

New challenges ahead for modern management rights



ARAMA QUEENSLAND INC

ANNUAL REPORT 2015

A YEAR OF REFORM

The 2014-15 year has been one of major challenges and growth for the management rights industry and for ARAMA.



It has been a year of both growth and consolidation and members should be aware that our industry has progressed because of the commitment of ARAMA members supporting the opportunities that are presenting to the accommodation industry. Despite continued adverse global uncertainty and inconsistent local economic conditions.

My annual review looks at a broad range of achievements and the high level involvement of members to work with their branches and State in driving the industry forward.

ARAMA celebrates the 50th year of the development of the management rights concept which was established initially in Queensland by a team of small business operators who managed motel and holiday homes for absentee owners on the Gold Coast. The concept then grew nationally.

The vision of these operators is one of the unique and significant tourist industry initiatives. It has seen the domestic and international industry grow for the benefit of major holiday destinations and in coastal regions throughout Queensland nationally across Australia.

As a result of the activities of the past half century, ARAMA will be calling on members in Queensland and in other State's to further grow the resident management business model nationally. We at ARAMA believe that the economic opportunities exist for a forward leap by our industry and foresee some great opportunities in the upcoming years with real commercial benefits for those with experience in resident management and management rights.

As this is the Queensland annual report, let me review some of the year's highlights which have been achieved by good weather conditions, - some better economic stability locally and the positioning of Australia internationally by such initiatives as the staging of the G20 Economic conference by the world leaders in Queensland last November. The 4000 journalists who accompanied the G20 leaders sent back television, radio, newspaper and magazine reports on modern Queensland and Australia and

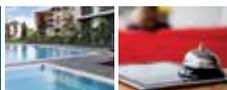
its people and the diversity of visitor attractions.

The world was exposed to what has been a year full of good weather highlights, a degree of economic stability locally and commitment and hard work by those in the resident management industry to make use of the better training and experience now available to the industry to deliver first class services to all sectors of the tourist and holiday industries and further, with more and more opportunities presenting in the permanent living complexes.

Management rights owners benefitted from the first year of the new *Property Occupations Act* and its clarification and updating of management rights responsibilities.

We are now preparing for the challenges during the 2015-16 political period, as we proceed through the new review of the Body Corporate and Community Management Act and its seven year regulatory update review- a process which is now well underway.

This will ensure, following the independent review undertaken by the specialist review team from the Queensland University of Technology in which ARAMA has contributed significant input, that we will be a responsible technical analysis of the industry and that we will have legislation updated to ensure we have a competitive and world class industry.



This ensures that we will be operating under a leading density living management structure for both short term occupants and permanent residents.

We should realize that that the resident management industry is likely to double over the next two decades.

We should be proud that like those management rights industry accommodation pioneers who developed the investment and holiday programs back in the 1950's and 60's, the management rights business model has been accepted by nations throughout the Pacific and Asia as the best model for development and investment, with top security for owners and as a result, the choice of a larger percentage of tourists and holidaymakers in terms of security and value for money.

We at ARAMA have been very busy with our members meetings making sure that we further enhance the industry to ensure that we meet client and owner expectations. We have accepted that we have a vital role to play that our members not only know and understand their rights and obligations to ensure that they and can grow the existing operations and service members needs. This will entice new investors and ensure that all levels of industry have an appreciation of ARAMA members and their ethical work standards.

We have been pleased to work with other professional sectors of the industry and the State Government in Queensland and its specialist departments

to make sure that the administration of bodies corporate and their resident managers is the most effective and beneficial for all parties.

We thank the Office of Fair Trading for arranging a State wide education program to support the roll out of the POA legislation. This has been a most successful enterprise and allowed our members to meet face to face with many of the field team members of the department.

Latest data figures now show that more than 50% of our new building applications are for units and mixed strata title developments in regional centres, and in those established areas in the major cities whose suburbs are ready for redevelopment.

