

Settling The Management Rights Sale

By Warren Oliver, MR Sales

We used to think that getting to settlement was a normal process over about 90 days with maybe a bit of renegotiation on verification but due diligence and finance were fairly straight forward if we had qualified our buyer and committee approval was a given.

What happened?

Now we see more contracts fall over than ever before and extensions requested with almost every deal and finance can take 42 days or more. Buyers are providing more information than ever before and sometimes Sellers not enough. I think we all need to understand that the criteria has changed in the past couple of years. Sellers need to make sure every part of their business is up to scratch and will stand close scrutiny. Form 6's need to be complete, profit and loss statements up to date and be aware that credit card profit and advertising expenditure will be closely looked at. Check your marketing and if your receptionist is spending a portion of their time marketing the business, that portion should be paid out of the marketing levy. Be careful with credit card charges to owners as you are entitled to recover your costs but don't go overboard.

Keep in mind the banks will have the business and residence valued so the multiplier will be compared to similar business sales of recent times. Wages are an important issue with buyers and if your business nets over about \$400,000 and you have staff, don't take their wages out when you want to sell.

Buyers should provide a strong C.V. with written references so the committee can have a complete understanding of their background and experience. A business plan is very important, particularly in holiday buildings. Keep in mind committees don't have to approve new managers if they have legitimate reason to say no.

Financiers, solicitors, accountants and brokers are not in the business of deals falling over but everyone, including Sellers and Buyers need to work together to ensure a successful settlement.

We can only work with the ammunition we have at our disposal and with the tightening of finance and Body Corporate solicitors requesting more of buyers, it is critical that everything is in place to make the transition between Seller and Buyer as painless as possible.

Management Rights are great businesses and most work very well but we don't need contracts not proceeding.

Good Luck!

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