

Viability

of your motel

To enter details it is best to print Instructions first
Select Instructions Tab - Ctrl/P

Version 59. 23/12/2014

An interactive program allowing you to compile reports
showing the financial worth and viability of a motel business

For best results - use wide monitor screen [Click Here](#)

If you operate a motel or are considering investigating a motel or even
investing in a motel **detailed reports are here to assist you.**

A template report has been inserted in this program which was taken from
Aston Hill Motor Lodge 2014 Profit & Loss account so you can assess the financials
of a motel conforming to the benchmarks within this program.

Aston Hill Motor Lodge used as the benchmark motel



Menu: *The first three boxes are quick reports to assist you to assess the viability of your motel*

- Questions Answered - A selection of typical questions asked
- Full Explanation, is an overview of information condensed into two pages
- [Q-Check] Quick Viability Check
- Input of Profit & Loss figures
- Analysis data including Break even
- Results from Profit & Loss input plus previous years figures
- Overview and provision to include projections
- Replacement Cost & refurbishment over a 15 to 30 year period
- Finance - Management to assess what can be borrowed on a motel business
- Trends of a Motel Business
- Valuation being capitalised worth & **Yield Logic** explained on 2nd page
- Investment Motel Explanation
- Buy & Sell guidance
- Rent Creep, understanding the concept it and controlling it
- Strategies to achieve a specific goal
- A-System to improve motel procedures and operation to gain a higher net profit
- Broker Calculation of the Buy & Sell price of a motel
- Definitions, on meanings within the Industry
- Links to worksheets & Motel Assist website software

Instructions to operate the program

Comment: To be able to gain full benefit from this program you must use a **wide screen computer with current Microsoft Office software** and have connection to a high speed internet.

Tip: Copy this spread sheet and enter your details in a new spread sheet so you can refer back to the copy for comparisons.

Viability of your motel

Questions Answered

Tuesday, 23 December 2014

Version 59. 23/12/2014

Assessment of: Aston Hill Motor Lodge Port Macquarie
For: Demonstration purposes
Title: Leasehold Title

Lease years Left: 30

No. of Rooms: 16

Operation: Motel without a Restaurant

Entry Date: Tuesday, 23 December 2014

Print Date: Thursday, 1 January 2015

Total Turnover:	\$523,788	100%
Less, Cost of Sales:	\$22,760	4%
Gross Profit:	\$501,028	96%
Operating Expenses:	\$481,909	92%
Freehold Net Profit:	\$19,119	4%
Rent:	\$135,000	26%
Leasehold Net Profit:	-\$115,881	-22%
Add-Backs:	\$275,172	53%
Adjusted Net Profit:	\$159,292	30%

1. What is this motel worth:

Freehold Business: \$2,452,432

Leasehold Business: \$578,073

Investment Freehold: \$1,874,358

2. What should the net profit be on current revenue?

Current Revenue is: \$523,788

Current Net Profit is without add backs

Current Net Profit is with add backs

3. What will it cost me to extend my lease.

Method One: \$0

Method Two: \$0

4. What is Rent Creep and how does it occur?

Occurs when there is downward pressure on tariff increases and upward tendencies of accelerated expenses.

 The Industry expects the rental to be in the vicinity of 45%-47%. As the percentage increases the financial viability of the motel business decreases. Refer to Tabs Rent Creep, Strategies & A-System to combat this problem.

5. How can I rectify Rent Creep?

The obvious answer is to increase revenue and decrease expenditure, however it is easier said than done.

From my experience when the rental percentage exceeds 55% professional help is necessary to assess where the expenditure is required. Careful assessment on the operating systems and the overall condition of the property must be considered. Availability of funds is probably the most deciding factor and length of lease if a Leasehold property.

6. What is the break-even of this motel?

The breakeven turnover of this motel is \$397,777 This is based on borrowing \$256,005

7. Is a Restaurant profitable?

Yes, if run as a Restaurant. However the number of rooms and location of the motel decides on whether a restaurant can be operated profitably. If there are restaurants nearby it may be prudent to form an association with them and concentrate on accommodation. If a restaurant has to be operated we have carried out exhaustive studies on systems to apply snack type foods to existing restaurant areas within motel premises.

These and many more questions can be answered once the data has been inserted:

Data required to analyse a motel within this program:

1. If the motel is Freehold or Leasehold
2. If Leasehold number of years left in the lease
3. State if the motel has a Restaurant
4. Number of rooms in the motel and what types stating the daily room rate
5. Financial data from your current Profit & Loss submitted to the ATO

Throughout the program there insert boxes where data specific to that area is required to produce the necessary reports.

Recommendation:

Every year when you have your financials prepared for taxation request your Accountant to insert the financial figures from the Profit & Loss Account. It should not take them anymore than 30 minutes.

This extends your Profit & Loss to provide data required to maintain the Viability of your motel business.

 Go to Analysis Tab to understand the financials of motel better

Freehold	Leasehold	From [Q-Check] Tab
\$294,292	\$159,292	
Capital expenditure has not been deducted		

-\$115,881

\$275,172

Only active when nominated Leasehold title

 0 year extension From [Valuation-Yield] Tab

 0 year extension From [Lease-Extension] Tab

[Rental Percentage is stated as rent as a % of Freehold Net Profit]



Viability of your motel

Full Explanation

Participating Accountant
Hancocks
Alison Hamilton
02-6766-4716

Aston Hill Motor Lodge Port Macquarie

Motel without a Restaurant

Leasehold Operation *Program must be set in Leasehold for data to appear*

Tip: Use the Tab key to page down through the figures to add or change their values.

Version 59. 23/12/2014
Tuesday, 23 December 2014

This page is an overview from all the input inserted into the program.

It will alert you to areas that have ventured outside the Motel Industry Benchmarks.

The analysis cannot be relied upon to make changing decisions in the operation of your motel it is designed to alert you of discrepancies and give you the opportunity to consult experienced professional persons to assist you.

Analysis

Program must be set in Leasehold for data to appear

This tab sums up the capitalised worth and operational parameters of your motel.

Your motel has a capitalised worth as follows:

Shows an occupancy of 74%

Average daily room rate \$120.74 Exc GST

RevPar \$89.69 Exc GST

Go to Definitions to understand RevPar

Leasehold:	\$568,899	Based on a yield of	28%
Freehold:	\$2,452,432	Based on a yield of	12%
As an Investment:	\$1,883,532	Based on a net return of	7.2%

With a break even of 76%

Weekly hours calculated for Housekeepers 42

Results

A further breakdown of the Profit & Loss financial statement deciding which is [F] Fixed or [V] Variable costs.

The complex area is the application of add-backs which does require knowledge of what is a fair expense to the motel under examination. It may be in a colder climate and have high heating costs in winter mentioning one variation.

I have set the add-backs in the Template worksheet as neutral as possible. Your Broker can tweak this for you.

Overview

This tab assesses the Motel's projected turnover and the consequences from that potential annual increases.

The important results are the Capitalised Values of the motel businesses and the rent ratios in the last three lines of the Profit & Loss statement.

Replacement Cost

Calculated over a 30 year period to coincide with a maximum lease term and then broken down to two 15 year terms.

Capital Items that should be anticipated over a 15 year period:	\$17,257	Per Annum	Being	3.29%	of T/Over
Capital Items that should be anticipated over a 30 year period:	\$20,544	Per Annum	Being	3.92%	of T/Over

Study the Replacement Cost work sheet within the tab.

Finance

An extremely important area of your purchase strategy. This page displays a transparent overview of comparing interest costs to meet the net earnings of the motel business. It further explains the limits of money borrowing tying it in with the rest of the program. It is very important that you do not over extend yourself in this ever changing market.

Trends

Please go to the explanation shown in the tab.

Valuation-Yield

Lease-Extension

Investment

An extensive analysis of capitalised values of Freehold, Leasehold and Freehold Investment motels.

Two methods of calculation of lease extensions are shown allowing you a structure to establish what it may cost to extend a lease within a Leasehold Title motel business. *The program must be set in Leasehold mode for this data to appear*

Method One: To extend a lease by 0 years, a premium is calculated to total	\$0	in Tab Valuation-Yield
Method Two: To extend a lease by 0 years, a premium is calculated to total	\$0	in Tab Lease-Extension

Study the calculations shown in the Valuation-Yield and Lease-Extension tabs.

Yield Logic: is shown and explained, refer to an experienced motel Broker for a yield for your area.

Buy-Sell

This tab is complex and requires assistance from a competent Motel Broker. It is designed to show all variables that can take place to established buying or selling platform for both Purchaser and Seller.

It does not matter how accomplished you are as an operator you should not negotiate a sale or purchase without the assistance of an accomplished negotiator or in extreme cases mediator.

There is a section whereby you can receive one line explanations on why items in the Profit & Loss are not in line with Industry Benchmarks.

Full Explanation



Tip: When you see a little triangle in the top right-hand corner hover your mouse over it.

Viability of your motel

Full Explanation

Rent Creep The program must be set in Leasehold mode for this data to appear

Rent creep occurs when a Leasehold Motel Business experiences downward pressure on tariffs and upward pressure on expenses. The result is that the percentage ratio of the rent over the freehold net profit exceeds 47%. The percentage on this motel is 45.87%

The first step to rectify the problem is establish the cause. It can be varied, being one of or all of the following examples.

1. New motel opening and offering modern new rooms and competitive tariffs
2. Circumstances in the town or district reducing short term stays.
3. Poor reviews on major Internet Booking Agency websites.
4. Refurbishment program not in accordance with similar rated motels within the Motel Industry.
5. Expenses are out of synchronisation and need to be scrutinised.

Strategies The program must be set in Leasehold mode all data to appear

This Tab is a work page to assist you to apply strategies to combat the above rent creep pressures. Now go to the Strategies Tab and apply a percentage to increase the net profit. Apply the percentages until you reach the desired rental ratio of below 47% of Freehold net profit, which is the acceptable Industry maximum benchmark percentage.

Results: It requires 6% increase in Net Profit to bring the Rent Ratio to an acceptable 42.65% of Freehold net profit. To obtain this result you must increase your room revenue by \$31,427 being at least 260 rooms per annum or 5 per week. Also, there's a work area to assess the worth of selling off a Leasehold title and retain the Freehold.

A-System

Now that you have established where to commence work on either increasing revenue or pin pointing expenditure blow-out it is the A-System that guides you through this process.

Study all areas of the report to understand what is required to steer the motel into better profitability.

In most times Capital Expenditure is required. Go to Input Tab and page down to **Quick Finance** overview where it shows you what finance is available in the highlighted bar \$256,005 Do not forget to deduct your current borrowings from this amount. **Take notice of a proven formula WA=PFC explained at the bottom of the fourth page in A-System.** It has created a strong growth within the Aston Hill Motor Lodge exceeding 8% per annum over the past 4 years.

Broker Calc

This page is added to the program to offer a transparent overview on how Motel Brokers calculate the sale price of a motel business. There is provision for the Motel Broker to offer full explanation on why and how the expenses plus add-ons or add-backs are applied.

It is best to leave the formation of this page to your selected Motel Broker. The Broker is supplied with a password to work in this area.

Return on Investment (ROI): The program must be set in Leasehold mode for this data to appear

This is a quick exercise on the real returns you are receiving from your motel as an investment and a form of income.

	Without a Restaurant	With a Restaurant
Capitalised worth of Motel including Business Component:	\$2,452,432	\$0
Less the Business Component:	\$568,899	\$0
Freehold Component:	\$1,883,532	\$0

Financials:

Revenue	\$523,788	100%	\$0	100%
Expenses Inc. Add-Backs	\$229,496	44%	\$0	
Freehold Net Profit:	\$294,292	56%	\$0	
Rent:	\$135,000	46%	\$0	
Leasehold Net Profit:	\$159,292	30%	\$0	
Remove the Add-Backs	\$275,172	53%	\$0	0%
Actual Cash in Hand Net:	-\$115,881	-22%	\$0	0%

Actual Cash in Hand as a percentage of the total Capitalised worth of the motel -4.7% per annum
 If the Leasehold Business was sold and the Freehold retained: 7.2% per annum
 Rent as a percentage of the Freehold Net Profit: 45.9% per annum
 If the rent was 45% of the Freehold Net Profit the Net on Investment is: 7.0% based on a rental \$132,431
 Add the number of working partners **2** Income per working partner is -\$57,940 **See notes below:**

Make sure that you take ample time off and the cost of relief management is accounted for in the above returns.

Full Explanation

Analysis of: Aston Hill Motor Lodge Port Macquarie
For: Demonstration purposes
No. of Rooms: 16

When you see a little red triangle in the top right-hand corner of a figure or statement there is a message or instruction

Leasehold Title
Motel with a Restaurant

Tip: Use the Tab key to page down through the figures to add or change their values.

Entry Date: 23/12/2014

Print Date: 1/01/2015

Welcome to Quick Health Report. The figures in this report are from our demonstration motel Aston Hill Motor Lodge allowing you to familiarise yourself with the layout of the report in readiness to receive the report on your motel. **Aston Hill figures not included - Report modified by Russ Dodson**

The first understanding is entering the basics to assess the generic capitalised value of your motel business by completing the boxes below. All we need to know is **number of rooms** and the **turnover** of your motel. I have also included a test for you to assess the increased revenue which could be derived from adding a restaurant. By adding this assessed restaurant turnover it will give you a generic comparison. The same could be said if you wanted to discontinue your restaurant operation to determine what that would do to the value of your motel business.

Basic Entry Information		Do not include GST in the revenue	
Quick Assessment		No. of Rooms 16	
Enter your total revenue		a. With a Restaurant	Enter revenue in both boxes to see if a restaurant is viable
		b. Without a Restaurant	\$523,787

1. Motel without Restaurant

Template Assessment	5,840	Rooms available to sell
Basic Analysis		
Turnover:	\$523,787.00	100%
Expenses:	\$230,466.28	44%
F.H. Net Profit:	\$293,320.72	56%
Rent:	\$131,994.32	45%
L.H. Net Profit:	\$161,326.40	31%
Capital Expenditure	\$17,257.00	3.3%
Adj Net Revenue	\$144,069.40	28%
See explanation on the right		
5,840 Rooms Sold		
100% Occupancy		
\$89.69 ADR		
\$89.69 RevPar		
	New	Assessed Price
Capitalised value of Freehold Motel	12%	\$2,444,339
Capitalised value of Leasehold Motel	28%	\$576,166

2. Motel with Restaurant

Template Assessment	5,840	Rooms available to sell
Basic Analysis		
Turnover:	\$0.00	100%
Expenses:	\$0.00	58%
F.H. Net Profit:	\$0.00	0%
Rent:	\$0.00	45%
L.H. Net Profit:	\$0.00	0%
Capital Expenditure	\$0.00	0%
Adj Net Revenue	\$0.00	0%
Explanation on the right		
5,840 Rooms Sold		
100% Occupancy		
\$89.69 ADR		
\$89.69 RevPar		
	New	Assessed Price
Capitalised value of Freehold Motel	12%	\$0
Capitalised value of Leasehold Motel	28%	\$0

The above boxes show capitalised values and expense ratios taken from Profit & Loss accounts of motels that have been sold over a 15 year period. In this instance we have to assess the occupancy at 100% which places the ADR & RevPar static. Please familiarise yourself with the definitions of these abbreviations shown to the right of this page.

Next Step is to enter the figures from your Profit & loss into the Input area of the is program.:

My suggestion is that you give this program to your Accountant and request him to insert the figures which should not take any more than 15 to 20 minutes. By doing this you know that he has vetted the program and will be in a position to discuss the findings of the report with you.

The report on your Profit & Loss will show your motel as either with or without a restaurant.

