

# TIPS FOR FINANCING CARAVAN PARKS



**Mike Phipps,**  
Mike Phipps Finance

**Whether you're a first timer or a seasoned industry professional, some or maybe all of these tips are worth considering.**

With a national client base and a lifetime in finance we've seen it all. Ok, some things still surprise us, but with a bit of pre-planning it's possible to manage the process in a relatively stress-free manner.

By necessity this will be brief. Our services are fee free, and we are happy to provide more detailed information and assistance as required.

Our team are just a phone call away. And now, without further ado, let us begin.

## Get Pre-Qualified

Every journey starts with a first step, and this is the most

important one. There's no point in looking at \$2m parks if you don't have the financial firepower to get a deal done. We will assess your financial position and tell you what you can spend. In doing so we consider current bank policies, your individual position, and your relevant experience. If you've got equity in property, we look at how much money you may have access to by using that property.

As part of our calculations, we consider purchase costs, ongoing working capital allowances and any immediate capital expenditure required to maintain profitability.

Importantly, don't assume your equity position is the value of your property less what you owe. Banks usually lend a maximum of 80 percent on a residential property less any existing debt.

Of course, maximum purchase price calculations are theoretical only. It's one thing to know you can spend \$1m, but if the property you fall in love with makes no dough, then debt servicing capacity may prove hard to demonstrate. Potentially not the end of the world but please don't take maximum purchase calculations as a fait accompli.

Our advice, once you know your price range, is to decide your purchase parameters, engage an industry expert sales broker and go hunting. Once

you find a suitable opportunity ask your broker to send us the Information Memorandum and Profit and Loss Statement. We will review this information, calculate equity and debt service numbers, and provide you with feedback. If we see anything odd in the data, we will discuss this with you. Our job is to help you to be successful so anything we note that might present a higher than usual risk we have a duty of care to point out.

## The Finance Process

Once you have an offer accepted the real fun begins. We will gather all the information we need to complete our finance tender document. We use that information to invite suitably qualified lenders to tender for your business. We then collate those tenders and present them to you. We will point out the pros and cons of each proposal and assist you to come to a decision.

Once a lender is engaged our senior brokers and our support staff will work with the lender to guide the application through to approval and settlement. In doing so we will work with your lawyer and accountant to ensure key critical dates in the process are met. In the event of any speed bumps, and only with your permission, we will keep your agent informed of progress. An effective agent can be invaluable in any negotiations during the process.

## A Word on Loan to Valuation Ratios

Please know that these are guidelines only. 50 percent for leases and 60 percent for freehold going concerns. High quality transactions may attract higher LVRs. Passive freehold investments are very much on an individual transaction basis, call us. Same goes for interest only terms on all asset classes. If you want interest only, tell us early and we will factor that into our calculations. Interest only terms are very much transaction centric and may not always be available.

## A Word on Business Plans and Cash Flows

Particularly for first-time operators, a convincing business plan and realistic cash flow forecast will be very well regarded by lenders. We can help with your business plan and your accountant can assist with a 12-month cash flow forecast. We encourage our clients to have a crack at their own forecast as the process can be of great assistance in better understanding the business. Please don't do one month and then cut and paste that into the next 11 months. Business doesn't work that way!

In closing, we love caravan parks. Never had a client go broke in one and not planning on starting now. Happy hunting and we are here to help. ▲

Industry finance specialists with over  
**80 years** combined experience.

Mike Phipps | Director  
0448 813 090

Paul Grant | Broker  
0448 417 754

Cameron Wicking | Broker  
0477 776 859

[www.mikephippsfinance.com.au](http://www.mikephippsfinance.com.au)

Head Office 4/31 Mary Street NOOSAVILLE QLD 4566

ACL (364 314)



 **mike phipps**  
finance