



The Deal Room Podcast

Episode 246 – Insights on QLD Business Broking with REIQ's CEO Antonia Mercorella Part 1

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Transcript

Joanna:

Hi - It's Joanna Oakey here, welcome to another episode of The Deal Room Podcast - a podcast proudly bought to you by our commercial legal practice Aspect Legal.

We have another exciting two-part series on the world of business and business broking! We're thrilled to be joined by the Real Estate Institute of Queensland's CEO, Antonia Mercorella, to chat through the latest trends and changes in the QLD business sales and acquisitions industry. We also take a quick look at some of the recent changes to the state-based contract that REIQ uses and the impact it is likely to have.

Antonia, who's actually REIQ's first female CEO, also provides us with some valuable insights on how women are breaking barriers in the broking industry and the importance of education in the broking sector more broadly.

Joanna:

Whether you're a business owner looking to sell your business or an aspiring business broker, this episode has got you covered with valuable insights and insider perspectives. So without further ado, here's our discussion with Antonia.

Antonia, thank you so much for joining us today on The Deal Room Podcast.

Antonia:

Oh, it's a pleasure. Great to be with you.

Joanna:

It is so fabulous to have you on board. Now. Look, I guess there's so many places that I want to go to today. There's sort of lots of things for us to investigate in this session of discussion today. But why don't we just start with business broking trends. So you've been? You've been in the industry as a whole for quite a while. I think you've been eight years as CEO of REIQ, you must have seen a lot of changes over that time.

Antonia:

Yeah, that's right. So I've been the CEO of REIQ for eight years. I've actually been with the REIQ, though, for 12 years. And prior to that, I was with the Real Estate Institute of South Australia. So I've actually been working in the real estate sector, and with the business broking community for around two decades now around 20 years. So it's been really fascinating to watch that, obviously, having started in South Australia and then in Queensland for the last 12 years. I think what's really interesting about the business broking community is that the first thing I'd say about business broking is people often don't even realize that it's one of the sectors that as an institute we deal with.

If you think about business broking, it's quite different to traditional real estate. And often people don't understand that you actually need to have a real estate qualification to be a business broker. And so I think that's really fascinating. But the other thing I'd say is that, and no disrespect to the wonderful business brokers I've worked with over the last 20 years. But what I am saying is that the level of professionalism and sophistication that's emerging in the business broking community is really excellent. We're seeing that there's a real changing face. So if I think about business brokers, again, most of the Business Brokers I have worked with, particularly back 20 years ago, are mostly men of a certain demographic. And so certainly that that's still a big component of the business broking community, but what we are seeing is, we're seeing a lot more females coming, becoming Business Brokers, and we're seeing younger people entering the profession as well.

And I think we're just seeing an evolution of that community. And we're seeing people come into business broking as a subsequent career from such a diverse field of backgrounds. And I think that is really exciting. Because if you think about business sales, you're selling all types of businesses, so diverse in nature. And so I think it's really important that you've got some life experience behind you, because inevitably, you won't be able to have deep expertise about every single industry, or every type of business you're selling, but you need to be able to have good commercial acumen you've got to be able to have great communication skills, you've got to understand how to ask vendors of businesses the right questions and, and, and how to how to assist buyers who are looking to buy a business. So I think they absolutely need to have a certain amount of life experience but you also have to come from a place that allows you to have those skills that you need to be successful. And, of course, we know that oftentimes, Business Brokers tend to be accountants by profession. But we are seeing people from all walks of life, joining the sector and I think it's, it's, it's a really exciting time.

Joanna:

It is an exciting time. I've seen the sector change so much since I've been involved as well. And I came into this I guess this business sales sector quite often you know, the volume of sales is generally under that two to \$3 million point so so I came to this sort of portion of the industry

from working on larger m&a deals and into this area where and on those larger deals you know,

Joanna:

we'd have corporate advisors rather than Business Brokers per se, you know, generally share sale environment. But I found it very interesting when I became much more involved in the sort of SME deal territory, the connection to and you talked about it earlier about the connection to the real estate industry.

