

**Gallery Vie -
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Strategy**

#01 JUNE 17

Market Wrap-Up with Glenn Millar



With the end of another financial year upon us, it's time to reflect on the performance of the Sunshine Coast market in the 2016/17 period. The tourism market has been sensational with many of our clients showing 10-20% growth in income. Sales activity has been steady with reasonably strong buyer enquiry still occurring. We have 9 management rights under contract at present and have been appointed as exclusive agents for a number of prime properties.

For those of you looking sell now or in the near future we are happy to provide you with a detailed assessment and marketing proposal. With a data base of over 18,000 and an industry specific magazine with over 22,500 subscribers, our reach is enormous.

I am sure that most of you are aware of the Gallery Vie decision of 2015. Those of you who are not should read the article penned by Trent Pevy. Even if you are not preparing to sell in the near future, it's good insurance to look at getting your property 'gallery vie' compliant at your next AGM. If you don't then it's likely an EGM will need to be called at the time of the sale process to get your agreements altered. It's much easier and less expense to do it via motion at the AGM.

Resort Brokers are proud to be foundation supporters of GoRez. Produced and operated by an experienced management rights

operator right here on the Sunshine Coast we applaud their initiative. We trust that resident managers jump on this initiative and support them as OTA commissions bite hard into the profitability of each and every one of your businesses. A range of seminars will be conducted across the coast in the near future and we trust you will at last attend and hear what they have to say.

For those of you who are now in the process of selling, or thinking of selling prior to September 2017, you will have heard of the new credit card regulations coming into force. Whilst John Mahoney in the following article has an opinion on whether resident managers are caught in these regulations it's your owners who will likely be looking for a reduction. We are already getting buyer resistance to paying a full multiplier on credit card profit and the industry specialist accountants are flagging this to buyer's in their verification reports. Some resident managers have already taken action and part bundled their charges to get over this potential hurdle and updating their forms from the old PAMD to POA at the same time. See John's article below. Many of our clients have already engaged Mahoneys to prepare a sample POA form to meet these challenges.

Property Of The Month

Aqua Vista Resort, Maroochydore

Opportunities such as this – to secure the management rights to a high-performance, landmark resort in a premiere sunshine coast location – are rare and prized.

- > Features 14 levels of luxury accommodation.
- > Rising above stunning resort-style facilities. Luring discerning.
- > Guests with its exceptional range of apartments, this quality complex is just 125m.
- > From the patrolled beach and commands stunning ocean, river and coastal views.
- > Complemented by a luxury 3-bedroom, 2-bathroom manager's residence.
- > Boasting a large private courtyard including patio and gardens, double car park and multiple storage lockers.
- > Net income \$461,000, call us for further details



Gallery Vie – Still Relevant Two Years On

By Trent Pevy, Managing Director of Pevy Lawyers



Hard to believe it's been two years since the Gallery Vie decision sent ripples through the industry. The May 2015 decision cast doubt over the value of statutory financier protection were a resident manager to become insolvent. Without the banks of board, how would management rights continue to be bought and sold? Would it impact multipliers and pricing generally?

To the surprise of many, transactional volume has not dimmed at all. Over the past two years, we have seen record prices and record volume, suggesting the Gallery Vie hiccup was exactly that.

But this should not encourage complacency. Whilst volume and value may not have been generally hit, exceptions abound. The fact remains there are several financiers who are not prepared to lend against agreements exposed to 'Gallery Vie risk', whilst others may be prepared to lend albeit not on as favourable terms. Whilst we still await legislative correction through the Parliament (notwithstanding the efforts of ARAMA and other stakeholders), managers can do two things to ensure their business is as attractive as possible to a potential

purchaser or in a refinance scenario:-

1. Get your agreements health checked, especially the termination provisions – we provide this service free of charge to clients and non clients alike. If not impacted, be sure to market your business as 'Gallery Vie Friendly'; and
2. If impacted, engage ourselves or another management rights lawyer to prepare documentation to enable the agreements to be corrected at your body corporate's next general meeting. Like other variations, this requires a majority vote at an EGM or AGM (that is, more YES votes than NO votes). Unlike a top up or change in office hours however, Gallery Vie amendments are rarely contentious.

Rest assured, if your agreements are impacted by Gallery Vie, you are not alone. At the time of the decision in the middle of 2015, by our reckoning 90% of management rights businesses had wording that would cause concern for banks in the wake of the decision. Two years later, we gauge that number to now be around 70%. This positive drop

can be attributable solely to managers approaching their body corporate to make the relatively straightforward change to their agreements' termination provisions.

