

Looking for tips when purchasing a property? Plan to go in with eyes wide open.

Process

Pause and **list the requirements**.

When looking at properties, take a **checklist**. This will help maintain objectivity.

When comparing properties, do a **Plus, Minus and Interesting list** on each one. Then compare to personal and business **vision/goals**.

People

Have a clear vision for what meets family needs.

- i. Distance from town, school bus, etc
- ii. Water, water, water
- iii. Good soil types suitable for the enterprises being run.
- iv. Climate suitable for the enterprises. Eg. frost
- v. Infrastructure such as house, yards, fencing, sheds, water reticulation, roads etc
- vi. Power supply (3 phase if needed?)
- vii. Services, rates

Is everyone energised in this environment? (Be aware of potentially negative geographies).

Land

Land status – is the property freehold or crownland, what are the terms if Crown land?

Weigh up having a smaller bit of good country as opposed to a larger parcel of poorer quality. (Hint: often the smaller quality block will come out on top).

Work out the real carrying capacity (last 5 years tax return trading account will show the animal numbers).

Explore development potential to increase Carrying Capacity will reduce capital cost of an LSU area.
Can I build Carrying Capacity net worth over time?

Livestock/Enterprises

What are potential enterprise options?

What is distance to market?

Does seasonal timing vary to your usual operating environment?

Review Reproduction and Death rates, poisonous plants etc.

What are the inclusions and exclusions outlined for the property, eg plant and equipment, livestock and water entitlements?

Business

Is your base business fully developed?

Is this the best investment for your money? Is the business model profitable?

What is the finance ratio and cash flow trend over time, 5 years? Consider why the bank would want to lend to you?

Don't lock yourself into a debt spiral without any wriggle room.

When doing financials, look at five-year budget using a few scenarios:

- i. Business as usual, what does performance look like as is?
- ii. Run a separate scenario with property purchase and compare key metrics for true reflection of what financial effect it will have.
- iii. Separate scenario

*Do not budget an increase in land value during the forecasts unless they were thinking about selling it during the timeframe and there is a good justification for increase in value following capex.

*Believe nothing of what you hear and only half of what you see.