And when I first realized that I was so shocked because in my mind you don't come from this complex approach to the transition of business ownership, it seemed like it had nothing at all to do with real estate, you know, and I remember, and it took me years to really get my head around that. And I know there are positives. I certainly know, there are sort of negatives. But let's talk about some of those positives. You know, what do you think are some of those positives? It's sort of an unusual pairing, with this connection to the real estate industry. I guess the positives, though, are that it comes under, under a regulatory banner that allows us to have some sort of requirements around, you know, education and quality and those sorts of things. Can I hear from you what, your thoughts are about that?

Antonia:

Yeah. And I think many of us are surprised when we first discovered that it does, that it does fall under that broad real estate sector or real estate banner, and it's one of the sectors that are encompassed in that I remember being surprised by it when I first joined research as well. And look, I think the advantages are that there's then a piece of legislation governing the conduct of business brokers and the way that they go about transacting business sales. There's obviously a licensing framework that sits around that.

There's, there there's, I guess, repercussions or consequences if you do the wrong thing because there's a regulator that's able to enforce the legislation. I think those are positive things. I do think, I think it would be remiss of me not to acknowledge that. Look, I think the Business Brokers often feel like they are there in the legislation, and they're, and they're sort of put together with the real estate agents, but there's a feeling that it's not always a logical fit. And even if I think about the educational qualification that one needs here in Queensland, to either become licensed or registered. The reality is, if you look at that course, there's virtually nothing in there about business broking. And that is the reality of it.

So we know that that legislation, namely the Property Occupations Act, is quite focused on consumer protection. But again, predominantly, when it talks about consumer protection, it's talking about mum and dad protection. And I actually hate that term. But you know, it's, it's concerned with, you know, residential, property, predominantly, it's concerned with the everyday punter, when you know, even if you look at the way that the legislation distinguishes residential property from everything else, you can see that when transactions involve residential property, so the punter on the street, the consumer protection is quite ramped up. Whereas the law, whether it be this particular legislation, or the law more generally, will always assume that there's a commercial transaction, or if it if you're sort of outside of that residential sphere, then you are probably a more sophisticated party, and you don't need the same level of protection. So I think that's interesting.

But what I would say that I do find fascinating is that, obviously, depending on the jurisdiction you live in, the rules governing business sales can be quite different. So here in Queensland, yes, you must be registered or licensed with the Office of Fair Trading. Yes, you are governed by legislation. But the key requirement when it comes to that act, is related to the appointment process. So there are very strict rules. And this is something I would like to talk about because often Business Brokers think that that legislation doesn't, doesn't govern them, and they don't need to complete the appointment act, that appointment to act, which here in Queensland is called a Form six, that needs to be completed for all types of services. It doesn't matter what you're doing, and that is quite militant in what it expects. And I think that's interesting, but outside of that appointment process, the Act says very little about how business sales are actually conducted.

Antonia:

And I find that fascinating because I've come from South Australia, where in that jurisdiction, there's a document disclosure document effectively that needs to be prepared in the context of a small business sale. And so I find it fascinating that there's not more about that now legislation and again, it might it may just be that the Queensland Parliament of the day just made a decision that well when it comes to a business sale, people will go and engage the appropriate professionals to help them. But, you know, I find that interesting.

And I do think from a best practice perspective, my view is that it makes good sense to prepare a pack, if you will, of information about the business that is being sold. I think that makes good sense. I appreciate that when it comes to a business sale, buyers will need to go off and get their own advice. But I think I think that idea of putting together a package of information about the business that is on offer for sale, and its and its trading history, I actually think that that is, that's something I'd love to see all business brokers doing. And I think, and I think most of the good ones would, I think, hopefully, agree with me on that.

Joanna:

Yeah, yeah, absolutely. Gosh, there's so much in what you just said that I'd like to talk about, I'm not even sure where to start at all. I guess the first thing, one thing, I just want to go back right to the beginning, where you were talking about changes in the industry. A lot more women in the business broking industry, I just think that is just you know, it's fabulous. And I concur that it's, it's something that I'm seeing as well increase over time, I'm seeing a lot of business brokers come in, who have sold businesses, so business owners who've been through the process of the sale, and have realized that you know, there's some opportunity to do it differently, or there's an element that they enjoyed.