Your Assessment - from Input P&L page

Basic Analysis <i>no restaurant</i>		0% Occupancy	
		\$89.69 RevPar	
		\$120.74 ADR	
Actual Turnover:	\$523,787.72	100%	
Actual Expenses:	\$229,495.93	44%	Add-backs/Ons included
F.H. Net Profit:	\$294,291.79	56%	
Rent:	\$135,000.00	46%	of Freehold Net Profit
L.H. Net Profit:	\$159,291.79	30%	
	New	Yield	Assessed Price
Capitalised value of Freehold Motel	12%		\$2,452,432
Capitalised value of Leasehold Motel	28%		\$568,899

Your Assessment - from Input P&L page

Basic Analysis <i>with a restaurant</i>		Occupancy	
		RevPar	
		ADR	
Actual Turnover:	\$0.00	100%	
Actual Expenses:	\$0.00		Add-backs/Ons included
F.H. Net Profit:	\$0.00		
Rent:	\$0.00		of Freehold Net Profit
L.H. Net Profit:	\$0.00		
	New	Yield	Assessed Price
Capitalised value of Freehold Motel	12%		\$0
Capitalised value of Leasehold Motel	28%		\$0

Leasehold Title Motel with a Restaurant

In this area is a brief taken from the pages analysing the motel in depth.
Break-even percentage: 76% Should not exceed 80%
Rent Creep ratio percentage to T/Over: 45.9% Should not exceed 47%
Capital Cost annual percentage over T/O 0.0% Allow between 4% to 9%
This percentage is what you should allow each year to keep the motel up to a commercial standard for overnight accommodation letting.
In dollar terms allow \$17,257 per annum.

Summary:
There you have it. **Go to Strategies to complete this section**

I hope the report encourages you to improve your business and take advantage of the tools and information to increase your net profit by 15% as shown in the Strategies tab. As a guide expect to increase profit by \$0.00 which in turn increases the capitalised value to \$648,354

Regards,
Russ Dodson

Information about Aston Hill Motor Lodge Port Macquarie

The motel was purchased in March 2003 and developed into an exhibition motel to show those entering the Motel Industry what to expect in the daily operation of a typical Australian country motel.

The program has now been extended to assist existing operators.
Over the 10 years the motel has encountered all the situations I'm sure other motels also experienced being refurbishment and the GFC. This program has been brought about by my programming skills together with my analytic activities with Motel Assist in assisting operators to bring their motels up to speed in this difficult environment.
View motel website: www.astonhill.com.au
You are welcome to visit the motel and see for yourself how we have achieved to run it within the Motel Industry benchmark guidelines

Yours sincerely, Russ Dodson

Viability of your motel

Includes:



By:



Version 59. 23/12/2014

To move through the spread sheet use the Tab key

Build Date: Tuesday, 23 December 2014 Input by: Russ Dodson

Assessment of: Aston Hill Motor Lodge Port Macquarie

For: Demonstration purposes

Title: Leasehold Title

Operation: Motel without a Restaurant

Entry Date: 23/12/2014

Print Date: 1/01/2015

Tip Hover mouse cursor over tip for an explanation

All text and figures highlighted blue can be entered or altered

Every year your Accountant produces financial figures on the operation of your motel business. Now you can copy the figures from the Profit & loss Account into this program to gauge the wealth of your motel with proven Motel Industry Benchmarks

Enter P&L

Profit & Loss Entry

Enter the Financial year **2014** Insert year only as - 2013

Is the motel, Leasehold "Yes" Freehold "No" **Yes** **Leasehold Title**

Number of years remaining in the lease **30**

Does the motel have a Restaurant? **No** **Motel without a Restaurant**

Preset yields - Freehold 16% & Leasehold 30% **28%** **Change yield at the bottom of this page**

Insert Room Types, No. & Tariff

Room Type	No.	Tariff	
1 Executive	3	\$99.00	inc. GST
2 Superior	5	\$128.00	inc. GST
3 Prestige	5	\$138.00	inc. GST
4 Special Facilities	1	\$128.00	inc. GST
5 Family	2	\$185.00	inc. GST
6			inc. GST
7			inc. GST
8			inc. GST
Total Rooms in Motel:		16	\$132.81 Average Daily Room Rate

To calculate your total sleeping spaces go to Page 3 Analysis Worksheet

Go to Results & Overview to assess your motel asset.

Profit & Loss Entry			Add Other Entries:	Amount
Accommodation	650,254	124%	Electricity Rebates Received	9,110
Breakfast		0.0%	Less Apartment Revenue	-135,575
Goods for own use		0.0%	Revenue is \$135,575.44	
<i>Restaurant figures not required</i>		0.0%		
<i>Beverage figures not required</i>		0.0%		
Conference inc Food & Beverage		0.0%		
Telephone		0.0%		
Minibar		0.0%		
Additional Entries	-126,466	-24%	Total Transposed to P&L	-126,466
Internet		0.0%		
Total Income	523,788	100%		
Less cost of goods sold			Add Other Entries:	Amount
Breakfasts	18,255	3.5%		
<i>Restaurant figures not required</i>		0.0%		
<i>Beverage figures not required</i>		0.0%		
Minibar	4,505	0.9%		
Additional Entries	0	0.0%	Total Transposed to P&L	0
Conference inc Food & Beverage		0.0%		
Total Cost of Sales	22,760	4.3%		
Gross Profit	501,028	96%		

Profit & Loss Entry				Extension of Page 2.	
Less-Expenses					
Accountancy	F	1,250	0.2%	of Accommodation revenue	
Advertising & Research	V	10,780	2.1%		
Bank Charges	F	415	0.1%	F = Fixed Expense	
Credit card & Eftpos Charges	V	5,463	1.0%	V = Variable Expense	
Cable or Foxtel TV	F	7,520	1.4%		
Chain Fees	F	7,800	1.5%		
Cleaning contracts	V		0.0%		
Cleaning chemicals inc laundry	V	3,956	0.8%		
Comm to Internet Booking Agents	V	9,710	1.9%		
Compliance to Ordinances	F		0.0%		
Consumables	V	9,621	1.8%		
Add entry:			0.0%		
Depreciation Plant	F	37,929	7.2%		
Add entry: Administration Charges	F	15,000	2.9%		
Electricity	V	14,032	2.7%	Understand the Wage Component of a Motel	
Gas & Oil	V	12,639	2.4%		
Filing Fees	F	230	0.0%	Position	Per Week
Freight & Cartage	V	1,025	0.2%	Reception Assistant	0
Ground and Pool Maintenance	V	2,252	0.4%	Housekeepers	757
Insurance General	F	10,782	2.1%	On rooms sold Hrs Req	
Insurance-Workers Comp.	V	6,680	1.3%	Laundry	0
Interest	F		0.0%	Handy Person Grd 3	0
Internet Access & Computer Maint.	V	18,005	3.4%	Breakfasts	0
Legal	F		0.0%	Restaurant:	0
Linen Hire	V	13,483	2.6%	Chef, say	0
Add entry:			0.0%	Kitchen Hand	0
Licence Fees and Subscriptions	F	2,599	0.5%	Waitress	0
Motor Vehicle and Travelling	V	18,819	3.6%	Total wages per week/annum:	757
Add entry:			0.0%	Inc. weekend rates	924
Pest Control	F		0.0%		48,048
Postage, Printing and Papers	V	1,742	0.3%	Wage Breakdown	
Rates and Land Tax	F	3,217	0.6%	Relief	14,283
Relief Management Contract	F	0	0.0%	Grounds-Pool	
Repairs and Maintenance	V	26,459	5.1%	Reception	
Capital Replacements	V	0	0.0%	House Keeping	
Security	F		0.0%	Breakfasts	
Research & Development	F	111	0.0%	Laundry	
Staff Amenities,Uniforms,Training	F	332	0.1%	Chef	
Add entry: Licences, Registrations & Permits	F	73,864	14.1%	Waitress	
Superannuation-Management-Own	F	1,665	0.3%	Functions	
Superannuation-Employees	V	13,128	2.5%		
Telephone and Fax	V	11,007	2.1%		
Wage Breakdown	V	14,283	2.7%	Total Transposed to P&L	14,283
Wages Housekeepers exc Laundry	V		0.0%	Add Other Entries:	
Wages Housekeepers inc Laundry	V	55,935	10.7%	Less Apartment Expenses	-40,937
Wages Restaurant	V		0.0%	Amounting to \$40,937.00	
Wages Management	F	79,375	15.2%	Adjustment to meet P&L Document	
Wages Owners	F	18,000	3.4%		4,676
Add entry:			0.0%		
Waste Removal	V	3,017	0.6%		
Water Rates	V	4,241	0.8%		
Add entry: Fire System Maintenance	F	1,803	0.3%		
Other Additional Entries		-36,261	-6.9%	Total Transposed to P&L	-36,261
Total Operating Expenses (Exc Rent)		481,909	92%		
Less Rent % of F/H NP:	45.9%	F	135,000	25.8%	

Input

Now go to [Results](#)

F/H-NP: is Adjusted Freehold Net Profit.



MOTEL ANALYSIS

MOTEL Assist
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Analysis of: **Aston Hill Motor Lodge Port Macquarie**
For: Demonstration purposes
No. of Rooms: 16

When you see a little red triangle in the top right-hand corner of a figure or statement there is a message or instruction

Leasehold Title

Motel without a Restaurant

Tip: Use the Tab key to page down through the figures to add or change their values.

The two red boxes below compare Motels with and without restaurants

Entry Date: 23/12/2014
Print Date: 1/01/2015

1. Motel without Restaurant		
Template Assessment	5,840 Rooms available to sell	
Basic Analysis		16 Rooms in Motel
Turnover:	\$523,787.00 100%	
Expenses:	\$251,417.76 48%	Add-backs included
F.H. Net Profit:	\$272,369.24 52%	
Rent:	\$122,566.16 45%	of Freehold Net Profit
L.H. Net Profit:	\$149,803.08 29%	
5,840 Rooms Sold	100% Occupancy	
\$89.69 ADR	Net Yield	Assessed Price
\$89.69 RevPAR		
Capitalised value of Freehold Motel	12%	\$2,269,744
Capitalised value of Leasehold Motel	28%	\$535,011

2. Motel with Restaurant		
Template Assessment	5,840 Rooms available to sell	
Basic Analysis		16 Rooms in Motel
Turnover:	\$0.00 100%	
Expenses:	\$0.00 61%	Add-backs included
F.H. Net Profit:	\$0.00 0%	
Rent:	\$0.00 45%	of Freehold Net Profit
L.H. Net Profit:	\$0.00 0%	
5,840 Rooms Sold	100% Occupancy	
\$89.69 ADR	Net Yield	Assessed Price
\$89.69 RevPAR		
Capitalised value of Freehold Motel	12%	\$0
Capitalised value of Leasehold Motel	28%	\$0

Above is the Motel Industry template showing the capitalised worth of a Freehold & Leasehold motel on the revenue you initially stated.

Below is the results from the figures you placed on your Profit & Loss account page.

Compare the two boxes to establish if your motel fits within the Industry Benchmarks.

Your Assessment - from Input P&L page		
Basic Analysis <i>no restaurant</i>		74% Occupancy
Actual Turnover:	\$523,787.72 100%	\$121 ADR
Actual Expenses:	\$229,495.93 44%	Add-backs/Ons included
F.H. Net Profit:	\$294,291.79 56%	
Rent:	\$135,000.00 46%	of Freehold Net Profit
L.H. Net Profit:	\$159,291.79 30%	
Refer to financial input on 2nd page		
	Net Yield	Assessed Price
Capitalised value of Freehold Motel	12%	\$2,452,432
Capitalised value of Leasehold Motel	28%	\$568,899

Your Assessment - from Input P&L page		
Basic Analysis <i>with a restaurant</i>		Occupancy
Actual Turnover:	\$0.00 100%	ADR
Actual Expenses:	\$0.00	Add-backs/Ons included
F.H. Net Profit:	\$0.00	
Rent:	\$0.00	of Freehold Net Profit
L.H. Net Profit:	\$0.00	
Refer to financial input on 2nd page		
	Net Yield	Assessed Price
Capitalised value of Freehold Motel	12%	\$0
Capitalised value of Leasehold Motel	28%	\$0

Action:

The above result is going to determine your actions, which at this time only you know the outcome and can do something about it.

Depending where the abnormality is and how serious it is will direct your course of action.

Go through this program and source the information available so you can determine the best way to approach it, most likely with your Accountant.

If your Breakeven exceeds 80% it would not be prudent to contact your Bank until you completely understand why your ratio is outside the guidelines

and have a plan in place to reduce that percentage.

Under no circumstances can this spread sheet be used as a valuation of a motel Freehold or Leasehold Business.

Further Breakdown of Figures and Industry References		
Aston Hill Motor Lodge Port Macquarie		
Motel without a Restaurant		
Blue Add-Backs		
	\$0	
Depreciation Plant	\$37,929	
Interest	\$0	
Legal	\$0	
Superannuation	\$1,665	
Wages Management	\$79,375	
Wages Owners	\$18,000	
Total	\$136,969	
Add other Add-backs	\$138,204	
Grand Total	\$275,172	
Enter ADR exc GST	\$120.74	Average Daily Room Rate
RevPAR	\$89.69	Revenue per available room
Average T/O Daily	\$1,782	Room income
Average T/O Weekly	\$12,505	Room income
Average T/O Daily	\$0	Restaurant & Beverage Income
Average T/O Weekly	\$0	Restaurant & Beverage Income
Occupancy	74%	
Room Nights Sold	4,338	of 5,840 available

Information about Aston Hill Motor Lodge Port Macquarie

The motel was purchased in March 2003 for the sole purpose to present it as an exhibition motel to show those entering the Motel Industry what to expect in the daily operation of a typical Australian country motel.

The program has now been extended to assist existing operators.

[Click here to view proof of room revenue over the past 5 years.](#)

Over the 10 years the motel has encountered all the situations I'm sure other motels also experienced being refurbishment and the GFC.

This program has been brought about by my programming skills together with my analytic activities with Motel Assist in assisting operators to bring their motels up to speed in this difficult environment.

View motel website: www.astonhill.com.au

You are welcome to visit the motel and see for yourself how we have achieved to run it within the Motel Industry benchmark guidelines

Yours sincerely, Russ Dodson

Go to Links for more information on RevPAR

All figures entered in this template have been taken from a bona fide Profit & Loss account submitted to the Taxation Office for the financial year ending 30th June 2012

Analysis

MOTEL ANALYSIS

 Print Date: Thursday, 1 January 2015
 Entry Date: Tuesday, 23 December 2014

Aston Hill Motor Lodge Port Macquarie
Leasehold Title
Motel without a Restaurant
Capitalised Value from P&L Figures
 \$568,899

Tip: Use the Tab key to page down through the figures to add or change their values.

