



MOTEL Assist
making motels more profitable

OVERVIEW of *PRIORITY* Points

v12. 4/10/2015

Presented By: Russ Dodson **Analysing a motel without a Restaurant**

Date Printed:

Monday, 5 October 2015

Entry Date:

Sunday, 4 October 2015

Enter the data: press on your Tab key to move down through the 15 entry boxes. Also if you see a box like this with a little triangle in it click on it for information

Over 20 years I have been analysing motels and now I want to present to the Industry and especially to Golden Chain members a simple approach to assess the viability of a motel business.

There is no quick way to analyse a motel business, however I have constructed software to simplify the process.

Some basic data is needed to prepare the report which incorporates a successful motel operation in Port Macquarie as a benchmark,

[Aston Hill Motor Lodge](#)

| | | | |
|---------------------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Data Input: | Financial Year being Analysed: <input type="text" value="2015"/> | Worth of Subject Motel: [on figures supplied] | Yield |
| Asking Price: <input type="text" value="\$450,000"/> | Town Motel is located: <input type="text" value="Country NSW"/> | Freehold \$1,611,444 Capitalised Return: 16.0% | based on net of \$257,831 |
| Title: <input type="text" value="Leasehold"/> | Accepted Industry Capitalised Returns: | Leasehold \$363,570 Capitalised Return: 30.0% | based on net of |
| No. of Rooms <input type="text" value="31"/> | Leasehold Title: <input type="text" value="16.0%"/> | Investment \$1,247,874 Investment Return: 11.9% | based on net of |
| Average Daily Room Rate: <input type="text" value="\$95.00"/> | Freehold Title: <input type="text" value="30.0%"/> | Maintenance % of Turnover is one of the most important areas to assess and is the most understated in the financial figures <input type="text" value="5.1%"/> is the actual expenses of Aston Hill ML | |
| No. of years left in Lease: <input type="text" value="16"/> | Investment Freehold Title: <input type="text" value="8.5%"/> | consider the property requires as an annual % <input type="text" value="9.0%"/> to meet ongoing Repairs & M. | |
| Repairs & Maintenance: <input type="text" value="\$6,093.91"/> | from source P&L - Next is to enter what you | Warning your rent ratio exceeds the benchmark maximum average of 47% | |
| Profit & Loss Entry to subject Motel: | Profit & Loss of Aston Hill | How does your motel compare with Aston Hill Motor Lodge | |
| Turnover inc Breakfasts: <input type="text" value="\$405,407"/> 100% | <input type="text" value="\$405,407"/> 100% | The first check is to establish if the rent is within the Industry Benchmark | |
| Expenses Excluding Rent: <input type="text" value="\$147,576"/> 36.4% | <input type="text" value="\$178,379"/> 44% | of being under 50% of Freehold Net Profit. The Industry expects new leases to be 45% and ideally not to exceed 47%. | |
| Freehold Net Profit: <input type="text" value="\$257,831"/> 63.6% | \$227,028 56% | Your motel 57.7% Aston Hill 45.0% | |
| Less Rent <input type="text" value="\$148,760"/> 36.7% | <input type="text" value="\$102,163"/> 25% | | |
| Leasehold Net Profit: <input type="text" value="\$109,071"/> 26.9% | \$124,865 31% | | |

If your annual rent exceeds 50% you need to address this and understand why this is happening. We call this occurrence **Rent Creep** which is dealt with in detail within the [VIABILITY of your motel](#) program. This occurs when you cannot raise your motel tariffs while the rent and other operating expenses increase.

Since the GFC in 2007 this is a common occurrence within country motels. The [A-System](#) within the Viability program deals with this.

Priority Points:

Go to the [PRIORITY Points Worksheet](#) by clicking on the Tab below where you can work through 30 Priority Points. 20 of the Points are rated and will give you a calculated assessment of where your motel business sits within the A-System structure the main analytic processing program VIABILITY of your motel. The program is designed to assist those owning a motel to keep in front of all the majority of the daily operating challenges within a motel business.

