

FINANCE TIPS FOR THE BUILDING INDUSTRY in 2025

Finance is an area causing businesses constant challenges; especially in the past couple of years where banks effectively restricted the availability of funds for building-related businesses as well as to consumers. This had a multitude of effects including:

- Consumers not being able to fund their construction or renovation projects due to the past 13 interest rate increases
- Developers not being able to fund new projects
- Property prices falling due to the unavailability of credit
- Existing projects no longer being feasible due to the lower property values and the unavailability of credit
- Businesses not being able to access funds for cash flow or business purchases.

The circumstances are now different in 2025, finance is more accessible and interest rates have been dropping with my forecast; this should help with many of the above pressures but there are things business should do now to ensure it doesn't get caught out again when the finance cycle turns again.

Your funding

Knowing how much money you have to cashflow the business and the projects is an essential first step. Understanding the limitations your financial position places on your business will ensure you do not take jobs which will put unnecessary and unrealistic strain on you.

Reporting on jobs

Ensure that every job has a cash flow report running off the construction program will allow you to plan for the funding shortfalls and help you iron out the massive cashflow peaks and troughs which are characteristic of the building industry.

Raising funds

Looking to borrow money for your business is not a drip-feed process. You should look to raise the maximum amount you may need as you may only have one chance of raising these funds. Lending conditions have changed significantly this year with banks loosening their building-lending criteria.

Banks are not the only option

There could be better and cheaper alternatives for raising finance, depending on what you need. Calculate how much you will need and for how long; for example re-mortgaging your house may not be suitable if you need money for the short-term. If you need money for equipment, you can consider renting or leasing options. There are a multitude of finance solutions available – it's about knowing which ones best suit your needs and provides you cash-flow flexibility. A better option is partnering with an experienced finance broker who will advise you on the best options.

Communication is essential

If you are going through a cash shortage, updating the people who will be affected rather than avoiding contact, will lead to a good working relationship and trust to be maintained. Contact your suppliers and ask if you can re-negotiate your credit terms by extending the time you have to pay

them, or by paying in instalments. Make sure you can afford any re-negotiated terms – this will help to restore people’s trust in you and your business.

Have effective debt collection strategies

For example, calling companies owing you money before their monthly payments are uploaded each month to ensure your invoice will be part of the next pay run; failing to do this may result in a delay of another month. Alternatively having clear targets for the person responsible for collections will also ensure a focus on collections.

Book keeping

Keep a record of everything – all payments, bank statements and bills. Attribute costs to each job and attempt to order centrally rather than when a job runs out of items to do a last-minute order. Using Builder Buying Companies may also save you money as well as help you keep track of your spending. Bookkeeping may be one of the more tedious aspects of business for small firms, but it’s important to keep a firm grasp on money going in and out. There are a variety of software packages available to help you computerise your accounts and make this task simpler.

Deal with the most profitable clients for your business

Identifying and attracting the best clients is essential to maintaining profitability and not merely ‘buying jobs’ to keep the team moving. This is done by having a professional marketing strategy, identified target market and a professional presence via a website and social media.

Don’t sabotage your business

Many good businesses have been sabotaged by their owners by siphoning money to renovate their own homes or to buy jet skis, go on holidays or buy impractical vehicles designed for pleasure or merely for looks. Allowing your business to operate with the funds it earns rather than merely taking the money out so you don’t pay tax is often a death sentence to the long-term viability of the company. Know what questions to ask your accountant regarding profitability rather than merely tax minimisation.

Use an expert finance broker for your lending needs

Use the experience of an established and experienced finance broking firm like Chocolate Money, which specialises in your industry (e.g. construction) and specialises in their industry (i.e. Finance). They will advise you on all your credit options and be on your side with matching products to suit the outcomes you seek. Approaching a bank directly will never work to your benefit; they will never tell you that their offer to you is uncompetitive and you should use a different lender.

Everything is negotiable

Don’t be afraid to negotiate everything; from the rate of interest on a loan, to fees and charges, to when you need to pay your suppliers; It never hurts to ask and a good finance broker will advocate on your behalf and get the best price and terms available for your situation! You will miss 100% of the shots you never take so always be asking for ‘deals’ and terms which will increase your profitability or assist with your cash flow.

Contact Chocolate Money on 1300 137 539 for more information. www.chocolatemoney.com.au
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