Entries from Introduction Page:

- The financial Year you are examining 2014
- Is the motel a Leasehold Business? Yes
 - Does the motel have a Restaurant? No
 - How many rooms are there in the motel? 16 with 57 sleeping spaces
 - The Benchmark yield are you expecting 28% Benchmark for a Leasehold 30% & Freehold 16%
 - Turnover without a restaurant \$523,787 Actual Room T/O \$523,788 Occupancy 74%
 - Turnover with a restaurant \$0 Actual Room T/O \$0 Occupancy 0%
 - Now establish what annual allowance will be applied to capital replacements annually over 15 years: \$17,257 per annum 3.29% of revenue
 - We are now going to calculate your average daily room rate. **ADR = \$120.74 Excluding GST**

Motel Room Configuration Enter the bed numbers & types **RevPAR= \$89.69 Excluding GST**

Room Type	Tariff-GST	No.	King	Queen	Single	Sofa	Roll/Out	Fold Out
Executive	\$99	3	0	3	0	3	3	0
Superior	\$128	5	0	5	4	0	5	0
Prestige	\$138	5	5	0	0	1	1	0
Special Facilities	\$128	1	0	1	1	0	1	0
Family	\$185	2	0	2	6	0	0	0
	\$0	0	0	0	0	0	0	0
	\$0	0	0	0	0	0	0	0
	\$0	0	0	0	0	0	0	0
ADR inc GST	\$132.81	16	5	11	11	4	10	0
ADR exc GST	\$120.74		10	22	11	4	10	0

 9. Number of sleeping places **57** Maximum Room Revenue \$775,625 Inc. GST \$705,114 Exc. GST

Establish the break-even turnover

Leasehold Title Motel without a Restaurant				Comments about Break Even	
Refers to your assessed income and expenses:				The Break-even report requires you to establish the day to day trading so, we are going to analyse what is required daily.	
You need to make: \$397,777 in sales to break even					
	% over/breakeven	Monthly	Motel Occupancy: 74%	You will need to generate sales of \$1,089.80 per day, being 11.9 rooms or an ADR of \$91.69	
Sales	100.0%	\$33,148	\$397,777	Total Expenses	\$719.94 per day
Less: Cost of sales	5.7%	\$1,897	\$22,760	That adds up to	\$1,089.80 per day
Gross Margin	94.3%	\$31,251	\$375,017	The difference is your profit of \$390.83 per day, or \$142,651 per year after interest	
LESS EXPENSES					
Admin & Overhead	57.2%	\$18,963	\$227,556	You have the option to include the interest from the Profit & Loss if you own the motel or the option to include the interest on the maximum you can borrow if you are purchasing. Select Yes if you are borrowing or No if you own the motel and apply interest from P&L. Apply Interest factor to this report on the maximum borrowing limit of \$256,005	
Sales & Marketing	4.7%	\$1,548	\$18,580		
Total Admin	61.9%	\$20,511	\$246,136		
Interest Expense	4.2%	\$1,387	\$16,640 Yes		
Rent	33.9%	\$11,250	\$135,000		
Total Expenses	100.0%	\$33,148	\$397,777		
Net Profit			\$0		
Break-even sales					
as a % of total sales figure of		\$523,788	76%		
Maximum breakeven for Freehold motels is 70% and a maximum of 80% for Leasehold motels is recommended.				WARNING the Leasehold breakeven exceeds 70%	

Understand the Wage Component of a Motel					Hospitality Services Grade 2.			
Position	Hrs/week	Award	Per Week	Per Annum	Monday to Friday	\$18.02	Motels, Accommodation & Resorts Award(Federal) from 1/7/2014	
Reception Assistant	0	\$18.02	\$0.00	\$0	Saturday	\$22.52		
Housekeepers	42	\$18.02	\$756.84	\$39,356	Sunday	\$31.53		
On rooms sold Hrs Req	42				Public Holiday	\$45.05		
					Hospitality Services Grade 4. Chef - Grade 4			
Laundry	0	\$18.02	\$0.00	\$0	Monday to Friday	\$19.64	Motels, Accommodation & Resorts Award(Federal) from 1/7/2014	
Handy Person Grd 3	0	\$22.05	\$0.00	\$0	Saturday	\$24.55		
Breakfasts	0	\$18.02	\$0.00	\$0	Sunday	\$33.46		
Restaurant:					Public Holiday	\$49.09		
Chef, say	0	\$19.64	\$0.00	\$0	Summary:			
Kitchen Hand	0	\$18.02	\$0.00	\$0	Wages for Motel	\$39,356	W/Ends \$8,692	Gross \$48,048
Waitress	0	\$18.02	\$0.00	\$0	Wages for Restaurant	\$0	\$0	\$0
Total wages per week/annum:			\$756.84	\$39,356	Total:	\$39,356	\$8,692	\$48,048

Inc. weekend rates	42	\$22.00	\$924	Per Week	Motel Assist and its associates advise that this information is given in the best interests from the research that has been done within the Motel Industry. It is information only and cannot be construed as advice. Seek independent advice from professional people at all times.
(Rate as an assessed average inc. weekends only)			\$48,048	Per Annum	

Analysis

Viability of your motel
Aston Hill Motor Lodge Port Macquarie
Leasehold Operation



Broker: **Finetuned 23/12/2014 Russ Dodson**
When you have fine-tuned your add-backs enter date and name above - 2nd line

Print Date: **Tuesday, 23 December 2014**
Thursday, 1 January 2015

Motel without a Restaurant

Tip: Use the Tab key to page down through the figures to add or change their values.

	2014	%T/O	2013	%T/O	2012	%T/O	Benchmark 2014	Add-Back or Add-On 2014	Industry Benchmark	Explanatory - Work Sheet
Note: Items highlighted in blue are deemed to be add-backs and add-ons in red.										
Income										
Accommodation	650,254	124.14%	594,720	109%	569,058	107%				
Breakfast	0	0.0000%	0.00	0.0%	10,815	2.0%				
Goods for own use	0	0.0000%	0.00	0.0%	0.00	0.0%				
Restaurant figures not required	0	0.0000%	0.00	0.0%	0.00	0.0%				
Beverage figures not required	0	0.0000%	0.00	0.0%	0.00	0.0%				
Conference inc Food & Beverage	0	0.0000%	9,057	1.7%	28,854	5.4%				
Telephone	0	0.0000%	0.00	0.0%	0.00	0.0%				
Minibar	0	0.0000%	0.00	0.0%	0.00	0.0%				
Additional Entries	-126,466	-24.1445%	-60,404	-11.1%	-76,346	-14.3%				
Internet	0	0.0000%	0.00	0.0%	0.00	0.0%				
Total Income	523,788	100.00%	543,373	100%	532,381	100%				
Less cost of goods sold										
Breakfasts	18,255	3.4851%	20,581	3.8%	16,771	3.2%	40.00%	0	0	Food cost about 40% to 45% of sales (if there is no amount - breakfast inc in tariff) Yes
Restaurant figures not required	0	0.0000%	0.00	0.0%	0.00	0.0%	33.00%	0	0	Food cost should be between 30% to 38% of sales No
Beverage figures not required	0	0.0000%	0.00	0.0%	0.00	0.0%	30.00%	0	0	Liquor cost should not exceed 30% of sales No
Minibar	4,505	0.8600%	0.00	0.0%	0.00	0.0%	33.00%	0	0	Average cost of 33% of sales Yes
Additional Entries	0	0.0000%	0.00	0.0%	0.00	0.0%				
Conference inc Food & Beverage	0	0.0000%	0.00	0.0%	0.00	0.0%	31.00%	0	0	As per restaurant & beverage percentages Yes
Total Cost of Sales	22,760	4.35%	20,581	3.8%	16,771	3.2%				
Gross Profit	501,028	95.65%	522,792	96.2%	515,610	96.8%				
Less-Expenses										
Accountancy	F 1,250	0.2386%	1,200	0.2%	900	0.2%		-1,250	2,500	Allow 0.75% or a minimum of \$2500.00 (as set) in a smaller motel without a restaurant
Advertising & Research	F 10,780	2.0581%	11,287	2.1%	9,572	1.8%	1.00%	5,542	5,238	At least between 1.00% to 2.5% refer to Chain contributions towards advertising.
Bank Charges	F 415	0.0793%	395	0.1%	531	0.1%	0.08%	0	415	Varies due to mortgage conditions - 0.1% to 0.5%
Credit card & Eftpos Charges	V 5,463	1.0430%	1,115	0.2%	4,402	0.8%	1.04%	0	5,463	Deals through AAoA are less than 0.9% through Westpac
Cable or Foxtel TV	F 7,520	1.4356%	7,453	1.4%	7,241	1.4%	1.44%	0	7,519	Charged at a cost per room
Chain Fees	F 7,800	1.4892%	7,800	1.4%	7,800	1.5%	1.49%	-0	7,800	Varies on Chain Costs adjust percentage to meet stated cost
Cleaning contracts	V 0	0.0000%	0	0.0%	0	0.0%	0.00%	0	0	Change variable if necessary Depends on cleaning contract negotiated
Cleaning chemicals inc laundry	V 3,956	0.7552%	2,552	0.5%	2,607	0.5%	0.76%	0	3,956	General House cleaning 0.3% to 0.9% - Laundry is assessed on usage up to 1.2%
Comm to Internet Booking Agents	V 9,710	1.8537%	14,179	2.6%	11,774	2.2%	1.85%	0	9,709	Commissions range from 11% to 15% allow an average around 1.75%
Compliance to Ordinances	F 0	0.0000%	16,677	3.1%	768	0.1%	0.15%	-786	786	An expense is appearing due to Government ordinances, Pool & Fire ordinances - say 0.15%
Consumables	V 9,621	1.8369%	8,132	1.5%	7,509	1.4%	1.84%	-0	9,621	All items supplied to the motel rooms on a daily basis, usually around 1.5%
	0	0.0000%	0.00	0.0%	0.00	0.0%	0.00%	0	0	Change variable to meet cost if necessary
Depreciation Plant	F 37,929	7.2412%	46,718	8.6%	63,974	12.0%		37,929	0	Depreciation is included as an add-back because it is allowed for in Capital Replacements
Administration Charges	F 15,000	2.8638%	11,000	2.0%	12,000	2.3%	0.00%	15,000	0	Change variable to meet cost if necessary
Electricity	V 14,032	2.6790%	11,738	2.2%	1,345	0.3%	3.56%	-4,614	18,647	Varies greatly per property, typical percentage is 3.0% to 8.5% depending on climate
Gas & Oil	V 12,639	2.4130%	12,080	2.2%	11,480	2.2%	2.41%	-0	12,639	Varies greatly per property, typical percentage is 1.2% to 4% depending on previous averages
Filing Fees	F 230	0.0439%	227	0.0%	0	0.0%	0.04%	0	230	Change variable to meet cost if necessary
Freight & Cartage	V 1,025	0.1957%	1,338	0.2%	424	0.1%	0.20%	0	1,025	Change Benchmark % to meet cost as there can be no benchmark in this area
Ground and Pool Maintenance	V 2,252	0.4300%	4,139	0.8%	1,124	0.2%	0.43%	0	2,252	Varies greatly per property, typical percentage is between 0.09 to 1.7%
Insurance General	F 10,782	2.0584%	11,475	2.1%	9,906	1.9%	2.06%	0	10,782	Premiums vary from \$5,500 to \$12,500 depending on size of property
Insurance-Workers Comp.	V 6,680	1.2753%	7,390	1.4%	6,367	1.2%	1.18%	4,854	1,826	Workers Compensation premium is 3.9% to 4.2% of gross wages being 0.55% of T/O 3.9%
Interest	F 0	0.0000%	12,460	2.3%	3,522	0.7%		0	0	An owners expense - Full Add-Back
Internet Access & Computer Maint.	V 18,005	3.4376%	0.00	0.0%	16,701	3.1%	0.95%	13,029	4,976	Allow between 0.35% to 0.7%
Legal	F 0	0.0000%	0.00	0.0%	0.00	0.0%	0.00%	0	0	Usually an owners expense and would be classed as an add-back
Linen Hire	V 13,483	2.5742%	17,310	3.2%	11,341	2.1%	2.57%	-0	13,483	Sheets only allow 2% and for the full linen service allow up to 7.2%
	0	0.0000%	0.00	0.0%	218	0.0%	0.00%	0	0	Change variable to meet cost if necessary
Licence Fees and Subscriptions	F 2,599	0.4961%	771	0.1%	318	0.1%	0.20%	1,551	1,048	Allow 0.2% to 0.5%
Motor Vehicle and Travelling	V 18,819	3.5929%	8,595	1.6%	20,024	3.8%		15,819	3,000	A flat allowance of \$3,000 is used in my assessments to cover motor vehicle use in a motel
	0	0.0000%	0.00	0.0%	0	0.0%	0.00%	0	0	Change variable to meet cost if necessary
Pest Control	F 0	0.0000%	0.00	0.0%	0.00	0.0%	0.08%	-420	420	If there is not expense for this - look closely at the areas where infestation can occur
Postage, Printing and Papers	V 1,742	0.3326%	1,815	0.3%	2,451	0.5%	0.33%	0	1,742	Varies greatly per property, typical percentage is between 0.3 to 1.2%
Rates and Land Tax	F 3,217	0.6141%	6,865	1.3%	4,317	0.8%	0.61%	0	3,217	As charged
Relief Management Contract	F 0	0.0000%	3,000	0.6%	9,863	1.9%	1.21%	-6,356	6,356	Allow 28 days a year away at \$227 (exc GST) per day amounts to \$6,356 1.2%
Repairs and Maintenance	V 26,459	5.0515%	27,769	5.1%	33,417	6.3%	2.00%	15,983	10,476	Allow a total of 2% per annum of Total Income for repairs & maintenance
Capital Replacements	V 0	0.0000%	0.00	0.0%	3,801	0.7%	3.29%	-17,257	17,257	Refer to Capital Cost Tab which shows it at \$17,257 3.29% of turnover for 15 yrs
Security	F 0	0.0000%	0.00	0.0%	0.00	0.0%	0.50%	-2,619	2,619	Becoming a very important issue allow 0.5%
Research & Development	F 111	0.0212%	404	0.1%	458	0.1%	0.20%	-937	1,048	Allow 0.20% for a functional motel
Staff Amenities,Uniforms,Training	F 332	0.0634%	696	0.1%	677	0.1%	0.20%	-715	1,048	Allow 0.2% to 0.9%
Licences, Registrations & Permits	F 73,864	14.1018%	70,000	12.9%	60,000	11.3%	0.00%	73,864	0	Change variable to meet cost if necessary
Superannuation-Management-Owners	F 1,665	0.3179%	0.00	0.0%	1,620	0.3%		1,665	0	An owners expense - Full Add-Back managers Wages 79,375 Super % Rate 9.3%
Superannuation-Employees	V 13,128	2.5063%	14,913	2.7%	11,051	2.1%	1.72%	4,121	9,007	9% to 9.5% of wages 149,593 9.25% 13,837.36 2.64% of revenue
Telephone and Fax	V 11,007	2.1014%	10,926	2.0%	11,591	2.2%	2.10%	-0	11,007	Allow 1.2% to 2.5%
Wage Breakdown	V 14,283	2.7268%	164,386	30.3%	3,840	0.7%	0.00%	0	14,283	Refer to table in the Input tab
Wages Housekeepers exc Laundry	V 0	0.0000%	0.00	0.0%	0.00	0.0%	0.00%	0	0	Allow between 6% to 10% of Room Income
Wages Housekeepers inc Laundry	V 55,935	10.6790%	0.00	0.0%	57,644	10.8%	10.68%	-0	55,935	Allow between 7% to 12% of Room Income, wages shown current % = \$48,048.00 9.2%
Wages Restaurant	V 0	0.0000%	0.00	0.0%	0	0.0%				A difficult one to calculate. It should be 30-40% of Restaurant revenue \$0.00
Wages Management	F 79,375	15.1541%	0.00	0.0%	69,795	13.1%		79,375	0	When managers are employed it is a full Add-Back + super 7,342
Wages Owners	F 18,000	3.4365%	0.00	0.0%	18,000	3.4%		18,000	0	An owners expense - Full Add-Back
	0	0.0000%	0.00	0.0%	0.00	0.0%	0.00%	0	0	Change variable to meet cost if necessary
Waste Removal	V 3,017	0.5759%	2,744	0.5%	2,364	0.4%	0.58%	0	3,016	Allow 0.3% to 0.75%
Water Rates	V 4,241	0.8097%	0.00	0.0%	3,160	0.6%	0.00%	0	0	As charged
Fire System Maintenance	F 1,803	0.3442%	1,010	0.2%	1,650	0.3%	0.34%	0	1,803	Change variable to meet cost if necessary
Other Additional Entries	0	-36,261	-6,9228%	347	0.1%	123	0.0%	0.00%	0	No allowance available - a group of costs
Operating Expenses (Exc Rent)	481,909	92.00%	520,906	95.9%	507,670	95.4%		275,172	247,866	Total of Industry Benchmarks
Add-Backs or Add-Ons	V 275,172	52.54%	0.00	0.0%	0.00	0.0%		275,172	0	Add Adjustment from Buy-Sell Tab
Adj - Total Operating Expenses	206,736	39.47%	520,906	95.9%	507,670	95.4%		275,172	0	Adjusted total Add-Backs
Adj - Freehold Net Operating Profit	294,292	56.19%	1,886	0.3%	7,940	1.5%		0	0	Basic Analysis
Less Rent as a % of Freehold Net Profit	135,000	25.77%	0.00	0.0%	0	0.0%				
Leasehold Adjusted Net Profit	159,292	30.41%	1,886	0.3%	7,940	1.5%		0	0	Total Overview

Compare with source document	2014	%T/O
Total Income:	523,788	100.00%
Less Goods Sold	22,760	4.35%
Gross Profit	501,028	95.65%
Less Operating Expenses	481,909	92.00%
Net Profit as FH net profit	19,119	3.65%
Return Add-backs	275,172	52.54%
Adjusted FH Net Profit	294,292	56.19%
Less Rent	135,000	25.77%
Net profit after rent as LH net profit	159,292	30.41%

Motel Assist and its associates advise that this information is given in the best interests from the research that has been done within the Motel Industry. It is information only and cannot be construed as advice. **Seek independent advice from professional people at all times.**

