.2.
- NOPs over \$500k are achieving multipliers around 5.2 and 5.5.

# SUNSHINE COAST

- Permanent complexes are well sought after.
- Holiday difficult to sell and fund. Many for sale. Occupancies and tariffs both down and are weaker than Gold Coast Coast overall.
- Noosa is mixed with distressed sales having occurred throughout the year. Multipliers for the area range between low 4.0's to maximum of 5.0/5.5 times. A recent forced sale at 4.6 for absolute beachfront.
- NOPs under \$500k are achieving multipliers around 4.3 and 5.0.
- NOPs over \$500k are achieving multipliers around 5.0 and 5.5.

# AIRLIE BEACH

- No recorded activity in sales this year, given bad weather conditions early this year.
- Established holiday business multipliers are now between 4.0 and 4.25 for the better locations. 3.5 to 4.0 for secondary.

# FNQ

Given the ongoing poor FNQ economic conditions, we have decided to visit the region in June with a view of conducting a survey of those involved in the Management Rights Industry.

A detailed and separate report will follow post visit.

## SYDNEY

- Approximately 200 Management Rights businesses in the State of New South Wales.
- Strong enquiry with only two or three for sale at the moment.
- Recent multipliers commonly in the 4.0 to 4.5 range.
- Active agents finding stock harder to get.

# MELBOURNE

- Approximately 25 Management Rights businesses in the State of Victoria.
- Approximately 7 within the Melbourne CBD.
- Multipliers for established businesses are commonly in the 3.5 to 4.0 range.
- Multipliers for Off the Plan businesses are commonly in the 1.5 to 2.5 range.
- Active agents finding any stock hard to get.

