



The gold goes to Brisbane with “Magnificent Seven”

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Brisbane has won the rights to host the 2032 Olympics and ten years out from the sporting extravaganza permanent management rights businesses in the river city are proving to be gold medal performers.

In February 2017, Tim Crooks, the Director of New Developments Nationwide, for ResortBrokers, achieved a \$26 million sale to Mantra of FV by Gurner, the first Peppers in Brisbane.

The property, spread across three towers, contained 918 apartments and 72 hotel rooms making it the largest off-the-plan management rights ever sold in Australia.

There was little change from \$10 million when Mr Crooks sold management rights to Central Village in Bowen Hills, a \$1.5 million net profit building that went for a then record 6.6 multiplier.

But Mr Crooks says in Brisbane’s booming market, that multiplier will be smashed with the sale of very large permanent management rights buildings with two body corporates

in Bowen Hills which are returning \$1.95 million. They are expected to be the first buildings to achieve above the “Magnificent Seven” multiplier. The guide price is \$14 million.

“Already two parties have indicated they are willing to transact at that level,” Mr Crooks said.

“The reason it’s taken four or five years to break the previous multiplier record is because any of these permanent businesses returning more than say \$800,000 to \$900,000 are just so tightly held. They are such great stable businesses with great incomes and people don’t want to let go of them. It’s exciting to get another property where we can reach the elusive seven times multiplier.”

Mr Crooks said the multipliers across the industry had strengthened since he sold Central Village.

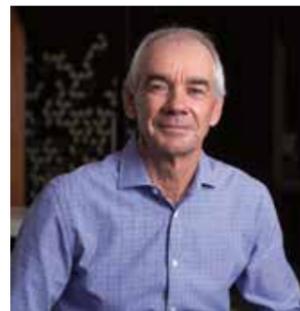
“We are now selling \$500,000 properties at multipliers between 6.1x and 6.4x,” Mr Crooks said.

“Anything over \$1 million net profit we call ‘Super Rights’, highlighting the super large properties.

The market has moved on

since we set the multiplier of 6.6 and although we hold the record, we are confident we will break the record with these latest properties. It’s exciting to think we will soon reset the top of the market.”

While CBD properties relying on corporate travel and tourists have struggled through COVID lockdowns, permanent rental properties in Brisbane are on top of the podium as profitable businesses that continue to rise in price and popularity.



John Mahoney

John Mahoney, a founding partner in the law firm Mahoneys, ARAMA’s top service provider of the last three years, says permanent management rights in Brisbane will “go from strength to

strength” over the next decade.

“There are more and more buildings popping up every day,” Mr Mahoney said, “and anyone in the permanent rental market in Brisbane is doing very well.”

“Rents are rising, vacancies are low, and the multipliers are high, so the businesses themselves are going well and they are very much in demand to purchase.

“Unfortunately, those managers who have complexes in and around the CBD which are used for short-term rentals are still struggling because of the closure of the borders. They have been hit as hard as any other tourism area in Australia and have also suffered from the drop in corporate travel.

“There was some response when the borders were opened, and things picked up dramatically but the borders closed again and those businesses have struggled since.

“I think when the borders are reopened though, there will be a resurgence of visitors to Brisbane.”

Mr Mahoney said the majority of properties under management rights in Brisbane

were permanent letting properties in the suburbs.

“In the permanent space where there is little volatility, they represent great businesses and that is why they are in such high demand,” he said.

Mr Mahoney has been involved in management rights for some 30 years.

“I got involved about 15 years after the business of management rights kicked off in the late 1970s,” he said.

“The price of management rights in Brisbane was always under that of the Gold Coast and you were looking at multiples of three in those days. The multiple has more than doubled in that time and there are a much larger number of big complexes in Brisbane now generating those high profits pushing the multiples even higher.”

Mr Mahoney said another major change in Brisbane property management rights in recent years has been the large number of Asian investors purchasing management rights businesses.

He estimates that as much as 80 percent of management rights in Brisbane are held by Asian investors.

“These buyers perceive management rights as being sound investments, looking primarily at the returns these businesses achieve,” Mr Mahoney said.

“However, it is important that first time management rights investors understand how much work is involved in achieving the outcomes rather than just focus on the return.

“I think word of mouth has been a biggest factor to attract Asian investors to become involved in management rights in Brisbane and there are some very active brokers selling management rights to this market. Word gets around. It is an attractive business with good returns that also meets visa requirements, and there are not too many businesses that you can buy with such big returns alongside a long-term contract with the body corporate.

“However, all people investing in management rights need to understand that a body corporate is not going to pay you a \$150,000 salary to do very little.

“Some first-time buyers do not fully understand what they have bought, but that is changing fast, and most buyers now realise that you just don’t buy management rights and watch the money come in. It can be hard work, and you have to work at it to keep everybody on side.”



Robert Collins

Leading RAAS broker Robert Collins purchased rights to three high rise towers in 2003 in what was arguably the largest privately owned MR in Brisbane.

As a first timer in the industry then, he says he now always recommends newcomers to the industry complete a course for new managers, such as that overseen by ARAMA.

He maintains that management rights is one of the safest havens for investment.

“COVID didn’t affect permanent management rights in Brisbane at all, and it was the same when the GFC hit,” Mr Collins said.

“What other business can you buy where a large part of your income is governed by CPI going up each year? In southeast Queensland there’s less than 1 percent vacancy rate for permanent letting.” Mr Collins has sold more than 400 management rights and the multipliers are rising.

“I’ve got one coming up which is a \$700,000 income apartment complex very close to the city with a 6.5 multiplier and it will go for that as most of the big ones are tightly held and not coming back onto the market,” he said.

“Two big ones I’ve sold were Belise which was an \$8 million deal on Saint Pauls Terrace, and Harbour One and Two at Hamilton which was a \$1,225,000 income off-the-plan.” ▶



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