

Presentation is Everything!

Do you remember when your mother used say to you as you were walking out the door "Are you wearing clean underwear? You never know when you might be hit by a bus!"

I am sure that even today there must be legions of ambulance drivers still in therapy after being confronted at the accident scene by less than pristine Y-fronts!

The point our esteemed mothers were making, of course, was the importance of creating the correct impression in all circumstances. Putting underwear to one side, this remains an important principle --- never more so than when applied to the sale of your Management Rights business. There are a number of elements to be considered, including physically presenting the property in the best light, presenting a good set of financial figures, and lastly the correct presentation of the complex to the market by way of advertising and promotion.

Your mum was right about first impressions, and many a sale is lost as soon as the prospective purchaser walks in the front door. The manager's unit is going to be the buyer's new home, yet on some occasions the buyer has visions of eating the evening meal with two filing cabinets and a photocopier for company. Once you decide to sell, try to look at your unit through the eyes of the buyer. Keep what belongs in the office, in the office, out of your home. If you have been using the second and third bedrooms for storing old business records and assorted clutter, clear it out! Move it off site if necessary, but buyers like to see bedrooms that look like bedrooms, not storage sheds.

The 48 old towels you have stored in the bulging hallway cupboard (you know the ones that are too worn to put in a guest's room, but too good to throw out) should be consigned to a Salvation Army bin; the leftover paint from the touch up you did in Unit 56 could be used to spruce up your own place; and your friendly carpet shampoo man should be called in immediately.

Sort out your office systems so that your desk looks like the bridge of the "Starship Enterprise", not the Bridge of Sorrows. Throw out any paperwork not required by law, and not looked at in the last six months. We are all hoarders! Now is the time to break the habit.

Now to the figures. Call in an industry specialist accountant to prepare an up to date Profit & Loss statement. We all get tired of harping on the importance of verified figures, but some managers still seem to live in hope they will sell to someone who either doesn't use an accountant to verify figures, or uses an accountant with impaired mental faculties. The well known specialist accountants pretty much agree about what should be and what should not be in Management Rights accounts. A pre-sale verification will ease your path to a successful contract.

It is a futile exercise all round if a business is presented for sale, shown to buyers, a contract negotiated, finance arranged, legal due diligence initiated --- only to find the figures do not pass the scrutiny of the buyer's specialist accountant! This inevitably results in a request to lower the contract price, or worse still, an immediate termination of the contract. This termination results from the buyer developing a mindset that says "If these figures have been wrong from the beginning, then what else might be wrong that I don't know about?"

If a re-negotiation of the price is requested, let's say on a shortfall of \$15,000 and a multiplier of 5, the vendor begins to tell himself he is losing \$75,000. He isn't, of course. The business was never worth the extra \$75,000 to begin with, and had a pre-sale verification been conducted, false hopes would not have been raised.

The last area of presentation to discuss is as important as all the above. This involves the presentation of your property to the marketplace. It is clearly useless to have the best-presented complex with the best figures if the buying public is unaware it is

for sale. Some complexes may need little in the way of promotion. They may sit in a market segment that is enjoying popularity, and of course, large specialist agencies like **RAAS RIGHTS** always have unsatisfied buyers on their books.

The majority of complexes, however, do not sell as easily. They have to be promoted vigorously to elicit interest and find the right buyer. In these instances the matter of promotion is not just a matter for your broker; it is an area in which you should be intimately involved. The management rights brokerage industry has experienced some major changes over the last few years. The effort involved has increased dramatically, as has the risk of nervous buyers crashing contracts causing many weeks/months of work to go down the drain.

In the past, commissions of up to 5% compensated for the business risks and covered the cost of adequate advertising and promotion. Commissions at this level are now rare, and consequently the amount of money agencies can afford to allocate to advertising and promoting individual properties is also on a downward trajectory. Residential agents collect up to 95% of their advertising expenditure from their vendors, but few could argue that it is harder to sell a \$1 million residential home than a \$1 million Management Rights. Having spent what seems a lifetime in each of these categories of property selling, I can certainly confirm which is the harder road!

If you have been on the market for some time without success, it is probably time to have a talk to your agent about an investment in some additional advertising and promotion. Just think of it as "putting on some fresh underwear" to make a bigger and better impression on the market!

If you would like to comment on anything you have read in The RAAS Report please write to us at PO Box 1325 Sunnybank Hills Q 4109 or send an email to mike@raas.com.au.



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