But we are pleased also to see that density living opportunities have spread to national parks and key landmark areas to boost new forms of holiday experiences and special suburban community arrangements with high quality environmental management.

The Queensland Government has been very positive in opening up opportunities for development of appropriate accommodation in national parks and it is interesting to note that new legislation will see the redevelopment opportunities expanded in key centres - with new opportunities to rebuild on sites where old holiday destinations have come to their use by date.

I have been thrilled by the involvement of members- who have turned out

in record numbers to contribute to the new policies of ARAMA. We have welcomed their involvement and commitments to their own professional development.

To our sponsors - who have taken a positive approach to supporting the resident management industry, we say thank you for their help and assistance to our members. Our sponsors and to ensure that as an industry we are able to receive significant support and benefit from having their representatives on hand at so many of our member forums. We encourage all members to support these great sponsors.

ARAMA will continue to partner with these groups that specialise in the holiday and tourist industries and in all areas of modern density living as this area continues to lead the economic development and revival of our nation.

We will back events and attractions to ensure that not only Australian- but global visitors target our visitor centres and attractions.

I wish to pay a tribute to our CEO Trevor Rawnsley and his team including Membership Services Officer Tina Turner, who continue to deliver a strong service commitment to members and our stakeholders. We seek to be available on a 24 hour basis to meet the needs of members should they require help and assistance. We recognize that we are not a Monday to Friday (9-5 industry) and modern technology allows us to respond to the needs of members who seek

assistance and help from time to time. Trevor and his team play a vital service for the industry and we have strong relationships with external service providers and the Government agencies to ensure that we can manage quickly issues and emergencies in a proper and timely fashion.

Further we will continue to work with the diverse sectors of the industry so members continue to have a leading role in ensuring personal service fees for owners and tenants.

We have plenty to do and we thank all our members for giving of their time to provide first-class feedback and great advice in making sure we grow our industry and services to meet the accommodation demands that the growing population needs.

We know we have a busy year ahead and I look forward to working with you all as we continue to build on the strong demand for our growing range of accommodation products and services. There are exciting times ahead for resident managers and the management rights industry with industry insiders reporting considerable growth and investment underway. It is important for members to remain involved in this new wave of industry progress and growth.

We look forward to another challenging year for our industry. Thank you all for your support and interest.



Eric Van Meurs



ARAMA CONTINUES TO BUILD A BETTER ASSOCIATION

The purpose of this report is to comment on the overall performance of the association during the past year and to bring members up to date with some of the association's activities that have occurred during that period.



ARAMA continues to work through the improvements which were first identified and agreed to by our senior leaders in successive strategic planning workshops in 2009 and again in 2012.

We continue with our efforts to build a better industry association which will serve the industry well into the future. Our financial indicators are well established. Budgets have been set and are regularly reviewed and we continue to search for ways to increase our membership numbers and our revenue from membership subscriptions and sponsorships.

This last year has seen the Management Rights Industry continue to be impacted by legislative change and ongoing legislative review. In late 2014, the *Property Agents and Motor Dealers Act* (PAMDA) was split into 4 separate and specific pieces of legislation. Two of these, the *Property Occupations Act* (POA) and the *Agents Financial Administration Act* (AFAA) have major impact on our Industry.

ARAMA was heavily involved with the policy writers to ensure that the changes to the legislation were favourable to the industry. Early in 2015 the previous Government commenced the review of the *Body Corporate & Community Management Act* (BCCM). This is the other big "Act" that impacts our Industry. ARAMA has been in the thick of the reforms to ensure that any change

delivers a beneficial outcome for the entire industry.

ARAMA was instrumental in forming the "Strata Umbrella Group" which brings together the Body Corporate Managers (represented by Strata Community Australia, Queensland) and the Unit Owners (represented by the Owners Corporation Network, Queensland).