\$275,172.48

Rent is 45.9% of Freehold Net Profit

Profit & Loss Items	2014	Add-Backs or Add-Ons	2014
Total Fixed Costs	\$396,891.13	Total Fixed Costs	\$214,301.55
Total Variable Costs	\$220,017.77	Total Variable Costs	\$60,870.92
Total Costs	\$616,908.90	Total Costs	\$275,172.48

Results

Motel Overview & Projections

ALL FIGURES BELOW ARE FOR THE INITIAL YEAR



Motel: Aston Hill Motor Lodge Port Macquarie
Leasehold Title
No Restaurant

Entry Date: 23/12/2014
Print Date: 1/01/2015
Version 59, 23/12/2014

All Figures are excluding GST unless nominated to include GST

Occupancy	74.3%	88.1%	Your	96.6%	Your
Tariff Increase	Initial Year	15.0%	Amendments	8.0%	Amendments
	%	2014	2015	2016	2016

1st Full Year Only	
No. of Rooms	16
Rooms Occ.	4338
Occupancy	74%
Room Tariff	\$120.74
Inc. GST	\$132.81
Breakfast per Room	\$0.00
Inc. GST	\$0.00
Sales % T/O	0%

Current Year ending:	% of T/O	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
INCOME:						
Accommodation	124.1%	650,254	747,792	747,792	807,615	807,615
Breakfast	0.0%	0	0	0	0	0
Goods for own use	0.0%	0	0	0	0	0
Restaurant (Cannot enter figures)	0.0%	0	0	0	0	0
Beverage (Cannot enter figures)	0.0%	0	0	0	0	0
Conference inc Food & Beverage	0.0%	0	0	0	0	0
Telephone	0.0%	0	0	0	0	0
Minibar	0.0%	0	0	0	0	0
Additional Entries	-24.1%	-126,466	-145,436	-145,436	-157,071	-157,071
Internet	0.0%	0	0	0	0	0
TOTAL INCOME:	100%	523,788	602,356	602,356	650,544	650,544

Benchmark Goodwill	
Plant & Fittings	\$381,689
Goodwill	\$153,322
Freehold	\$1,734,733
Value of Motel	\$2,269,744

LESS: COST OF PURCHASES						
Breakfasts	3.5%	18,255	20,993	20,993	22,672	22,672
Restaurant	0.0%	0	0	0	0	0
Beverage	0.0%	0	0	0	0	0
Minibar	0.9%	4,505	5,181	5,181	5,595	5,595
Conference inc Food & Bev	0.0%	0	0	0	0	0
TOTAL PURCHASES:	4.3%	22,760	26,173	26,173	28,267	28,267

Actual Add Backs	
Total	\$275,172
Refer to Results Tab	

GROSS PROFIT:						
	95.7%	501,028	576,182	576,182	622,277	622,277

Actual Capitalised Value	
Freehold	\$2,452,432
Value/Unit	\$153,277
Leasehold	\$568,899
Value/Unit	\$35,556

ADMINISTRATIVE & OVERHEADS:						
Accountancy	F	0.2%	1,250	1,250	1,250	1,350
Advertising & Research	V	2.1%	10,780	12,397	12,397	13,389
Bank Charges	F	0.1%	415	478	478	516
Credit card & Eftpos Charges	V	1.0%	5,463	6,283	6,283	6,785
Cable or Foxtel TV	F	1.4%	7,520	8,648	8,648	9,340
Chain Fees	F	1.5%	7,800	8,970	8,970	9,688
Cleaning contracts	V	0.0%	0	0	0	0
Cleaning chemicals inc laundry	V	0.8%	3,956	4,549	4,549	4,913
Comm to Internet Booking Agents	V	1.9%	9,710	11,166	11,166	12,059
Compliance to Ordinances	F	0.0%	0	0	0	0
Consumables	V	1.8%	9,621	11,065	11,065	11,950
Depreciation Plant	F	7.2%	37,929	43,618	43,618	47,107
Administration Charges	F	2.9%	15,000	17,250	17,250	18,630
Electricity	V	2.7%	14,032	16,137	16,137	17,428
Gas & Oil	V	2.4%	12,639	14,535	14,535	15,697
Filing Fees	F	0.0%	230	265	265	286
Freight & Cartage	V	0.2%	1,025	1,179	1,179	1,273
Ground and Pool Maintenance	V	0.4%	2,252	2,590	2,590	2,798
Insurance General	F	2.1%	10,782	12,399	12,399	13,391
Insurance-Workers Comp.	V	1.3%	6,680	7,682	7,682	8,297
Interest	F	0.0%	0	0	0	0
Internet Access & Computer Maint.	V	3.4%	18,005	20,706	20,706	22,363
Legal	F	0.0%	0	0	0	0
Linen Hire	V	2.6%	13,483	15,506	15,506	16,746
Licence Fees and Subscriptions	F	0.5%	2,599	2,988	2,988	3,228
Motor Vehicle and Travelling	V	3.6%	18,819	21,642	21,642	23,374
Pest Control	F	0.0%	0	0	0	0
Postage, Printing and Papers	V	0.3%	1,742	2,004	2,004	2,164
Rates and Land Tax	F	0.6%	3,217	3,699	3,699	3,995
Relief Management Contract	F	0.0%	0	0	0	0
Repairs and Maintenance	V	5.1%	26,459	30,428	30,428	32,862
Capital Replacements	V	0.0%	0	0	0	0
Security	F	0.0%	0	0	0	0
Research & Development	F	0.0%	111	128	128	138
Staff Amenities, Uniforms, Training	F	0.1%	332	382	382	413
Licences, Registrations & Permits	F	14.1%	73,864	84,943	84,943	91,739
Superannuation-Management-Owners	F	0.3%	1,665	1,915	1,915	2,068
Superannuation-Employees	V	2.5%	13,128	15,097	15,097	16,305
Telephone and Fax	V	2.1%	11,007	12,658	12,658	13,670
Wage Breakdown	V	2.7%	14,283	16,425	16,425	17,739
Wages Housekeepers exc Laundry	V	0.0%	0	0	0	0
Wages Housekeepers inc Laundry	V	10.7%	55,935	64,325	64,325	69,471
Wages Restaurant	V	0.0%	0	0	0	0
Wages Management	F	15.2%	79,375	0	0	0
Wages Owners	F	3.4%	18,000	18,000	18,000	18,000
Waste Removal	V	0.6%	3,017	3,469	3,469	3,747
Water Rates	V	0.8%	4,241	4,877	4,877	5,267
Fire System Maintenance	F	0.3%	1,803	2,073	2,073	2,239
Other Additional Entries	0	-6.9%	-36,261	-41,700	-41,700	-45,036

Mortgage Details	
Maximum loan available	45% of Capitalised
Value:	\$568,899
Interest Rate	6.50%
Total Loan:	\$256,005
Interest PA:	\$ 16,640

Freight & Cartage	V	0.2%	1,025	1,179	1,179	1,273
Ground and Pool Maintenance	V	0.4%	2,252	2,590	2,590	2,798
Insurance General	F	2.1%	10,782	12,399	12,399	13,391
Insurance-Workers Comp.	V	1.3%	6,680	7,682	7,682	8,297
Interest	F	0.0%	0	0	0	0
Internet Access & Computer Maint.	V	3.4%	18,005	20,706	20,706	22,363
Legal	F	0.0%	0	0	0	0
Linen Hire	V	2.6%	13,483	15,506	15,506	16,746
Licence Fees and Subscriptions	F	0.5%	2,599	2,988	2,988	3,228
Motor Vehicle and Travelling	V	3.6%	18,819	21,642	21,642	23,374
Pest Control	F	0.0%	0	0	0	0
Postage, Printing and Papers	V	0.3%	1,742	2,004	2,004	2,164
Rates and Land Tax	F	0.6%	3,217	3,699	3,699	3,995
Relief Management Contract	F	0.0%	0	0	0	0
Repairs and Maintenance	V	5.1%	26,459	30,428	30,428	32,862
Capital Replacements	V	0.0%	0	0	0	0
Security	F	0.0%	0	0	0	0
Research & Development	F	0.0%	111	128	128	138
Staff Amenities, Uniforms, Training	F	0.1%	332	382	382	413
Licences, Registrations & Permits	F	14.1%	73,864	84,943	84,943	91,739
Superannuation-Management-Owners	F	0.3%	1,665	1,915	1,915	2,068
Superannuation-Employees	V	2.5%	13,128	15,097	15,097	16,305
Telephone and Fax	V	2.1%	11,007	12,658	12,658	13,670
Wage Breakdown	V	2.7%	14,283	16,425	16,425	17,739
Wages Housekeepers exc Laundry	V	0.0%	0	0	0	0
Wages Housekeepers inc Laundry	V	10.7%	55,935	64,325	64,325	69,471
Wages Restaurant	V	0.0%	0	0	0	0
Wages Management	F	15.2%	79,375	0	0	0
Wages Owners	F	3.4%	18,000	18,000	18,000	18,000
Waste Removal	V	0.6%	3,017	3,469	3,469	3,747
Water Rates	V	0.8%	4,241	4,877	4,877	5,267
Fire System Maintenance	F	0.3%	1,803	2,073	2,073	2,239
Other Additional Entries	0	-6.9%	-36,261	-41,700	-41,700	-45,036

Wage Break-up		
Management	\$79,375.22	13.2%
Relief	\$0.00	0.0%
Grounds-Pool	\$0.00	0.0%
Reception	\$0.00	0.0%
Housekeeping	\$55,935.06	9.3%
Breakfasts	\$0.00	0.0%
Laundry	\$0.00	0.0%
Chef	\$0.00	0.0%
Waitress	\$0.00	0.0%
Functions	\$0.00	0.0%
Other	\$0.00	0.0%
Total	\$135,310.28	22.5%

Freight & Cartage	V	0.2%	1,025	1,179	1,179	1,273
Ground and Pool Maintenance	V	0.4%	2,252	2,590	2,590	2,798
Insurance General	F	2.1%	10,782	12,399	12,399	13,391
Insurance-Workers Comp.	V	1.3%	6,680	7,682	7,682	8,297
Interest	F	0.0%	0	0	0	0
Internet Access & Computer Maint.	V	3.4%	18,005	20,706	20,706	22,363
Legal	F	0.0%	0	0	0	0
Linen Hire	V	2.6%	13,483	15,506	15,506	16,746
Licence Fees and Subscriptions	F	0.5%	2,599	2,988	2,988	3,228
Motor Vehicle and Travelling	V	3.6%	18,819	21,642	21,642	23,374
Pest Control	F	0.0%	0	0	0	0
Postage, Printing and Papers	V	0.3%	1,742	2,004	2,004	2,164
Rates and Land Tax	F	0.6%	3,217	3,699	3,699	3,995
Relief Management Contract	F	0.0%	0	0	0	0
Repairs and Maintenance	V	5.1%	26,459	30,428	30,428	32,862
Capital Replacements	V	0.0%	0	0	0	0
Security	F	0.0%	0	0	0	0
Research & Development	F	0.0%	111	128	128	138
Staff Amenities, Uniforms, Training	F	0.1%	332	382	382	413
Licences, Registrations & Permits	F	14.1%	73,864	84,943	84,943	91,739
Superannuation-Management-Owners	F	0.3%	1,665	1,915	1,915	2,068
Superannuation-Employees	V	2.5%	13,128	15,097	15,097	16,305
Telephone and Fax	V	2.1%	11,007	12,658	12,658	13,670
Wage Breakdown	V	2.7%	14,283	16,425	16,425	17,739
Wages Housekeepers exc Laundry	V	0.0%	0	0	0	0
Wages Housekeepers inc Laundry	V	10.7%	55,935	64,325	64,325	69,471
Wages Restaurant	V	0.0%	0	0	0	0
Wages Management	F	15.2%	79,375	0	0	0
Wages Owners	F	3.4%	18,000	18,000	18,000	18,000
Waste Removal	V	0.6%	3,017	3,469	3,469	3,747
Water Rates	V	0.8%	4,241	4,877	4,877	5,267
Fire System Maintenance	F	0.3%	1,803	2,073	2,073	2,239
Other Additional Entries	0	-6.9%	-36,261	-41,700	-41,700	-45,036
TOTAL EXPENSES:		92.0%	481,909	460,026	460,026	495,388
Add-Backs shown on Profit & Loss - Highlighted Blue		26.1%				

Viability of your motel

Version 59. 23/12/2014

General Items	\$123,633	\$112,394	\$212,384
Other Items	\$69,394	\$63,085	\$133,700
Structural Work	\$226,831	\$206,210	\$482,630
Total:	\$419,857	\$381,689	\$828,714