Special Offer to Golden Chain Members attending the October 2015 Annual Conference:

[Click here to take up offer](#)

From my experience I know that it is difficult to analyse your own motel business effectively. Let me assist you with the following offer for an all up annual subscription cost of \$95.00 which includes up to 30 minutes of my time to assist you understand this program and the analytic process.

Subscribe to [Motel Assist](#) gives you a collection of motel specific information & all software created to simplify motel operations plus pertinent articles on the Motel Industry.

Most importantly it gives you access to set up the VIABILITY Program allowing you to attend to specific operational matters within your motel.

To provide for this service you will require access to a wide screened computer monitor and a software program called Teamviewer. It is free and can be easily downloaded into your computer from a link I can email to you.

You may telephone me on 1800-505-290 to discuss this and set up a meeting. My email address is russ@motelassist.com.au

Regards,

Russ Dodson



MOTEL Assist
making motels more profitable

Keeping you focused to maintain or understand the successful operation of a motel business

Instructions:

v12. 4/10/2015

Entry: Sunday, 4 October 2015
Date Printed: Monday, 5 October 2015
By: *Russ Dodson* State Title: Leasehold
First Impression: No. Rooms: 31

Benchmarks derived from 20yrs of data
Asking Price: **\$450,000**

PRIORITY Points
must be addressed

Motel Assist provides detailed analytic software to assist in reaching an informed decision on the operation of a motel business. This program is an explanation to visiting **Aston Hill Motor Lodge** and entering data into the **Viability of a Motel** program

Where figures and text are highlighted in blue, you can amend these items to derive a result.

To move through the sheet place the cursor arrow in the top left hand corner of the page and press the **Tab Key** to move down page & 15 PRIORITY boxes.

- 1 Town or Region must have natural growth
- 2 Location and exposure within the Town
- 3 Possess an attractive exterior or "pull up appeal"

PRIORITY 3
PRIORITY 3
PRIORITY 4

Motel Layout and additional services:

- 1 Pathways, grounds well kept and garden green & healthy
- 2 Reception clean, uncluttered, inviting and spacious
- 3 Room size around 20-24m2 with large TV
- 4 Lounge area to serve breakfasts is important [old restaurant]

PRIORITY 2

Condition of Motel Structure and Fittings:

- 1 Know which "maintenance cycle year" the motel is in
- 2 Know what maintenance is required for the next 18 months
- 3 If leasehold read the lease thoroughly and understand it

2

Motel Business: ADR: Average Daily room rate

- 1 Turnover centres and growth over the past five years
- 2 Know RevPar: \$35.83 and ADR: \$95.00
- 3 Guest mix - company execs, family oriented or overnight
- 4 Staff duties & 9 weeks relief assistance, check staff turnover
- 5 Property OHS compliant & systems in place
- 6 If for sale - the real reason for selling is

PRIORITY 2

PRIORITY

Personal Aspects:

- 1 Residence be comfortable & next to reception
- 2 If Leasehold, know the Lessor and communicate bi-annually
- 3 A motel work day is 16 hours - have a plan

PRIORITY 3

PRIORITY

Systems:

- 1 Have an easy to use website with a channel manager
- 2 Have the latest technology in computer hardware/software
- 3 Maintain a written systems folder of repetitious daily duties
- 4 Use 5 of the top Internet Booking Agents [OTA]

PRIORITY 2

Guest Comfort:

- 1 Absolute cleanliness of bathroom & room
- 2 Have the best pillows & beds
- 3 Quality smart large TVs with DVD
- 4 Free flowing showers
- 5 Room lighting with balance to watch TV
- 6 Quiet quality air conditioning
- 7 Room furniture & accessories of acceptable quality

