

Viability

of your motel

Demonstration Purposes

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

Version 86. 08/10/2017

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

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

Aston Hill template report has been removed from this report

A template report has been inserted in this program which was taken from Aston Hill Motor Lodge 2016 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] A Quick Viability Check
Negotiation
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

Sunday, 8 October 2017

Version 86. 08/10/2017

Content of: **Demonstration Purposes**
For: **Motel Assist website**
Title: Leasehold Title
Asking Price: \$615,000
Lease years Left: 20
No. of Rooms: 15
Operation: Motel without a Restaurant
Entry Date: Sunday, 8 October 2017
Print Date: Sunday, 8 October 2017

Total Turnover:	\$510,989	100%
Less, Cost of Sales:	\$7,182	1%
Gross Profit:	\$503,807	99%
Operating Expenses:	\$275,417	54%
Freehold Net Profit:	\$228,390	45%
Rent:	\$113,027	22%
Leasehold Net Profit:	\$115,363	23%
Add-Backs:	\$38,782	8%
Adjusted Net Profit:	\$154,145	30%

1. What is this motel worth:

Freehold Business: \$1,908,373
Leasehold Business: \$550,518
Investment Freehold: \$1,357,854

Go to Analysis Tab to understand the financials of this motel better

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

Current Revenue is: \$510,989
Current Net Profit is without add backs \$115,363
Current Net Profit is with add backs \$38,782

Freehold	Leasehold	From [Q-Check] Tab
\$267,172	\$154,145	
Capital expenditure has not been deducted		

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

Method One: \$100,136 10 year extension From [Valuation-Yield] Tab
Method Two: \$47,187 4 year extension From [Lease-Extension] Tab

Only active when nominated Leasehold title

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

[Rental Percentage is stated as rent as a % of Freehold Net Profit]
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 \$351,399 This is based on borrowing \$277,473

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.

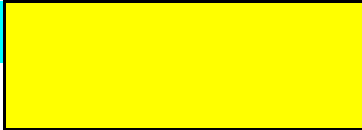
Recommendation:

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.



Viability of your motel

Full Explanation



Demonstration Purposes

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 86. 08/10/2017
Sunday, 8 October 2017

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.

Asking Price: \$615,000

Your motel has a capitalised worth as follows:

Shows an occupancy of 83%

Average daily room rate \$109.09 Exc GST

RevPar \$90.77 Exc GST

Check the wage calculations on the bottom of the page. Weekly hours calculated for Housekeepers 34

Leasehold:	\$550,518	Based on a yield of	28%
Freehold:	\$1,908,373	Based on a yield of	14%
As an Investment:	\$1,525,039	Based on a net return of	7.5%

Go to Definitions to understand RevPar With a break even of 69%

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:	\$14,086	Per Annum	Being	2.76%	of T/Over
Capital Items that should be anticipated over a 30 year period:	\$16,488	Per Annum	Being	3.23%	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 10 years, a premium is calculated to total	\$100,136	in Tab Valuation-Yield
Method Two: To extend a lease by 4 years, a premium is calculated to total	\$47,187	in Tab Lease-Extension

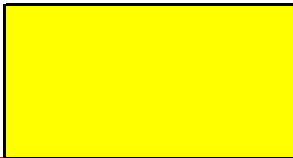
Study the calculations shown in the Valuation-Yield and Lease-Extension tabs.

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 42.30%

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 0% increase in Net Profit to bring the Rent Ratio to an acceptable 0.00% of Freehold net profit. To obtain this result you must increase your room revenue by \$0 being at least 0 rooms per annum or 0 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 \$277,473 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.

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:	\$1,908,373	\$0
Less the Business Component:	\$550,518	\$0
Freehold Component:	\$1,357,854	\$0

Financials:

Revenue	\$510,989	100%		\$0	100%
Expenses Inc. Add-Backs	\$243,817	48%		\$0	
Freehold Net Profit:	\$267,172	52%		\$0	
Rent:	\$113,027	42%		\$0	
Leasehold Net Profit:	\$154,145	30%		\$0	
Remove the Add-Backs	\$38,782	8%		\$0	0%
Actual Cash in Hand Net:	\$115,363	23%		\$0	0%

Actual Cash in Hand as a percentage of the total Capitalised worth of the motel 6.0% per annum
 If the Leasehold Business was sold and the Freehold retained: 8.3% per annum
 Rent as a percentage of the Freehold Net Profit: 42.3% per annum
 If the rent was 45% of the Freehold Net Profit the Net on Investment is: 8.9% based on a rental \$120,227
 Add the number of working partners **2.0** Income per working partner is \$57,681 **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: **Demonstration Purposes**
 For: Motel Assist website
 No. of Rooms: 15

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: 8/10/2017

Print Date: 8/10/2017

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.

When you receive this report in .pdf format explanations cannot be given. To receive explanations you must receive the Excel format.

Basic Entry Information Do not include GST in the revenue

Quick Assessment No. of Rooms **15**

Enter your total revenue a. With a Restaurant b. Without a Restaurant

Enter revenue in both boxes to see if a restaurant is viable

\$510,260

Asking Price: \$615,000 Yield of 25.55% Asking Price: Yield of 0.00%

1. Motel without Restaurant

Template Assessment		5,475 Rooms available to sell	
Basic Analysis		15 Rooms in Motel	
Turnover:	\$510,260 100%	Add-backs included	
Expenses:	\$224,514 44%	of Freehold Net Profit	
F.H. Net Profit:	\$285,746 56%	Capital Expenditure is not included	
Rent:	\$128,586 45%	See explanation on the right	
L.H. Net Profit:	\$157,160 31%		
Capital Expenditure	\$14,086 2.8%		
Adj Net Revenue	\$157,160 31%		
5,475 Rooms Sold		FH Net Profit	\$285,746
100% Occupancy		Less Cap Exp:	\$14,086
\$93.20 ADR		Adj Net Profit	\$271,659
\$93.20 RevPar		Adj Yield	Assessed Worth
Capitalised value of Freehold Motel	14%		\$2,041,040
Capitalised value of Leasehold Motel	28%		\$561,286

Note: Capital Expenses have not been deducted from the above assessed worth

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.

Note: It is important to assess if the motel is maintaining a Capital Expenditure Schedule - refer to Replacement Cost - Tab
 The report on your Profit & Loss will show your motel as either with or without a restaurant.

2. Motel with Restaurant

Template Assessment		5,475 Rooms available to sell	
Basic Analysis		15 Rooms in Motel	
Turnover:	\$0 100%	Add-backs included	
Expenses:	\$0 58%	of Freehold Net Profit	
F.H. Net Profit:	\$0 0%	Capital Expenditure is not included	
Rent:	\$0 45%	See explanation on the right	
L.H. Net Profit:	\$0 0%		
Capital Expenditure	\$0 0%		
Adj Net Revenue	\$0 0%		
5,475 Rooms Sold		FH Net Profit	\$285,746
100% Occupancy		Less Cap Exp:	\$14,086
\$93.20 ADR		Adj Net Profit	\$271,659
\$93.20 RevPar		Adj Yield	Assessed Price
Capitalised value of Freehold Motel	14%		\$0
Capitalised value of Leasehold Motel	28%		\$0

Note: Capital Expenses have not been deducted from the above assessed worth

Your Assessment - from Input P&L page

Basic Analysis <i>no restaurant</i>		83% Occupancy	
Leasehold Title		\$90.77 RevPar	
Actual Turnover:	\$510,989 100%	\$109.09 ADR	
Actual Expenses:	\$243,817 48%	Add-backs/Ons included	
F.H. Net Profit:	\$267,172 52%	of Freehold Net Profit	
Rent:	\$113,027 42%		
L.H. Net Profit:	\$154,145 30%		
Capital Expenditure	\$16,505	[Included in above figures]	
Capital Expenditure is not included in Capitalised Value			
Total Capital Expenditure:	\$26,213.73 5.13%	Adj Yield	Assessed Price
Capitalised value of Freehold Motel:	14%		\$1,908,373
Capitalised value of Leasehold Motel:	28%		\$550,518

Leasehold Title Motel with a Restaurant

In this area is a brief taken from the pages analysing the motel in depth.

Break-even percentage: 69% Should not exceed 80%

Rent Creep ratio percentage to T/Over: 42.3% Should not exceed 47%

Capital Cost annual percentage over T/O 2.8% Allow between 3% 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 \$14,086 per annum.

Summary: Congratulations your motel is operating within guidelines

There you have it. Go to Strategies to complete this section

I trust the report encourages you to improve your business and take advantage

of the tools and information to increase your net profit as shown in the

Strategies tab. As a guide expect to increase profit by \$0.00

which in turn increases the capitalised value to \$550,518

Regards,

Russ Dodson

Quick Viability Check

Your Assessment - from Input P&L page

Basic Analysis <i>with a restaurant</i>		Occupancy	
Leasehold Title		RevPar	
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		
Adj Net Profit		Yield	Assessed Price
Capitalised value of Freehold Motel	14%		\$0
Capitalised value of Leasehold Motel	28%		\$0

Establishing annual Repairs & Maintenance and Capital Maintenance

Repairs & Maintenance as a Profit & Loss Item \$9,708.79

Capital Maintenance as a Balance Sheet item \$16,504.94

Total Combined Maintenance: \$26,213.73

The combined Maintenance totals an annual percentage of: 5.13%

The above percentage meets the benchmark guidelines.

The program has now been extended to assist existing operators.

Over the 14 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.astonhillportmacquarie.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

Negotiation

To move through the page press the Tab key
 Blue coloured text or numbers you can change

Sunday, 8 October 2017

This is where you have to decide on a method to bring about the conclusion of all the discussions with the proposed purchaser, their Advisors and any other person who have made a contribution to the sale process.

There are so many ways to negotiate and if you have the time and inclination there are stacks of articles available to assist you on the what way to proceed. The way I am applying this page is total open honesty on the way I see it. [Assess negotiation styles](#)

This method allows you to come together to one table and see the motel business operation in its true light.

So, lets start by collecting the relevant information calculated within this program.

Insert Offer	Insert Date:
Asking Price:	
1st Offer:	
1st Counter Offer:	
2nd Offer:	
2nd Counter Offer:	
3rd Offer:	
3rd Counter Offer:	
Agreed Price:	

Refer to Results and Overview Tabs

Subject to Finance

2016-Profit & Loss as per Accountant's verified taxation figures		
Total Income:	510,989	100.00%
Less Goods Sold	7,182	1.41%
Gross Profit	503,807	98.59%
Less Expenses exc Add-Backs	275,417	53.90%
Freehold Net Profit	228,390	44.70%
Less, Rent	113,027	22.12%
Leasehold Net Profit	115,363	22.58%
Rent as a percentage of Freehold Net Profit:	49.49%	
Now apply add-backs to above percentage:	38,782	42.30%
Adjusted Leasehold Net Profit:	154,145	

What information is collected and shown at the negotiation table to derive at a sale price.

Refer to Rent Creep

Financial Figures:	2014		2015		2016		2017		2018		Total of Last 12 Mths	
		%		%		%		%		%		%
Income:	501,717	100.00%	534,951	100.00%	510,989	100.00%	482,321	100.00%	492,728	100.00%	482,331	100.00%
Less Purchases:	7,969	1.59%	7,020	1.31%	7,182	1.41%	9,096	1.89%	7,076	1.44%	0	0.00%
Gross Profit	493,748	98.41%	527,931	98.69%	503,807	98.59%	473,225	98.11%	485,652	98.56%	482,331	100.00%
Less Expenses:	278,691	55.55%	296,747	55.47%	275,417	53.90%	214,533	44.48%	216,939	44.03%	222,634	46.16%
Freehold Net:	215,057	42.86%	231,184	43.22%	228,390	44.70%	258,692	53.63%	268,714	54.54%	259,697	53.84%
Add-Backs:	40,000	7.97%	40,000	7.48%	38,782	7.59%	12,218	2.53%	10,000	2.03%	12,218	2.53%
Adjusted FH Net:	255,057	50.84%	271,184	50.69%	267,172	52.29%	270,910	56.17%	278,714	56.57%	271,915	56.38%
Less Rent	107,469	21.42%	115,086	21.51%	113,027	22.12%	114,085	23.65%	118,749	24.10%	114,081	23.65%
Adj. Leasehold Net	147,588	29.42%	156,098	29.18%	154,145	30.17%	156,825	32.51%	159,964	32.47%	157,834	32.72%

Note, where the number or text is blue the amount has been manually added.