Replacement & Refurbishment Cost		16 No. of Rooms:		Annual allowance over 30 years:		Print Date:		1/01/2015		Multiple	
2 x 15 Year Cycle Replacement Plan						Inc GST		Exc GST		Allowance	
Based on external laundry service for all linen sheets.											
General Items	QTY	PRICE	Mth Year Installed	Years in Existence	GST	Inc GST	Exc GST	Exc GST			
King or Queen Bed head Timber Veneer finish x 6 times	16	\$332			\$531	\$5,843	\$5,312				\$31,872
Premium King or Queen Bed Ensemble x 6 times	16	\$675			\$1,080	\$11,880	\$10,800				\$64,800
Doona Cover and Doona	0	\$150			\$0	\$0	\$0				
Valances	0	\$65			\$0	\$0	\$0				
Bed Spreads Queen	16	\$264			\$422	\$4,646	\$4,224				
Blankets Queen - Wool (+ spare in cupboard)	48	\$80			\$384	\$4,224	\$3,840				
Blankets Queen - Cotton	16	\$40			\$64	\$704	\$640				
Pillows 700gms Dacron Fill for Queen beds (inc spare)	64	\$13			\$83	\$908	\$826				
Mattress Protectors Queen (+ 25% on hand)	20	\$26			\$52	\$572	\$520				
Single Bed Head Timber Veneer Finish x 6 times	16	\$277			\$443	\$4,875	\$4,432				\$26,592
Premium Single Bed x 6 times	16	\$410			\$656	\$7,216	\$6,560				\$39,360
Bed Spreads Single	16	\$165			\$264	\$2,904	\$2,640				
Blankets Single - wool (+ spare in cupboard)	48	\$60			\$288	\$3,168	\$2,880				
Blankets Single - cotton (+ spare in cupboard)	16	\$31			\$50	\$546	\$496				
Mattress Protectors Single	16	\$11			\$17	\$185	\$168				
Pillows 700gms Dacron Fill for Single beds (inc spare)	32	\$99			\$317	\$3,485	\$3,168				
Trundle Beds (Made up)	0	\$410			\$0	\$0	\$0				
Cot (Made up)	0	\$185			\$0	\$0	\$0				
Towels, Bathmats, Face Washers (per sleeping space + 1)	80	\$22			\$176	\$1,936	\$1,760				
Add some other items	0	\$0			\$0	\$0	\$0				
Single Sheets	0	\$0			\$0	\$0	\$0				
Queen & King Sheets	0	\$0			\$0	\$0	\$0				
Bedside Table Timber finish Powdered Coated Steel Frame	32	\$270			\$864	\$9,504	\$8,640				
Armchair x 5 times	16	\$288			\$461	\$5,069	\$4,608				\$23,040
Coffee Table x 5 times	16	\$190			\$304	\$3,344	\$3,040				\$15,200
Dining Chair x 5 times	48	\$48			\$230	\$2,534	\$2,304				\$11,520
Luggage Rack	16	\$69			\$110	\$1,214	\$1,104				
2 seater Sofa Powder coated base x 5 times	0	\$880			\$0	\$0	\$0				\$0
Blinds or similar	0	\$175			\$0	\$0	\$0				
Sheer Drapes	16	\$315			\$504	\$5,544	\$5,040				
Block out Drapes to suit	16	\$612			\$979	\$10,771	\$9,792				
Bathroom Mirror 600 x1000	16	\$165			\$264	\$2,904	\$2,640				
Timber Floor Lamp and Parchment Shade	16	\$325			\$520	\$5,720	\$5,200				
LCD/Plasma 104cm television with hotel lock	16	\$620			\$992	\$10,912	\$9,920				
TV Wall Bracket	16	\$88			\$141	\$1,549	\$1,408				
DVD Player (Blue-ray)	16	\$190			\$304	\$3,344	\$3,040				
Kettle	16	\$25			\$40	\$440	\$400				
Toaster (2 Slice)	16	\$25			\$40	\$440	\$400				
Iron, Steam & Dry	16	\$25			\$40	\$440	\$400				
Ironing board with scotch guard cover	16	\$40			\$64	\$704	\$640				
84L bar fridge	16	\$290			\$464	\$5,104	\$4,640				
Hair dryer	16	\$28			\$45	\$493	\$448				
Clock radio with iPod socket	16	\$29			\$46	\$510	\$464				
Total of General Items		\$8,011			\$11,239	\$123,633	\$112,394				\$212,384
Other Items:					GST	Inc GST	Exc GST				
Water Tumblers per sleeping space, Water Jugs,	16	\$12			\$19	\$211	\$192				
Waste Paper Baskets	16	\$16			\$26	\$282	\$256				
10L Toilet Tidy Flat Lid White	16	\$10			\$16	\$175	\$159				
Consumables, Soap, Shampoo, Tea, Coffee & Sugar	16	\$5			\$7	\$81	\$74				
Wall Prints	32	\$95			\$304	\$3,344	\$3,040				
Wall Mirror (minimum size 1200mmx450mm)	16	\$128			\$205	\$2,253	\$2,048				
Office Desk	0	\$290			\$0	\$0	\$0				
Office Chairs	0	\$86			\$0	\$0	\$0				
Desk Lamp	0	\$28			\$0	\$0	\$0				
Compendiums	16	\$26			\$42	\$458	\$416				
Coat Hangers	96	\$2			\$19	\$206	\$187				
Accessory Pack, Coffee Cups, Wine Glasses, Opener etc.	16	\$15			\$24	\$260	\$236				
Cupboard matching, Bed & Side Tables x 3 times	X 16	\$1,680			\$2,688	\$29,568	\$26,880				\$80,640
Electronic Safe	16	\$115			\$184	\$2,024	\$1,840				
Door Mats	16	\$25			\$39	\$431	\$392				
Commercial 21kg Front Loading Washing Machine x 2 times	X 2	\$7,600			\$1,520	\$16,720	\$15,200				\$30,400
Matching Dryer (Motel) x 2 times	X 2	\$4,900			\$980	\$10,780	\$9,800				\$19,600
Guest Washing Machine x 4 times	X 1	\$480			\$48	\$528	\$480				\$1,920
Guest Dryer x 4 times	X 1	\$285			\$29	\$314	\$285				\$1,140
Reception & Office set up	X	\$0			\$0	\$0	\$0				
Sundry Items in the room	16	\$100			\$160	\$1,760	\$1,600				
Total of other items		\$15,897			\$6,309	\$69,394	\$63,085				\$133,700
Major Refurbishment & Replacements					GST	Inc GST	Exc GST				
Add Tiled entry areas & common area, Carpet & Light Fittings	X 16	\$1,240			\$1,984	\$21,824	\$19,840				\$59,520
Split Air conditioners (All Areas) x 3 times	X 42	\$985			\$4,137	\$45,507	\$41,370				\$124,110
Bathroom Renovation x 2 times (once every 15 yrs)	X 16	\$8,500			\$13,600	\$149,600	\$136,000				\$272,000
Restaurant/Conference Set Up, seating of 50/30		\$0			\$0	\$0	\$0				\$0
Internal/External Painting of Building x 3 times	X	\$9,000			\$900	\$9,900	\$9,000				\$27,000
Add some other items		\$0			\$0	\$0	\$0				
Add some other items		\$0			\$0	\$0	\$0				
Total of Structural Improvements					\$20,621	\$226,831	\$206,210				\$482,630
Grand Total:	X	Capital items replaced more than once			\$38,169	\$419,857	\$381,689				\$828,714

Viability of your motel

Finance

DEBT ASSESSMENT

Tuesday, 23 December 2014

Motel: **Aston Hill Motor Lodge Port Macquarie**

Version 59. 23/12/2014

This page assesses what it will cost to either to refinance or obtain finance to purchase a motel.

When you see a little red triangle in the top right-hand corner of a figure or statement there is a message or instruction

Place the details of the Bank you have selected.

Bank:	Contact:	Phone:	Email Link:
ANZ:			
NAB			
Westpac			
St. George			
CBA			
Enter Other			

This is information supplied to assist you in managing finance of a motel business and know what limits to borrow.
Under no circumstance can this information be relied upon as advice. Only accredited Bank Personnel can provide this advice.

The following information is gathered from the information you have inserted into the program which applies logic from Motel Industry Benchmarks collected from motel sales over the past 18 years.

Motel: Aston Hill Motor Lodge Port Macquarie
Report is for: Demonstration purposes

Leasehold Title Motel without a Restaurant
 No of Rooms: 16 Financial Statement 2014
 Freehold Yield: 12.0% Leasehold Yield: 28.0%

Capitalised Value of Motel Sections:	
Freehold Motel & Business	\$2,452,432
Leasehold Business:	\$578,073
Freehold Investment:	\$1,874,358

Profit & Loss Statement as per source document 2014		
Total Income:	\$523,788	100.0%
Less Goods Sold	\$22,760	4.3%
Gross Profit	\$501,028	95.7%
Less Operating Expenses	\$481,909	92.0%
Net Profit as FH net profit	\$19,119	3.7%
Return Add-backs	\$275,172	52.5%
Adjusted FH Net Profit	\$294,292	56.2%
Less Rent	\$135,000	25.8%
Net profit after rent as LH net profit	\$159,292	30.4%

To calculate the Leasehold worth of the Motel Business the rent has been assessed as 45% of the Freehold Net Profit which is calculated at \$132,431

The Freehold investment shows a net return of 7.1% on a rental of \$132,431 per annum.

Now that you have this information you can financially assess the motel's ability to assist you meet the repayments of a mortgage.

Tip: Use the Tab key to page down through the figures to add or change values.

Loans available on generic Loan Value limits	Funds Available	Interest Payable
Freehold Motel & Business	\$1,716,702	\$111,586
Leasehold Business:	\$289,037	\$18,787
Freehold Investment:	\$1,312,051	\$85,283

The above Loan to Valuation Ratio (LVR) can be adjusted to meet each Bank's level.

The indicative Interest Rate from Input Tab 6.5% to calculate the annual interest component of the loan

The level you take your loan commitment will depend on your financial position which the Bank will assess & agree upon with an interest rate in accordance to how they assess the risk.

Finance

Motel Assist and its associates advise that this information is given in the best interests from the research that has been done within the Motel Industry. It is information only and cannot be construed as advice. **Seek independent advice from professional people at all times.**



Tuesday, 23 December 2014

Finance

Where you see a box like this you can add or modify data

DEBT MANAGEMENT

Now that you have assessed your potential debt liability, once committed you have to manage it with the foremost plan to have enough income residue to be able to REDUCE THE MORTGAGE

Acquisition of a Freehold Motel and Business:

Asking Price:	
Acquisition Costs:	\$0
Stock and 1st 3 month reserve:	\$0
Funds Required:	\$0
Mortgage Available:	\$1,716,702
Cash Required:	-\$1,716,702

Interest payable: \$111,586 Per Annum Monthly Payment
Principal & Interest for [] years:
Principal in the 1st Year:
Interest in the 1st Year:

Total Repayments:

Acquisition of a Leasehold Motel Business:

Asking Price:	
Acquisition Costs:	\$0
Stock and 1st 3 month reserve:	\$0
Funds Required:	\$0
Mortgage Available:	\$0
Cash Required:	\$0

Interest payable: \$18,787 Per Annum Payment
Principal & Interest for [] years:
Principal in the 1st Year:
Interest in the 1st Year:

Total Repayments: \$0

Capitalised Worth on the rent paid: \$0

calculated on the rent shown in the yellow box on a yield of 28.0%

Acquisition of a Freehold Motel Investment:

Asking Price:	
Acquisition Costs:	\$0
Funds Required:	\$0
Mortgage Available:	\$0
Cash Required:	\$0

Interest payable: \$85,283 Per Annum
Remember the Building Depreciation allowance is 4%
Return on Investment on Total Acquisition Cost: 0.0%
Return on Investment on asking price: 0.0%

Refinance existing Mortgage: Total Funds to Borrow: [] Nominated Interest Rate 6.5%

The focus here is what you are paying in "real interest" with the additional funds borrowed, which is set out below.

Current Interest Paid:	\$0
Additional Interest:	0
Loan Account Fees:	
Other Bank Account Fees:	

Modified Profit & Loss with Interest Adjustment 2014		
Total Income:	\$523,788	100.0%
Less Goods Sold	\$22,760	4.3%
Gross Profit	\$501,028	95.7%
Less Interest	\$111,586	21.3%
Less Other Expenses	\$481,909	92.0%
	\$593,495	0.0%
Net Profit as FH net profit	-\$92,466	3.7%
Return Add-backs Less Interest	\$275,172	52.5%
Adjusted FH Net Profit	\$182,706	56.2%
Allow additional P&I	\$0	\$182,706

(Cash in Hand)

Modified Profit & Loss with Interest Adjustment 2014		
Total Income:	\$523,788	100.0%
Less Goods Sold	\$22,760	4.3%
Gross Profit	\$501,028	95.7%
Less Interest	\$18,787	0.0%
Less Other Expenses	\$481,909	0.0%
	\$500,696	95.6%
Net Profit as FH net profit	\$332	0.1%
Return Add-backs Less Interest	\$275,172	52.5%
Adjusted FH Net Profit	\$275,504	52.6%
Less Rent 0.0% of FH N/P		0.0%
Net profit after rent as LH net profit	\$275,504	52.6%
Allow additional P&I	\$0	\$0 Cash

Profit & Loss Statement as per source document 2014

Total Income:	\$523,788	100.0%
Less Goods Sold	\$22,760	4.3%
Gross Profit	\$501,028	95.7%
Less Interest	\$0	0.0%
Less Other Expenses	\$481,909	0.0%
	\$481,909	92.0%
Net Profit as FH net profit	\$19,119	3.7%
Return Add-backs Inc Interest	\$275,172	52.5%
Adjusted FH Net Profit	\$294,292	56.2%
Less Rent 0.0% of FH N/P	\$0	0.0%
Net profit after rent as LH net profit	\$294,292	56.2%

Note: When the rent ratio to Freehold Net Profit exceeds 47% further investigation is recommended to establish why the rent is above an accepted Industry Benchmark.

Adjusted Net Profit	Freehold	\$294,292
	Leasehold	\$294,292
	Investment	\$0

Total Interest Costs: \$0 equates to an annual interest rate of 0.00%



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Viability of your motel

Know Industry Trends

This page only applies to Leasehold Motels

Tuesday, 23 December 2014

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It is accepted as a rule that managers, leasehold motel operators move on about every three years to five years.

If you are purchasing or selling a lease you must consider the ramifications of this transition occurring.

I will discuss and set out below what happens when a Leasehold operator reaches the time to on-sell their lease. If the motel operation is in difficulty expect the following ramifications.

1. Net profit is maximised as much as possible, which reduces the likelihood of expenditure on maintenance items.
2. A lower yield is sort below the accepted Industry benchmark.
3. A higher rent ratio is justified as a normal occurrence due to the property being exceptional.

Within this program we have recommended Benchmarks which will place the business operation in a viable position to meet typical operating expenses and mortgage commitments.

Say, in three years the Leasehold Motel Business was on-sold to people entering the Motel Industry for the first time where they may not be aware of the above ramifications. You cannot afford to be in this position.

It usually takes 12 months for the second Lessee to realise that they paid too much for the business due to experiencing higher than normal maintenance costs. Resulting in a reduced net profit because the lease was out of sync due to the higher annual lease payments. Finally it is established that the capitalised value of the business has dramatically reduced.

The Lessor's Position:

1. Originally sold the lease on a fair and equitable structure in accordance with Motel Industry Benchmarks.
2. The Leasehold Business is on the market being out of sync with acceptable Motel Industry Benchmarks.
3. This can become a very stressful situation.

It is imperative that all parties have the ability to recognise a balanced financial structure of a motel business and know when these parameters are out of synchronisation.

Recommendation:

In NSW when you decide to sell a Leasehold Motel Business consult with a Solicitor who has a wide knowledge of the situations that occur as described above.

Refer to tabs **[Capital Cost]** **[Valuation-Yield]** **[Lease-Extension]**

Within these tabs are examples of typical expenditure of a motel business over a 30 year period, use these figures to apply a contribution within a Maintenance Fund Levy and apply a rental calculation method as a % of Turnover.

Most Important:

Recommend to your Solicitor that as a condition of the lease, the Lessee supply you annually a certified Profit & Loss statement submitted to the Australian Taxation Office. This allows you to monitor the viability of the motel business.

Overview of Current Figures:

Total Income:	\$523,788	100.0%
Less Goods Sold	\$22,760	4.3%
Gross Profit	\$501,028	95.7%
Less Operating Expenses	\$481,909	92.0%
Net Profit as FH net profit	\$19,119	3.7%
Return Add-backs	\$275,172	52.5%
Adjusted FH Net Profit	\$294,292	56.2%
Less Rent	\$135,000	25.8%
Net profit after rent as LH net profit	\$159,292	30.4%
Rent as a percentage of Freehold Net Profit:	45.87%	

Capitalised Value of Business \$530,973

Know Industry Trends



Leasehold Title Motel without a Restaurant

Tip: Tab down the page to find entry boxes

Valuation Logic

When a Freehold is nominated rental assessments are not shown

Tuesday, 23 December 2014

All figures quoted are exclusive of GST if applicable

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In this area we are going to look logically at what a motel operation is. If the motel is a freehold the Lease Buy Back figures will not appear

You have three titles:

- 1. Freehold** - being the Freehold land & improvements plus the motel business including plant fixtures & fittings
- 2. Leasehold** - being the business of the motel including plant fixtures and fittings
- 3. Freehold Investment** - being the land & improvements

The valuation process is explained [Valuation Explanation](#)

This conventional way of valuation capitalises the value of the both the Freehold & Leasehold titles including goodwill at a generic benchmark percentage for Freehold being 16% of net profit and Leasehold at 30% and the Freehold Investment 9%.

The Freehold investment is the difference in the capitalised values of the Freehold and Leasehold titles.

Lets analyse this motel.

Motel: **Aston Hill Motor Lodge Port Macquarie**
Title: **Leasehold Title**
Operation: **Motel without a Restaurant**

Capitalised Value: Yield: 28% **\$568,899**
Freehold Net Profit: **\$294,292**
Leasehold Net Profit: **\$159,292**
Current Rental: 45.9% of net **\$135,000**
Maximum Rental at 47% of FH Net Profit: **\$138,317** *Check Only*
Number of years remaining in the lease: **30**
Number of years required to purchase:

Based on Current Rental Paid

Years Left	Assessed Worth	Yield
1	\$0	PFF
2	\$191,918	83%
3	\$218,208	73%
4	\$252,844	63%
5	\$300,551	53%
6	\$331,858	48%
7	\$419,189	38%
8	\$430,518	37%
9	\$430,518	37%
10	\$430,518	37%
11	\$442,477	36%
12	\$442,477	36%
13	\$442,477	36%
14	\$455,119	35%
15	\$455,119	35%
16	\$455,119	35%
17	\$468,505	34%
18	\$468,505	34%
19	\$482,702	33%
20	\$482,702	33%
21	\$497,787	32%
22	\$513,844	31%
23	\$530,973	30%
24	\$530,973	30%
25	\$549,282	29%
26	\$568,899	29%
27	\$568,899	29%
28	\$568,899	28%
29	\$568,899	28%
30	\$568,899	28%

Selling Difficult
Financing Difficult

The most controversial area is the worth of buying back years in the lease which is the backbone of a Leasehold Motel

Calculate the worth of extending your lease.

Place here the value of your current year shown in the report above: 30
The number of years you have nominated to purchase will appear here: 0 30
Amount to pay for the period of lease **\$0** equating to \$0 per annum
paid as an increased rental for duration of the lease. New Annual rental will now be \$0 per annum
increasing the ratio to 0.0% of the Freehold Net Profit.