PRIORITY 3

PRIORITY 2

PRIORITY 2

PRIORITY 3

PRIORITY 2

PRIORITY 2

PRIORITY 2

2

Now that you have assessed the basics of what is expected in a motel
The next most important step is to assess the value of the motel business by knowing that
the net profit will remain consistent with the turnover. Financial Yr: 2015

| Subject motel without a restaurant: | Country NSW | % of T/O | Aston Hill Motor Lodge |
|-------------------------------------|-------------|----------|------------------------|
| Turnover of a Freehold Motel: | \$405,407 | 100% | \$405,407 100% |
| Expenses | \$147,576 | 36.4% | \$178,379 44.0% |
| Freehold Net Profit | \$257,831 | 63.6% | \$227,028 56.0% |
| Rent: 57.7% of FH Net | \$148,760 | 36.7% | \$102,163 25.2% |
| Leasehold Net Profit: | \$109,071 | 26.9% | \$124,865 30.8% |

| Assessed Motel: | | | |
|----------------------------------------------|------------|-------------|---------------------------|
| Capitalised worth of | Freehold | \$1,611,444 | Capitalised Return: 16% |
| | Leasehold | \$363,570 | Capitalised Return: 30% |
| | Investment | \$1,247,874 | Investment Return: 11.92% |
| Rent as a percentage of Freehold Net Profit: | | | 57.70% |

| | | |
|---------------------------------------------------------|---------|---------------------------------|
| Total Replacements, Repairs & Maintenance as a % of T/O | \$6,094 | 1.50% |
| Capitalised price based on a yield o | 30% | \$363,570 on a net of \$109,071 |

| Aston Hill Motor Lodge | | | |
|---------------------------------------------------------|------------|-------------|---------------------------|
| Capitalised worth of | Freehold | \$1,418,925 | Capitalised Return: 16% |
| | Leasehold | \$416,218 | Capitalised Return: 30% |
| | Investment | \$1,002,707 | Investment Return: 10.19% |
| Rent as a percentage of Freehold Net Profit: | | | 45.00% |
| Total Replacements, Repairs & Maintenance as a % of T/O | \$20,676 | 5.10% | |
| Capitalised price based on a yield o | 30% | 416,218 | \$124,865 |

What should you allow for in a 10 year maintenance cycle 9% of Turnover
Amount of years left in the lease: 16 being 1.6 cycles of maint

| | Funds Available | Purchase Cost | Cash Required | Indicative Int Rate | Return on Inv |
|----------------|-----------------|---------------|---------------|---------------------|---------------|
| Cash Required: | LVR: 70% | \$993,247 | \$79,460 | \$505,137 | 4.90% |
| LVR: Freehold | 50% | \$208,109 | \$16,649 | \$224,758 | 5.60% |
| LVR: Leasehold | 70% | \$701,895 | \$56,152 | \$356,964 | 4.90% |

| Areas of Operation: | Duties performed by: | Allow for Wages: |
|---------------------|----------------------|------------------|
| Front Office: | Owner | |
| Back Office: | Owner | |
| Kitchen: | Owner | |
| Laundry: | Staff | 4.0% \$16,216 |
| Housekeeping: | Staff | 12.0% \$48,649 |
| Grounds: | Owner | |
| Marketing: | Owner | |

Special Note: This is an interactive spreadsheet designed for a classroom situation where a tutor enters information assisting in the demonstration and explanation to successfully operate an active going concern Motel Business comparing with the performance of Aston Hill Motor Lodge Port Macquarie.

Quick Assessment on the Lease
Rent is 57.7% of FH Turnover to bring the rental to 47%
of Annual Turnover it will have to be increased to \$565,187

Rating Code:
Place your rating in the boxes under the **Priority Points**

by selecting from the symbols in the drop down box

- 5 - Excellent or no additional work or expense
- 4 - Acceptable or will require attention outside 3 years
- 3 - Average or will require attention within 3 years
- 2 - Not Acceptable and requires immediate attention
- 1 - Not acceptable in any shape or form

Results:

Assess your score below which should influence you on the state of your business & if you are inspecting the motel to purchase it is a handy comparison guide to narrow down a choice on the best property inspected

This program has been constructed to mix in with the inspection of Aston Hill Motor Lodge Port Macquarie using data collected over the past 20 years

