

Selling Your Management Rights

By Warren Oliver, MR Sales

The process of selling your management rights has become more complicated in the last couple of years. We are seeing more contracts not proceeding to settlement in recent times than we ever have before.

So what's gone wrong?

I don't think there is one issue that is affecting the sale process but a number of different things are involved now that probably weren't so prevalent in years gone by. Many current managers bought some 8 or 10 years ago, prior to the GFC and then because of a downturn stayed longer than planned. In the meantime we have had the "Gallery Vie" drama that threatened the lending on management rights and even now has affected the banks' lending criteria and the time for finance approvals, in fact where NSW was a problem with lending it is almost easier in that state than Queensland. Some managers are trying to sell on out of date figures which makes buyers suspicious when the banks require 12 current months for verification. The risk for managers with older figures is they may need to renegotiate the price as the verification does not stack up. It is important to talk with your accountant and have them prepare a P&L for purpose of sale which accurately reflects the way your business is run. It's no good netting \$500,000 in a holiday building with no allowance for at least a part time receptionist when we all know a 2 person team cannot effectively run the business 7 days a week. Likewise in large permanent complexes exorbitant repairs and maintenance combined with large lawn/garden areas with no wages just doesn't add up.

If your letting pool has changed during the year it should reflect in the figures and also be up front with your broker and potential buyers as it will be picked up in the verification and then another negotiation happens. Make sure Form 6's or 20a's are up to date to save drama with the buyer's solicitor. We have seen money held back at settlement because a Form 6 doesn't comply or in some cases doesn't exist. Top up your agreements as it shows to a buyer that the committee is working well with you as the manager and therefore happy to support the motion to top up the agreement.

The amount of managers who don't understand that they need to top up or just don't bother would stagger you and the buyers just say "there must be a problem with the committee as they haven't topped up their agreements".

Solicitors are much more critical than they once were regarding wording in agreements, particularly older agreements, and solicitors acting for Bodies Corporate are slowing the process down and in some cases asking for unrealistic items to be included in Deeds of Assignment etc. Again, make sure everything is in place for a smooth sale process.

Buyers are much more informed than they once were and so become more demanding when they are looking at purchasing and in many cases the emotion is not there, it is a hard business decision and if it comes down to 2 similar businesses they go with the one that is easier to buy as everything is in place. The process from inspection to settlement should be a pleasant one with the broker being the glue that holds the deal together and dealing with all parties concerned; the buyer and seller, solicitors on both sides, accountant and financier.

In 2017 it is a very different market to sell in but still a very good one if everyone is prepared properly. If sellers prepare their business for sale by putting themselves in the buyers shoes and look at their business from that perspective they will be ready and buyers who generally have too higher expectations need to work with a broker they can trust and feel comfortable with and listen to what the broker has to say and we will have more successful settlements than at present.

Welcome to Management Rights 2017.

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