Of course, you could leave updating your agreements until you go to sell. But doing so can make the time from 'contract to completion' twice as long, not to mention

Do it now at your next AGM and become gallery vie compliant before you ever consider selling?

also placing you at risk of the body corporate thwarting your sale through delay or refusal (especially if the buyer is not seen as capable as you). The message to take away is act now, especially if you have an AGM scheduled for the second half of the year.

Pevy Lawyers is a dedicated law practice servicing the accommodation industry, and is well placed to assist on any management rights transactional or advisory matters including Gallery Vie.

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160

The number of accommodation businesses we have sold since July 1st 2016.



37

The number of specialist brokers located all over Australia to service all your needs.

EST.
1985

32

The number of years Resort Brokers Australia has been in business.



\$257m

The total value of accommodation businesses sold since July 1st 2016.

Gorez Launches Direct Booking Strategy



Accommodation managers and their approaches to business are as diverse as the buildings they manage, but there is one topic that galvanises them all – online travel agents.

There are many aspects of OTAs and online booking engines that frustrate property managers, but none more so than commissions.

Commissions paid to third party websites cost Australian properties tens of millions of dollars annually, despite the fact that online website owners have not contributed one cent to the purchase price or upkeep of any hotel, resort or apartment.

Property managers work tirelessly for long hours in an attempt to minimise overheads, while online booking engines gouge commissions from their profits 24 hours a day.

Unrelenting marketing by the 'Priceline/Booking.com v Expedia' duopoly has resulted in an entire generation of Australians believing online agents always offer the best deals. The recent ACCC decision to uphold the online price parity demands of Booking.com and Expedia, and the belief that OTA commissions will increase further, leave many hoteliers unsure where to turn.

But all is not doom and gloom. There is light on the horizon, especially for independent hotel operators.

The answer of course is direct bookings. Direct bookings are essential to hotels as they build customer loyalty, eradicate all of the issues associated with third party booking agents, and allow hotels to control all aspects of the booking process. Most importantly, direct booking eliminate online commissions, preserve profit margins and increase the value of your business.

While the direct booking movement in Australia has lacked a united strategy or a single driving force, all of that is about to change.

Resort Brokers was recently treated to an excellent pre-launch presentation from the dynamic and highly motivated Gorez team, which impressed everyone in the room.

GoRez is an independent Australian-based company passionate about restoring balance in the accommodation industry by providing hotels and accommodation providers with essential tools and resources to claw back direct bookings from third party online travel agencies.

The GoRez team is about to launch a multi-faceted direct booking platform that includes a 'no commission' direct booking website offering real-time vacancies and tariffs, an Australia -wide guest loyalty program for independent hoteliers, a direct booking resource bank that operators can readily access, a schedule of direct booking seminars and more...

Independent hoteliers in Australia are many, and collectively represent a huge proportion of the accommodation market. At the same time, they are uncoordinated and generally operate in isolation.

Under the GoRez strategy, independent and chain operators will be able to band together, flex their collective bargaining strength, and employ a raft of direct booking resources that educate, encourage and reward guests to book direct.

With the constant criticism of OTAs by the industry, and the ever growing list of 'start up' commission-based agencies claiming to be 'the answer,' GoRez is a breath of fresh air with the potential to unite the hotel industry with one simple message – Always Book Direct.

The GoRez team will be conducting seminars across the Sunshine Coast in the near future, so keep an eye out, and don't miss the opportunity to gain the benefits of becoming a Gorez foundation member.

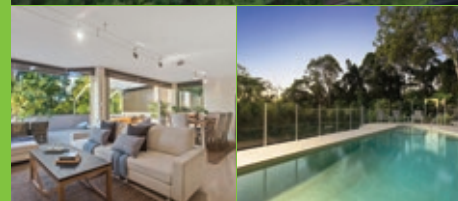
For more information – check out their website at www.gorez.com.au.

New Managers

We are delighted to announce that two Noosa management rights listed, marketed and sold by Resort Brokers changed hands on the 1st June. Picture Point Terraces on the Hill and Bali Hai in Edgar Bennett avenue. Pictures Points new operators Bob and Robyn, both have extensive experience in the industry. This is the second complex for Bob who also has Raffles in Mooloolaba. The new operators for Bali Hai, Suzanne and Michael have extensive business experience however are first time operators.



