

Hmmm.... Perfect!

I remarked to the managing director recently that the pursuit of perfection could drive a man insane. Yeah, I know, it's a short drive. Her retort suggested that, through her presence, I had indeed succeeded in such a quest and miraculously I had remained mildly rational. For it is received wisdom that the MD is perfect and I should thank my lucky stars for her continued indulgence.

I chose to reply with an ill-advised "beauty is in the eye of the beholder" remark. I'm sure that once I regain full use of my faculties and have the stitches removed, I will reflect and regret in equal measure.

When it comes to perceptions of beauty and perfection, so many cliches, so little time. In the interests of brevity, let's narrow down the field to management rights and motels. We'll start with rights. As many of you know I'm a picky bugger with a low tolerance for risk, and this will be reflected in my list of beautiful things. I suspect there will be few surprises.

Long agreements of course. Majority of units in the letting pool. Low numbers of owner occupiers, and no obvious owner occupier trend. Supportive body corporate. Unit value not so high as to erode return. Even better in some cases, no unit. Office on title. No history of disputes. Honest profit and loss statement ... just kidding, we are seeking perfection, not nirvana. Appealing location dependant on the nature of the business. Limited outside agents and no Airbnb letting.

That's the wish list and good luck finding that unicorn. To quote the late great Meatloaf, *two outta three ain't bad*, so follow those sage words and be happy with mostly positive attributes.

But (yes, there's always a but!) the perfect opportunity may be the exact opposite of the wish list. Canny operators have known for years that sometimes a potential beauty queen lurks behind a plain Jane facade. The trick is to understand why Jane is plain and determine if a makeover will result in a magnificent and alluring transformation. BTW... for all you feminist activists joining us at this time, please feel free to replace plain Jane with 'sad old fat bald and wrinkly Mike' but be warned, there is zero chance of any miracles if you do.

Let's take agreement terms for example. Let's say a property has 15 years to go on the agreements, this is a negative for sure. The obvious question is "why haven't these been topped up?". There are really only two answers: The manager's either never thought to ask, or they did ask and got knocked back. If they got knocked back, why? It may well be that an incoming manager could achieve a different result while potentially paying less for 15-year agreements. The negative becomes a positive.

Outside agents is another good example. In a perfect world you want all the units in your letting pool so outside letting and Airbnb are, to some degree, the enemy. But the more units in the letting pool the higher the price, so for some operators the more units that can be won back post settlement, the better. Dragging units back from outside agents and Airbnb is not for the faint of heart of course, but the rewards are significant. A tip for first timers... why are they outside in the first place?



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The bottom line is that 'beauty is indeed in the eye of the beholder'. 'One man's feast is another man's famine'. 'The harder I work, the luckier I get'. 'Look before you leap'. 'Buy the worst house in the best street'. 'He who risks nothing, risks all'.

Ok, I made that last one up, but you get the picture.

Let's move on to motels. We finance lots of freeholds and leaseholds all over the country. As such I can go walkabout just about anywhere and stay with clients. I insist on paying full freight and, of course, these expeditions to drum up business, understand local conditions and visit customers are a bona fide tax deduction. It's a beautiful thing!

Anyway, recently I embarked on a 2500 km 5-day road trip around western Queensland to pop in on a few clients, maybe find some new ones, and observe the magnificence of the country after some decent rain. On the way home I had the pleasure of staying with clients at the Roma Central Motel. This just might be the best regional motel accommodation offering I have seen. Here's my perfect motel list:

- Within walking distance of a pub with a good steak and a cold beer ✓
- Clean and tidy room ✓
- Bit of space and a proper table to sit at ✓
- Decent microwave and a proper kitchen sink ✓
- Big bathroom with great shower pressure ✓
- Shower that doesn't let water go all over the bathroom floor ✓
- Super comfy bed ✓
- Decent selection of cutlery and crockery ✓
- No creaking horrible old ceiling fans, just quiet and efficient air conditioning ✓
- Well thought out window curtain that blocks the outside security lights from lighting up the room all night ✓
- Easy access and egress ✓

Yep, it's my perfect motel room. I reckon it's also perfect for the operators. No pool. No restaurant. No BBQ area. Leaves time to get the fundamentals right, and these guys do it well. The property commands higher than average tariffs and on the evening I stayed I reckon it was as good as full. Interestingly, a different client was largely responsible for the set up at Roma. He and his business partner worked with the developer to ensure the right outcome when they bought it off the plan before selling to the current operators. Lesson there to be sure.

So, there you have it. You gotta go bush to find perfection. For the record, I found mine in a dodgy Toowoomba nightclub about 40 years ago. To be fair, she found me, and I was a long way from perfect. Nothing's changed!

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