Be Methodical

Acquiring a management rights business involves a number of steps and the involvement of third parties including vendors, professional advisors, agents and financiers. These parties will guide you along the way but you are ultimately responsible for making decisions.

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By familiarising yourself with the steps involved in the purchase process you will be better prepared and able to communicate your requirements. This will make a big difference to your journey and your outcome.

Assessing which business to purchase: The funds and equity you have will determine the price range you can afford, so it is often useful to start here – there's no use wasting time pursuing something that is out of reach. Financiers and accountants who specialise in management rights will be able to assist you here.

Ask agents to provide details of listings in this price range. You should review these listings and rule out those that do not offer the required level of profit, size of managers unit, location and so forth.

Hopefully after narrowing down, there will still be a number of properties to inspect.

Remember that although this is a business decision, lifestyle considerations (such as location, allowance for pets, room for kids) are paramount to your comfort and will impact your whole attitude to this enterprise, so these must be treated with high priority.

The other major decision is what type of complex best suits your skills and energy – short term or permanently let. Holiday let complexes generally require longer hours and guest interaction but often provide higher returns.

Short term corporate letting businesses are usually in central locations with less grounds maintenance but more room servicing – similar to a hotel.

Permanently let complexes generally have fewer office hours with less tenant interaction but such interaction can sometimes be confronting if you are in dispute over rowdiness or rental arrears.

Smaller complexes can often be successfully run by one person, leaving the other manager to pursue other activities.

Larger complexes may involve gardening and administration that require several employees or contractors to operate.

It is advisable to pursue businesses that have room for growth. Depending on the situation, growth may be achieved by better marketing or operations; winning units from outside agents, taking on management of adjacent properties or even simply increasing cleaning charges that have not changed for a decade.

What may be a deterrent for some is an opportunity to others - take stock of the negatives but be practical - some are surmountable if you are aware and plan accordingly but some may be 'deal breakers' for you.

The agent will provide you with a profit and loss statement for sale purposes and other information about the properties.

Visit those that interest you and use this time well to ask lots of questions. Consider rating the businesses you visit according to your various criteria – those with higher scores to be pursued further.

Contract: When you are ready to commit you will make an offer through the agent and negotiations will ensue. Prior to forming the contracts you should seek advice from an accountant experienced in management rights regarding structuring - what entity will purchase the management rights business and managers unit? Your accountant will explain your options and set up a structure which best suits your circumstances.

Generally the agent makes the contracts – one for the real estate and one for the business. The business contract is signed subject to financial due diligence; legal due diligence; finance and body corporate approval.

Financial due diligence: Your accountant will visit the business premises; inspect records and obtain enough information to conclude if the adjusted net profit of the business satisfies the contract condition. You will be provided with a detailed report explaining any variances, adjustments and relevant aspects of the business operation.

Legal due diligence: Your solicitor will check all contractual documentation including the purchase contracts, the body corporate agreements and the letting appointments to ensure they are effective and capable of assignment. Any risks to you will be identified and rectification will be required.

Finance: Your financier assesses the transaction based on the due diligence reports, and on your financial position.

Body corporate approval: You must present yourselves to a committee meeting as suitable and capable of managing the complex.

The timing from signing the contracts to settlement generally takes 90 days with other deadlines inside this for due diligence and finance approval.

This timeframe can sometimes stretch out longer, so purchasers need to ensure they can maintain themselves through this period and not eat into the funds they have pledged for settlement.

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Alongside this process the purchaser is required to complete the prescribed training modules and apply for a license from the Office of Fair Trading.

Settlement: Prepare yourself for the first weeks in business – things are never perfect. Even experienced managers have a great deal to learn when they walk into a new property, because no two businesses are the same.

Usually the business contract makes provision for a training period prior and subsequent to settlement, use it well and take lots of notes.

Prioritising tasks is paramount at this time. Focus on the infrastructure requirements and managing the trust accounting software - don't worry about your general accounts or marketing plan just yet – smiling at the guests is more important!

Being methodical in your approach to deciding which property to purchase and in prioritising the tasks at takeover will keep you focussed and efficient.