

## right management

# What Happened to the Recession

**Get ready for the summer rush. What a wonderful stable industry, management rights is alive and powering forward.**

The past months of the economic correction has certainly changed the way the industry wishes to do business. Intending purchasers have had time to do their homework and now investigate the industry with a set agenda. A change in business has been bought about by the changing of fiscal policy by the major financiers in our industry. It is fair to say finance is still readily available, however qualification by the financier is more diligent than in past months.

The industry has finally started to move into the 21st century as far as selling is concerned! Well some vendors have.

The days of selling the secret are well and truly behind us. The transparency of motivated vendors when preparing to go to the market is paying excellent dividends.

Tell your body corporate or owners' corporation you are selling, this open book approach is achieving excellent results.

We recently had a vendor wishing to retire. His agreements were very ambiguous so it was decided to approach his committee to seek their cooperation in supporting a motion at a general meeting. The committee decided this was an idea they would support if they approved the purchaser as a pre condition. We

approached a qualified purchaser, put the idea to them, they agreed. The committee had a meeting supported by all the purchasers resumes, the committee were more than happy, we then went to contract and now have settled the sale.

I personally handled The Towers of Chevron Renaissance management rights sale; reportedly the largest single residential strata scheme in the southern hemisphere, in excess of 700 residential lots. Major advertising and an extensive data base, resulted in interviews with in excess of 75 potential purchasers. Naming the actual building not only motivated the impending sale, it also resulted in the industry talking positively. The end result - the management rights have been sold and settled. Numerous vendors have taken note of what exposure is now necessary to gain a successful sale.

In the coming months we intend to launch more advertising campaigns of a similar nature.

An *expression of interest*, think about it! Residential real estate, commercial and businesses for sale all advertise the product for sale and we continue as an industry to attempt to sell secrets. As an intending purchaser reads this article, they jump for joy! Some vendors on the other hand may begin to think I have finally lost my marbles.

I would be incorrect to believe the management rights industry thinking on how to sell will change overnight; however the higher net

profit end of the market will be the first to move to the new thinking or at least part of the industry will.

My "crystal ball" sits in full view. Business is excellent and the multiplier on the high end continues to be strong. Contracts in general are nearly all subject to valuation. Very few if any contracts fail to settle, if all the correct steps are taken when listing. Quality stock is rarely available and continues to sell soon after listing.

We are continually asked for a comparison on Queensland versus New South Wales management rights! There really should be none apart from geographical location, given the net profits are comparable and the management agreements are for the same length of time. We currently have very few sales occurring in NSW, with some major financiers revising their policy on lending in NSW.



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Schemes built in NSW with the old prior, 2003 agreements (25 years) we find funding is similar to Queensland. The post 2003 agreements (10 years) become difficult to finance. Queensland's recurring sales keep the industry ticking over allowing valuers to continue to revalue at nearly every sale. Until we generate continuing sales in the NSW market place we will continue to struggle to lift the multiplier on nett profit to its true market value. This would lead, some to say, there are very good buys currently available in NSW. This assumption is 100% correct.



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