All our analysis programs are designed for wide screen computers and the latest versions of Microsoft. The Viability Program cannot function on earlier versions of Excel due to the mass amount of programming data.

| | FH | LH | INV |
|-------------------|-----------|-----------|-----------|
| Net Profit: | \$257,831 | \$109,071 | \$148,760 |
| Interest: | 48,669 | 11,654 | 34,393 |
| Net: | 209,162 | 97,417 | 114,367 |
| 10yr Maint: | \$36,487 | \$36,487 | \$8,108 |
| Net after Maint.: | \$172,675 | \$60,930 | \$106,259 |
| Ret on Inv: | 34.2% | 27.1% | 29.8% |

A perfect score is 100: Your Score: 48

The rating draws your attention to the short comings of the business. The lower the score indicates the motel will require maintenance or fails in some areas.

This is an introduction to a basic assessment in readiness to insert data into the **VIABILITY Program**. Always consult with your Accountant to make sure that you communicate and understand the make of this report.
If more assistance is required you can contact me on 0428-668-357 or click on Motel Assist or email me russ@motelassist.com.au

Results Worksheet

To enter comments next to the rating key place the cursor at the top of the 20 comments column & press Tab key to move down

This page is designed to show the motel business in its true applying Motel Industry Benchmarks and Proven Business Operation Logic
 There is explanations in a cell where content is displayed by displaying a red triangle in the right hand top corner of that cell.

Priority Points Rating:

- Town or Region must have natural growth
- Location and exposure within the Town
- Possess an attractive exterior or "pull up appeal"
- Pathways, grounds well kept and garden green & healthy
- Reception clean, uncluttered, inviting and spacious
- Room size around 20-24m2 with large TV
- Know which "maintenance cycle year" the motel is in
- Property OHS compliant & systems in place
- Residence be comfortable & next to reception
- Have an easy to use website with a channel manager
- Have the latest technology in computer hardware/software
- Maintain a written systems folder of repetitious daily duties
- Use 5 of the top Internet Booking Agents [OTA]
- Absolute cleanliness of bathroom & room
- Have the best pillows & beds
- Quality smart large TVs with DVD
- Free flowing showers
- Room lighting with balance to watch TV
- Quiet quality air conditioning
- Room furniture & accessories of acceptable quality

Comments:

| | |
|---|-----------------------------------------------------------------------------|
| 3 | Excellent provincial city in country NSW |
| 3 | Main road exposure with notable complaints from rooms in the front of motel |
| 4 | Shows excellent promise if the older style walls are rendered |
| 2 | Needs work in this area |
| 3 | |
| 2 | |
| 2 | No cycle in place |
| 2 | It is apparent that no OHS system active |
| 3 | |
| 2 | |
| 2 | Not evident |
| 2 | Not evident |
| 2 | |
| 3 | |
| 2 | |
| 2 | |
| 3 | |
| 2 | |
| 2 | |
| 2 | |
| 2 | |
| 2 | |
| 2 | |
| 2 | |
| 2 | |
| 2 | |
| 2 | |
| 2 | |

Assessed Replacement Value

[For Insurance purposes only]

| | |
|--------------|--------------------|
| Motel Rooms | \$2,270,905 |
| Residence | \$210,000 |
| Restaurant | \$248,000 |
| Loss of Rent | 148,760 |
| Other | \$186,000 |
| Total | \$3,063,665 |

Summary on the subject Motel:

| | |
|------------------------------------|-----------|
| Asking Price of Motel | \$450,000 |
| Number of Rooms | 31 |
| Years left on Lease | 16 |
| Percentage spent on maintenance | 1.50% |
| Rent as a % of Freehold Net Profit | 65.5% |

Capitalised Value of subject motel Yield

| | | |
|------------|-------------|-----|
| Freehold | \$1,418,925 | 16% |
| Leasehold | \$260,893 | 30% |
| Investment | \$1,158,031 | 13% |