On completion of the lease the Landlord pays the Lessee	
Value of Plant Fixtures & Fittings	\$0 Subject to valuation
Goodwill is calculated on years left in lease	\$0 Not applicable if lease expired
Net Value of Goodwill less PF&F	\$0

Note: The value of the Plant Fixtures and Fittings is usually subject to a valuation and if those items are run down and in poor condition it is likely that they will not be worth much.

In this case we have assumed that the lease has incorporated a Sinking Fund maintaining the up keep of the Plant Fixtures & Fittings.

Valuation

Note on Value of Plant, Fixtures & Fittings:	
Value shown in "Replacement Cost"	\$0
When valued allow 35% of this value	\$0
Amount per room is	\$0

Go to [Replacement value Tab](#) to understand calculation



Yield Logic

Motel: **Aston Hill Motor Lodge Port Macquarie**
Leasehold Title
Motel without a Restaurant

We cannot determine the yield of a motel business or investment. This is determined by the market and many other factors that I will make you aware of.

I have been in the real estate arena for over 30 years and know to sell a business or real estate you have to meet the market.

Motels are assessed on what is called the Capitalisation method whereby the value is calculated on a percentage return of net profit of the motel business called the yield.

This is where knowing your yield is paramount.

The best avenue to obtain a yield for a particular area is from a Motel Broker or Valuer who are well versed in knowing comparative sales and yields applied.

There are other factors to consider:

1. Location say, city, coastal or Inland
2. Condition of the property
3. Length of lease
4. Where it is in the 10 year maintenance & refurbishment cycle
5. Design metrics or age of the building
6. Title, being Freehold, Leasehold or Investment Freehold.

In this program we have placed two generic yields for the initial assessment of the capitalised worth of the motel.

Freehold 16%

Leasehold 30%

As a guide Freehold returns range from 12% in prime city and coastal areas to 19% inland.

Leaseholds are not influenced as much in the bottom end of the yield percentage because there is no capital growth.

So the range is more influenced on the condition of the property. The yield ranges from 26% in popular areas and up to 38% in not so popular areas. Yield is also dependant on the term left in the lease.

Quick assessment on your motel by changing the generic yield given in this program.

Current Capitalised Value as shown on the Analysis page

Your Assessment - from Input P&L page			
Basic Analysis no restaurant		74.3% Occupancy	
Actual Turnover:	\$523,788 100%	\$120.74 ADR	
Actual Expenses:	\$229,496 43.8%	Add-backs/Ons included	
F.H. Net Profit:	\$294,292 56.2%	of Freehold Net Profit	
Rent:	\$135,000 45.9%		
L.H. Net Profit:	\$159,292 30.4%		
		Net Yield	Assessed Price
Capitalised value of Freehold Motel	12.00%		\$2,452,432
Capitalised value of Leasehold Motel	28.00%		\$568,899

About Your Assessment
By changing the yields on this page the assessed price changes.

This assessment is a duplicate of what appears on the [Analysis] page.

To understand this motel's operation you must go to the [Analysis] page & study the content of your input.

Your Assessment - from Input P&L page			
Basic Analysis with a restaurant		Occupancy	
Actual Turnover:	\$0 100%	ADR	
Actual Expenses:	\$0	Add-backs/Ons included	
F.H. Net Profit:	\$0	of Freehold Net Profit	
Rent:	\$0		
L.H. Net Profit:	\$0		
		Net Yield	Assessed Price
Capitalised value of Freehold Motel	12.00%		\$0
Capitalised value of Leasehold Motel	28.00%		\$0



Leasehold Title

Motel without a Restaurant

Tip: Tab down the page to find entry boxes

Tip: See this triangle in box - more instructions

Lease-Extension

When a 0 years in "Years Remaining on Lease" program is dormant

Aston Hill Motor Lodge Port Macquarie

16 Units

Data applied from an article in the December 2013 edition of Resort Brokers magazine Informer.

The data was created and formatted by

Holman's, Accounting & Taxation

Resort Brokers

Hillhouse Burrough McKeown, Lawyers

<http://www.holmans.com.au/>

<http://resortbrokers.com.au/>

<http://www.hillhouse.com.au/>

[Click here](#) to download, read and understand the article before placing data in the boxes.

Short Term Lease Valuation

Motel Input Data:

Years Remaining on Lease

30 **Program is Active**

Adjusted Leasehold Net Profit

\$159,292 **If the program is not active go to Input and add the remaining years of the lease.**

Capitalisation Percentage on Net Profit

28%

Estimated Value of Chattels per unit

\$0

Calculate the adjusted net profit of Leasehold business applying Industry Benchmarks.

Value of New Lease a period of 30 years	\$568,899	[Full Lease Value BASED ON ABOVE CAPITLISATION RATE]
Less Value of Chattels	\$0	
Goodwill Value of Lease, less the chattels	\$568,899	
Divide by original lease term [] years	\$0	
Multiply by lease extension [] years	\$0	
Apply 45% to establish the lease premium of	\$0 for the period of 0 years	
This means the annual lease premium will be	\$0	

Establish value of extending a lease for a term less than desired: Years remaining [] within the lease

You may have to settle for a lessor period due to the Landlord not wishing to extend the lease for personal reasons. For you to purchase or extend the lease you must establish that the motel business has growth potential and minimal upkeep for the duration of the lease. In other words you are going to milk the business dry to the end of the lease.

Up until now Buyers and Financiers have been nervous on acquiring short term leases, but now with this formula in place the logic of working the last years of a lease can be quite profitable. [Click here](#) to study this logic in detail.

Method of Calculation:

Value of New Lease a period of 30 years	\$568,899	[Full Lease Value BASED ON ABOVE CAPITLISATION RATE]
Divide lease value by the 0 remaining which =	#DIV/0!	being extra profit earned or amount lease is depreciating PA
Establish true net profit by subtracting #DIV/0!	from the current net profit of \$159,292	
This will leave you with an adjusted net Leasehold net profit of	#DIV/0!	
Now you can establish the capitalised worth of the business at	#DIV/0!	being 28% capitalisation rate
This exercise is to establish what surplus funds you will earn over the remaining years of the lease.		
Amt Earned #DIV/0! over 0 years less the value of the Leasehold business being chattels only	\$0.00	
SUPRLUS EARNED #DIV/0! add chattels \$0	total return being #DIV/0!	

Further Explanation:

I would not expect a first time operator to venture down this path as it is a calculated risk and requires a person who has experience in the Industry who can evaluate what their expertise could earn them over the short term. If the remaining lease years exceed 10 years you have the advantage of injecting capital into the business to earn extra returns due to being able to write off the improvements over the remaining period of the lease. Again, a calculation required by an experienced operator.

I trust this page assists you in understanding the complexities within the Leasehold title of motels.



Investment

Understanding Leases

Aston Hill Motor Lodge Port Macquarie

Leasehold Title

Motel without a Restaurant

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Motel leases are long term leases of up to 30 years and can be a predicable long term source of income if structured and managed properly.

In most leases the landlord is liable for structural repairs to the building, sewerage, water lines & gutters. Due to the length of the lease the Lessee pays for everything else similar to being a Freehold owner.

When purchasing an Investment Motel Freehold careful consideration must be given to the condition of the property and to where it is in the 10 year maintenance cycle. The conditions of the lease are just as important because it is the long term guarantee of the rental income.

Refer to the Capital Cost Tab where a percentage allowance of 3.3% has been allowed

We are focusing on motels in the Eastern States of Australia and each State has its legislation on how a Solicitor must prepare the document. In NSW there is no Government legislation, so it is important to have the lease assessed by a competent Solicitor who has a strong knowledge of the Motel Industry

Returns range from 8.5% to 10% on viable motels less the obligations as stated in the second paragraph.

If you are an owner deciding to create an Investment property it is imperative that you seek legal advice to prepare a lease that is fair and just in this difficult market. Provision must be made to include a sinking fund to allow for capital expenditure in accordance with the 10 year Capital Cost program.

Calculating a fair rental for a lease it is recommended for the rental not to exceed 45% of the Freehold net profit in the first year of the lease. The Profit and Loss report is to be in an approved format and form an annexure to the lease. Once the lease is in existence the onus is on the lessee to keep the percentage under 47% of the Freehold net profit.

It is also prudent to include a clause that the Lessee provide each month with the rental payment the preceding months revenue of the motel. Plus, most importantly furnish a Profit & Loss annually.

A quick assessment of this motel is as follows

Total Revenue:	501,028	100%	
Expenditure:	<u>481,909</u>	96%	
Freehold Net Profit:	19,119	4%	
Add-Backs:	<u>275,172</u>	55%	To see breakdown of Add-Backs go to Results tab
Adjusted FH Net:	294,292	59%	
Rental:	<u>135,000</u>	27%	Rental is 45.87% of the freehold Net Profit
Leasehold Net Profit:	<u>159,292</u>	32%	

The Investment price should be \$1,883,532 annual rental is \$135,000 giving a net return of 7.17% per annum in the first year. Always check to see if there is a 4% Building Allowance on the asset
(The Investment price is the difference between the Freehold and Leasehold price.)

Finally please study the **Rent Creep** page which you must be aware of on how to maintain a profitable and secure motel investment.

Regards,
Russ Dodson

Motel Assist and its associates advise that this information is given in the best interests from the research that has been done within the Motel Industry. It is information only and cannot be construed as advice. Seek independent advice from professional people at all times.

This area is available to assess purchasing & selling parameters

It is quite possible you may require assistance to understand the ratios and why they occur. For now try and understand the logic on the understanding you possess and continue through the report..

Once I pledge to assist you in the purchase or preparation for the sale of a motel business there are two initial areas you need to consider and enter into the boxes below.

Amount to spend or sale price allowing for \$6,000 acquisition costs and \$4,000 for selling costs Asking or Sale Price:
 What region or town do you want to live in [click here to view Motel Brokers](#) Finance Available:
 Once you have discussed those parameters with your partner, contact a Motel Broker from our panel of participating Brokers. Cash Required:
 To assist you with your preparations [click here for inspection sheet](#) [click here for 5 comparisons program](#)

Input details, from the P&L which have been entered as **Leasehold Title Motel without a Restaurant** you will expect a net profit of **\$0** (If a zero here add spend/sale price)
 I have transposed below the comparisons from the Analysis page for you to compare. The net profit from your input Profit & Loss page is **\$159,292** and my adjustment page **\$161,860**
 Whether your buying or selling you must present the motel business in its best light. A concise accurate appraisal of your motel business will streamline the purchasing and sale process.
 To operate a business successfully I direct you to a link from a high profile liquidator who over his many years has put together 14 points that bring a business down. [Never forget this](#)
 Yours sincerely, Russ Dodson

1. Motel without a Restaurant

Template Assessment		
Basic Analysis		
Turnover:	\$523,787.00	100.00%
Expenses, Add-Backs included:	\$251,417.76	48.00%
F.H. Net Profit:	\$272,369.24	52.00%
Rent:	\$122,566.16	23.40%
L.H. Net Profit:	\$149,803.08	28.60%

2. Your Assessment from Input P&L Page		
Basic Analysis no restaurant		
Assessment from figures inserted in P&L		
Actual Turnover:	\$523,787.72	100.00%
Actual Expenses:	\$229,495.93	43.81%
F.H. Net Profit:	\$294,291.79	56.19%
Rent:	\$135,000.00	25.77%
L.H. Net Profit:	\$159,291.79	30.41%

Once you have digested these comparisons we will make some sense of the Add-Backs and Add-ons which, can become quite complicated. I will try and make it easier for you.
 In some cases the Add-back parameters get out of sync due to the differences in the operation style of the motel. Below I will go through each of the entries and place what I consider to be fair benchmark percentage for this motel.

Once I have completed this you can view my assessment shown as No. 3 in the same layout as above.

Comment:

Remember, you are not valuing the motel yet. You are seeking abnormalities to the figures and add-backs submitted to you by the owner and Motel Broker. The capitalised market assessment will fall into place when you adjust the figures to what you consider to be reasonable for the age of the motel. If there is a considerable difference that is when the negotiation begins.

Income		
Accommodation	\$650,253.52	124.144%
Breakfast	\$0.00	0.000%
Goods for own use	\$0.00	0.000%
Restaurant figures not required	\$0.00	0.000%
Beverage figures not required	\$0.00	0.000%
Conference inc Food & Beverage	\$0.00	0.000%
Telephone	\$0.00	0.000%
Minibar	\$0.00	0.000%
Additional Entries	-\$126,465.80	-24.144%
Internet	\$0.00	0.000%
Total Income	\$523,787.72	100.000%

3. My Assessment by adjusting the Add-backs

Basic Analysis no restaurant		
Assessment from figures inserted in P&L		
Actual Turnover:	\$523,787.72	100.00%
Actual Expenses:	\$229,495.93	43.81%
F.H. Net Profit:	\$294,291.79	56.19%
Rent:	\$132,431.30	25.28%
L.H. Net Profit:	\$161,860.48	30.90%

Expenses:	Benchmark Percentage	Add-Back or Add-On 2014	Industry Benchmark	Analysis			
				Actual %	Adj %	Change	Reason
Breakfasts	\$18,254.69	40.000%	\$0.00	0.000%			
Restaurant figures not required	\$0.00	33.000%	\$0.00	0.000%			
Beverage figures not required	\$0.00	30.000%	\$0.00	0.000%			
Minibar	\$4,504.82	33.000%	\$0.00	0.000%			
Additional Entries	\$0.00	0.000%	\$0.00	0.000%			
Conference inc Food & Beverage	\$0.00	31.000%	\$0.00	0.000%			
Total Cost of Sales	\$22,759.51	0.000%	\$0.00	0.000%			
Gross Profit	\$501,028.21	0.000%	\$0.00	0.000%			
Profit & Loss Entry							
Less-Expenses							
Accountancy	\$1,250.00	0.000%	-\$1,250.00	\$2,500.00	0.2386%		Broker add-on to meet static fee estimate of \$2,500 per annum
Advertising & Research	\$10,780.32	1.000%	\$5,542.44	\$5,237.88	2.058%		Spent on an experiment of worth of a road sign - not viable
Bank Charges	\$415.45	0.079%	\$0.09	\$415.36	0.079%		
Credit card & Eftpos Charges	\$5,463.16	1.043%	\$0.05	\$5,463.11	1.043%		
Cable or Foxtel TV	\$7,519.74	1.436%	\$0.24	\$7,519.50	1.436%		
Chain Fees	\$7,800.00	1.489%	-\$0.25	\$7,800.25	1.489%		
Cleaning contracts	\$0.00	0.000%	\$0.00	\$0.00	0.000%		
Cleaning chemicals inc laundry	\$3,955.87	0.755%	\$0.23	\$3,955.64	0.755%		
Comm to Internet Booking Agents	\$9,709.69	1.854%	\$0.24	\$9,709.45	1.854%		
Compliance to Ordinances	\$0.00	0.150%	-\$785.68	\$785.68	0.000%		
Consumables	\$9,621.44	1.837%	-\$0.02	\$9,621.46	1.837%		
Depreciation Plant	\$37,928.72	0.000%	\$37,928.72	\$0.00	7.241%		Removed and replaced with another percentage
Administration Charges	\$15,000.00	0.000%	\$15,000.00	\$0.00	2.864%		Owner cost
Electricity	\$14,032.43	3.560%	-\$4,614.41	\$18,646.84	2.679%		Difference when electricity rebate finishes in December 2016
Gas & Oil	\$12,638.79	2.413%	-\$0.21	\$12,639.00	2.413%		
Filing Fees	\$230.00	0.044%	\$0.06	\$229.94	0.044%		
Freight & Cartage	\$1,025.31	0.196%	\$0.26	\$1,025.05	0.196%		
Ground and Pool Maintenance	\$2,252.44	0.430%	\$0.15	\$2,252.29	0.430%		
Insurance General	\$10,781.76	2.058%	\$0.11	\$10,781.65	2.058%		
Insurance-Workers Comp.	\$6,680.11	1.180%	\$4,853.88	\$1,826.23	1.275%		Adjusted - Managers & Owners portion of premium
Interest	\$0.00	0.000%	\$0.00	\$0.00	0.000%		
Internet Access & Computer Maint.	\$18,005.47	0.950%	\$13,029.49	\$4,975.98	3.438%		Adjusted due to owners IT involvement with the Industry
Legal	\$0.00	0.000%	\$0.00	\$0.00	0.000%		
Linen Hire	\$13,483.31	2.574%	-\$0.03	\$13,483.34	2.574%		
Licence Fees and Subscriptions	\$2,598.68	0.200%	\$1,551.10	\$1,047.58	0.496%		
Motor Vehicle and Travelling	\$18,819.26	0.000%	\$15,819.26	\$3,000.00	3.593%		Assessed standard of motel expenses
Pest Control	\$0.00	0.080%	-\$420.08	\$420.08	0.000%		
Postage, Printing and Papers	\$1,742.27	0.333%	\$0.15	\$1,742.12	0.333%		
Rates and Land Tax	\$3,216.79	0.614%	\$0.21	\$3,216.58	0.614%		
Relief Management Contract	\$0.00	1.210%	-\$6,356.00	\$6,356.00	0.000%		Accepted minimum for relief management
Repairs and Maintenance	\$26,459.03	2.000%	\$15,983.28	\$10,475.75	5.051%		Apply 2% in this calculation - refer to notes [Total allowance 5.29%]
Capital Replacements	\$0.00	3.295%	-\$17,257.00	\$17,257.00	0.000%		As per replacement percentage shown in program
Security	\$0.00	0.500%	-\$2,618.94	\$2,618.94	0.000%		
Research & Development	\$110.89	0.200%	-\$936.69	\$1,047.58	0.021%		
Staff Amenities,Uniforms,Training	\$332.29	0.200%	-\$715.29	\$1,047.58	0.063%		
Licences, Registrations & Permits	\$73,863.59	0.000%	\$73,863.59	\$0.00	14.102%		Owner Cost
Superannuation-Management-Owners	\$1,665.00	0.000%	\$1,665.00	\$0.00	0.318%		
Superannuation-Employees	\$13,127.83	1.720%	\$4,120.78	\$9,007.05	2.506%		Adjusted - Managers & Owners portion of premium
Telephone and Fax	\$11,006.70	2.101%	-\$0.18	\$11,006.88	2.101%		
Wage Breakdown	\$14,282.76	0.000%	\$14,282.76	\$0.00	2.727%		Internal wages required by owner to operate other businesses
Wages Housekeepers exc Laundry	\$0.00	0.000%	\$0.00	\$0.00	0.000%		
Wages Housekeepers inc Laundry	\$55,935.06	10.679%	-\$0.23	\$48,048.00	10.679%		
Wages Restaurant	\$0.00	0.000%	\$0.00	\$0.00	0.000%		
Wages Management	\$79,375.22	0.000%	\$79,375.22	\$0.00	15.544%		Owner Cost
Wages Owners	\$18,000.00	0.000%	\$18,000.00	\$0.00	3.437%		Owner Cost
Waste Removal	\$3,016.53	0.576%	\$0.04	\$3,016.49	0.576%		
Water Rates	\$4,240.93	0.000%	\$0.00	\$0.00	0.810%		
Fire System Maintenance	\$1,803.00	0.344%	\$0.12	\$1,802.88	0.344%		
Other Additional Entries	-\$36,260.94	0.000%	\$0.00	\$0.00	-6.923%		
Add-Back or Add-on			\$275,172.48	Adjusted Add-Back/Add-Ons	\$0.00		
Buy-Sell							