Next 12 Months:	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Income:	35,815	40,990										
Less Purchases:												
Gross Profit												
Less Expenses:												
Freehold Net:												
Less Rent												
Leasehold Net												

Last 12 Months:	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
Income:	42,971	37,398	51,202	38,857	32,146	48,307	41,636	30,806	40,606	35,974	38,414	44,014
Less Purchases:	0	0	0	0	0		0	0	0	0	0	0
Gross Profit	42,971	37,398	51,202	38,857	32,146	48,307	41,636	30,806	40,606	35,974	38,414	44,014
Less Expenses:	17,934	18,980	17,950	17,191	21,026	16,806	16,628	17,970	16,507	17,197	20,736	23,709
Freehold Net:	25,037	18,418	33,252	21,666	11,120	31,501	25,008	12,836	24,099	18,777	17,678	20,305
Less Rent	9,427	9,514	9,514	9,514	9,514	9,514	9,514	9,514	9,514	9,514	9,514	9,514
Leasehold Net	15,610	8,904	23,738	12,152	1,606	21,987	15,494	3,322	14,585	9,263	8,164	10,791

Previous 12 Months:	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16
Income:	43,305	40,550	49,576	39,200	43,559	44,463	44,911	32,228	38,213	39,380	40,218	42,183

Now we calculate the worth of the motel based on a Benchmark yield for the area in which the motel is located.

Total: 497,786

Yield is also established on the condition of the premises, fixtures, fittings and lease with attention to lease conditions and term of lease.

Assessing this property I believe that a fair yield of 26% is appropriate.

Refer to Lease Extension Tab

Yield Variables:	2014	2015	2016	2017	2018
24%	\$614,949	\$650,408	\$642,271	\$653,437	666,519
25%	\$590,351	\$624,392	\$616,581	\$627,300	639,858
26%	\$567,645	\$600,377	\$592,866	\$603,173	615,248
27%	\$546,621	\$578,141	\$570,908	\$580,833	592,461
28%	\$527,099	\$557,493	\$550,518	\$560,089	571,302

Conclusion:

I can provide you and your advisers a transparent overview on any motel business. This negotiation page is only the tip of the iceberg to what can be done to fabricate the capitalised worth of a motel business. Alan & Nanette have operated the business in a practical way and have not hidden any surprises. My final statement must be that I provide information and the final decision is yours.

Viability of your motel

Asking Price: **\$615,000**

Version 86. 08/10/2017

By:



To move through the spread sheet use the Tab key

Build Date: Sunday, 8 October 2017

Input by: Russ Dodson

Assessment of:	Demonstration Purposes		
For:	Motel Assist website		
Title:	Leasehold Title	Tip	Hover mouse cursor over tip for an explanation
Operation:	Motel without a Restaurant	All text and figures highlighted blue can be altered	
Entry Date:	Sunday, October 8, 2017	Star Ratings Australia: Rated	3.5
Print Date:	Sunday, October 8, 2017	Number of Motels in Town:	49
Financial Year Analysed:	2016	BAS Revenue Inc. GST	2017
	1st Qtr: G1	\$144,727	G11 \$76,343
	2nd Qtr: G1	\$131,241	G11 \$77,845
	3rd Qtr: G1	\$124,343	G11 \$73,586
	4th Qtr: G1	\$130,242	G11 \$83,890
Total Revenue Exc. GST			Exc. GST
\$482,321	Total: G1	\$530,553	G11 \$311,664
			Expense Ratio 59%

Population of Town: 45,000
 Distance from CBD: 1.5 km
 Year Constructed: 1970s
 Land Size: 5,003.0 m2

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 **Viability** of your motel with **established Motel Industry Benchmarks**

Is the motel, Leasehold "Yes" Freehold "No"	Yes	Leasehold Title																																								
Number of years remaining in the lease	20																																									
Does the motel have a Restaurant?	No	Motel without a Restaurant																																								
Pre-set generic yields - Freehold 16% & Leasehold 30%	28%	Change yield at the bottom of this page																																								
Insert Room Types, No. & Tariff	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;">Room Type</th> <th style="width: 15%;">No.</th> <th style="width: 15%;">Tariff</th> <th style="width: 65%;"></th> </tr> </thead> <tbody> <tr><td>1 Single</td><td style="text-align: center;">6</td><td style="text-align: right;">\$110.00</td><td>inc. GST</td></tr> <tr><td>2 Queen</td><td style="text-align: center;">7</td><td style="text-align: right;">\$120.00</td><td>inc. GST</td></tr> <tr><td>3 Twin</td><td style="text-align: center;">2</td><td style="text-align: right;">\$150.00</td><td>inc. GST</td></tr> <tr><td>4</td><td></td><td></td><td>inc. GST</td></tr> <tr><td>5</td><td></td><td></td><td>inc. GST</td></tr> <tr><td>6</td><td></td><td></td><td>inc. GST</td></tr> <tr><td>7</td><td></td><td></td><td>inc. GST</td></tr> <tr><td>8</td><td></td><td></td><td>inc. GST</td></tr> <tr> <td colspan="2">Total Rooms in Motel:</td> <td style="text-align: center;">15</td> <td style="text-align: right;">Average Daily Room Rate</td> </tr> </tbody> </table>		Room Type	No.	Tariff		1 Single	6	\$110.00	inc. GST	2 Queen	7	\$120.00	inc. GST	3 Twin	2	\$150.00	inc. GST	4			inc. GST	5			inc. GST	6			inc. GST	7			inc. GST	8			inc. GST	Total Rooms in Motel:		15	Average Daily Room Rate
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To calculate your total sleeping spaces go to Page 3 Analysis Worksheet	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left;">Room Break-Up</th> </tr> </thead> <tbody> <tr> <td style="width: 70%;">Room</td> <td style="text-align: center;">15</td> </tr> <tr> <td>Apartment</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Total:</td> <td style="text-align: center;">15</td> </tr> </tbody> </table>		Room Break-Up		Room	15	Apartment	0	Total:	15																																
Room Break-Up																																										
Room	15																																									
Apartment	0																																									
Total:	15																																									

Go to Results & Overview to assess your motel asset.

Enter P&L

Profit & Loss Entry			Add Other Entries:	Amount	
Accommodation	487,000	95%	Interest Received	924	0.2%
Breakfast	11,701	2.3%	Merchant Fee Refund	9,996	2.0%
Goods for own use		0.0%			0.0%
<i>Restaurant figures not required</i>		0.0%			0.0%
<i>Beverage figures not required</i>		0.0%			0.0%
Conference inc Food & Beverage		0.0%			0.0%
Telephone		0.0%			0.0%
Minibar	1,369	0.3%			0.0%
Add Fee Refund & Interest Received	10,919	2%	Total Transposed to P&L	10,919	2.1%
Internet		0.0%			
Total Income	510,989	100%			
Less cost of goods sold			Add Other Entries:	Amount	
Breakfasts	6,463	1.3%			0.0%
<i>Restaurant figures not required</i>		0.0%			0.0%
<i>Beverage figures not required</i>		0.0%			0.0%
Minibar	719	0.1%			0.0%
Additional Entries	0	0.0%	Total Transposed to P&L	0	0.0%
Conference inc Food & Beverage		0.0%			
Total Cost of Sales	7,182	1.4%			
Gross Profit	503,807	99%			

Profit & Loss Entry

Less-Expenses

Accountancy	F	4,375	0.9%
Advertising & Research	V	1,186	0.2%
Bank Charges	F	386	0.1%
Credit card & Eftpos Charges	V	4,753	0.9%
Cable or Foxtel TV	F	5,374	1.1%
Chain Fees	F	6,251	1.2%
Cleaning contracts	V		0.0%
Cleaning chemicals inc laundry	V	6,050	1.2%
Comm to Internet Booking Agents	V	13,248	2.6%
Compliance to Ordinances	F	379	0.1%
Consumables	V	7,722	1.5%
Add entry: Bad Debts	V	870	0.2%
Depreciation Plant	F	7,579	1.5%
Add entry: Borrowing Expenses	F	1,703	0.3%
Electricity	V	10,251	2.0%
Gas & Oil	V	8,182	1.6%
Filing Fees	F		0.0%
Freight & Cartage	V	364	0.1%
Ground and Pool Maintenance	V	2,969	0.6%
Insurance General	F	8,447	1.7%
Insurance-Workers Comp.	V	1,449	0.3%
Interest	F	37,077	7.3%
Internet Access & Computer Maint.	V	3,636	0.7%
Legal	F	1,020	0.2%
Linen Hire	V	14,421	2.8%
Add entry: Donations	F	1,240	0.2%
Licence Fees and Subscriptions	F	1,016	0.2%
Motor Vehicle and Travelling	V	4,792	0.9%
Add entry: Petty Cash	F	800	0.2%
Pest Control	F	655	0.1%
Postage, Printing and Papers	V	1,112	0.2%
Rates and Land Tax	F	13,650	2.7%
Relief Management Contract	F		0.0%
Repairs and Maintenance	V	31,110	6.1%
Capital Replacements	V		0.0%
Security	F	605	0.1%
Research & Development	F		0.0%
Staff Amenities,Uniforms,Training	F	1,374	0.3%
Add entry: Linen Replacement	F	1,956	0.4%
Superannuation-Management-Owne	F		0.0%
Superannuation-Employees	V	4,525	0.9%
Telephone and Fax	V	7,133	1.4%
Wage Breakdown	V	0	0.0%
Wages Housekeepers exc Laundry	V	51,087	10.0%
Wages Housekeepers inc Laundry	V		0.0%
Wages Restaurant	V		0.0%
Wages Management	F		0.0%
Wages Owners	F		0.0%
Add entry: General Expenses	F		0.0%
Waste Removal	V	1,009	0.2%
Water Rates Inc.	V		0.0%
Add entry: Uniforms	F	430	0.1%
Other Additional Entries	V	5,234	1.0%
Total Operating Expenses (Exc Rent)		275,417	54%
Less Rent % of F/H NP: 42.3%	F	113,027	22.1%

of Accommodation revenue

F = Fixed Expense

V = Variable Expense

Understand the Wage Component of a Motel

Overview using Benchmarks from the Analysis Tab

Position	Per Week	Hrs
Reception & Books	0	0
Housekeepers	837	34
On rooms sold Hrs Req		34
Laundry	146	6
Handy Person Grd 3	0	0
Breakfasts	0	0
Restaurant:	0	0
Chef, Grd 5, say	0	0
Kitchen Hand	0	0
Waitress	0	0
Total wages per week/annum:	984	0
Inc. weekend rates	1,079	\$40
Refer to Tab below - Analysis to assess total:	56,129	P.A.

