MANAGEMENT RIGHTS,
HOTELS, MOTELS, PUBS & PARKS

Autumn

Newsletter

INDUSTRY NEWS

UNDERSTANDING THE VALUATION:
Multipliers and Market Influences

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School of Thought, Not School of Rock

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Buyer series off to a bang + The Broker's Boardroom builds momentum with third episode release

KEY INSIGHTS

Cash Rate Relief
After the first reduction in years, what does it mean for your business?

Regional Accommodation Success
Jason Vogler & Lauren Wilkins focus on hospitality assets.

New Industry Podcast
Syd Douglas spearheads the Broker's Boardroom podcast.

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PROPERTY SOLUTIONS

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UNDERSTANDING THE VALUATION OF MANAGEMENT RIGHTS: MULTIPLIERS AND MARKET INFLUENCES

When it comes to valuing management rights in Australia, the process is more of an art than a strict science. It's a unique asset class, often blending real estate with an operating business, and its valuation hinges on applying a 'multiplier' to the business's net operating profit (NOP). This multiplier reflects a variety of factors, from the security of agreements and the strength of the letting pool to broader market conditions including location.

So, how does it work?

A multiplier is a key valuation tool used to determine the worth of a Management and Letting Rights (MLR) business by applying a factor to its verified net profit. For example, if a business generates $200,000 in annual net profit and the multiplier is 5, its valuation would be $1,000,000. These multipliers, typically ranging from 3.5 to 6.5, are influenced by factors such as financial performance, management agreements, and overall business stability. Essentially, the multiplier reflects the capitalisation rate, where a higher rate (e.g., 20% or more) suggests lower investment risk due to stable income and long-term agreements, while a lower rate may indicate higher risk due to shorter contracts or declining revenue streams.

Why Valuation Matters

- Crucial for buying, selling, or financing businesses.
- Helps assess investment potential and business worth.

The Role of Multiples in Valuation

- Estimates a business's value by comparing it to similar companies.
- Uses key financial metrics like earnings, revenue, or assets.

How to Apply Multiples

- Identify comparable businesses in the same industry.
- Calculate relevant multiples (P/E, EV/EBITDA, Price-to-Sales).
- Adjust for differences and apply to the target company.

Limitations & Considerations

- May not fully capture future growth potential.
- Industry trends can impact accuracy.
- Works best alongside other valuation methods.

Valuing a Management and Letting Rights (MLR) business isn't just about crunching numbers—it's about understanding the interplay between financial performance, contractual agreements, and market trends.

Remember, strength is in the numbers.

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HANSEL & GRETEL:
THE UOAQ'S ENCHANTED TRAP

In a quaint Australian town, siblings Hansel and Gretel lived with their struggling woodcutter father. Desperate for a solution, he was approached by the Unit Owners Association of Queensland (UOAQ), an organisation resistant to change. They suggested sending the children into the bush to find the legendary Gingerbread House, promising riches.

Despite doubts, their father agreed. Hansel and Gretel set off, leaving a trail of gum leaves, but wildlife scattered them, leaving them lost. Eventually, they found the Gingerbread House, covered in lamingtons and fairy bread. Starving, they began to eat—until an old witch appeared.

"G'day, kiddos," she cackled. "Come in for a cuppa." Trusting her, they entered. The witch locked Hansel in a cage and forced Gretel into chores. But clever Gretel tricked the witch into the oven, locking the door behind her.

Inside, they found treasure and, with a kookaburra's help, found their way home. Their father rejoiced, and they lived comfortably.

MORAL OF THE STORY?
The UOAQ, with its dwindling and ageing membership, may offer enticing solutions, but their outdated and aggressive approaches can lead communities into perilous situations, much like the witch's deceptive Gingerbread House. It's crucial to critically assess such guidance and consider the long-term implications.

In contrast, the Australian Resident Accommodation Managers Association (ARAMA) promotes collaboration and modern strategies, fostering harmony and prosperity. By embracing fresh perspectives and inclusive dialogue, stakeholders can navigate challenges effectively, ensuring a brighter future for all.

A flying start for 2025: rates down, opportunity up

The recent RBA cash rate reduction of 25 basis points is expected to lower borrowing costs, and potentially enhance cash flow management for business owners.

With well-publicised housing shortages especially in QLD, rental yields are likely to continue an upward trend - in particular in well managed MR schemes. Now is the time.

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OUR LAST QUARTER

YEAR ON YEAR RESULTS

312% More Listings

226% Increase in Contracts

343% Increase in contract value

150% More Properties Settled

381% Increase in Enquiry

RECENT SUCCESS

$3,100,000
HOLIDAY PARK -
COOKTOWN

$1,280,000
MANAGEMENT RIGHTS
PARKINSON

$1,339,000
MANAGEMENT RIGHTS
MAROOCHYDORE

$1,255,000
MANAGEMENT RIGHTS
TALLEBUDGERA

$400,000
BUSINESS ONLY -
ALBANY CREEK

$120,000
BUSINESS ONLY -
ASHMORE

RAS360 WELCOMES NEW ACCOMMODATION BROKERS

We're thrilled to welcome two new brokers Jason Vogler and Lauren Wilkins to our team in Accommodation sales.

Both Jason and Lauren have first hand experience owning and operating motels, giving them unique insight ino the sector.

JASON VOGLER
South West QLD &
North West NSW
0427 431 213

LAUREN WILKINS
Newcastle & Central Coast
0411 672 742

Joel McCartin

Brisbane Broker

'A true industry expert specialising in Accommodation, Hospitality and Finance... honest and reliable'

0407 834 425 | joel@ras360.com.au

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