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## **'MARKET INSIGHTS'**

### **'Key Industry Issues'**

Keeping abreast of the market during the COVID-19 pandemic has been 'at times' challenging and a bit like riding a roller coaster.

Our Pollies have kept us all guessing for what 'will or won't or maybe' affect us in our different business roles or work environments.

Valuations have been no different, and whilst some industry experts like to draw comparison to past events, the fact is, there is no comparison to this pandemic. Certainly, the effects of the restrictions in force from both the Federal and State Governments has created complex characteristics on real estate and the different real estate markets.

The Management and Letting Rights (MLR) market is no different and whilst there has been extreme caution in the early months March to June 2020, there has been more positive optimism and confidence building progressively since.

### **'Long Term/Permanent' let MLR businesses**

Our comments for this sector are for those businesses long 'term/permanent let' and exclude 'student let' businesses.

We are constantly asked by clients, "what is happening, are businesses selling, are they being valued and are Lenders financing"?

The answer is; 'YES' to all of the above. As the pandemic has worn on through 2020, we have seen the rise in demand for good quality 'long term' let businesses. Experienced operators, long term investors in the market are targeting businesses which are well established, have no COVID-19 effect within the building/s and those businesses with a large Net Operating Profit (over \$400,000) are particularly in demand.

## **MANAGEMENT RIGHTS**

**When you require a Comprehensive and Detailed Assessment of an Management and Letting Rights Business.**

### **OUR OFFERING**

**An opportunity to receive professional valuations in a highly specialised field.**

**BANK LENDING PURPOSES**

**PRE-PURCHASE ADVICE**

**LEGAL MATTERS**

**PRE-SALE ADVICE**

**LEASEHOLD RENT ADVICE**

**BUSINESS HEALTH CHECK UP ADVICE**

**'WHEN EXPERIENCE MATTERS'**

## **ALL LEGAL MATTERS**

**When you require a Comprehensive and Detailed Assessment.**

**Litigation, Receivership, Family Law, Partnership Restructure.**



### **COVID-19 effect on Tenants**

Interestingly, ARAMA reported widely that there is less than 3% of buildings surveyed among their membership which has any detrimental effect on those MLR businesses.

This has been backed up by our own data from Valuations conducted over the period since March 2020. The 'industry' acted early and put together a comprehensive business questionnaire which industry Accountants and Accom Valuers include and provide in their reports. This has no doubt provided the industry with more certainty in the business and therefore, it has assisted Lenders to make informed lending decisions.

Most MLR businesses which have been sold during the pandemic conditions have mostly demonstrated that there has been none or very minimal negative effect on the MLR business. Therefore, from Accom Valuers perspective, they have attracted no 'reduced value' or reduction in the assessed Net Operating Profit.

Furthermore, multipliers have generally remained at Pre-COVID levels particularly, for those MLR businesses with higher Net Operating Profits of over \$400,000.

### **'Short Term' let MLR businesses**

This sector includes 'holiday' let resorts and 'short term/corporate' let MLR businesses.

This is where the market for Management and Letting Rights is contrastingly different. There have been very few 'short term' let businesses which have been under contract and settled since March 2020. Therefore, it is very hard to gauge exactly where the market is for this sector.

We are expecting this to change in the near future. Owners who are considering or intending to go to the market will require more information and data than ever previously required. So, in order to provide some pre-emptive advice of what Lenders and Accom Valuers will be looking for includes:

- 2-3 years historical financials.
- Current Profit and Loss to the most recent month (no more than 1 month old).
- Month by month analysis of income particularly for the months of March to October 2020 (or most recent month) and compared to previous years.
- Month by month 'Occupancy' and 'Average Daily Tariff' for March to October 2020 and compared to the previous years.
- Overall 'Occupancy' and 'Average Daily Tariff' for each Profit and Loss 12 months period for all 3 years.
- Forward Bookings through to 2021.
- 'Guest Origin' report prior to March 2020 and also since March 2020 to the current month.
- Marketing schedule since March 2020 to the current month.

Those businesses which have got on the 'front foot' early and target marketed their business will reap more rewards. Marketing and positioning of the business in this 'highly competitive' market will be even more important than ever before.

Accom Valuers are working with all industry stakeholders and we are very confident for the future of the MLR industry.



The 'short term' accommodation industry will require the expertise of valuers who are experienced and have the capability to provide clients and Lenders with the right advice.

### **Accom Valuers**

There is now a new choice for Management and Letting Rights (MLR) valuations, with two well-known names of Alison Sun who has over 14 years' MLR experience and Alex McCowan who has been involved in the MLR Industry now for more than 12 years. That is 26 years' combined experience and there is no other company with this depth and capability.

For the first time in years, the industry has dedicated and highly experienced Valuers and a specialised MLR Valuation company all in one place. Experience is going to be extremely important in the immediate future when clients and Lenders will require expert advice whether or not we are out of this current crisis.

We are committed to provide you with continued advice and a high standard of Reporting for all your requirements.



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### **INDUSTRY PARTNERS**



ARAMA e-News Bulletin -

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