Viability of your motel

Version 59. 23/12/2014

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Rent Creep in Leasehold Titles

Aston Hill Motor Lodge Port Macquarie

Motel without a Restaurant

Tuesday, 23 December 2014

Rent Creep occurs when the rental property suffers from the following situation usually over a period of a few years.

1. The property can command an increase in the room rates
2. Expenditure increases beyond the control of the Lessee
3. The rent increases in accordance with CPI or a predetermined annual percentage amount.

The result is that the rent percentage over Freehold net profit increases. Ideally the rent percentage over Freehold net profit should not exceed 47%. If the percentage exceeds 50% lending institutions become wary knowing that once the spiral commences it is very difficult to keep in check.

If you are inspecting or own a property where the rental percentage is over 50% you will have to investigate the motel very carefully.

In some cases a motel may require major refurbishment to maintain the tariff & if this refurbishment is not carried out the situation worsens. It becomes a very difficult situation if the Lessee cannot afford to carry out the work required due to the revenue decreasing

Below is an assessment of this motel Aston Hill Motor Lodge Port Macquarie

Total Revenue:	501,028	100%	
Expenditure:	<u>481,909</u>	96%	
Freehold Net Profit:	19,119	4%	
Add-Backs:	<u>275,172</u>	55%	
Adjusted FH Net:	294,292	59%	
Rental:	<u>135,000</u>	27%	Rental is 45.87% of the freehold Net Profit
Leasehold Net Profit:	<u>159,292</u>	32%	

This situation affect all three titles and immediate action should addressed to commence the rectification of what action must be taken.

The complexity of the situation increases if a large restaurant is involved which must be analysed separately to establish its ongoing worth to the property.

All I can do here is assist each case individually to establish a common ground for all those involved to rescue the property.

Regards,
Russ

Motel Assist and its associates advise that this information is given in the best interests from the research that has been done within the Motel Industry. It is information only and cannot be construed as advice. **Seek independent advice from professional people at all times.**



Motel Financial Health Check Version 59. 23/12/2014

Refurbishment Loading

Aston Hill Motor Lodge Port Macquarie

Leasehold Title

Motel without a Restaurant

Page 17.

Tuesday, 23 December 2014

In this section we discuss ways to introduce mechanisms to reduce the threat of rent creep within a lease.

To remove the threat of Rent Creep it will be necessary to introduce a form of sinking fund into the motel lease which is reviewed every five years when the lease is renewed.

The complexity of this introduction is that the amount deducted is to be tax deductible or not.

An extension in the lease as a provision for replacements is tax deductible to the Lessee and requires the Landlord to pay income tax in that financial year. However there is provision to write off a depreciating asset costing less than \$6500.00 each.

Capital Replacement Assessment over 15 Years:

The replacement and refurbishment calculations on this motel are \$17,257 per annum.
being 3.29% as a percent of total revenue or \$1,438.08 per calendar month.
For more information on Capital Cost replacements see Tab: **Replacement Cost** below.

The loading or provision is placed in a Bank account styled Capital Cost Provision which is drawn upon by the Landlord & Tenant agreeing upon the amounts to be spent.

APPLYING STRATEGIES

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Definition of Strategy by Wikipedia

A strategy is a plan of action designed to achieve a specific goal.

Motel: Aston Hill Motor Lodge Port Macquarie

Leasehold Title

Motel without a Restaurant

Entry Date:

Thursday, 1 January 2015

Print Date:

Thursday, 1 January 2015

Version 59. 23/12/2014

To be able to improve a business you require three major ingredients

1. Know how & why the business is trading
2. Where is the revenue is coming from - Corporate, Other attractions
3. Study the direction of the business to apply proven ways to make the business perform and grow

The following applications are recommended

1. Analysing the current financial position within the Analysis section of the program
2. Compare proven strategies to the existing working systems.
3. If the existing systems and strategies require upgrading, then apply those strategies
4. Know where the repeat business is coming from. [Goodwill]

Use Worksheets provided:

Go to the Links Tab to select your worksheets

It is most important that you understand RevPAR

If the property is Leasehold Title - **KNOW YOUR LEASE**

Existing Rental ratio 45.87% of Freehold Net profit

Adjusted Rental ratio 42.65% of Freehold Net profit

	From Input		Adjusted	
Actual Turnover:	\$523,788	100%	\$555,215	100%
Actual Expenses:	\$229,496	44%	\$238,676	43%
F.H. Net Profit:	\$294,292	56%	\$316,539	57%
Rent:	\$135,000	26%	\$135,000	24%
L.H. Net Profit:	\$159,292	30%	\$181,539	33%

Our Goal:

Put in place proven systems to increase the turnover by

6%

as shown in the above figures

Ideally at the same time reduce the ACTUAL expenses by at least

2%

refer to results in A-System Tab

Leasehold Title	Based on 28% yield
Motel without a Restaurant	Current Capitalised Value: \$568,899
	Adjusted Capitalised Value: \$648,354
	Increase Capitalised Value by: \$79,455

To be obtained by increasing revenue and reducing expenditure as shown in A-System.

Increases Room Revenue by:	\$31,427	Current rooms sold:	4,338
Increases Net Profit by:	\$22,247	Additional rooms required PA:	260
Existing Occupancy:	74.28%	Additional rooms per month:	22
Increases Occupancy by:	4.46%	Additional rooms per week:	5.0
Increased occupancy will be:	78.74%	Additional rooms per day:	0.7
Average Daily Room Rate:	\$120.74	Total Rooms sold per annum:	4,598

Through the eyes of a Guest

Before we embark on the income and expenditure exercise please assess your motel as a guest would experience it.

Rate: from 1 to 5		Selling Leasehold Business	
Approach:	Easy to Find Great external appearance Attractive grounds	Scale: 1 = Terrible 2 = Below Average 3 = Average 4 = Above Average 5 = Good	The following figures show the increased value of the Leasehold business applying net increase.
Welcome:	Fast Check-In Friendly no trouble approach Accurate reservation performance Spacious clean well appointed reception & public space		Revenue: \$555,215 100% Expense: \$238,676 43% FH Net Profit \$316,539 57% Rent 45% \$135,000 24% LH Net Profit \$181,539 33%
Room Experience:	Clean, fresh and spacious Quiet Comfortable Everything works Quality amenities		Worth \$648,354
Departure:	Quality Breakfast selection Fast accurate check-out Easy to understand account of charges		Freehold Investment Now the Investment portion of the title can be retained. Rent \$135,000 Worth \$1,687,500 Based on a net yield of 8.0%
		Average Score:	0



A-System Work Sheets

All figures below are Exc. GST

Entry Date:

Tuesday, 23 December 2014

Unit One: Structure room types to maximise tariff plus reduce expenses No. Rooms:

Capitalised Worth of Motel: \$568,899 RevPAR: \$89.69 ADR: \$120.74

Tariff Structure Motel: Aston Hill Motor Lodge Port Macquarie

Room Type	Tariff	No.	Notes
Executive	\$99.00	3	
Superior	\$128.00	5	
Prestige	\$138.00	5	
Special Facilities	\$128.00	1	
Family	\$185.00	2	
	\$0.00		
	\$0.00		
	\$0.00		

Profit & Loss Adjustments Add-Backs-Add-Ons

Expense Item to Check	Cost	%	Benchmark	%	Notes
Accountancy Fees	\$1,250	0.2%	\$2,500	0.5%	
Eftpos/Merchant Fees	\$5,463	1.0%	\$5,463	1.0%	
Bank Fees	\$415	0.1%	\$415	0.1%	
Cleaning & Laundry Chemicals	\$3,956	0.8%	\$3,956	0.8%	
Electricity	\$14,032	2.7%	\$18,647	3.6%	
General Insurance	\$10,782	2.1%	\$10,782	2.1%	
Repairs and Maintenance	\$26,459	5.1%	\$15,983	3.1%	
Capital Replacements	\$0	0.0%	-\$17,257	-3.3%	
Interest	\$0	0.0%	Assess	N/A	
Wages Housekeepers exc Laundry	\$0	0.0%	\$0	0.0%	
Wages Housekeepers inc Laundry	\$55,935	10.7%	\$55,935	10.7%	
Wages Management	\$79,375	15.2%	Assess	N/A	
Water Rates	\$4,241	0.8%	Assess	N/A	

Other Cost Areas requiring attention

Promotions:		Internet Structure
Charge-Backs		

Unit Two: Maximise efficiency of Revenue Centres and Online Booking Agencies

Breakfasts:		Conferences
Restaurant		OTA- Online Travel Ag.
Beverage		Trip Advisor
Min-Bar		Booking Channel Mngr

Unit Three: Maximise efficiency of operating systems

Housekeeping Set Up	Notes
Housekeeping System	Notes
In House Laundry	Notes
Conferences & Seminars	Notes
Evening Meals/Snacks	Notes
Restaurant	Seating: <input type="text"/> Notes

A-System Work Sheets



Entry Date:



Tuesday, 23 December 2014

No. Rooms:

Systems to be Implemented to Aston Hill Motor Lodge Port Macquarie

Unit Four: Apply logic to system operations and motel ambience

Current Computer Operating System?

System	Notes
Front Office	
Back Office	
Email & Outlook	
Booking Systems	
Website	

Unit Five: Best Practice Application

Pull up Appeal	
Reception Appeal	
Room Ambience	
Building Presence	
Grounds & Walkways access	

Unit Six: Maximise staff efficiency and training

Reception	
Housekeepers	
Chef	
Restaurant Staff	

Unit Seven: Make sure you have the ten basic facilities all guests expect

What does the guest want? A-Yes B-Not sure C-No **Must be available**

1. **An extremely clean room**
2. Very spacious rooms
3. **Comfortable Bed**
4. **Generous shower**
5. **Excellent TV reception & large TV**
6. **Free Wi-Fi**
7. Functional modern air conditioning
8. Breakfast at a reasonable prices
9. Evening on-site meals available
10. Friendly attentive approach to Guests



To move through the document press the CTRL key

Motel: Aston Hill Motor Lodge Port Mac Motel without a Restaurant Enter Date Tuesday, 23 December 2014

Areas of Control: Legislation compliance is important in pool and fire control by complying with Insurance Company policy ruling.

1. Maintaining front office system which involves keeping market tariff levels and future events
2. Attending book keeping procedures paying accounts
3. Stock Control
4. Directing and training staff in their duties, which includes a comprehensive instruction manual
5. If Leasehold or under management, working with owners on a month to month basis with meetings on progress of the motel

To complete the A-System it will be necessary to become a member of AAoA. [Accommodation Association of Australia]

Revenue Centres:

High Priority

Priority

Accommodation	
Income:	\$650,254
Cost:	
Net:	
Accountable to	
Conferences	
Income:	\$0
Cost:	\$0
Net:	\$0
Accountable to	

Breakfasts	
Income:	\$0
Cost:	\$18,255
Net:	-\$18,255
Accountable to	
Compendium	
Accountable to	

Mini-Bar	
Income:	\$0
Cost:	\$4,505
Net:	-\$4,505
Accountable to	
Promotions	
1	
2	
3	
Accountable to	

Restaurant	
Income:	\$0
Cost:	\$0
Net:	\$0
Accountable to	
Internet - Specials	
1	
2	
3	
Accountable to	

Beverage	
Income:	\$0
Cost:	\$0
Net:	\$0
Accountable to	
Charge-Backs	
1	
2	
3	
Accountable to	

Appearance Centres: Based on how a guest would view the motel

Pull-Up Appeal	
Accountable to	
Terrace	
Accountable to	

Motel Grounds	
Accountable to	
Pool Area	
Accountable to	

Accountable to	
Apartment Patios	
Accountable to	

Motel Rooms	
Accountable to	
All Rooms Monthly Visual	
Accountable to	

Apartment Rooms	
Accountable to	
Quarterly Deep Clean	
Accountable to	

Maintenance & Development Centres

Equipment	
Accountable to	

Motel Grounds	
Accountable to	

Laundry	
Accountable to	

Central Garden	
Accountable to	

Cleaning Rooms	
Accountable to	

Expense Areas

Electricity/Gas/Oil	
Electricity	\$14,032
Gas & Oil	\$12,639
Water	\$4,241
	\$0
Total	\$30,912

Security	
	\$0
Accountable to	

Insurance	
	\$10,782
Accountable to	

Cleaning/Laundry Chemicals	
	\$3,956
Accountable to	

Accountable to	

A-System Worksheets



This page will change as the system matures, so always check the version number at the top of the page to make sure you have the current version.

I will place in order of importance to consider when assessing your own motel or what to look for when purchasing a motel.

1. Location:

It will always be the first area to consider and **never** underestimate this. If you have the best position it will save you thousands every year. eg Aston Hill Motor Lodge does not have highway positioning but it is off a very busy road with strong signage and relies on internet exposure stating a quiet convenient location.

2. Internet Exposure:

Create a website that professionally exhibits your motel.

3. External Pull up Appeal:

First impressions will set the stage for a memorable experience.

4. Prepare your reception:

The reception is very important to have it laid out as an inviting friendly un-cluttered room where you introduce yourself and the guest to your motel. Do not spare any expense in this area.