And I think that's a massive positive because I do find that it, you know, and to your point about the legislation and the connection with the real estate industry, business broking is complex, the elements involved in the sale of a business are complex, so much more complex than most people on the street really understand there's a whole heap of stuff, you know, in relation to employee entitlements that I feel, you know, is missed in so many instances, and many other things like it. And I think number one, you know, I'm a huge believer in education. And I think there's a real opportunity for us all, to provide a lot deeper education within, you know, deep education within the industry to fill in the gaps that sit there at the moment from where the industry isn't covered by the requirements of legislation, that the second component is I find it fascinating that there's so much difference between the state as well.

Antonia:

sorry, yeah. I think no, I agree with you, I think, you know, if you think about, so, you know, if you think about a business sale, it can be across so many different kinds of industries and sectors. So there's that. And then as you've mentioned, there's, here's how you deal with the humans that belong in the business, the, the, the employees, there's, you know, depending on the business, there might be various types of licenses that are associated with the business, whether it's a liquor license, or whatever the case might be.

So I mean, there's such a vast array of things, whether it's a franchised business, and the list goes on and on. And, whilst Business Brokers obviously, are not legal practitioners, you do need the ability to understand or at least be able to identify what the issues are. And to be able to say, Okay, we're going to need a special condition potentially, for this, or we'll need to get some separate third-party advice on this particular aspect. And I think, and what I love about it is, every time you sell a business, it will be different. Now, of course, when you sell a house, you're always selling a different house too but sure, the house itself might change. But the process as a general rule is very consistent.

Antonia:

You know, you can use the standard REO cue contract, and in most instances, it will serve its purpose very nicely, you know, it might be subject to something, so you need to work in a special condition. But when it comes to a business sale, it really is a case of every single business being different. Today, you might be selling a laundromat, tomorrow, you might be selling a pizza joint, and then you might be selling something at the, you know, at the very other end of the spectrum. That's, you know, that's a really, really significant deal and all that comes with that. But so what I think is fascinating is that, in many respects, I would argue, in my experience, that it's transactions where the value is actually quite low. That's actually where I think you have to work the hardest bit Cause because one might think that you know, the higher value of the business, the harder the transaction is. But I don't think that's the case, as someone who's previously run a law firm and worked as a lawyer, it is often those clients, that those matters that are worth less, if you like, in terms of the value of, because you're dealing with people who don't do this stuff every day, they're not necessarily sophisticated parties, they don't necessarily have access to the same level of resources that that business at the other end of the spectrum has.

And I actually think you're going to be working a lot harder. And it's not and I'm not saying one is better than the other or anything like that. But I guess the point I'm trying to make is just the scope of the work involved. For a business, broker is just so varied. And you've got to be almost a bit of a, you've got to be able to identify all the different elements and then to know what you need to do to deal with those different elements. So it's, it's a really fascinating area, and I think it can be a really extraordinary and rewarding career.

Joanna:

Yeah, absolutely. I look No, and, you know, being able to work with these, you know, we have so many fabulous instances of working with people who've built a business for their whole lives, you know, when they're getting to this point where they're selling it and then heading into retirement. There's a lot of emotion. There's, there's a lot of emotion in this business, that one acquisition you invite. It's a fabulous industry, but there's just a heap to get our head around in the midst of, you know, there being the emotion on both sides of the deal quite absent.

Antonia:

Yeah. Well, you got to be able to wear that counsellor hat a lot of the time as well. Because it can be so emotional to sell a business, especially if you've built that business from the ground up, you know, your hand and your baby over and that's not an easy thing for any of us to do.

Joanna:

No, that's right. But but it makes it a very exciting industry for us to be in because it has so much impact on people's lives at the end of the day.

Joanna:

Well, that's it for this episode of The Deal Room Podcast. We hope you're now primed for your next deal with these pointers and have enjoyed these fascinating insights. Now if you'd like more information about this topic, then head over to our website at thedealroompodcast.com where you'll be able to download a transcript of this episode as well as access contact details and any other additional information we referred to today's podcast.

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Joanna:

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