Bali Hai Noosa



Picture Point Terraces



gorez

book hotels direct

www.gorez.com.au



Join the GoRez Direct Booking movement Take control of your bookings



- Direct booking website with realtime availability and pricing
- Direct Booking Seminars
- Direct Booking Loyalty System for all hotels
- Direct Booking Resource Centre
- Ideal for Hotels, motels, caravan parks, management rights, B&Bs, resorts, backpackers

No Commissions 100% Direct Bookings

- ✓ No third party policies (eg: cancellations) to deal with
- ✓ Channel Manager driven
- ✓ Property control over search results
- ✓ Designed by Australian accommodation providers
- ✓ Simple to use
- ✓ More money in your pocket!



Join Now

Become a Foundation Property and reap the rewards



Find Out More at ... [w. www.gorez.com.au](http://www.gorez.com.au) | [e. info@gorez.com.au](mailto:info@gorez.com.au)

Credit Card Charges And Bundling – Where To From Here?

By John Mahoney of Mahoney Lawyers

The new rules started September 1, 2016. Not surprisingly, I have fielded many queries from resident managers telling me that their owners are demanding that they reduce, or simply not charge, the credit card charges that they are currently charging under their letting appointments. Based on the current laws, resident managers are not subject to the RBA restrictions for two reasons. Firstly, the restriction only applies to "large retailers", which are defined as either having gross revenue of more than \$25 million, the value of their assets is more than \$12.5 million, or they employ more than 50 people. Secondly, a resident manager is not a retailer but is rather an agent of the owner providing letting and other services to the owner.

So while the rules will extend to all retailers from September 1, 2017; unless there is some change to the proposed rules, a resident manager will still not be subject to the restriction. However, the fact that resident managers may not be caught by the new rules is not the end of the matter. There is little doubt that owners will expect a manager to adopt a similar position to

retailers and limit the credit card charges to those imposed by the bank or card provider. Refusing to do so is likely to cause angst and distrust. So what should a manager do?

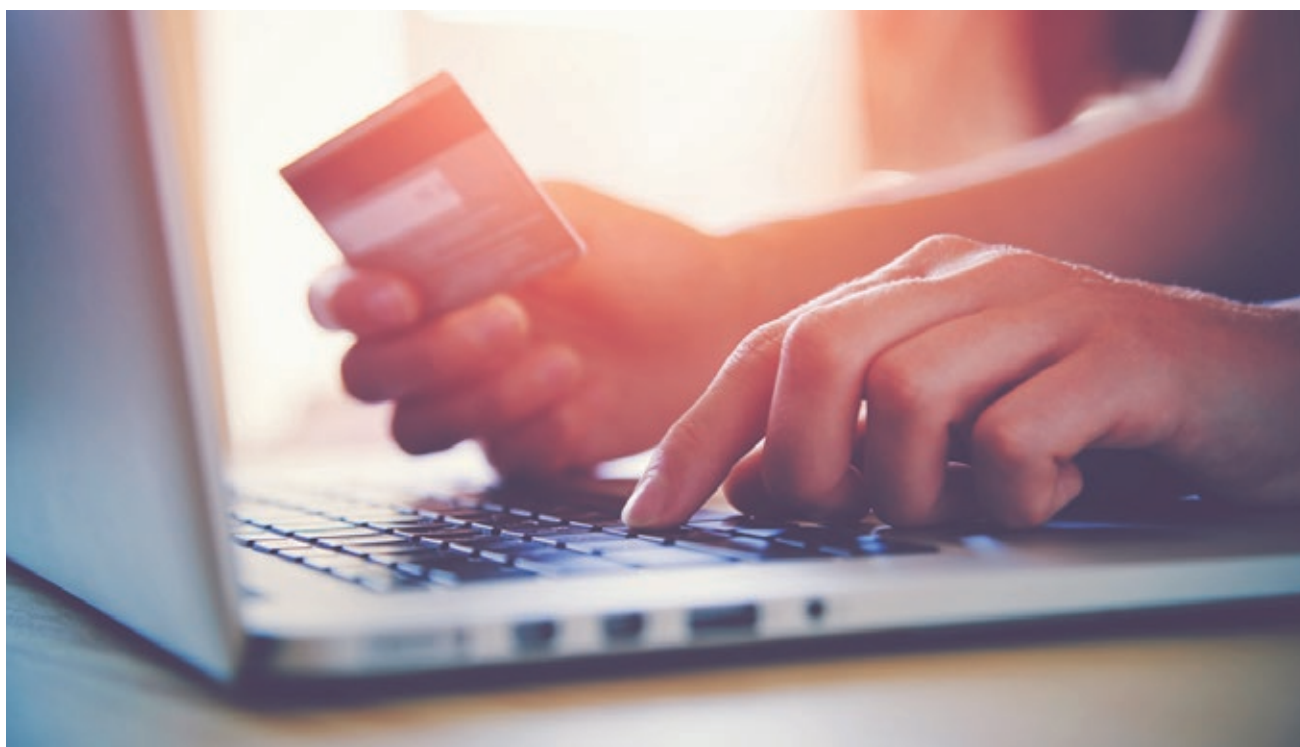
Many clients have expressed to me the view that it is impractical to pass on to guests the credit card charges that banks and others impose and that to do so could lead to loss of business. A manager, though, should not be out-of-pocket in relation to such charges.