Wage Breakdown	Amount	
Relief		0.0%
Grounds-Pool		0.0%
Reception		0.0%
House Keeping		0.0%
Breakfasts		0.0%
Laundry		0.0%
Chef		0.0%
Waitress		0.0%
Functions		0.0%
		0.0%
		0.0%
Total Transposed to P&L	0	0.0%

Add Other Entries:	Amount	
AAA Tourism	571	0.1%
Siteminder	1,428	0.3%
Trip Advisor	1,255	0.2%
Guest Point	1,980	0.4%
		0.0%
		0.0%
		0.0%
Total Transposed to P&L	5,234	1.0%

Input Now go to Results

MOTEL ANALYSIS

MOTEL Assist
 ABN: 70 002 615 974
 222 Carthage Street
 TAMWORTH NSW 2340
 Tel: 02-6766-5331
 Fax: 02-6761-2056
 Mobile: 0428-668-357
 Email: russ@motelassist.com.au
 Web: www.motelassist.com.au

Analysis of: Demonstration Purposes
For: Motel Assist website
No. of Rooms: 15

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: 8/10/2017

Print Date: 8/10/2017

1. Motel without Restaurant	
Template Assessment	5,475 Rooms available to sell
Basic Analysis	15 Rooms in Motel
Turnover:	\$510,260 100%
Expenses:	\$244,925 48% Add-backs included
F.H. Net Profit:	\$265,335 52%
Rent:	\$119,401 45% of Freehold Net Profit
L.H. Net Profit:	\$145,934 29%
	Net Yield Assessed Price
Capitalised value of Freehold Motel	14% \$1,895,251
Capitalised value of Leasehold Motel	28% \$521,194

2. Motel with Restaurant	
Template Assessment	5,475 Rooms available to sell
Basic Analysis	15 Rooms in Motel
Turnover:	\$0 100%
Expenses:	\$0 56% Add-backs included
F.H. Net Profit:	\$0 0%
Rent:	\$0 0%
L.H. Net Profit:	\$0 0%
	Rent is 45% of Freehold Net Profit
	Net Yield Assessed Price
Capitalised value of Freehold Motel	14% \$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>	83% Occupancy
Actual Turnover:	\$510,989 100%
Adjusted Expenses:	\$243,817 48% Add-backs/Ons included
F.H. Net Profit:	\$267,172 52%
Rent:	\$113,027 42% of Freehold Net Profit
L.H. Net Profit:	\$154,145 30%
	4,464 Rooms Sold 83% Occupancy
	\$109.09 ADR
	\$90.77 RevPAR
	Net Yield Assessed Price
Capitalised value of Freehold Motel	14% \$1,908,373
Capitalised value of Leasehold Motel	28% \$550,518

Your Assessment - from Input P&L page	
Basic Analysis <i>with a restaurant</i>	
Actual Turnover:	\$0 100%
Adjusted Expenses:	\$0 Add-backs/Ons included
F.H. Net Profit:	\$0
Rent:	\$0
L.H. Net Profit:	\$0
	4,464 Rooms Sold 83% Occupancy
	\$109.09 ADR
	\$90.77 RevPAR
	Net Yield Assessed Price
Capitalised value of Freehold Motel	14% \$0
Capitalised value of Leasehold Motel	28% \$0

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	
Demonstration Purposes	
Motel without a Restaurant	
Blue Add-Backs	
Bad Debts	\$870
Depreciation Plant	\$7,579
Interest	\$37,077
Legal	\$1,020
Superannuation	\$0
Wages Management	\$0
Wages Owners	\$0
Total	\$46,546
Add other Add-backs	-\$7,764
Grand Total	\$38,782
Enter ADR exc GST	\$109.09 Average Daily Room Rate
RevPAR	\$90.77 Revenue per available room
Average T/O Daily	\$1,334 Room income
Average T/O Weekly	\$9,365 Room income
Average T/O Daily	\$0 Restaurant & Beverage Income
Average T/O Weekly	\$0 Restaurant & Beverage Income
Occupancy	83% \$53.01 Room cost breakeven
Room Nights Sold	4,464 of 5,366 available
Analysis	

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: http://www.astonhillportmacquarie.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	
An understanding how long it takes to clean an average sized motel room	
It takes up to 30 minutes for an efficient Houskeeper to clean an average sized room	
Larger Rooms:	40 minutes 30 Rm time taken to clean
Apartments:	55 minutes 0 Apt time taken to clean
Insert Ratio of multiple room nights	1.25 being the average duration
It is recommended that you assess and record the times on each room	

MOTEL ANALYSIS

 Print Date: Sunday, 8 October 2017
 Entry Date: Sunday, 8 October 2017

 Demonstration Purposes
 Leasehold Title
 Motel without a Restaurant

Capitalised Value from P&L Figures
 \$554,947

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 2016
1. Is the motel a Leasehold Business? Yes Asking Price: \$615,000
2. Does the motel have a Restaurant? No
3. How many rooms are there in the motel? 15 with 62 sleeping spaces
4. The Benchmark yield are you expecting 28% Benchmark for a Leasehold 30% & Freehold 16%
5. Turnover without a restaurant \$510,260 Actual Room T/O \$510,989 Occupancy 83%
6. Turnover with a restaurant \$0 Actual Room T/O \$0 Occupancy 0%
7. Now establish what annual allowance will be applied to capital replacements annually over 15 years: \$14,086 per annum 2.76% of revenue
8. We are now going to calculate your average daily room rate. **ADR = \$109.09 Excluding GST**

Motel Room Configuration Enter the bed numbers & types **RevPAR= \$90.77 Excluding GST**

Room Type	Tariff-GST	No.	King	Queen	Single	Sofa	Bunk	Fold Out
Single	\$110	6	0	6	4	3	0	0
Queen	\$120	7	0	7	5	4	0	0
Twin	\$150	2	0	3	3	2	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	0	0	0	0	0	0	0
	\$0	0	0	0	0	0	0	0
ADR inc GST	\$120.00	15	0	16	12	9	0	0
ADR exc GST	\$109.09		0	32	12	18	0	0

 9. Number of sleeping places **62** Maximum Room Revenue \$643,860 Inc. GST \$585,327 Exc. GST

Establish the break-even turnover

Additional Sleeping Spaces: 9 0 0

Leasehold Title Motel without a Restaurant

Refers to your assessed income and expenses:

You need to make: \$351,399 in sales to break even			
	% over/breakeven	Monthly	Motel Occupancy: 83%
Sales	100.0%	\$29,283	\$351,399
Less: Cost of sales	2.0%	\$598	\$7,182
Gross Margin	98.0%	\$28,685	\$344,217
LESS EXPENSES			
Admin & Overhead	61.2%	\$17,927	\$215,120
Sales & Marketing	2.1%	\$620	\$7,436
Total Admin	63.3%	\$18,546	\$222,556
Interest Expense	4.5%	\$1,318	\$15,816 Yes
Rent	32.2%	\$9,419	\$113,027
Total Expenses	100.0%	\$29,283	\$351,399
Net Profit			\$0
Break-even sales			
as a % of total sales figure of		\$510,989	68.8%

Maximum breakeven for Freehold motels is 70% and a maximum of 80% for Leasehold motels is recommended.

Comments about Break Even

The Break-even report requires you to establish the day to day trading so, we are going to analyse what is required daily.

You will need to generate sales of \$962.74 per day, being 12.2 rooms or an ADR of \$78.72

The rent is per day \$309.66
 Total Expenses \$653.07 per day
 That adds up to \$962.74 per day

The difference is your profit of \$378.98 per day, or **\$138,329 per year after interest**

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 **\$277,473**

In some cases you may need to borrow more and pledge other security.

Additional Borrowings: \$0
 Total Borrowings: \$277,473 Total Interest: \$15,816
 Add to Break-Even? **Yes**
 Break-Even will increase to: **69%**
 Net Cash Flow: \$228,390

Wages stated in P&L \$51,087 Housekeepers Excluding Laundry

Understand the Wage Component of a Motel				
Position	Hrs/week	Award	Per Week	Per Annum
Reception & Books	0	\$24.41	\$0.00	\$0
Housekeepers	34.3	\$24.41	\$837.26	\$43,538
On rooms sold Hrs Req	34.3	As calculated by this program		
Laundry	6	\$24.41	\$146.46	\$7,616
Handy Person Grd 3	0	\$25.26	\$0.00	\$0
Breakfasts	0	\$24.41	\$0.00	\$0
Restaurant:				
Chef, Grd 5, say	0	\$28.29	\$0.00	\$0
Kitchen Hand	0	\$24.41	\$0.00	\$0
Waitress	0	\$24.41	\$0.00	\$0
Total wages per week/annum:			\$983.72	\$51,154

 Inc. weekend rates 40.3 \$26.78 \$1,079 Per Week
 (Rate as an assessed average inc. weekends only) \$56,129 Per Annum

Special Note: Holiday Loadings are not included in above wages
 To include Holiday Loading to Housekeepers wages: \$47,772

Hospitality Services Grade 2. (Casual)			
Monday to Friday	\$24.41	Motels, Accommodation & Resorts Award(Federal) from 1/7/2017	
Saturday	\$29.30		
Sunday	\$34.18		
Public Holiday	\$48.83		
Hospitality Services Grade 4. Chef - Grade 4			
Monday to Friday	\$26.61	Motels, Accommodation & Resorts Award(Federal) from 1/7/2017	
Saturday	\$31.64		
Sunday	\$37.26		
Public Holiday	\$53.23		
Summary:			
Wages for Motel	\$51,154	\$4,975	\$56,129
Wages for Restaurant	\$0	\$0	\$0
Total:	\$51,154	\$4,975	\$56,129

Laundry Estimated Wages PW:
 Estimated Hrs 11
 Est. Wages \$1,879.57

 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.**

Analysis

Demonstration Purposes
Leasehold Operation

Asking Price: \$615,000

Broker: Fine-Tuned
Fine-Tuned: 13/07/2017 Russ Dodson

Build Date:
Print Date:

Sunday, 8 October 2017
Sunday, 8 October 2017

Motel without a Restaurant

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

When you have fine-tuned your add-backs enter date and name above - 2nd line

	2016	% T/O	2015	% T/O	2014	% T/O	Benchmark 2016	Add-Back or Add-On 2016	Industry Benchmark	Benchmark Explanatory - Work Sheet
Note: Items highlighted in blue are deemed to be add-backs and add-ons in red.										
Income										
Accommodation	487,000	95.31%	534,951	97%	500,736	100%				When a Benchmark explanation is highlighted - careful consideration is required
Breakfast	11,701	2.2898%	12,207	2.2%		0.0%				When you see this highlighted across the page - this expense can be controlled
Goods for own use	0	0.0000%		0.0%		0.0%				Living in Premises Allowance:
Restaurant figures not required	0	0.0000%		0.0%		0.0%				If not included in Accommodation 3% to 5% would be a minimum acceptance percentage
Beverage figures not required	0	0.0000%		0.0%		0.0%				ATO Guidelines - Those under 16yrs \$1,565.00 & those over 16yrs \$3,950.00pa per person
Conference inc Food & Beverage	0	0.0000%		0.0%		0.0%				Careful assessment here, determine the worth of the restaurant to the accommodation
Telephone	0	0.0000%		0.0%		0.0%				If the motel has the provisions for conferences analyse if it is or will be profitable to initiate.
Minibar	1,369	0.2679%	1,550	0.3%		0.0%				Usually quite low due to most people having mobile phones
Add Fee Refund & Interest Received	10,919	2.1369%	840	0.2%	981	0.2%				At the discretion of the motel
Internet	0	0.0000%		0.0%		0.0%				Additional income items if required
Total Income	510,989	100.00%	549,547	100%	501,717	100%				Most country motels offer free internet, which is now expected by the guests.
Less cost of goods sold										Explanation
Breakfasts	6,463	1.2647%	6,069	1.1%	5,910	1.2%	40.00%	0	4,680	When there is no sales for the items below click Yes to remove Add-Back or Add-On
Restaurant figures not required	0	0.0000%		0.0%		0.0%	38.00%	0	0	Food cost about 40% to 45% of sales (If there is no amount - breakfast inc in tariff)
Beverage figures not required	0	0.0000%		0.0%		0.0%	30.00%	0	0	Food cost should be between 30% to 38% of sales
Minibar	719	0.1407%	951	0.2%	1,696	0.3%	33.00%	0	452	Liquor cost should not exceed 30% of sales
Additional Entries	0	0.0000%		0.0%	363	0.0%		0	0	Average cost of 33% of sales
Conference inc Food & Beverage	0	0.0000%		0.0%		0.0%	31.00%	0	0	As per restaurant & beverage percentages
Total Cost of Sales	7,182	1.41%	7,020	1.3%	7,969	1.6%				
Gross Profit	503,807	98.59%	542,527	99%	493,748	98.4%				
Less-Expenses										
Accountancy	4,375	0.8561%	5,050	0.9%	3,359	0.7%	0.75%	542	3,832	Allow 0.75% or a minimum of \$2500.00 in a smaller motel without a restaurant
Advertising & Research	1,186	0.2321%	2,803	0.5%	3,865	0.8%	0.80%	-2,902	4,088	At least between 1.00% to 2.5% refer to Chain contributions towards advertising.
Bank Charges	386	0.0756%	154	0.0%	151	0.0%	0.08%	-1	387	Varies due to mortgage conditions - 0.1% to 0.5%
Credit card & Eftpos Charges	4,753	0.9301%	8,784	1.6%	7,320	1.5%	0.93%	-7	4,759	Deals through AAoA are less than 0.9% through the Commonwealth Bank
Cable or Foxtel TV	5,374	1.0517%	5,234	1.0%	5,771	1.2%	1.05%	-8	5,382	Charged at a cost per room
Chain Fees	6,251	1.2232%	6,251	1.1%	6,781	1.4%	1.23%	-9	6,260	Varies on Chain Costs adjust percentage to meet stated cost
Cleaning contracts	0	0.0000%		0.0%		0.0%	0.00%	0	0	Change variable if necessary Depends on cleaning contract negotiated
Cleaning chemicals inc laundry	6,050	1.1839%	7,809	1.4%	5,488	1.1%	1.19%	-9	6,058	General House cleaning 0.3% to 0.9% - Laundry is assessed on usage up to 1.2%
Comm to Internet Booking Agents	13,248	2.5926%	13,180	2.4%	9,825	2.0%	2.60%	-19	13,267	Commissions range from 11% to 15% allow an average from 1.75% to 3.5% at the top end
Compliance to Ordinances	379	0.0741%		0.0%		0.0%	0.07%	-0	379	An expense is appearing due to Government ordinances, Pool & Fire ordinances - say 0.15%
Consumables	7,722	1.5111%	7,839	1.4%	6,501	1.3%	1.51%	-11	7,733	All items supplied to the motel rooms on a daily basis, usually around 1.5%
Bad Debts	870	0.1703%	633	0.1%		0.0%	0.00%	870	0	Change variable to meet cost if necessary
Depreciation Plant	7,579	1.4832%	7,731	1.4%	2,748	0.5%	0.75%	7,579	0	Depreciation is included as an add-back because it is allowed for in Capital Replacements
Borrowing Expenses	1,703	0.3332%	1,703	0.3%	1,701	0.3%	0.00%	1,703	0	Change variable to meet cost if necessary
Electricity	10,251	2.0061%	14,037	2.6%	14,079	2.8%	2.01%	-15	10,266	Varies greatly per property, typical percentage is 3.0% to 8.5% depending on climate
Gas & Oil	8,182	1.6011%	7,065	1.3%	10,132	2.0%	1.60%	-12	8,193	Varies greatly per property, typical percentage is 1.2% to 4% depending on previous averages
Filing Fees	0	0.0000%		0.0%		0.0%	0.00%	0	0	Change variable to meet cost if necessary
Freight & Cartage	364	0.0712%		0.0%		0.0%	0.07%	-1	364	Change Benchmark % to meet cost as there can be no benchmark in this area
Ground and Pool Maintenance	2,969	0.5811%	2,969	0.5%	1,975	0.4%	0.58%	-4	2,973	Varies greatly per property, typical percentage is between 0.09 to 1.7%
Insurance General	8,447	1.6530%	8,027	1.5%	7,800	1.6%	1.66%	-12	8,459	Premiums vary from \$5,500 to \$12,500 depending on size of property
Insurance-Workers Comp.	1,449	0.2836%	2,360	0.4%	1,269	0.3%	2.00%	-341	1,790	Workers Compensation premium is 3.9% to 4.2% of gross wages being 0.55% of T/O
Interest	37,077	7.2599%	41,301	7.5%	43,932	8.8%		37,077	0	An owners expense - Full Add-Back
Internet Access & Computer Maint.	3,636	0.7116%	8,005	1.5%	3,293	0.7%	0.50%	1,081	2,555	Allow between 0.35% to 0.7%
Legal	1,020	0.1996%	760	0.1%		0.0%	0.00%	1,020	0	Usually an owners expense and would be classed as an add-back
Linen Hire	14,421	2.8222%	10,740	2.0%	10,405	2.1%	2.83%	-21	14,442	Sheets only allow from 1.5% and for the full linen service allow up to 7.2%
Donations	1,240	0.2427%	891	0.2%	250	0.0%	0.00%	1,240	0	Change variable to meet cost if necessary
Licence Fees and Subscriptions	1,016	0.1989%	3,377	0.6%	2,053	0.4%	0.20%	-2	1,018	Allow 0.2% to 0.5%
Motor Vehicle and Travelling	4,792	0.9379%	3,999	0.7%	2,953	0.6%		1,792	3,000	A flat allowance of \$3,000 is used in my assessments to cover motor vehicle use in a motel
Petty Cash	800	0.1566%	989	0.2%	1,719	0.3%	0.16%	-1	801	Change variable to meet cost if necessary
Pest Control	655	0.1281%	660	0.1%	660	0.1%	0.13%	-1	656	If there is not expense for this - look closely at the areas where infestation can occur
Postage, Printing and Papers	1,112	0.2177%	1,380	0.3%	1,242	0.2%	0.22%	-2	1,114	Varies greatly per property, typical percentage is between 0.3 to 1.2%
Rates and Land Tax	13,650	2.6714%	13,702	2.5%	14,769	2.9%	2.68%	-20	13,670	As charged
Relief Management Contract	0	0.0000%	1,899	0.3%	2,483	0.5%	0.00%	-4,599	4,599	Allow 28 days a year away at \$250 (exc GST) per day amounts to \$7,000
Repairs and Maintenance	31,110	6.0882%	35,339	6.4%	34,961	7.0%	1.90%	21,401	9,709	Allow a total of 2% per annum of Total Income for repairs & maintenance
Capital Replacements	0	0.0000%		0.0%		0.0%	3.23%	-16,505	16,505	Ref: Replacement Cost Tab shows it at \$14,086 2.76% of turnover for 15 yrs
Security	605	0.1184%	703	0.1%	633	0.1%	0.12%	-1	606	Becoming a very important issue allow between 0.25% to 0.75% depending on location
Research & Development	0	0.0000%		0.0%		0.0%	0.00%	0	0	Allow 0.20% for a functional motel
Staff Amenities, Uniforms, Training	1,374	0.2688%	358	0.1%		0.0%	0.27%	-2	1,376	Allow 0.2% to 0.9%
Linen Replacement	1,956	0.3827%	2,083	0.4%	6,237	1.2%	0.38%	-3	1,959	Change variable to meet cost if necessary
Superannuation-Management-Owners	0	0.0000%		0.0%		0.0%	0.00%	0	0	An owners expense - Full Add-Back managers Wages
Superannuation-Employees	4,525	0.8855%	4,233	0.8%	6,248	1.2%	0.89%	-6	4,531	9.5% of wages 51,087 9.50% 4,853.25 0.95% of revenue
Telephone and Fax	7,133	1.3959%	7,797	1.4%	6,827	1.4%	1.40%	-10	7,143	Allow 1.2% to 2.5%
Wage Breakdown	0	0.0000%		0.0%		0.0%	0.00%	0	0	Refer to table in the Input tab
Wages Housekeepers exc Laundry	51,087	9.9976%	49,832	9.1%	41,599	8.3%	10.01%	-73	51,160	Allow between 6% to 10% of Room Income \$47,771.94 9.3%
Wages Housekeepers inc Laundry	0	0.0000%		0.0%		0.0%	0.00%	0	0	Allow between 7% to 12% of Room Income, wages shown current % = \$49,651.51 9.7%
Wages Restaurant	0	0.0000%		0.0%		0.0%	0.00%	0	0	A difficult one to calculate. It should be 30-45% of Restaurant revenue \$0.00
Wages Management	0	0.0000%		0.0%		0.0%	0.00%	0	0	When managers are employed it is a full Add-Back + super 0
Wages Owners	0	0.0000%		0.0%		0.0%	0.00%	0	0	An owners expense - Full Add-Back
General Expenses	0	0.0000%	1,391	0.3%	3,312	0.7%	0.00%	0	0	Change variable to meet cost if necessary
Waste Removal	1,009	0.1975%	1,064	0.2%	2,403	0.5%	0.20%	-2	1,011	Allow 0.3% to 0.75%
Water Rates	0	0.0000%		0.0%		0.0%	0.00%	0	0	As charged
Uniforms	430	0.0842%	699	0.1%	211	0.0%	0.08%	-0	430	Change add-back to show amount
Other Additional Entries	5,234	1.0243%	4,516	0.8%	3,735	0.7%	1.03%	-8	5,242	Varies on the entries - check Input Tab
Operating Expenses (Exc Rent)	275,417	53.90%	296,747	54.0%	278,691	55.5%		38,782	225,716	Total of Industry Benchmarks
Add-Backs or Add-Ons	38,782	7.59%	0	0.0%	0	0.0%		0	0	Add Adjustment from Buy-Sell Tab
Adj - Total Operating Expenses	236,635	46.31%	296,747	54.0%	278,691	55.5%		38,782	38,782	Adjusted total Add-Backs
Adj - Freehold Net Operating Profit	267,172	52.29%	245,780	44.7%	215,057	42.9%				
Less Rent as a % of Freehold Net Profit	113,027	22.12%	115,086	20.9%	107,469	21.4%				
Leasehold Adjusted Net Profit	154,145	30.17%	130,694	23.8%	107,588	21.4%				

Note: Add-backs are not included in above Net Profits

Compare with source Profit & Loss		
Total Income:	510,989	100.00%
Less Goods Sold	7,182	1.41%
Gross Profit	503,807	98.59%
Less Operating Expenses	275,417	53.90%
Freehold Net Profit	228,390	44.70%
Return Add-backs	38,782	7.59%
Adjusted Freehold Net Profit	267,172	52.29%
Less Rent	113,027	22.12%
Leasehold Net Profit	154,145	30.17%

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.**

Rent is 42.3% of Freehold Net Profit

Total Overview	
Actual Turnover:	\$510,989.91 100%
Adj. Expenses:	\$243,816.74 48%
Adj. F.H. Net Profit:	\$267,172.17 52%
Actual Rent:	\$113,027.02 42%
L.H. Net Profit:	\$154,145.15 30%

Click on the Analysis tab below to view the Analysis.

Profit & Loss Items		Add-Backs or Add-Ons	
Total Fixed Costs	\$207,342.12	Total Fixed Costs	\$44,501.86
Total Variable Costs	\$181,102.39	Total Variable Costs	\$5,719.42
Total Costs	\$388,444.51	Total Costs	\$38,782.43

Results



Motel: **Demonstration Purposes**
Leasehold Title

Asking Price: **\$615,000**

Entry Date: 8/10/2017
Print Date: 8/10/2017

No Restaurant

Version 86.08/10/2017

ALL FIGURES BELOW ARE FOR THE INITIAL YEAR

All Figures are excluding GST unless nominated to include GST

Current Year ending:

INCOME:						
Accommodation	95.3%	487,000	470,442	468,773	479,851	479,851
Breakfast	2.3%	11,701	11,303	11,955	11,529	11,529
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	0.3%	1,369	1,322	804	1,349	1,349
Add Fee Refund & Interest Received	2.1%	10,919	0	800	0	0
Internet	0.0%	0	0	0	0	0
TOTAL INCOME:	100%	510,989	483,067	482,332	492,728	492,728

LESS: COST OF PURCHASES

Breakfasts	1.3%	6,463	6,243	8,390	6,368	6,368
Restaurant	0.0%	0	0	0	0	0
Beverage	0.0%	0	0	0	0	0
Minibar	0.1%	719	695	706	708	708
Conference inc Food & Bev	0.0%	0	0	0	0	0
TOTAL PURCHASES:	1.4%	7,182	6,938	9,096	7,076	7,076
GROSS PROFIT:	98.6%	503,807	476,130	473,236	485,652	485,652

ADMINISTRATIVE & OVERHEADS:

Accountancy	F	0.9%	4,375	4,375	2,450	4,462	2,500
Advertising & Research	V	0.2%	1,186	1,146	5,822	1,168	1,168
Bank Charges	F	0.1%	386	373	242	380	380
Credit card & Eftpos Charges	V	0.9%	4,753	4,591	4,132	4,683	4,683
Cable or Foxtel TV	F	1.1%	5,374	5,192	5,488	5,295	5,295
Chain Fees	F	1.2%	6,251	6,038	6,267	6,159	6,159
Cleaning contracts	V	0.0%	0	0	0	0	0
Cleaning chemicals inc laundry	V	1.2%	6,050	5,844	5,734	5,961	5,961
Comm to Internet Booking Agents	V	2.6%	13,248	12,797	11,551	13,053	13,053
Compliance to Ordinances	F	0.1%	379	366	373	373	373
Consumables	V	1.5%	7,722	7,459	6,332	7,608	7,608
Bad Debts	V	0.2%	870	0	0	0	0
Depreciation Plant	F	1.5%	7,579	7,321	0	7,468	0
Borrowing Expenses	F	0.3%	1,703	1,645	0	0	0
Electricity	V	2.0%	10,251	9,903	10,133	10,101	10,101
Gas & Oil	V	1.6%	8,182	7,903	7,321	8,061	8,061
Filing Fees	F	0.0%	0	0	0	0	0
Freight & Cartage	V	0.1%	364	351	855	358	358
Ground and Pool Maintenance	V	0.6%	2,969	2,868	3,651	2,926	2,926
Insurance General	F	1.7%	8,447	8,160	8,405	8,323	8,323
Insurance-Workers Comp.	V	0.3%	1,449	1,400	1,569	1,428	1,428
Interest	F	7.3%	37,077	37,077	12	12	12
Internet Access & Computer Maint.	V	0.7%	3,636	3,513	7,252	3,583	3,583
Legal	F	0.2%	1,020	985	225	1,005	0
Linen Hire	V	2.8%	14,421	13,931	14,252	14,209	14,209
Donations	F	0.2%	1,240	1,198	430	1,222	1,222
Licence Fees and Subscriptions	F	0.2%	1,016	982	1,629	1,001	1,001
Motor Vehicle and Travelling	V	0.9%	4,792	4,629	7,051	4,722	3,000
Petty Cash	F	0.2%	800	773	289	788	788
Pest Control	F	0.1%	655	632	854	645	645
Postage, Printing and Papers	V	0.2%	1,112	1,074	1,919	1,096	1,096
Rates and Land Tax	F	2.7%	13,650	13,186	13,837	13,450	13,450
Relief Management Contract	F	0.0%	0	0	1,636	0	3,500
Repairs and Maintenance	V	6.1%	31,110	30,052	20,377	30,653	25,000
Capital Replacements	V	0.0%	0	0	0	0	0
Security	F	0.1%	605	584	451	596	596
Research & Development	F	0.0%	0	0	0	0	0
Staff Amenities, Uniforms, Training	F	0.3%	1,374	1,327	1,098	1,353	1,353
Linen Replacement	F	0.4%	1,956	1,889	3,980	1,927	1,927
Superannuation-Management-Owners	F	0.0%	0	0	0	0	0
Superannuation-Employees	V	0.9%	4,525	4,371	4,048	4,459	4,459
Telephone and Fax	V	1.4%	7,133	6,890	5,594	7,028	7,028
Wage Breakdown	V	0.0%	0	0	0	0	0
Wages Housekeepers exc Laundry	V	10.0%	51,087	49,350	48,107	50,337	50,337
Wages Housekeepers inc Laundry	V	0.0%	0	0	0	0	0
Wages Restaurant	V	0.0%	0	0	0	0	0
Wages Management	F	0.0%	0	0	0	0	0
Wages Owners	F	0.0%	0	0	0	0	0
General Expenses	F	0.0%	0	0	0	0	0
Waste Removal	V	0.2%	1,009	975	939	994	994
Water Rates	V	0.0%	0	0	0	0	0
Uniforms	F	0.1%	430	415	601	424	424
Other Additional Entries	V	1.0%	5,234	5,056	5,157	5,157	5,157
TOTAL EXPENSES:		53.9%	275,417	266,622	214,533	232,470	216,939
Add-Backs shown on Profit & Loss - Highlighted Blue		9.4%	47,786	44,398	667	9,707	12
Benchmark Add-Backs, detailed in Tab Results		-1.5%	-7,764	0	11,551	0	0
Adj - Total Operating Expenses		46.1%	\$235,395	\$222,224	\$202,315	\$222,764	\$216,927
Adj - Freehold Net Operating Profit		52.5%	\$268,412	\$260,843	\$270,921	\$262,888	\$268,726

LESS RENT:		22.1%	\$113,027	\$115,853	\$114,085	\$118,749	\$118,749
ADJ. LEASEHOLD NET PROFIT After Rent:		30.4%	\$155,385	\$144,991	\$156,836	\$144,139	\$149,976
Rent as a % of Freehold Net Profit (Cannot exceed 50%)			42.1%	44.4%	42.1%	45.2%	44.2%

Value of Freehold Business: Yield:	14.00%	\$1,917,230	\$1,863,166	\$1,935,152	\$1,877,774	\$1,919,468
Value of Leasehold Business: Yield:	28.00%	\$554,947	\$517,823	\$560,129	\$514,783	\$535,630
		2016	2017	2017	2018	2018

1st Full Year Only	
No. of Rooms	15
Rooms Occ.	4464
Occupancy	83%
Room Tariff	\$109.09
Inc. GST	\$120.00
Breakfast per Room	\$2.62
Inc. GST	\$2.88
Sales % T/O	2%

Benchmark Goodwill	
Plant & Fittings	\$326,451
Goodwill	\$194,743
Freehold	\$1,374,057
Value of Motel	\$1,895,251

Actual Add Backs	
Total	\$38,782

Actual Capitalised Value	
Freehold	\$1,917,230
Value/Unit	\$127,815
Leasehold	\$554,947
Value/Unit	\$36,996

Mortgage Details	
Maximum loan available	50% of Capitalised
Value:	\$554,947
Interest Rate	5.70%
Total Loan:	\$277,473
Interest PA:	\$ 15,816

Wage Break-up		of T/O
Management	\$0.00	0.0%
Relief	\$0.00	0.0%
Grounds-Pool	\$0.00	0.0%
Reception	\$0.00	0.0%
Housekeeping	\$0.00	0.0%
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%
	\$0.00	0.0%
Total	\$0.00	0.0%

Annual Capital Expenditure		Allow
Bedding	\$6,042	\$6,500
Electrical	\$1,908	\$2,000
Furniture	\$2,563	\$2,500
Air Conditioners	\$1,773	\$3,000
Laundry	\$1,042	\$750
Fixed Fittings	\$1,860	\$0
Reception/Office	\$0	\$0
Other	\$0	\$0
Structural	\$8,500	\$10,000
Bathrooms	\$8,500	\$10,000
Signs	\$0	\$0
Landscaping	\$0	\$400
Painting	\$900	\$2,000
Other	\$0	\$0
Other	\$0	\$0
Allow Annually	\$24,588	\$27,150
The annual allowance for capital expenses over turnover		4.8%

No Restaurant		of T/O
Restaurant Profitability		
Total Sales	\$0	0%
Food Costs	\$0	0%
Gross Profit	\$0	0%
Labour	\$0	0%
Net to Food	\$0	0%

Profit & Loss Overview		
	2016	2018
Income	\$510,989	100%
Less Purchases	\$7,182	1%
Gross profit	\$503,807	99%
Marketing	\$7,436	1%
Other Expenses	\$267,981	52%
Total Expenses	\$275,417	54%
FH Profit	\$228,390	45%
Add Backs	\$40,022	8%
Adj. Net Profit	\$268,412	53%
Rent if L/hold	\$113,027	22%
Net After Rent	\$155,385	30%



Viability of your motel

2.76% Fitout % 15 years
3.23% Fitout % 30 years

General Items	\$115,906	\$105,369	\$199,110
Other Items	\$53,078	\$48,252	\$103,660
Structural Work	\$190,113	\$172,830	\$390,990
Total:	\$359,097	\$326,451	\$693,760

Replacement & Refurbishment Cost
2 x 15 Year Cycle Replacement Plan

15 No. of Rooms:

Annual allowance over 30 years: **\$23,940** **\$23,125**

Based on external laundry service for all linen sheets.

General Items	QTY	PRICE	Mth Year Installed	Years in Existence	GST	Inc GST	Exc GST	Multiple Allowance	Exc GST
King or Queen Bed head Timber Veneer finish x 6 times	15	\$332			\$498	\$5,478	\$4,980		\$29,880
Premium King or Queen Bed Ensemble x 6 times	15	\$675			\$1,013	\$11,138	\$10,125		\$60,750
Doona Cover and Doona	0	\$150			\$0	\$0	\$0		
Valances	0	\$65			\$0	\$0	\$0		
Bed Spreads Queen	15	\$264			\$396	\$4,356	\$3,960		
Blankets Queen - Wool (+ spare in cupboard)	45	\$80			\$360	\$3,960	\$3,600		
Blankets Queen - Cotton	15	\$40			\$60	\$660	\$600		
Pillows 700gms Dacron Fill for Queen beds (inc spare)	60	\$13			\$77	\$851	\$774		
Mattress Protectors Queen (+ 25% on hand)	19	\$26			\$49	\$536	\$487		
Single Bed Head Timber Veneer Finish x 6 times	15	\$277			\$416	\$4,571	\$4,155		\$24,930
Premium Single Bed x 6 times	15	\$410			\$615	\$6,765	\$6,150		\$36,900
Bed Spreads Single	15	\$165			\$248	\$2,723	\$2,475		
Blankets Single - wool (+ spare in cupboard)	45	\$60			\$270	\$2,970	\$2,700		
Blankets Single - cotton (+ spare in cupboard)	15	\$31			\$47	\$512	\$465		
Mattress Protectors Single	15	\$11			\$16	\$173	\$157		
Pillows 700gms Dacron Fill for Single beds (inc spare)	30	\$99			\$297	\$3,267	\$2,970		
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)	75	\$22			\$165	\$1,815	\$1,650		
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	30	\$270			\$810	\$8,910	\$8,100		
Armchair x 5 times	15	\$288			\$432	\$4,752	\$4,320		\$21,600
Coffee Table x 5 times	15	\$190			\$285	\$3,135	\$2,850		\$14,250
Dining Chair x 5 times	45	\$48			\$216	\$2,376	\$2,160		\$10,800
Luggage Rack	15	\$69			\$104	\$1,139	\$1,035		
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	15	\$315			\$473	\$5,198	\$4,725		
Block out Drapes to suit	15	\$612			\$918	\$10,098	\$9,180		
Bathroom Mirror 600 x1000	15	\$165			\$248	\$2,723	\$2,475		
Timber Floor Lamp and Parchment Shade	15	\$325			\$488	\$5,363	\$4,875		
LCD/Plasma 104cm television with hotel lock	15	\$620			\$930	\$10,230	\$9,300		
TV Wall Bracket	15	\$88			\$132	\$1,452	\$1,320		
DVD Player (Blue-ray)	15	\$190			\$285	\$3,135	\$2,850		
Kettle	15	\$25			\$38	\$413	\$375		
Toaster (2 Slice)	15	\$25			\$38	\$413	\$375		
Iron, Steam & Dry	15	\$25			\$38	\$413	\$375		
Ironing board with scotch guard cover	15	\$40			\$60	\$660	\$600		
84L bar fridge	15	\$290			\$435	\$4,785	\$4,350		
Hair dryer	15	\$28			\$42	\$462	\$420		
Clock radio with iPod socket	15	\$29			\$44	\$479	\$435		
Total of General Items		\$8,011			\$10,537	\$115,906	\$105,369		\$199,110
Other Items:					GST	Inc GST	Ex GST		
Water Tumblers per sleeping space, Water Jugs,	15	\$12			\$18	\$198	\$180		
Waste Paper Baskets	15	\$16			\$24	\$264	\$240		
10L Toilet Tidy Flat Lid White	15	\$10			\$15	\$164	\$149		
Consumables, Soap, Shampoo, Tea, Coffee & Sugar	15	\$5			\$7	\$76	\$69		
Wall Prints	30	\$95			\$285	\$3,135	\$2,850		
Wall Mirror (minimum size 1200mmx450mm)	15	\$128			\$192	\$2,112	\$1,920		
Office Desk	0	\$290			\$0	\$0	\$0		
Office Chairs	0	\$86			\$0	\$0	\$0		
Desk Lamp	0	\$28			\$0	\$0	\$0		
Compendiums	15	\$26			\$39	\$429	\$390		
Coat Hangers	90	\$2			\$18	\$193	\$175		
Accessory Pack, Coffee Cups, Wine Glasses, Opener etc.	15	\$15			\$22	\$243	\$221		
Cupboard matching, Bed & Side Tables x 3 times	X 15	\$1,680			\$2,520	\$27,720	\$25,200		\$75,600
Electronic Safe	15	\$115			\$173	\$1,898	\$1,725		
Door Mats	15	\$25			\$37	\$404	\$367		
Commercial 21kg Front Loading Washing Machine x 2 times	X 1	\$7,600			\$760	\$8,360	\$7,600		\$15,200
Matching Dryer (Motel) x 2 times	X 1	\$4,900			\$490	\$5,390	\$4,900		\$9,800
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	15	\$100			\$150	\$1,650	\$1,500		
Total of other items		\$15,897			\$4,825	\$53,078	\$48,252		\$103,660
Major Refurbishment & Replacements					GST	Inc GST	Ex GST		
Add Tiled entry areas & common area, Carpet & Light Fittings	X 15	\$1,240			\$1,860	\$20,460	\$18,600		\$55,800
Split Air conditioners (All Areas) x 3 times	X 18	\$985			\$1,773	\$19,503	\$17,730		\$53,190
Bathroom Renovation x 2 times (once every 15 yrs)	X 15	\$8,500			\$12,750	\$140,250	\$127,500		\$255,000
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					\$17,283	\$190,113	\$172,830		\$390,990
Grand Total:	X	Capital items replaced more than once			\$32,645	\$359,097	\$326,451		\$693,760

Special Note on Replacement & Refurbishment Expenses:

[Additional to page 7]

Items of Capital Expenditure

In the preparation of a lease to include provision for replacement costs to be added to the negotiated monthly lease payment the following expenses highlighted as X from the above schedule.

