

TIPS FOR SELLING MANAGEMENT RIGHTS

Treat Your Sale As Diligently as When You Bought



All vendors at some time in their career decide to sell their management rights. When is the right time? Are there buyers looking? Are the financiers active? What is the market going to do?

We are asked all these questions and plenty more. Regardless of a buoyant market or a depressed economy, there is always some form of prospective purchaser looking for what they imagine is their perfect match. For vendors there is no second chance in what will be a very active year regarding commercial sales. You will not achieve the result you desire unless you professionally prepare for sale, and this outcome can only be achieved by blending the near perfect match between you the vendor and your choice of a competent professional industry broker.

Current statistics show that contracts of sale for management rights and the associated real estate are most often terminated because of the failure to meet contract conditions and these are normally in the following order: the verified net profit is incorrect, the due diligence of agreements has legal issues, the manager's real estate fails to value up and the financiers valuation falls short of the contract price and, unfortunately in some cases, the broker handling the sale has sat on their hands throughout the process, failing to give you the service you are paying them for.

Do not let your management rights be handled by a broker trying to buy your listing. Your listing becomes just that, a listing.

None of these contract breakers will occur if you prepare for sale with the same positive professional attitude that you adopted when you purchased!

Let's all theoretically adopt the following:

The net profit: a profit and loss needs to be prepared by a qualified industry-recognised accountant and is to be the net profit achieved for the last 12 months of operation, close as possible to the date of contract of sale, deemed to be managed by a two person team, with the actual paid expenses allowed (cleaners, receptionists, handy man, gardener) all included as an industry expense. In certain situations, dependent upon the size of the business and actual work load, some add backs may be applicable. In large net profit management rights, say \$750k plus, a manager's salary may need to be added as an industry expense.

The vendor's real estate component: this could be a residential apartment with an attached office or, in certain scenarios, a separate office where there are two registered titles. You will require having in the majority of cases a current valuation appraisal by a registered valuer. Both the valuation and the verification report

should not be more than six months old.

Check with your industry solicitor that your management and letting agreements are commercially sound and that options have been correctly exercised. If you have less than 10 years remaining on these agreements you will be required, in the majority of cases, to top up your agreements on or before settlement date of the contract of sale.

Remember it is currently a requirement of the act in Queensland that all your PAMD form 20A's have the assignment clause in place and signed by your investment owner or replaced with the new Property Occupations Act Form 6. NSW is treated similarly.

All of the above can be achieved with the guidance, advice and a close working relationship between you the vendor and your chosen full time broker.

Look for a professional management rights broker with a proven track record and the dedication to sell your management rights to achieve the best possible market price given the economic conditions at time of sale. The old ways of the past are finished - gone are the days of "let's go to the market and see if we can attract some enquiry".

If the correct attitude is not adhered to your sale, your management rights will become just another listing.

As a vendor you are entitled to achieve the best possible result, however you owe it to yourself to approach your impending sale with the same dedication you had when you bought the management rights. As a vendor, your ability to achieve the desired conclusion to a contract of sale is 100% dependent upon correct and factual information being collated by yourself and your professional management rights broker.

It should be a very active year ahead as far as management rights are concerned; there is no doubt management rights will continue to sell and settle but only if all listings and pre-sale preparation is handled with a professional attitude that will result in a harmonious conclusion - the settled sale. Remember the following and all vendors should continue to be content.

Select your broker carefully – a full time professional with a proven track record. Present the facts backed up by prepared documentation. Market your management rights at "today's marketable and achievable price". Have patience and sell to a qualified purchaser with the dedication to go to contract and settle, be totally diligent and the partnership between the vendor and the chosen broker should result in a successful contract of sale.