As readers of various articles I have published in recent months will be aware, I am an advocate of the concept of bundling. That is where a number of charges that might usually be dealt with as single line items in a letting appointment or owner statement are bundled together in one fee expressed as a percentage of the tariff or rent collected. In the case of credit card charges I am encouraging my clients to review their schedule of fees and charges altogether, work out which charges can be appropriately bundled into a single item (typically described as a management and services fee) and incorporate what they might previously have charged as a credit card fee in that bundled fee or charge.

There is no need to list in the description of the bundled fee or charge all of the individual items that it comprises and therefore no need to make reference to it, including a credit card fee. I would suggest that consideration to reducing slightly what the overall bundled fee percentage might be if the previous credit card fee is included in full, so that you can justifiably tell owners that there has been a reduction in the total percentage that would have applied if all of the previous fees and charges had been included in the new bundle.

We have gone through this process with a number of clients already and the feedback from them, and the feedback to them from their owners, has been very positive.

Managers who do not look to address the issue in coming months can expect their owners to raise the matter with an expectation that there will be some reduction in or removal of credit card charges. Dealing with the issue in a proactive way before that happens is the better course of action.





Hiring a Broker.

Most resident manager's would have come from another type of business, where you most likely would have hired staff. In many cases, you would have advertised or used a professional recruitment agency.

Prior to meeting with a prospective employee face to face, you would have requested they send in a résumé detailing their skills and experience. Naturally, if the interview proceeded well, you then confirm the person has the track record and knowledge and check out their references.

Then why do they so often go with the first broker that walks in the door, especially when dealing with a multi-million dollar business. There are numerous operators in the market who will entrust the marketing of their major asset to a broker or brokerage firm without the skills, knowledge, market penetration and most importantly, negotiating skills.

The best and quickest way to devalue your property, to potentially undersell the asset and worst still to have it priced and presented wrong and quickly gain the stigma of a stale listing, is to give it to a non-expert.

Interview recommended brokers to ensure they have the skills, knowledge, company exposure and support, ask for references and check their references. Go through the same detailed process you would if you were hiring new managers. You owe it to yourself. **Why take the risk?**

Exclusive Listings.



Cotton Tree



Maroochydore



Rainbow Beach



Fraser Island



Sunshine Beach



Maroochydore

Introducing our Chinese Market.

Demand from Chinese buyers for Australian properties and businesses has surged in recent years and there appears to be little likelihood of it slowing. To cater for that high level of interest, Resort Brokers Australia has expanded our 'Asia Desk' capacity.

Not only are we handling strong enquiry from Chinese nationals, but our business dealings are increasing with other strong sources of investment from Asia, including Singapore, Hong Kong and Taiwan. So we are delighted to welcome aboard Jane Fang in a vital liaison role.

近年来，中国买家对澳大利亚的物业及生意的需求大增，而且会持续增长。为了满足这一需求，澳大利亚度假村经纪公司（Resort Brokers Australia）扩展了我们“亚洲服务台”的能力。

我们的商务活动不仅包括应对大量来自中国的查询，而且正在扩展来自新加坡，香港，台湾等其他亚洲国家及地区的投资资源。鉴于这些需求，我们非常高兴和欢迎经纪人 Jane Fang 加入我们的团队，增强我们与亚洲客户的联络。

Contact Us Today!



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