X

Items of Plant

Cupboard matching, Bed & Side Tables x 3 times
 Commercial 21kg Front Loading Washing Machine x 2 times
 Matching Dryer (Motel) x 2 times
 Guest Washing Machine x 4 times
 Guest Dryer x 4 times
 Reception & Office set up
 Add Tiled entry areas & common area, Carpet & Light Fittings
 Split Air conditioners (All Areas) x 3 times
 Bathroom Renovation x 2 times (once every 15 yrs)
 Internal/External Painting of Building x 3 times
 Add some other items
 Total:

	GST	Inc GST	Ex GST	Ex GST
	\$2,520	\$27,720	\$25,200	\$75,600
	\$760	\$8,360	\$7,600	\$15,200
	\$490	\$5,390	\$4,900	\$9,800
	\$48	\$528	\$480	\$1,920
	\$29	\$314	\$285	\$1,140
	\$0	\$0	\$0	\$0
	\$1,860	\$20,460	\$18,600	\$55,800
	\$1,773	\$19,503	\$17,730	\$53,190
	\$12,750	\$140,250	\$127,500	\$255,000
	\$900	\$9,900	\$9,000	\$27,000
	\$0	\$0	\$0	\$0
Total:	\$21,130	\$232,425	\$211,295	\$494,650

Exc. GST

Capital Items that should be anticipated over a 15 year period: \$14,086 Per Annum Being 2.76% of Turnover Allow per calendar month: \$1,173.86
 Capital Items that should be anticipated over a 30 year period: \$16,488 Per Annum Being 3.23% of Turnover Allow per calendar month: \$1,374.03



Viability of your motel

Finance

DEBT ASSESSMENT

Sunday, 8 October 2017

Motel: **Demonstration Purposes**

Version 86. 08/10/2017

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.

[Click Here to see best home interest rates:](#)

Insert Rate:

4.9%

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: Demonstration Purposes
Report is for: Motel Assist website

Leasehold Title Motel without a Restaurant
No of Rooms: 15 Financial Statement 2016
Freehold Yield: 14.0% Leasehold Yield: 28.0%

Capitalised Value of Motel Sections:	
Freehold Motel & Business	\$1,908,372
Leasehold Business:	\$524,802
Freehold Investment:	\$1,383,570

Profit & Loss Statement as per source document 2016		
Total Income:	\$510,989	100.0%
Less Goods Sold	\$7,182	1.4%
Gross Profit	\$503,807	98.6%
Less Operating Expenses	\$275,417	53.9%
Freehold Net Profit	\$228,390	44.7%
Return Add-backs	\$38,782	7.6%
Adjusted Freehold Net Profit	\$267,172	52.3%
Less Rent	\$113,027	22.1%
Leasehold Net Profit	\$154,145	30.2%

To calculate the Leasehold worth of the Motel Business the rent can be amended to **45.0%** of the Freehold Net Profit which is calculated at \$120,227 per annum

The Freehold investment shows a net return of 8.7% on a rental of \$120,227 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 70% of an approved valuation	\$1,335,860	\$76,144
Leasehold Business: 50% of an approved valuation	209,921	\$11,965
Freehold Investment: 70% of an approved valuation	\$968,499	\$55,204

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

Commercial Interest Rate from Input Tab is 5.7% 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.

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.**



Sunday, 8 October 2017

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**

Asking Price: \$615,000

Acquisition of a Freehold Motel and Business:

Asking/Negotiated Price:	
Acquisition Costs:	\$0
Stock and 1st 3 month reserve:	\$18,000
Funds Required:	\$18,000
Mortgage Limit: \$1,335,860	
Cash Required:	\$18,000

Interest payable: \$76,144 Per Annum
Principal & Interest for [] years: Monthly Payment
Principal in the 1st Year:
Interest in the 1st Year:

Total Repayments: Asking Price: \$615,000

Acquisition of a Leasehold Motel Business:

Asking/Negotiated Price:	\$615,000
Acquisition Costs:	\$45,803
Stock and 1st 3 month reserve:	\$18,000
Funds Required:	\$678,803
Mortgage Limit: \$209,921	\$218,000
Cash Required:	\$460,803

Interest payable: \$11,965 Per Annum
Principal & Interest for [10] years: \$2,388 Payment
Principal in the 1st Year: \$16,655
Interest in the 1st Year: \$11,995

Total Repayments: \$28,650

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

Interest payable: \$55,204 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%

Modified Profit & Loss with Interest Adjustment		2016
Total Income:	\$510,989	100.0%
Less Goods Sold	\$7,182	1.4%
Gross Profit	\$503,807	98.6%
Less Interest	\$0	0.0%
Less Other Expenses	\$275,417	53.9%
	\$275,417	0.0%
Freehold Net Profit	\$228,390	44.7%
Return Add-backs Less Interest	\$38,782	7.6%
Adjusted Freehold Net Profit	\$267,172	52.3%
Allow additional P&I	\$0	\$267,172

(Cash in Hand)

Modified Profit & Loss with Interest Adjustment		2016
Total Income:	\$510,989	100.0%
Less Goods Sold	\$7,182	1.4%
Gross Profit	\$503,807	98.6%
Less 1 yrs Interest	\$11,995	0.0%
Less Other Expenses	\$275,417	0.0%
	\$287,413	56.2%
Freehold Net Profit	\$216,394	42.3%
Return Add-backs Less Interest	\$38,782	7.6%
Adjusted Freehold Net Profit	\$255,177	49.9%
Less Rent 44.3% of FH Net	\$113,027	22.1%
Leasehold Net Profit	\$142,150	27.8%
Principal Repayment	\$16,655	\$125,495 Cash

Profit & Loss Statement as per source document		2016
Total Income:	\$510,989	100.0%
Less Goods Sold	\$7,182	1.4%
Gross Profit	\$503,807	98.6%
Less Interest	\$37,077	0.0%
Less Other Expenses	\$238,341	0.0%
	\$275,417	53.9%
Freehold Net Profit	\$228,390	44.7%
Return Add-backs Inc Interest	\$38,782	7.6%
Adjusted Freehold Net Profit	\$267,172	52.3%
Less Rent 42.3% of FH N/P	\$113,027	22.1%
Leasehold Net Profit	\$154,145	30.2%

If you own residential real estate, your home and residential investment property this can be offered as security if the security in what you have purchased does not meet the lender's margins. Estimated Worth

Address of property	\$150,000
	\$200,000
	\$150,000

Based on current lending criteria you would have additional funds of \$300,000

About: This program has been designed enabling your Accountant to enter your Profit & Loss account into the program which will further enhance the financial information by showing the viability of your motel business compared with Industry Benchmarks. If the business is out of sync with the Benchmarks there are strategies available to assist you rectify the problem.

Finance

With interest rates being at there lowest lenders assess the capability repayments at an interest rate of up to 9.5%
So, don't be surprised if you are not accepted if you are borrowing to the limit.



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Viability of your motel

Know Industry Trends

This page only applies to Leasehold Motels

Sunday, 8 October 2017

Page 10.

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:	\$510,989	100.0%
Less Goods Sold	\$7,182	1.4%
Gross Profit	\$503,807	98.6%
Less Operating Expenses	\$275,417	53.9%
Freehold Net Profit	\$228,390	44.7%
Return Add-backs	\$38,782	7.6%
Adjusted Freehold Net Profit	\$267,172	52.3%
Less Rent	\$113,027	22.1%
Leasehold Net Profit	\$154,145	30.2%
Rent as a percentage of Freehold Net Profit:	42.30%	
Capitalised Value of Business	\$513,817	

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

Sunday, 8 October 2017



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: **Demonstration Purposes**
Title: **Leasehold Title**
Operation: **Motel without a Restaurant**

Capitalised Value:	Yield: 28%	\$554,947
Freehold Net Profit:		\$267,172
Leasehold Net Profit:		\$154,145
Current Rental:	45.0% of net	\$113,027
Maximum Rental at 47% of FH Net Profit:		\$125,571 <i>Check Only</i>
Number of years remaining in the lease:		20
Number of years required to purchase:		10

Based on Current Rental Paid

Years Left	Assessed Worth	Yield
1	\$53,768	PFF
2	\$185,717	83%
3	\$211,158	73%
4	\$244,675	63%
5	\$290,840	53%
6	\$321,136	48%
7	\$405,645	38%
8	\$416,609	37%
9	\$416,609	37%
10	\$416,609	37%
11	\$428,181	36%
12	\$428,181	36%
13	\$428,181	36%
14	\$440,415	35%
15	\$440,415	35%
16	\$440,415	35%
17	\$453,368	34%
18	\$453,368	34%
19	\$467,107	33%
20	\$467,107	33%
21	\$481,704	32%
22	\$497,242	31%
23	\$513,817	30%
24	\$513,817	30%
25	\$531,535	29%
26	\$554,947	29%
27	\$554,947	29%
28	\$554,947	28%
29	\$554,947	28%
30	\$554,947	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: 20 **\$495,907**
 The number of years you have nominated to purchase will appear here: 10 30 **\$596,043**
 Amount to pay for the period of lease **\$100,136** equating to \$10,014 per annum
 paid as an increased rental for duration of the lease. New Annual rental will now be \$123,041 per annum
 increasing the ratio to 46.1% of the Freehold Net Profit.

On completion of the lease the Landlord pays the Lessee	
Value of Plant Fixtures & Fittings	\$53,768 Subject to valuation
Goodwill is calculated on years left in lease	\$495,907 Not applicable if lease expired
Net Value of Goodwill less PF&F	\$442,139

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"	\$153,621
When valued allow 35% of this value	\$53,768
Amount per room is	\$3,585

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

Yield Logic

Motel: **Demonstration Purposes**
Leasehold Title
Motel without a Restaurant

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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			83.2% Occupancy
Actual Turnover:	\$510,989	100%	\$109.09 Average daily room rate
Adjusted Expenses:	\$243,817	47.7%	Add-backs/Ons included
F.H. Net Profit:	\$267,172	52.3%	of Freehold Net Profit
Rent:	\$113,027	42.3%	
L.H. Net Profit:	\$154,145	30.2%	

	Net Yield	Assessed Price
Capitalised value of Freehold Motel	14.00%	\$1,908,373
Capitalised value of Leasehold Motel	28.00%	\$550,518

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			0.0%	0
Actual Turnover:	\$0	100%	\$0.00	0
Adjusted Expenses:	\$0		Add-backs/Ons included	
F.H. Net Profit:	\$0			
Rent:	\$0		0	
L.H. Net Profit:	\$0			

	Net Yield	Assessed Price
Capitalised value of Freehold Motel	14.00%	\$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

Demonstration Purposes

15 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

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

Resort Brokers

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

Hillhouse Burrough McKeown, Lawyers

<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

20 **Program is Active**

Adjusted Leasehold Net Profit

\$154,145

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	\$550,518	[Full Lease Value BASED ON ABOVE CAPITLISATION RATE]
Less Value of Chattels	\$0	
Goodwill Value of Lease, less the chattels	\$550,518	
Divide by original lease term 21 years	\$26,215	
Multiply by lease extension 4 years	\$104,861	
Apply 45% to establish the lease premium of	\$47,187	for the period of 4 years
This means the annual lease premium will be	\$11,797	

Establish value of extending a lease for a term less than desired: Years remaining 21 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	\$550,518	[Full Lease Value BASED ON ABOVE CAPITLISATION RATE]
Divide lease value by the 21 remaining which =	\$26,215	being extra profit earned or amount lease is depreciating PA
Establish true net profit by subtracting \$26,215 from the current net profit of \$154,145		
This will leave you with an adjusted net Leasehold net profit of	\$127,930	
Now you can establish the capitalised worth of the business at \$456,893		being 28% capitalisation rate
This exercise is to establish what surplus funds you will earn over the remaining years of the lease.		
Amt Earned \$2,686,530 over 21 years less the value of the Leasehold business being chattels only \$0.00		
SUPRLUS EARNED	\$2,229,637	add chattels \$0 total return being \$2,229,637

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

Demonstration Purposes

Leasehold Title

Motel without a Restaurant

Sunday, 8 October 2017

Page 14.

