

Price to the Market

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What do you do about pricing a motel once it has been decided it is time to sell and move on?

Possibly the most important matter to consider when ready to sell a motel is to determine what value can be achieved for the business/property under the current market conditions.

Every seller wants to achieve the highest price they can and why not? A successful sale transaction for many is selling at the highest possible price in the current market. Whether selling in a good or bad market, achieving the highest price is always paramount.

One step in achieving the best sale value is to read the market correctly. Taking the stance that 12 months ago a motel was worth \$2 million and therefore it must be worth at least that today is fraught with danger. It may be the case that it is worth more or that the value is now less than it was a year ago due to the market being down, financial trading of the business having declined, etc.

Yes, unfortunately it is reality that real estate and business values fluctuate up and down at times. Over the long term property values do in general terms increase, however the market does fluctuate and it can move up and down in very quick time depending on particular market conditions.

With the right research and assistance, any motel owner can price their motel correctly for the market conditions they are in. The business of operating a motel effectively (or any business) on a full time basis does not allow a lot of time for this research and this is where the assistance of a specialist Motel Broker and Valuer is essential.

One must do their own research also and come to their own conclusions however, based on all the collated information, in order to avoid any potential pitfalls. Some of these pitfalls may include sales evidence that was not an "arm's length" transaction or incorrect information (or lack of information) that an agent may have provided.

A practice by a minority of agents across all real estate industries of "buying listings" is not accepted as best practice under the Real Estate Institute of Queensland's Best Practice Guidelines and Code of Ethics. In this situation an agent tells a seller "what they want to hear" regarding the value of a business/property, without any regard to the true value, in order to gain a listing. This does not benefit anyone and ultimately damages the market's perception of the property/business and it inevitably goes "stale" on the market.

The way to protect one's self from this is to arm yourself with information on genuine recent sales of a similar nature, what is currently available for sale, how does this motel compare and general market information on what may affect potential buyers' assessments of value, such as interest rates rising or falling, access to finance, locality issues, etc.

Generally if a motel is available for sale on the market without selling for a "reasonable" marketing period then it has not been priced correctly for the particular market conditions. This situation should not occur if the motel was marketed fully and the vendor's price expectations were accurate. After an extended period of time the business/property will be seen by the market as potentially having a problem with it due to it not having strong enough interest for a sale to be finalised.

In summary a successful sale at the highest possible price will not be achieved by sitting on the market for an extended period of time.

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