While ARAMA is understandably Queensland centric we have members from every Australian State and territory as well as New Zealand and Fiji. The legislation surrounding Management Rights in Queensland is regarded as world's best practice so any changes to the Queensland legislative framework could have wide ranging impact in the emerging markets. ARAMA is mindful therefore to defend what protects us in Queensland and to look for ways to grow the industry in the emerging markets.

In terms of our financial performance, ARAMA State has posted an unallocated surplus of \$2,439 for the 2014-15

financial period. This is a big improvement on the loss posted last year. For the first time in over 4 years we have grown our revenue from membership subscriptions plus we have had significant growth in event sponsorships (up by 30% on LY). ARAMA State has lifted its total un-allocated surplus to \$13,729 over the last 3 years.

Our major investment last year in the new membership data-base with integrated website is starting to deliver additional membership services and efficiencies. We are expecting these efficiencies to continue this year.

We have frozen our membership subscription fees for the past five years now however unless we obtain a significant lift in membership numbers soon, the association will need to lift its membership fees just to keep pace with inflation and the growing demand for services from members and other industry stakeholders. We will not be able to enter into a sixth year with a freeze on membership subscription fees unless we lift membership numbers significantly or reduce services.

ARAMA continues to lead the way in defending Management Rights against a variety of issues



that if left unchallenged could do irreparable damage to our industry and affect the value of the businesses that our members work so hard to grow. ARAMA continues to take a lead role in bringing the entire Industry together in a way that has never been achieved before.

ARAMA invests heavily in education and training. An ARAMA member never stops learning. Over the past 12 months ARAMA right across the State has produced more than 50 free to enter educational sessions and training workshops.

ARAMA has been yet again heavily involved in producing submissions for various Government Departments during the year including:-

- Review of the *Residential Tenancies and Rooming Accommodation Act 2008*. ARAMA has continued to have input into the review of this vital tenancy act including the change to the 2 months v's 2 weeks notice to leave provisions. ARAMA hold a strong view that it should be equal for both the lessors and lessee and no more than 1 month for each. Government is still considering the review.
- Input into the various property law amendments and especially the *Body Corporate & Community Management Act*

review. In consultation with the QUT review council appointed by the State Government, ARAMA has made separate submissions along with the joint submission by the umbrella group.

- *Property Occupations Act 2014*. ARAMA made detailed submissions into the split of PAMDA into 4 separate parts and the creation of two new Acts called the Property Occupations Act and the Agents Financial Administration Act. Both were released in December 2014 after years of effort by all stakeholders. Included in the ARAMA submissions was a simplification of the authority form including the removal of the assignment clause. This has been a big winner and has helped to streamline the sales process. ARAMA was heavily involved with the Department of Fair Trading in bringing education and information to members across Queensland.
- The handling of trust monies was a major point of consternation last year. ARAMA worked positively and co-operatively with the Department of Fair Trading to achieve satisfactory and sensible outcomes for our members.

Bringing information and education to members, unit owners, body corporate managers and other industry stakeholders

has been at the forefront of ARAMA's efforts this year. We have visited each Branch at least twice throughout the year and brought with us a host of professional speakers and educators to help keep members informed and up to date about the issues that matter to the industry.

ARAMA has produced or participated in more than 50 events state-wide which have been open for our members to attend. ARAMA has continued to deliver the Management Rights Induction Training Program which is designed to prepare new entrants into the industry far more effectively than ever before.

I would again like to thank all ARAMA members for their support and encouragement throughout what has again been another busy and challenging year. I cannot be truly effective in this role without your support. In particular I wish to acknowledge and thank all the Branch Committee members, Branch Presidents, State Management Committee members and the State Executive.

All ARAMA volunteers are special people and make such a magnificent contribution to the Industry and all members are special however I wish to acknowledge Eric van Meurs our State and National President in particular who has stepped up yet again to support

ARAMA and its members. His unselfish and tireless efforts often go unnoticed and he rarely receives the credit that he deserves. Eric has had an incredibly busy year and yet still found time to help guide and lead ARAMA in a very skilful manner. I would have been far less effective in my role without Eric's constant encouragement and guidance.

