

right management

Never Let it be Said: 'We Told You So!'

Here it is May 2009, half the year nearly gone and as busy as ever! Quality management rights are selling regularly at market prices very close to 12 months ago. As a noted professor often said, "Why is it so?"



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As I predicted in the January edition of *Resort News* in the *Into the crystal ball I gaze* article, the management rights industry is alive and kicking. Quality stock with repeatable net profits are selling as they come to the market. Cashed up buyers are taking advantage of record low interest rates.

At a recent seminar I attended, a banker suggested at what time do we look at locking in these rates? Refinancing is prevalent with some vendors doing exactly that – refinancing, putting a manager in place, having a well deserved break and retaining their 'cash cow'.

An existing vendor dropped in to the office for coffee last week, picked up the March edition of *Resort News* and read the article *A Management Rights World of Opportunity*. To quote his words: "I called in to talk about selling, however if this article is a true assumption of the industry I have changed my mind." After further examination of his prepared profit and loss, he decided we should find him another acquisition to add to the family portfolio. We were happy to oblige.

Certainly the bottom end of the market, the lower net profit and higher real estate management rights, are now more difficult to finance and yes - it is fact that mid range permanent letting management rights are *hot* property.

Some industry spruikers still talk doom and gloom but contact the industry recognised lawyer, accountant, financier and valuer, they will tell you a different story. The industry is very busy.

Have a think about valuations and valuers - the valuer can only do their report based on fact. If there are no sales in cur-

rent times to support the contract prices, we will find valuations will be down. However, always remember in the top end of the market a proportion of sales are not subject to finance, hence no valuation and no benchmark for the valuer.

We are aware of contracts at 5.25 to six times multiplier regularly occurring, naturally at the top end of the market. No doubt a market not for the faint hearted commercially, however a wonderful return on investment.

Life goes on, and with diminished returns in shares and the like, management rights, both for the lifestyle choice on the less expensive end and commercial investment on the larger net profits, all goes well for this industry to be among the first to climb out of the economic gloom.

A little advice for vendors: fully prepare your management rights for sale if contemplating selling. A professional industry accountant's report, sound advice from your industry lawyer and, of course, seek recognised industry broker assistance. Follow the steps needed to prepare your business for sale. List at market price nurtured to show your management rights' point of difference. Patient industry-savvy purchasers are waiting for the management rights that tick all those boxes.

We all live in the hope that the next six months in our industry continues to follow this upward trend. **m**

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