5. Room Accommodation:

The final resting place is the room which must be in line with the expectations created from the introduction of your sign, internet, pull up appeal and reception.

That's it, get that right and keep it in the fore front of your operation.

Use Worksheets

The surrounding worksheets and links to information will round off your presentation and system structure for a smooth professional profitable operation.

Profile your Motel:

Once you have decided what profile your motel is or going to be we can fine tune the services offered to the Guests.

Profiles:

Holiday location High weekend traffic - longer stays

Destination location Unique location - longer stays

Corporate Business guest - overnight stays

If the motel caters for more than one profile set up the services accordingly

Customer Loyalty:

Motel Assist is currently building a **Priority Guest System** which caters for regular visits to a motel such as corporate Guests.

It is currently under trial at Aston Hill Motor Lodge and will be rolled out when approved.

Web Awareness = PFC

A formula has been created which was implemented into Aston Hill Motor Lodge about 5 years ago straight after the financial crisis. The internet is radically changing how the public **perceive** motels and if you do not adapt to this change market share will be lost.

Formula:

This is how Aston Hill Motor Lodge applied the WA=PFC formula. Web Awareness = Price, Facilities & Convenience

Application:

Price: Allocate an entry tariff of 15% to your room total = 3 rooms at entry price of \$99.00

Facilities: Offer the best in the basic comforts within a room = *scrupulously clean, pillow top beds, unlimited hot water, large TV*

Convenience: Remove any inconvenience = *free shuttle to the CBD, a free continental breakfast & restaurant charge backs*

Definition of Perceived Value: *by Walter Johnson, Demand Media*

"Perceived Value" is an important marketing concept. It lies at the heart of marketing and deals solely with the customer's perception of a product. Perceived value is a consolidated measure because it takes into account subjective perceptions with limits placed on it by price and other objective costs.

Results: Since the application of this formula to the motel it has not looked back averaging a constant annual growth of 8% over the past four years.

Motel Broker	Detailed Profit & Loss figures provided by Accountant				Industry Standard Adjustments			
	Accountant	Accountant	Inserted from Input	%	Notes	Vendors add backs	Adj 2014 Income & expenditure	%
	2012	2013	2014					
Plus: Sales (\$)	<i>View results Tab to see further break-up of Income</i>							
Sales	569,058	594,720	650,254	100%			650,254	100%
Less : Cost Of Goods Sold (\$)	16,771	20,581	22,760				22,760	4%
Sub - Total	552,287	574,139	627,494	96%			627,494	96%
				0%			0	0%
				0%			0	0%
				0%			0	0%
				0%			0	0%
Additional Entries	76,346	60,404	126,466	-19%			126,466	-19%
Total Income	475,941	513,735	501,028	77%	Add back	0	501,028	100.0%
Less: Expenses (\$)								
Accountancy	F 900	1,200	1,250	0%			1,250	0%
Advertising & Research	V 9,572	11,287	10,780	2%			10,780	2%
Bank Charges	F 531	395	415	0%			415	0%
Credit card & Eftpos Charges	V 4,402	1,115	5,463	1%			5,463	1%
Cable or Foxtel TV	F 7,241	7,453	7,520	1%			7,520	1%
Chain Fees	F 7,800	7,800	7,800	1%			7,800	1%
Cleaning contracts	V 0	0	0	0%			0	0%
Cleaning chemicals inc laundry	V 2,607	2,552	3,956	1%			3,956	1%
Comm to Internet Booking Agents	V 11,774	14,179	9,710	1%			9,710	1%
Compliance to Ordinances	F 768	16,677	0	0%			0	0%
Consumables	V 7,509	8,132	9,621	1%			9,621	1%
	O 0	0	0	0%			0	0%
Depreciation Plant	F 63,974	46,718	37,929	6%			37,929	6%
Administration Charges	F 12,000	11,000	15,000	2%			15,000	2%
Electricity	V 1,345	11,738	14,032	2%			14,032	2%
Gas & Oil	V 11,480	12,080	12,639	2%			12,639	2%
Filing Fees	F 0	227	230	0%			230	0%
Freight & Cartage	V 424	1,338	1,025	0%			1,025	0%
Ground and Pool Maintenance	V 1,124	4,139	2,252	0%			2,252	0%
Insurance General	F 9,906	11,475	10,782	2%			10,782	2%
Insurance-Workers Comp.	V 6,367	7,390	6,680	1%			6,680	1%
Interest	F 3,522	12,460	0	0%			0	0%
Internet Access & Computer Maint.	V 16,701	0	18,005	3%			18,005	3%
Legal	F 0	0	0	0%			0	0%
Linen Hire	V 11,341	17,310	13,483	2%			13,483	2%
	O 218	0	0	0%			0	0%
Licence Fees and Subscriptions	F 318	771	2,599	0%			2,599	0%
Motor Vehicle and Travelling	V 20,024	8,595	18,819	3%			18,819	3%
	O 0	0	0	0%			0	0%
Pest Control	F 0	0	0	0%			0	0%
Postage, Printing and Papers	V 2,451	1,815	1,742	0%			1,742	0%
Rates and Land Tax	F 4,317	6,865	3,217	0%			3,217	0%
Relief Management Contract	F 9,863	3,000	0	0%			0	0%
Repairs and Maintenance	V 33,417	27,769	26,459	4%			26,459	4%
Capital Replacements	V 3,801	0	0	0%			0	0%
Security	F 0	0	0	0%			0	0%
Research & Development	F 458	404	111	0%			111	0%
Staff Amenities,Uniforms,Training	F 677	696	332	0%			332	0%
Licences, Registrations & Permits	F 60,000	70,000	73,864	11%			73,864	11%
Superannuation-Management-Owners	F 1,620	0	1,665	0%			1,665	0%
Superannuation-Employees	V 11,051	14,913	13,128	2%			13,128	2%
Telephone and Fax	V 11,591	10,926	11,007	2%			11,007	2%
Wage Breakdown	V 3,840	164,386	14,283	2%			14,283	2%
Wages Housekeepers exc Laundry	V 0	0	0	0%			0	0%
Wages Housekeepers inc Laundry	V 57,644	0	55,935	9%			55,935	9%
Wages Restaurant	V 0	0	0	0%			0	0%
Wages Management	F 69,795	0	79,375	12%			79,375	12%
Wages Owners	F 18,000	0	18,000	3%			18,000	3%
	O 0	0	0	0%			0	0%
Waste Removal	V 2,364	2,744	3,017	0%			3,017	0%
Water Rates	V 3,160	0	4,241	1%			4,241	1%
Fire System Maintenance	F 1,650	1,010	1,803	0%			1,803	0%
Other Additional Entries	O 123	347	-36,261	-6%			-36,261	-6%
Total Operating Expenses (Exc Rent)	507,670	520,906	481,909	74%			481,909	74%
Add Rent	F 0	0	135,000	21%			135,000	21%
Total Expenses:	507,670	520,906	616,909	95%	Add	0	616,909	95%
Operating Profit (figures exclusive of GST)	-31,729	-7,171	-115,881	-18%	Adjusted Net		-115,881	-18%

Notes about this Motel Print Date:

Thursday, 1 January 2015

Insertion Date: 23/12/2014

- 1 These expense or charges are not associated with running cost of a motel and only relevant to vendors financials & business structures
- 2 Accounting - Industry standards allowance of \$2,500 for a standard partnership tax return
- 3 Advertising - An experiment was conducted to assess the effects of road signage which was discontinued due disastrous results
- 4 The vendor runs other businesses from this motel & cost associated with this expense is higher than the industry standards
- 5 10 Kw Solar power installed & government rebates 60cKwh contract finishes on 31st December 2016
- 6 Management - Payments made to managers and relief staff, it is assumed that the new working owner will perform those tasks
- 7 Repairs & maintenance - Industry standards allowed at 4 % of turnover

The above information is supplied by the owner to assist any person assess all aspects of this motel.

The financial figures have been supplied by the Owners Chartered Accountants and copies of those are available.

Verification of all figures and statements can be supplied on request.

We have produced these reports to the best of our knowledge and recommend independent advice at all times



MOTEL Assist
making motels more profitable

Viability of your motel

Definitions

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Tuesday, 23 December 2014

Version 59. 23/12/2014

ADR	Average Daily Room Rate
Add Backs	
RevPAR	Revenue per available room

[Click here for explanation](#)

[Click here for full definition](#)



MOTEL Assist
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Viability of your motel

Links

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Tuesday, 23 December 2014

Click on the following links to assist you in preparing your analysis of your motel.

Articles of Interest:

[Valuation Essentials](#) This download will give you an explicit guide on how a motel is valued.

[Know RevPAR](#) It is essential that you understand RevPAR

[Motel as a Passive Investment](#) An explanation on an Investment motel structure

Best Practice Methods and Approach to improvement to the motel:

[28 Best Practice Suggestions](#) **This is a must for you to apply to your operation**

[Creating the WOW factor](#) Most important for achieving a web presence

[Font office systems are essential to Business Efficiency](#) A choice of front office providers.

More information will be paced here as it comes available

Links



Motel Assist and its associates advise that this information is given in the best interests from the research that has been done within the Motel Industry. It is information only and cannot be construed as advice. **Seek independent advice from professional people at all times.**

Viability of your motel

Instructions

To print this or any other page - Ctrl/P

Tuesday, 23 December 2014

Version 59. 23/12/2014

In 2001 I was a Motel Broker and created spread sheets to assist in analysing motels. Over the years I witnessed many inconsistencies in motel businesses to the detriment of the operator.

To rectify this situation I have compiled this program from my existing worksheets into one program allowing a transparent overview of a motel operation. Basic data input will give you basic reports. The more you input the more you get.

Quick assessment of the Capitalised worth of a motel business:

1. Select and open Excel program Motel Assist Health Check_Open_vXX then select **QH-Report** Tab
2. Enter data into the **Basic Entry Information**, stating your current revenue in either the with or without a restaurant.
3. The result will be shown in either of the red boxes below based on revenue input irrespective of the occupancy Feature: Establish the worth of a Restaurant or not???

Insert what you consider the estimated revenue would be if you reopened a disused restaurant area within the motel. This will give you an assessment in the second box if a Motel With a Restaurant is viable. This scenario can be used by subtracting your current restaurant revenue which will allow you to assess your Motel Without a Restaurant

Your Accountant should insert the 3 year figures from your Profit & Loss accounts which ensures that the figures are accurately transposed into the program. If the program picks up an abnormality your Accountant is familiar with the structure of the program and can offer immediate assistance to rectify the abnormality. However the program offers those who are competent to enter the data without an Accountant the opportunity to do it themselves.

Entering Profit & Loss figures into the program:

1. Place cursor in the top left hand box on the **Input** page & press the Tab key on your keyboard to scroll down.
2. Tab down the Input page adding the basic data about the motel and the figures from your P&L. When you have completed this move to the **Analysis** page.
3. By pressing the Tab key on your keyboard this will move you to the **Motel Room Configuration** area.
4. The next area is to assess is **Interest Expense** which differs if you have borrowed or about to borrow. Hold the cursor over the Yes/No box and make your selection.
5. The next area determines **Wage Component costs** where you either state or estimate the number of hours worked.

Results To appreciate your motel's trading pattern you need to insert the previous two years figures.

Page down entering the figures, however disregard the area in the yellow Benchmark column for now.

You will come across a series of Yes/No boxes in the Goods Sold, hover the cursor over the red Explanation box and make your entries. Once you have completed this area we are ready to assess the **Add-Backs and Add-Ons**

In the Benchmarks Explanatory Notes I have given averages of expenditure applying to the Motel Industry, however there are always variations which may apply to your motel. Where the **percentage is highlighted blue** you can change this percentage to suit your operation. If you are not sure refer this expense to your Accountant or Motel Broker.

Overview Allows you to plan the growth of your motel business for the next two years. Tab across to the **blue highlighted percentage figures** and transpose what you consider those percentages will be for the next 2 years. Now, Tab down the page and alter the figures you deem not to be in accordance with your operation. As you Tab down the page you are allowed to **change the figures highlighted blue** which strengthens the predictions & overview of your motel. This extra detail can be done for more impact depending on who the report is being prepared for.

Replacement Cost This page is a work page to assist you in evaluating what the capital costs are for your motel over a 30 year period. There are preset formulas you can override and preset costs for replacement & refurbishment items. It also shows you how an annual replacement contribution amount is assessed for your motel.

Finance: If you do not get your financing right you could face dire circumstances. It is imperative that you work closely with your financial consultant and work through your plans in the first 6 months of operation.

Trends: When you evaluate motels you will establish trends which are typical to all operations. One in particular is that people operating the motel tend to want to either move onto another motel or have a break about every three years. We look at this and show the effects it has on a Leasehold business.

Valuation-Yield: Explanation on capitalised valuation which requires a net yield to assess the capitalised worth of the business. When establishing the worth of a motel do not overlook the value of the land as it may exceed the capitalised value due to other factors.

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Tuesday, 23 December 2014

Report Tabs:

Version 59. 23/12/2014

The yellow Tabs can be printed by selecting on the keyboard **holding down the Shift key and pressing Ctrl Y**
This allows you to print the reports in one action. To print individual reports select the Tab and **press Ctrl P**.

[If the macros are disabled this function will not work]

Valuation-Yield: It covers the structure of Capitalised worth of a motel business centring on a Leasehold title.
When you Tab through this page it presents data required to assess the worth of a lease & the estimated capital cost to purchase more years.

Lease-Extension A new entry incorporating the introduction of an Industry designed calculation to standardise the calculation of the cost of extending lease periods in motel businesses.

Yield Logic: The explanation on **Yield Logic** is extremely important in the final assessment on the capitalised worth of the motel and it is here in this section that you **modify the yield** to the situation of your lease.

Investment: The motel business [Leasehold] and [Freehold] Title are assets & when operated within a proper discipline the values of those titles are capitalised using proven Motel Industry Benchmarks which have been applied throughout this program.

When the time comes for a party to purchase or sell these asset components I believe the transparency of this program and associated reports will assist the parties in concluding a satisfactory transaction.

Buy-Sell The process of buying and selling is set out on this page as I saw it during my time as a Motel Broker Information on the business is scant and not uniform for comparison by those trying to purchase a motel. The Broker tries to present the motel in the best light with the information given to them. I can assure you it is a very frustrating process for the Broker.

This page peels back all what has been placed in the report assisting all parties in particular the Broker who has the ability to change the figures within the P&L and make comments on why they have altered the figures stated.

Tab through the page to familiarise yourself with it and if you are a Buyer/Seller or Broker I trust that the page will work for you.

Rent Creep: This would be the most volatile area for Leasehold motels and I believe if you follow my logic and apply **Strategies** there is a way to combat Rent Creep. However if your percentage exceeds 55% and your property is in need of refurbishment capital expenditure will be required to rectify this situation.

Strategies: For a motel to work efficiently there must be basic strategies in place. I have set out these basics for you to Tab down and place a honest assessment for these areas rating them from 1 to 5.
The program It gives you the opportunity to place the percentage increase you have to achieve which calculates the increased revenue required.

A- System: This is a worksheet that is the entry to our **A-System** which is in place at the Aston Hill Motor Lodge. By paging through this worksheet it enables you to pinpoint Revenue & Expense Areas, Maintenance, Visual and even staff moral.
There are text books written on this, however I have chosen what I consider the most important areas to commence increasing the revenue of a motel with the assistance of knowing the system is in place at the demonstration motel in Port Macquarie and working efficiently.

Broker Calc: Input to this page is carried out by your Motel Broker, It is designed to assist the Broker demonstrate their assessment within the context of this program.

Overview: This program will always be a work in progress as new data is always being entered.
The current version is Version 59. 23/12/2014 and when ever there is an addition to the program the version number increases.

To keep up to date with the program you will need to subscribe to Motel Assist website [Click here](#)
There is an annual subscription cost of \$95.00 per annum including GST.

There is so much information stored on the website plus other software programs which allows you to attend to many functions in the operation of a motel. In particular if you are in the process of inspecting motels there is software allowing you to compare up to 5 motels which makes the selection process a lot easier. I trust this Heath Check program is of benefit to you so far, more is coming.

Regards,

Russ Dodson Mobile 0428-668-357

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