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 Replacement Cost Tab where a percentage amount of 2.8% 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 Replacement 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 within the methods shown in Rent Creep & A-System sections. 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:	503,807	100%	Note: To activate an Industry entry rental of 45% of FN Net Profit
Expenditure:	275,417	55%	Click on button next to Rental: Select Yes to input rental
Freehold Net Profit:	228,390	45%	
Add-Backs:	38,782	8%	To see breakdown of Add-Backs go to Results tab
Adjusted FH Net:	267,172	53%	
Rental:	<input type="text" value="Yes"/>	120,227	24% Rental is 45.00% of the freehold Net Profit
Leasehold Net Profit:	146,945	29%	

The Investment price should be \$1,525,039 annual rental is \$120,227 giving a net return of 7.88% 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 a 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: \$615,000**
Finance Available: \$277,473
Cash Required: \$337,527

What region or town do you want to live in [click here for 5 comparisons program](#)

Once you have discussed those parameters with your partner, contact a Motel Broker from our panel of participating Brokers. **\$0** (If a zero here add spend/sale price)

To assist you with your preparations [click here for inspection sheet](#) [click here for 5 comparisons program](#)
Leasehold Title Motel without a Restaurant you will expect a net profit of **\$154,145** and my adjustment page **\$146,945**

I have transposed below the comparisons from the Analysis page for you to compare. The net profit from your input Profit & Loss page is **\$154,145** and my adjustment page **\$146,945**

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			2. Your Assessment from Input P&L Page		
Template Assessment			Basic Analysis no restaurant		
Basic Analysis			Assessment from figures inserted in P&L		
Turnover:	\$510,260	100.00%	Actual Turnover:	\$510,988.91	100.00%
Expenses, Add-Backs included:	\$244,925	48.00%	Adjusted Expenses:	\$243,816.74	47.71%
F.H. Net Profit:	\$265,335	52.00%	F.H. Net Profit:	\$267,172.17	52.29%
Rent:	\$119,401	23.40%	Rent:	\$113,027.02	22.12%
L.H. Net Profit:	\$145,934	28.60%	L.H. Net Profit:	\$154,145.15	30.17%
5,475 Rooms to sell			5,475 Rooms to sell		
Net Yield			Net Yield		
Capitalised value of Freehold Motel	\$1,895,251	14.00%	Capitalised value of Freehold Motel	\$1,908,373	14.00%
Capitalised value of Leasehold Motel	\$521,194	28.00%	Capitalised value of Leasehold Motel	\$550,518	28.00%
Capitalised value of Investment Motel	\$1,374,057	8.69%	Capitalised value of Investment Motel	\$1,357,854	8.32%
\$90.77 ADR			\$109.09 ADR		
\$90.77 RevPar			\$90.77 RevPar		

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	\$487,000	95.305%
Breakfast	\$11,701	2.290%
Goods for own use	\$0	0.000%
Restaurant figures not required	\$0	0.000%
Beverage figures not required	\$0	0.000%
Conference inc Food & Beverage	\$0	0.000%
Telephone	\$0	0.000%
Minibar	\$1,369	0.268%
Add Fee Refund & Interest Received	\$10,919	2.137%
Internet	\$0	0.000%
Total Income	\$510,989	100.000%

3. My assessment by adjusting the Add-backs			
Basic Analysis no restaurant			
Assessment from figures inserted in P&L			
Actual Turnover:	\$510,988.91	100.00%	
Adjusted Expenses:	\$243,816.74	47.71%	
F.H. Net Profit:	\$267,172.17	52.29%	
Rent:	\$120,227.48	23.53%	45.00% of FH Net
L.H. Net Profit:	\$146,944.70	28.76%	
Add-Backs or Add-Ons from below	\$0.00	0.00%	
Adjusted Net Profit	\$146,944.70	28.76%	
Net Yield		Change Yield	
Capitalised value of Freehold Motel	\$1,908,373	14.00%	16.00% \$1,669,826
Capitalised value of Leasehold Motel	\$524,802	28.00%	30.00% \$489,816
Capitalised value of Investment Motel	\$1,383,570	8.69%	10.19% \$1,180,010

Expenses:	Benchmark Percentage	Add-Back or Add-On 2016	Industry Benchmark	Analysis			
				Actual %	Adj %	Change	Reason
Breakfasts	\$6,463	40.0%	\$0	\$4,680	0.000%		
Restaurant figures not required	\$0	38.0%	\$0	\$0	0.000%		
Beverage figures not required	\$0	30.0%	\$0	\$0	0.000%		
Minibar	\$719	33.0%	\$0	\$452	52.525%		
Additional Entries	\$0	0.0%	\$0	\$0			
Conference inc Food & Beverage	\$0	31.0%	\$0	\$0	0.000%		
Total Cost of Sales	\$7,182	0.0%	\$0	\$0			
Gross Profit	\$503,807	0.0%	\$0	\$0			
Profit & Loss Entry							
Less-Expenses							
Accountancy	\$4,375	0.8%	\$542	\$3,832	0.856%		
Advertising & Research	\$1,186	0.8%	-\$2,902	\$4,088	0.232%		
Bank Charges	\$386	0.1%	-\$1	\$387	0.076%		
Credit card & Eftpos Charges	\$4,753	0.9%	-\$7	\$4,759	0.930%		
Cable or Foxtel TV	\$5,374	1.1%	-\$8	\$5,382	1.052%		
Chain Fees	\$6,251	1.2%	-\$9	\$6,260	1.223%		
Cleaning contracts	\$0	0.0%	\$0	\$0	0.000%		
Cleaning chemicals inc laundry	\$6,050	1.2%	-\$9	\$6,058	1.184%		
Comm to Internet Booking Agents	\$13,248	2.6%	-\$19	\$13,267	2.593%		
Compliance to Ordinances	\$379	0.1%	-\$0	\$379	0.074%		
Consumables	\$7,722	1.5%	-\$11	\$7,733	1.511%		
Bad Debts	\$870	0.0%	\$870	\$0	0.170%		
Depreciation Plant	\$7,579	0.0%	\$7,579	\$0	1.483%		
Borrowing Expenses	\$1,703	0.0%	\$1,703	\$0	0.333%		
Electricity	\$10,251	2.0%	-\$15	\$10,266	2.006%		
Gas & Oil	\$8,182	1.6%	-\$12	\$8,193	1.601%		
Filing Fees	\$0	0.0%	\$0	\$0	0.000%		
Freight & Cartage	\$364	0.1%	-\$1	\$364	0.071%		
Ground and Pool Maintenance	\$2,969	0.6%	-\$4	\$2,973	0.581%		
Insurance General	\$8,447	1.7%	-\$12	\$8,459	1.653%		
Insurance-Workers Comp.	\$1,449	2.0%	-\$341	\$1,790	0.284%		
Interest	\$37,077	0.0%	\$37,077	\$0	7.256%		
Internet Access & Computer Maint.	\$3,636	0.5%	\$1,081	\$2,555	0.712%		
Legal	\$1,020	0.0%	\$1,020	\$0	0.200%		
Linen Hire	\$14,421	2.8%	-\$21	\$14,442	2.822%		
Donations	\$1,240	0.0%	\$1,240	\$0	0.243%		
Licence Fees and Subscriptions	\$1,016	0.2%	-\$2	\$1,018	0.199%		
Motor Vehicle and Travelling	\$4,792	0.0%	\$1,792	\$3,000	0.938%		
Petty Cash	\$800	0.2%	-\$1	\$801	0.157%		
Pest Control	\$655	0.1%	-\$1	\$656	0.128%		
Postage, Printing and Papers	\$1,112	0.2%	-\$2	\$1,114	0.218%		
Rates and Land Tax	\$13,650	2.7%	-\$20	\$13,670	2.671%		
Relief Management Contract	\$0	0.0%	-\$4,599	\$4,599	0.000%		
Repairs and Maintenance	\$31,110	1.9%	\$21,401	\$9,709	6.088%		
Capital Replacements	\$0	3.2%	-\$16,505	\$16,505	0.000%		
Security	\$605	0.1%	-\$1	\$606	0.118%		
Research & Development	\$0	0.0%	\$0	\$0	0.000%		
Staff Amenities,Uniforms,Training	\$1,374	0.3%	-\$2	\$1,376	0.269%		
Linen Replacement	\$1,956	0.4%	-\$3	\$1,959	0.383%		
Superannuation-Management-Owners	\$0	0.0%	\$0	\$0	0.000%		
Superannuation-Employees	\$4,525	0.9%	-\$6	\$4,531	0.886%		
Telephone and Fax	\$7,133	1.4%	-\$10	\$7,143	1.396%		
Wage Breakdown	\$0	0.0%	\$0	\$0	0.000%		
Wages Housekeepers exc Laundry	\$51,087	10.0%	-\$73	\$51,160	9.988%		
Wages Housekeepers inc Laundry	\$0	0.0%	\$0	\$47,772	0.000%		
Wages Restaurant	\$0	0.0%	\$0	\$0	0.000%		
Wages Management	\$0	0.0%	\$0	\$0	0.000%		
Wages Owners	\$0	0.0%	\$0	\$0	0.000%		
General Expenses	\$0	0.0%	\$0	\$0	0.000%		
Waste Removal	\$1,009	0.2%	-\$2	\$1,011	0.197%		
Water Rates	\$0	0.0%	\$0	\$0	0.000%		
Uniforms	\$430	0.1%	-\$0	\$430	0.084%		
Other Additional Entries	\$5,234	1.0%	-\$8	\$5,242	1.024%		
Add-Back or Add-on			\$38,782	Adjusted Add-Back/Add-Ons	\$0.00		
Buy-Sell							



Viability of your motel

Version 86. 08/10/2017

Rent Creep in Leasehold Titles

Demonstration Purposes

Motel without a Restaurant

Sunday, 8 October 2017

MOTEL Assist
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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 Demonstration Purposes

Total Revenue:	510,989	100%		
Expenditure:	<u>282,599</u>	55%		
Freehold Net Profit:	228,390	45%		
Add-Backs:	<u>38,782</u>	8%		
Adjusted FH Net:	267,172	52%		
Rental:	<u>113,027</u>	22%	Rental is	42.30% of the freehold Net Profit
Leasehold Net Profit:	<u>154,145</u>	30%		

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

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Rent Creep



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Motel Financial Health Check Version 86. 08/10/2017

Refurbishment Loading

Demonstration Purposes

Leasehold Title

Motel without a Restaurant

Page 17.

