

# Taking the R out of RAM

**At a recent industry breakfast hosted by Mahoneys a very interesting question was posed by one of the attendees. It related to a trend we are seeing more and more in the industry, the absence of any requirement for the building manager and letting agent (typically and traditionally referred to as the resident accommodation manager or RAM) to reside onsite.**

In such cases there ought not be an R in RAM. The manager and letting agent is just an accommodation or building manager. Is this a good or a bad trend?

As many of the agents in attendance pointed out,



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so many potential buyers of management rights are looking for a business without the residential requirement and such businesses, as well as being in stronger demand than the traditional businesses with such a requirement, are achieving higher multipliers. In the past, the opposite was the case.

There are various reasons why such businesses are more attractive including the lack of

necessity to purchase a unit along with the business, not needing to in effect be on call and available at the complex 24/7 and the likelihood that the total hours to be worked will be less than those where the manager is residing onsite. Cynics might say that in such complexes the manager is less accountable.

If there are such benefits, are there any disadvantages? Arguably yes.

Management rights, in comparison to most other businesses, command a very high price. Compare the multiplier used to calculate a medium sized management rights business of around 5 on net profit to that of a medium sized rent roll business of around 2.75 on just commission on rent collection. There are many reasons for that but two of the most important are the better position of the manager to let out units for owners and the certainty of a fixed term which is regularly "topped up".

But are these factors at risk where the manager does not reside onsite?

One might well ask why a manager living offsite is in any better position than an offsite agent to procure and retain letting appointments from owners. A big selling point for a resident manager is that as a fellow resident the manager will be very careful about the types of tenants allowed to rent units and that the manager is always around the complex to deal with tenant issues as they arise, at whatever time of night or day.

Regular top ups are not automatic and should never be taken for granted. Owners make that decision. A manager needs the respect and support of owners to secure a top up at a general meeting, a strong relationship with owners is critical.

Where a manager works and lives onsite it is much easier to build and maintain those relationships, there are plenty of opportunities to be seen by owners working in and around

the complex, to converse with owners, to do the odd jobs for owners and to generally get owners on side. A manager who does not reside onsite has, in comparison, much fewer such opportunities.

As another attendee correctly pointed out at the breakfast, these things ought not and do not matter for a good manager who is genuinely concerned about the complex and who is performing the duties to a high standard.

Such a manager will, through such performance, gain the respect, confidence and support of owners through doing a great job, both in caretaking and letting.

To pick up on a theme adopted by Danny Little when speaking at recent ARAMA events, such a manager recognises that management rights is a service industry, not merely an investment, and that to be successful a manager must deliver a good service and give owners genuine value for money.

A manager of the type described above will succeed whether he or she lives onsite or offsite. However, a manager who does not understand the importance of service, who sees the business as little more than an investment and who wants to live offsite to minimise the time taken to perform the caretaking role will almost certainly be disadvantaged by living offsite. The topping up of such manager's agreements will be uncertain at best, unachievable at worst, something we are seeing more and more lately. Yet strangely it is these types of managers who seek out businesses without the residential requirement.

So, whether taking the R out of RAM is a good or bad thing comes down to the quality of the manager. For good managers it offers genuine benefits with minimal if any disadvantages. For poor managers it may offer short term advantages but in the long term you can expect problems. ■

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