



Resurgence in tourism is a great sight to see

THE local accommodation industry is seeing consistent growth in business sales over the last nine months.

This may not be apparent to anyone other than those professionals who work and deal in this industry – so I thought I should share the good news with the rest of town.

Like everything else in tourism, the profits for holiday accommodation have been depressed in recent years thanks to the global financial crisis, cyclone Yasi and the high Australian dollar.

Therefore many local businesses have struggled and unfortunately some have failed.

As a result of lower profitability, many operators were faced with a conundrum – to sell up or persevere.

Most did not want to sell their businesses in this market, and, well ... there weren't many purchasers interested anyway.

This was a very different environment from when most of these operators bought their businesses – pre-2007 when profits, property and business values were high.

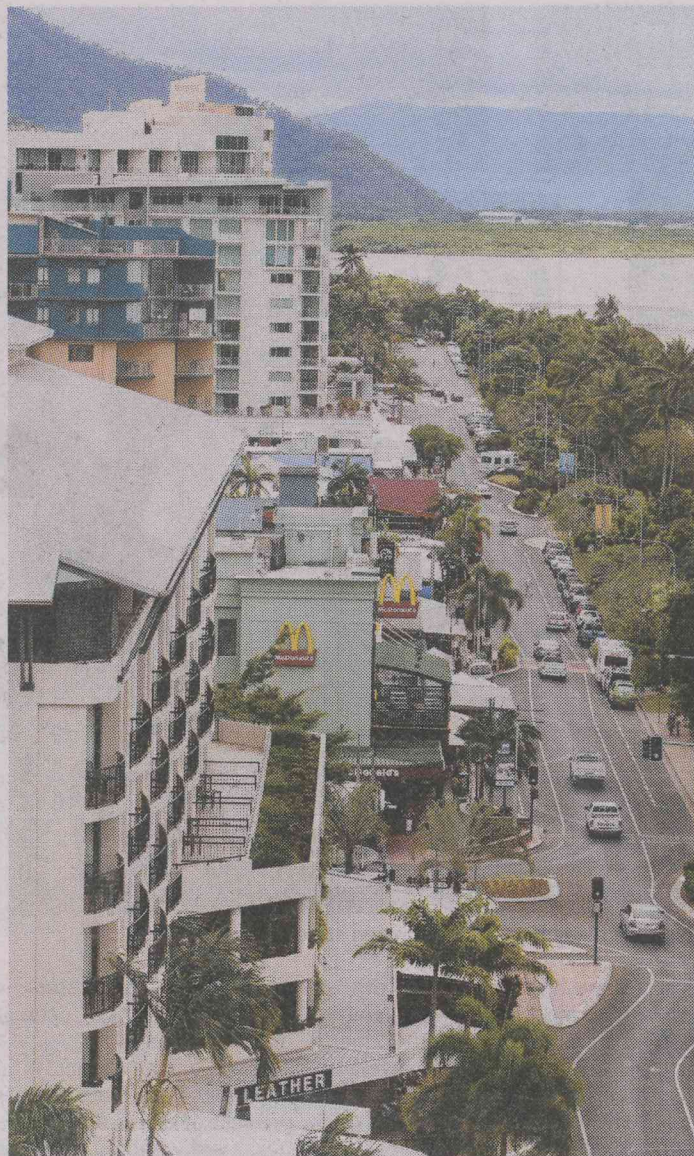
Many bought in expecting to sell within a few years, but market conditions meant they would have been unable to exit unless they sold at a loss.

Many operators, however, have put this time to good use, and have become more savvy and professional in the management of their businesses.

They have embraced the world of online marketing, become more efficient and discovered innovative methods to improve their product.

This is now paying off.

Business confidence has been



BRIGHT FUTURE: After battling through the global financial crisis, the accommodation industry is starting to see the market bounce back.

on a steady rise for the past year as accommodation businesses are experiencing increased occupancy and are finally able to lift their room rates.

This confidence is also extending to banks and prospective purchasers. Banks are offering competitive borrowing rates and business people are signing up to

buy into accommodation businesses, in particular management rights, once again.

We have not experienced this level of demand for at least five years.

As an accountant specialising in this area, I have been busy preparing sale figures for many clients and reviewing businesses for many prospective buyers.

I have every confidence that the purchasers of today are buying in at a time where they will see the region prosper and will enjoy an upward ride on the economic cycle.

This cycle will also bring increased returns to all the investors who own apartments in management rights complexes and increase the value of their real estate which is good for all of us.

Background

The management rights structure is an accommodation model common in north Queensland and these businesses are most often are run by couples or families.

The arrangement is particular to strata titled properties where an onsite manager lets out apartments either to holiday makers or permanent tenants and takes a letting commission, cleaning and other fees.

The on-site manager also maintains the common areas for the body corporate.

As well as specialist accountants there are about five local sales agents located in Cairns who focus specifically on this market, specialist brokers, lenders and lawyers.

As such it is an important local industry.

■ Miriam Eagle is a partner at Eagle Accounting