Sunday, 8 October 2017

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 \$14,086 per annum.
being 2.76% as a percent of total revenue or \$1,173.86 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: Demonstration Purposes

Leasehold Title Asking Price: \$615,000
 Motel without a Restaurant

Entry Date: Sunday, 8 October 2017
 Print Date: Sunday, 8 October 2017

Version 86. 08/10/2017

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 42.30% of Freehold Net profit

Adjusted Rental ratio 41.55% of Freehold Net profit

From Input Profit & Loss			Adjusted	
Revenue	\$510,989	100%	\$510,989	100%
Actual Expenses	\$282,599	55%	\$243,817	48%
F.H. Net Profit:	\$228,390	45%	\$267,172	52%
Rent:	\$113,027	22%	\$113,027	22%
L.H. Net Profit:	\$115,363	23%	\$154,145	30%

Our Goal:

Put in place proven systems to increase the turnover by **0%** 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: \$550,518
	Adjusted Capitalised Value: \$550,518
	Increase Capitalised Value by: \$0

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

Increases Room Revenue by:	\$0	Current rooms sold:	4,464
Increases Net Profit by:	\$4,876	Additional rooms required PA:	0
Existing Occupancy:	83.20%	Additional rooms per month:	0
Increases Occupancy by:	0.00%	Additional rooms per week:	0.0
Increased occupancy will be:	0.00%	Additional rooms per day:	0.0
Average Daily Room Rate:	\$109.09	Total Rooms sold per annum:	4,464

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	Scale:	The following figures show the increased value of the Leasehold business applying net increase.
	Great external appearance	1 = Terrible	
	Attractive grounds	2 = Below Average	
Welcome:	Fast Check-In	3 = Average	Revenue: \$510,989 100%
	Friendly no trouble approach	4 = Above Average	Expense: \$243,817 48%
	Accurate reservation performance	5 = Good	FH Net Profit \$267,172 52%
	Spacious clean well appointed reception & public space		Rent 45% \$113,027 22%
Room Experience:	Clean, fresh and spacious		LH Net Profit \$154,145 30%
	Quiet		Worth \$550,518
	Comfortable		Freehold Investment
	Everything works		Now the Investment portion of the title can be retained.
Departure:	Quality Breakfast selection		Rent \$113,027
	Fast accurate check-out		Worth \$1,329,730
	Easy to understand account of charges		Based on a net yield of 8.5%
Average Score: 0			

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A-System Work Sheets

All figures below are Exc. GST

Entry Date:

Sunday, 8 October 2017

Unit One: Structure room types to maximise tariff plus reduce expenses No. Rooms: 15

Capitalised Worth of Motel: **\$554,947** RevPAR: **\$90.77** ADR: **\$109.09**

Tariff Structure Motel: Demonstration Purposes

Room Type	Tariff	No.	Notes
Single	\$110.00	6	
Queen	\$120.00	7	
Twin	\$150.00	2	
	\$0.00		
	\$0.00		
	\$0.00		
	\$0.00		
	\$0.00		

Profit & Loss Adjustments Add-Backs-Add-Ons

Expense Item to Check	Cost	%	Benchmark	%	Notes
Accountancy Fees	\$4,375	0.9%	\$3,832	0.8%	
Eftpos/Merchant Fees	\$4,753	0.9%	\$4,759	0.9%	
Bank Fees	\$386	0.1%	\$387	0.1%	
Cleaning & Laundry Chemicals	\$6,050	1.2%	\$6,058	1.2%	
Electricity	\$10,251	2.0%	\$10,266	2.0%	
General Insurance	\$8,447	1.7%	\$8,459	1.7%	
Repairs and Maintenance	\$31,110	6.1%	\$21,401	4.2%	
Capital Replacements	\$0	0.0%	-\$16,505	-3.2%	
Interest	\$37,077	7.3%	Assess	N/A	
Wages Housekeepers exc Laundry	\$51,087	10.0%	\$51,160	10.0%	
Wages Housekeepers inc Laundry	\$0	0.0%	\$0	0.0%	
Wages Management	\$0	0.0%	Assess	N/A	
Water Rates	\$0	0.0%	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: Notes

A-System Work Sheets



Entry Date:



Sunday, 8 October 2017

No. Rooms: 15

Systems to be Implemented to Demonstration Purposes

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																					
<ol style="list-style-type: none"> 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 		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 20px;"> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> </table>																							



To move through the document press the CTRL key

Motel: Demonstration Purposes Motel without a Restaurant Enter Date Sunday, 8 October 2017

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: \$487,000	Breakfasts	Income: \$11,701	Restaurant
		Cost: \$6,463	Cost: \$719	Income: \$0
		Net: \$5,238	Net: \$650	Cost: \$0
				Net: \$0
Accountable to		Accountable to		Accountable to
Conferences	Income: \$0	Compendium		Internet - Specials
Cost: \$0				1
Net: \$0				2
				3
Accountable to		Accountable to		Accountable to
				Charge-Backs
				1
				2
				3
				Accountable to

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

Pull-Up Appeal	Motel Grounds		Motel Rooms	Apartment Rooms
Accountable to	Accountable to	Accountable to	Accountable to	Accountable to
Terrace	Pool Area	Apartment Patios	All Rooms Monthly Visual	Quarterly Deep Clean
Accountable to	Accountable to	Accountable to	Accountable to	Accountable to

Maintenance & Development Centres

Equipment	Motel Grounds	Laundry	Central Garden	Cleaning Rooms
Accountable to	Accountable to	Accountable to	Accountable to	Accountable to

Expense Areas

Electricity/Gas/Oil	Security	Insurance	Cleaning/Laundry Chemicals	
Electricity \$10,251	\$605	\$8,447	\$6,050	
Gas & Oil \$8,182				
Water \$0				
Total \$18,433	Accountable to	Accountable to	Accountable to	Accountable to
A-System Worksheets				



More about a Motel Business

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.

A-System Worksheets

Demonstration Purposes

Asking Price: \$615,000

Page 23

Motel Broker	Detailed Profit & Loss figures provided by Accountant				Industry Standard Adjustments			
	Accountant	Accountant	Inserted from Input	%	Notes	Vendors add backs	Adj 2015 Income & expenditure	%
	2014	2015	2016					
Plus: Sales (\$)	<i>View results Tab to see further break-up of Income</i>							
Sales	500,736	534,951	487,000	100%			487,000	100%
Less : Cost Of Goods Sold (\$)	7,969	7,020	7,182				7,182	1%
Sub - Total	492,766	527,931	479,818	99%			479,818	99%
				0%			0	0%
				0%			0	0%
				0%			0	0%
Add Fee Refund & Interest Received	981	840	10,919	2%			10,919	2%
Total Income	493,748	528,771	490,738	101%	Add back	0	490,738	100.0%
Less: Expenses (\$)								
Accountancy	F 3,359	5,050	4,375	1%			4,375	1%
Advertising & Research	V 3,865	2,803	1,186	0%			1,186	0%
Bank Charges	F 151	154	386	0%			386	0%
Credit card & Eftpos Charges	V 7,320	8,784	4,753	1%			4,753	1%
Cable or Foxtel TV	F 5,771	5,234	5,374	1%			5,374	1%
Chain Fees	F 6,781	6,251	6,251	1%			6,251	1%
Cleaning contracts	V 0	0	0	0%			0	0%
Cleaning chemicals inc laundry	V 5,488	7,809	6,050	1%			6,050	1%
Comm to Internet Booking Agents	V 9,825	13,180	13,248	3%			13,248	3%
Compliance to Ordinances	F 0	0	379	0%			379	0%
Consumables	V 6,501	7,839	7,722	2%			7,722	2%
Bad Debts	V 0	633	870	0%			870	0%
Depreciation Plant	F 2,748	7,731	7,579	2%			7,579	2%
Borrowing Expenses	F 1,701	1,703	1,703	0%			1,703	0%
Electricity	V 14,079	14,037	10,251	2%			10,251	2%
Gas & Oil	V 10,132	7,065	8,182	2%			8,182	2%
Filing Fees	F 0	0	0	0%			0	0%
Freight & Cartage	V 0	0	364	0%			364	0%
Ground and Pool Maintenance	V 1,975	2,969	2,969	1%			2,969	1%
Insurance General	F 7,800	8,027	8,447	2%			8,447	2%
Insurance-Workers Comp.	V 1,269	2,360	1,449	0%			1,449	0%
Interest	F 43,932	41,301	37,077	8%			37,077	8%
Internet Access & Computer Maint.	V 3,293	8,005	3,636	1%			3,636	1%
Legal	F 0	760	1,020	0%			1,020	0%
Linen Hire	V 10,405	10,740	14,421	3%			14,421	3%
Donations	F 250	891	1,240	0%			1,240	0%
Licence Fees and Subscriptions	F 2,053	3,377	1,016	0%			1,016	0%
Motor Vehicle and Travelling	V 2,953	3,399	4,792	1%			4,792	1%
Petty Cash	F 1,719	989	800	0%			800	0%
Pest Control	F 660	660	655	0%			655	0%
Postage, Printing and Papers	V 1,242	1,380	1,112	0%			1,112	0%
Rates and Land Tax	F 14,769	13,702	13,650	3%			13,650	3%
Relief Management Contract	F 2,483	1,899	0	0%			0	0%
Repairs and Maintenance	V 34,961	35,339	31,110	6%			31,110	6%
Capital Replacements	V 0	0	0	0%			0	0%
Security	F 633	703	605	0%			605	0%
Research & Development	F 0	0	0	0%			0	0%
Staff Amenities,Uniforms,Training	F 0	358	1,374	0%			1,374	0%
Linen Replacement	F 6,237	2,083	1,956	0%			1,956	0%
Superannuation-Management-Owners	F 0	0	0	0%			0	0%
Superannuation-Employees	V 6,248	4,233	4,525	1%			4,525	1%
Telephone and Fax	V 6,827	7,797	7,133	1%			7,133	1%
Wage Breakdown	V 0	0	0	0%			0	0%
Wages Housekeepers exc Laundry	V 41,599	49,832	51,087	10%			51,087	10%
Wages Housekeepers inc Laundry	V 0	0	0	0%			0	0%
Wages Restaurant	V 0	0	0	0%			0	0%
Wages Management	F 0	0	0	0%			0	0%
Wages Owners	F 0	0	0	0%			0	0%
General Expenses	F 3,312	1,391	0	0%			0	0%
Waste Removal	V 2,403	1,064	1,009	0%			1,009	0%
Water Rates	V 0	0	0	0%			0	0%
Uniforms	F 211	699	430	0%			430	0%
Other Additional Entries	V 3,735	4,516	5,234	1%			5,234	1%
Total Operating Expenses (Exc Rent)	278,691	296,747	275,417	57%			275,417	57%
Add Rent	F 107,469	115,086	113,027	23%			113,027	23%
Total Expenses:	171,222	181,662	388,445	80%	Add	0	388,445	80%
Operating Profit (figures exclusive of GST)	322,526	347,109	102,293	21%	Adjusted Net		102,293	21%

Notes about this Motel Print Date: Sunday, 8 October 2017 Insertion Date: 8/10/2017

- 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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Sunday, 8 October 2017

Version 86. 08/10/2017

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

[Click here for explanation](#)

[Click here for full definition](#)



Viability of your motel

Links

Sunday, 8 October 2017

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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



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.**

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Viability of your motel

Instructions

To print this or any other page - Ctrl/P

Sunday, 8 October 2017

Version 86. 08/10/2017

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 **Q-Check** 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.

Instructions

Instructions

Sunday, 8 October 2017

Report Tabs:

Version 86. 08/10/2017

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 86. 08/10/2017 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

Instructions



Entry Date: 8-Oct-17
Print Date: 8-Oct-17

Version 86. 08/10/2017

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Viability of your motel

Priority Entry

Motel without a Restaurant

This page is available to allow a quick entry into the Priority program.
Print off this page and use the data to enter the VIABILITY data

Data Entry:

1	Financial Year Analysed:	2016
2	Name & Location of Motel:	Demonstration Purposes
3	Title:	Leasehold Title
4	If Leasehold term of lease:	20
5	Number of rooms:	15
6	Average Daily Room Rate [ADR]:	\$109.09
7	Turnover from all revenue sources:	\$510,988.91
8	Outgoings Inc Add-Backs, Exc. Rent:	\$236,635.06
9	Annual Rent:	\$113,027.02
10	Repairs & Maintenance:	\$31,109.82
11	Asking Price if on the Market:	\$615,000

Freehold Yield: 14.00%
Leasehold Yield: 28.00%
Investment Return: 8.85%
RevPar: \$90.77

Other information to assist analysis:

		%
1	Rent as a percentage of Freehold net profit:	\$113,027 42.30%
2	Wages Housekeepers exc Laundry	\$51,087 10.00%
3	Star Ratings Australia:	3.5
4	Number of Motels in Town:	49
5	Year Constructed:	1970s
6	Land Size:	5003 m2
7	Occupancy	83%
8	Estimated Hours of Housekeepers:	34.3% hours
9	Time allowed to clean a standard size room:	30 minutes

Room Configuration:

	Room Type	No.	Tariff inc GST
1	Single	6	\$110.00
2	Queen	7	\$120.00
3	Twin	2	\$150.00
4			
5			
6			
7			
8			

Total Rooms: 15 \$120.00 Av. Daily Rm. Rate
Total Sleeping 62 Spaces

Compare with source Profit & Loss

Total Income:	[Exc. GST]	\$510,988.91	100.00%
Less Goods Sold		\$7,181.68	1.41%
Gross Profit		\$503,807.23	98.59%
Less Operating Expenses		\$275,417.49	53.90%
Freehold Net Profit		\$228,389.74	44.70%
Return Add-backs		-\$38,782.43	7.59%
Adjusted Freehold Net Profit		\$267,172.17	52.29%
Less Rent		\$113,027.02	22.12%
Leasehold Net Profit		\$154,145.15	30.17%

Rent as a percentage of Freehold Net Profit: 42.30%

Priority Entry