Total Score: 48 out of a possible score of 100

Overview of Score Results

| | |
|-----------------------|---------------------------------------------------------------------------------------------------------------|
| Below 40: | This requires immediate action on all areas - a high capital input required - seek professional advice |
| From 40 to 50: | Not much better - check Rent Creep - if it exceeds 60% - seek professional advice |
| From 50 to 60: | Not Good - however, check through the report and enter data into Motel Viability Program |
| From 60 to 70: | Your motel is in average condition and you should investigate all avenues to improve it |
| Over 80: | An average score of 4, Consider introducing the A-System from the Motel Viability Program |

Rent Creep: Refer to page 16 of Viability Program

Score Rating Explanation:

- 5 - Excellent or no additional work or expense
- 4 - Acceptable or will require attention outside 3 years
- 3 - Average or will require attention within 3 years
- 2 - Not Acceptable and requires immediate attention
- 1 - Not acceptable in any shape or form

Rent Creep: is when your annual rental exceeds 50% of the annual Freehold Net Profit. Your percentage shows as 57.7% If over 50% this is not acceptable to lending institutions, so if you have finance and that lending institution becomes aware of the ratio your financing will become severely impaired.

As a guide you will have to increase your annual revenue by \$159,780 which requires the sale of 1,682 rooms based on an ADR of \$95.00 excluding GST
 Please go to the Priority Points Worksheet page and study the yellow shaded boxes on the subject motel's revenue and expenditure percentages.

Footnote:

In this program I have tried to table 20 years of analysing motels into one page for either group or single presentations to those operating or purchasing a motel.

For you to use this program basic intuition is recommended together with the Motel Analysis software. **Of course seek independent professional advice at all times.**

Operating a motel is like milking a cow - stop feeding the cow and the quality of the milk reduces until there is no milk - disciplined maintenance is the food for success in maintaing and operating a successful motel business with guaranteed repeat customers so get your Maintenance Costs right.

In this page we look at applying sections of the Viability Program allowing you a better understanding of your motel operation and the spreadsheet program. v12. 4/10/2015
 There is explanations in a cell where content is displayed by **displaying a red triangle in the right hand top corner** of that cell.

Priority Points Rating:

- Town or Region must have natural growth
- Location and exposure within the Town
- Possess an attractive exterior or "pull up appeal"
- Pathways, grounds well kept and garden green & healthy
- Reception clean, uncluttered, inviting and spacious
- Room size around 20-24m2 with large TV
- Know which "maintenance cycle year" the motel is in
- Property OHS compliant & systems in place
- Residence be comfortable & next to reception
- Have an easy to use website with a channel manager
- Have the latest technology in computer hardware/software
- Maintain a written systems folder of repetitious daily duties
- Use 5 of the top Internet Booking Agents [OTA]
- Absolute cleanliness of bathroom & room
- Have the best pillows & beds
- Quality smart large TVs with DVD
- Free flowing showers
- Room lighting with balance to watch TV
- Quiet quality air conditioning
- Room furniture & accessories of acceptable quality

Comments:

| | |
|---|--------------------------------------------------------------------------|
| 3 | Excellent provincial city in country NSW |
| 3 | Main road exposure with notable complaints from rooms in the front of mo |
| 4 | Shows excellent promise if the older style walls are rendered |
| 2 | Needs work in this area |
| 3 | |
| 2 | |
| 2 | No cycle in place |
| 2 | It is apparent that no OHS system active |
| 3 | |
| 2 | |
| 2 | Not evident |
| 2 | Not evident |
| 2 | |
| 3 | |
| 2 | |
| 2 | |
| 3 | |
| 2 | |
| 2 | |
| 2 | |
| 2 | |
| 2 | |

Assessed Replacement Value

[For Insurance purposes only]

| | |
|--------------|--------------------|
| Motel Rooms | \$2,270,905 |
| Residence | \$210,000 |
| Restaurant | \$248,000 |
| Loss of Rent | 148,760 |
| Other | \$186,000 |
| Total | \$3,063,665 |

