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The tired inventory conundrum



By Mike Phipps,
Mike Phipps Finance

**"If you would persuade,
you must appeal
to interest rather
than intellect."**

— Benjamin Franklin

I'm fascinated by those who can negotiate effectively, and this month's missive pivots on this very skill. But first, some gratuitous travel stories.

Each year the managing director and I attend the Cooly Rocks On festival at Coolangatta on the Gold Coast. It's a celebration of old cars, cool music, and older punters, and it seems to get bigger every year. To our delight, the crowds seem to actually be getting younger, albeit everyone seems to be younger when you get to a certain age. With attendance exceeding

150,000 and over 900 cars displayed over the four days of the festival, it's a sensational example of a destination-driven event that raises awareness for the region, and tips millions into the local economy.

This year the MD thought it would be fun to take a road trip down the NSW north coast in the two weeks prior to the festival. As always, I procrastinated while she plotted.

End result, two weeks booked at various locations with me none the wiser. We dropped our '69 Mustang off at our Cooly lodgings, where the management had kindly agreed to store the beast, and we headed south in a more comfortable and modern conveyance. All I knew was that we would be on the road for two weeks and I was paying. To her credit, the MD did suggest all reservations were designed to give me a broad appreciation for regional accommodation options and something to write about.

Interestingly enough, I ended up being aware of all the geographic locations we stayed at, but had never heard of any of the actual businesses.

First stop Byron Bay, and a place called Byron Suites. I guess I've driven past maybe 30 times over the years and never noticed this superb

establishment. Beautifully presented and conveniently located a short stagger to the famous Beach Hotel, this place is special. The general manager turned out to be a lovely lady who had an intimate knowledge of the property and had worked for a famous previous owner of the pub. We asked how they managed to have the property so well presented with multiple owners in a strata scheme. Simple. While the property has the appearance of a management rights, the whole shebang is owned by one party. No problems with consistency of presentation, and I'm guessing no shortage of

resources. The owner bought the Beach Hotel recently for a reported \$140 million.

I am pleased to also report that Byron has returned to its old and charming vibe after a period that seemed to us to be a bit too close to the less appealing aspects of Nimbin by night.

With lots of rain predicted we headed to our next destination, the beautiful Macleay Valley and, more specifically, Salt at South West Rocks. A collection of thoughtfully appointed and perfectly presented cabins on the river was to be home for the next three nights.

Mother Nature had other plans...



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three people who had been isolated. Our 50,000 had been isolated. Our three-night stay became six as roads were cut and access was controlled by roadblocks. Supplies to town became scarce, and in a flashback to COVID-era habits, we observed much panic buying, with toilet paper top of the list. Our hosts at Salt acted wonderfully. A reduced nightly rate given we couldn't leave, regular updates as to flood conditions and most importantly, plenty of toilet paper. For the record, there are worse places to be trapped, the surf club is a ripper, and our small inconvenience was nothing compared to the disaster many faced.

Sadly, our extended stay at South West Rocks meant we needed to cancel our next destination, which had been fully paid. The manager understood the situation and, combined with some persuasion from the MD, provided a full refund. Needless to say, we will go out of our way to stay next time.

For me, our next destination was the find of the trip. The Moorings Lakehouse at Coomba Bay, near Forster, is a hidden gem. It's only got a few rooms and a cottage, and there's a formal reception. The MD had booked the cottage, and we had a great time doing very little. Cool, wet weather and a fireplace make for some serious wind-down time. The gentleman who looked after the garden turned out to be a top bloke who kept the firewood stocked and helped with our bags. Again, the whole place is owned by one family, and they have created something pretty special.

A couple of nights in Yamba, on the way back to Cooly, provided an interesting lesson. The property had clearly been renovated to a high standard at some point, but small details let it down. I suspect the challenge is to maintain consistent presentation standards after the reno is complete. No point having marble tiles on guest throughfares and then using the space to store roll-away



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“Better to have your enemies inside the tent pissing out, than outside the tent pissing in.”

beds and spare crockery. No point in having a beautifully appointed reception area if the back of house is a train wreck and the door is left open.

So, back to Cooly and the same unit we stay in every year. The resort is, in my view, the most appealing on the southern end of the Gold Coast. The staff are always super helpful, the secure parking is easy, the common areas are well-presented, and the unit has a great layout and a cracking view. But boy oh boy, is it tired! The contrast between the single-owner accommodation we had been staying in, and this strata-titled unit could not have been more pronounced. I am sure that management has encouraged the owner to spend a few bob, but it's equally clear that no investment is being made. I wonder if this lack of consistent presentation in leisure-based strata schemes presents an ongoing risk, and if so, what do we do about it? Clearly, owners have to be persuaded to spend money and that's not always easy. I'm a fan of comparative returns based on room type, with inferior apartments being priced accordingly. Admittedly this was a whole lot easier before Airbnb and the like came along, but I think still a strategy worth pursuing. Encouraging open and honest guest reviews and

sharing these with the owner will work in certain circumstances but may be more likely to antagonise, if not presented in a constructive fashion.

I've seen managers have some success putting together renovation packages and even paying for them with payback terms via the letting appointment. This arrangement requires a level of trust which may be at odds with the moral compass of some owners. Caveat Emptor, as they say.

I used to be a fan of the guilt trip strategy. You know the one. Your unit is horrible and it's impacting the reputation of the property, and it's not fair to the owners who have undertaken renovations. I've

come to understand that some owners don't care. As long as the money is rolling in why spend a cent? That just leaves the threat of terminating the Form 6, which I don't recommend unless the unit presents an actual health and safety risk. The likely outcome will be a shift by the owner to an online booking platform, an advocate among owners to follow suit and an anti-onsite management owner. Better to keep them on side, share your business plan and vision and pray that at some point the message resonates.

It's a bit crude, but Lyndon B Johnson said it best...

“Better to have your enemies inside the tent pissing out, than outside the tent pissing in.” ■

SMH

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