Thank you all for another great year. Keep calm and join ARAMA!



Trevor Rawnsley



CORPORATE PARTNERS ANNUAL REPORT-HIRUM



While last financial year showed strong figures for bookings, surprisingly on average the accommodation industry saw profitability decrease.

Higher commissions from online travel agents (OTAs) resulted in diminished returns to owners.

Expedia raised Wotif's commission from 12% to 15% in February, a move that was quickly followed by Agoda also hiking its rates. Hooroo, the Qantas Group's accommodation website, increased its base commission from 10% to 13.2% from July 1.

Booking.com has advised some hoteliers that it's increasing commissions in certain major Australian markets, including Sydney, Melbourne and the Gold Coast, from 12% to 15%. While OTAs offer a number of advantages to hoteliers including a wide reach and large marketing budget, it is clear to see why OTA commissions are such a burden on your profit margin. Cleaning costs also increased last financial year by 5% on average. This becomes particularly important when assessing your performance throughout the year. The increase surely had an apparent impact on your bottom line.

Another business expense hitting bottom lines last financial year was marketing. When done correctly, marketing efforts such as social media or paid ad campaigns can increase your reach and yield a generous return on investment.

Businesses need to regularly assess their

marketing efforts to ensure they are achieving value for the time and money spent. It's very common for properties to run paid ad campaigns and spend hundreds of dollars on clicks, only to receive little exposure and few conversions. The goal is always to reach the most amount of relevant people with the least amount of time and money, then convert as many as possible into bookings.

There are certainly benefits to employing a professional marketer in-house for just a day or two each week.

For a similar price to other D.I.Y. marketing methods, a professional will be able to get to know your business personally.

This means they will be able to pinpoint the key benefits and advantages your business has over competitors, while also assessing the best channels and strategies for your marketing.

The start of a new financial year is the perfect time to assess what you're charging compared to your competitors. This year's decrease in profitability could be attributed to property managers not adjusting their rates during peak periods to maximise their earning potential.

Always be sure to optimise your rates. In peak season make sure you price your rooms to suit the increased demand, while offering specials and discounts only when you expect low occupancy.

Quite often a flood of bookings in peak times arrive overnight whilst your office is closed. This leaves little time to adjust your rates as last minute bookings come in. Therefore it's important to use comprehensive business tools that can adjust your pricing automatically, ensuring you earn the best rate based on availability at all times.

While vying for the same customers, don't forget that your closest competitors are often also your closest neighbours. Talk to them! See if their service costs, such as cleaning, have also seen an increase to ensure your suppliers are giving you the best possible price. They might appreciate the additional insight from your end as well.

Many operators are now organising social events at each property on a monthly basis to discuss overall business conditions. Room pricing is almost always at the forefront and even though most agree they don't charge enough, no one seems brave enough to lead the charge in changing the current pricing module. Perhaps the solution is known to all but undertaken by none. Therefore can

anything really change unless someone is prepared to step up and be first?

In addition, with talk of another "group" forming in Queensland, independent operators may find themselves even more on the outer if they don't start changing the way their business operates. It seems to have come full circle and if small independents want to continue, they need to work with other independents to remain viable. It's the old adage of keeping your friends close and your enemies even closer.

With general operating expenses on the rise it's no wonder that the returns for managers are less. Now is the optimal time to ensure that this trend toward lower profitability is reversed this financial year. Take a good look at where your business is spending money, and ensure that the return on investment is sufficient to warrant the outlay. Make sure your marketing efforts are producing the desired increase in your bottom line. Look at your pricing and make sure that increasing costs are covered; if this is not the case you will need to look at adjusting your tariffs. Look at alternatives which may allow you to increase your direct bookings and minimise the commissions outlaid to OTAs and the like. For the sake of your business, take advantage of the trend for increased bookings by maximising profitability across all areas of your business.





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