Summary on the subject Motel:

| | |
|------------------------------------|-----------|
| Asking Price of Motel | \$450,000 |
| Number of Rooms | 31 |
| Years left on Lease | 16 |
| Percentage spent on maintenance | 1.50% |
| Rent as a % of Freehold Net Profit | 65.5% |

P&L from figures supplied

% T/O

| | | |
|---------------------------------|-----------|-------|
| Turnover inc Breakfasts: | \$405,407 | 100% |
| Expenses Excluding Rent: | \$147,576 | 36.4% |
| Freehold Net Profit: | \$257,831 | 63.6% |
| Less Rent | \$148,760 | 36.7% |
| Leasehold Net Profit: | \$109,071 | 26.9% |

Capitalised Value of subject motel

Yield

| | | |
|------------|-------------|-----|
| Freehold | \$1,418,925 | 16% |
| Leasehold | \$260,893 | 30% |
| Investment | \$1,158,031 | 0% |

Total Score: 48 out of a possible score of 100

Overview of Score Results

| | |
|-----------------------|---------------------------------------------------------------------------------------------------------------|
| Below 40: | This requires immediate action on all areas - a high capital input required - seek professional advice |
| From 40 to 50: | Not much better - check Rent Creep - if it exceeds 60% - seek professional advice |
| From 50 to 60: | Not Good - however, check through the report and enter data into Motel Viability Program |
| From 60 to 70: | Your motel is in average condition and you should investigate all avenues to improve it |
| Over 80: | An average score of 4, Consider introducing the A-System from the Motel Viability Program |

Warning your rent ratio exceeds the benchmark maximum average of 47%

To understand more about Rent Creep go to page 16 of the VIABILITY program

Score Rating Explanation:

- 5 - Excellent or no additional work or expense
- 4 - Acceptable or will require attention outside 3 years
- 3 - Average or will require attention within 3 years
- 2 - Not Acceptable and requires immediate attention
- 1 - Not acceptable in any shape or form

Rent Creep: is when your annual rental exceeds 50% of the annual Freehold Net Profit. Your percentage shows as 57.7% If over 50% this is not acceptable to lending institutions, so if you have finance and that lending institution becomes aware of the ratio your financing will become severely impaired.

As a guide you will have to increase your annual revenue by \$159,780.29 which requires the sale of 5 rooms per night based on \$95.00 ADR Exc GST

Please go to the Priority Points Worksheet page and study the yellow shaded boxes on the subject motel's revenue and expenditure percentages.

Using the Benchmarks applied to Aston Hill Motor Lodge:

Comments for those seeking a motel:

| Subject motel without a restaurant: | Country NSW | % of T/O |
|------------------------------------------|-------------|-------------|
| Turnover of a Freehold Motel: | \$405,407 | 100% 100% |
| Expenses | \$178,379 | 44% 44% |
| Freehold Net Profit | \$227,028 | 56% 56% |
| Rent: 65.52% of FH Net Profit | \$148,760 | 37% 25% |
| Leasehold Net Profit: | \$78,268 | 19% 31% |
| Capitalised Motel Worth of Leasehold | \$260,893 | \$416,218 |
| Capitalised Worth of Freehold | \$1,418,925 | \$1,418,925 |
| Capitalised Worth of Freehold Investment | \$1,158,031 | \$1,002,707 |

This P&L is the most important factor you have in establishing what a pristine motel business is worth.

An estimated average daily room rate of \$95.00 with a RevPar figure of \$35.83 occupancy 37.7%
 If the first 3 Priority Points are positive the motel has solid foundations to invest capital in.

However, if the rent ratio exceeds 60% you have grave circumstances here in turning the motel around.

The blue [% of T/O] are the ideal percentages of a pristine motel operation. E.g. Aston Hill Motor Lodge

Also the blue Capitalised worth are the values of a pristine motel in its logged 5th year maintenance cycle.

Facts: To find a pristine motel on the market could take a long time and in all probability you may never find one because the owner will not sell unless he is in genuine ill health or is moving for family reasons.

Be prepared to pay above market price and allow at least three years to bring the motel up to standard.