

Demonstration Motel - Country NSW

To enter details it is best to print Instructions first

Version 87. 09/10/2017

Select Instructions Tab - Ctrl/P

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*

- Viability Snap Report for a view on the Health & Viability of the motel business
- 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 is a record of the negotiated prices when a sale is in progress
- 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

Sunday, 8 October 2017

Demonstration Motel - Country NSW
MOTEL Assist
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 Tel: 02-6766-5331
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This report is active when viewed in Excel, allowing you to source information from the coloured Tabs below and from the right hand of page

Compare with source Profit & Loss		
Total Income (Exc GST)	\$510,259.76	100.00%
Less Goods Sold	\$7,181.68	1.41%
Gross Profit	\$503,078.08	98.59%
Less Operating Expenses	\$275,417.49	53.98%
Freehold Net Profit	\$227,660.59	44.62%
Return Add-backs	-\$39,097.68	7.66%
Adjusted Freehold Net Profit	\$266,758.27	52.28%
Less Rent	\$113,027.02	22.15%
Leasehold Net Profit	\$153,731.25	30.13%
Rent as a percentage of Freehold Net Profit:		42.37%

Asking Price if on the Market:	\$615,000
Financial Year Analysed:	2016
Title:	Leasehold Title
If Leasehold term of lease:	20
Number of rooms:	15
Average Daily Room Rate [ADR]:	\$109.09
Turnover from all revenue sources:	\$510,259.76
Outgoings Inc Add-Backs, Exc. Rent:	\$236,319.81
Annual Rent:	\$113,027.02
Repairs & Maintenance:	\$31,109.82

Other information to assist analysis:		%
Rent as a percentage of Freehold net profit:	\$113,027	42.37%
Wages Housekeepers exc Laundry	\$51,087	10.01%
Star Ratings Australia:	3.5	
Number of Motels in Town:	49	
Year Constructed:	1970s	
Land Size:	5003 m2	
Occupancy	83.1%	
Estimated hours housekeepers worked per week	34 hours	
Time allowed to clean a standard size room:	30 minutes	

Freehold Yield:	14.00%
Leasehold Yield:	28.00%
Investment Return:	8.33%
RevPar:	\$90.63

Capitalised Worth based on above yields:	
Freehold Business:	\$1,905,416
Leasehold Business:	\$549,040
Investment Freehold:	\$1,356,376

[Refer to Tab: Questions Answered.](#)
Know your Break Even [see at right]

Sales required to Breakeven:	\$319,452
Break Even Percentage:	62.6%
Is Finance Included:	No
Breakeven on room cost:	\$53.02

[click here - for definition of RevPar](#)

Room Configuration:

To obtain maximum sleeping spaces see table at the right of this page.

Total sleeping spaces for all beds inc. sofas 62

Revenue and Daily Room Rates:

 The first point is that "**Revenue is Paramount**" if the motel does not sell room nights you do not have a business. Secondly, if you sell the rooms "**too cheap**" you do not maintain an acceptable net profit.

So, let us look at the Room Nights Sold 4,457 of 5,366 available giving a RevPar: \$90.63

RevPar is when you calculate the motel's annual room revenue and divide it by the available room nights

Balancing Act:

 To assist you in getting the mix right we have produced a [Priority Points program](#) which we constructed while we assisted distressed motels unable to increase their tariffs. The obvious points are listed below however, it is [rectifying the situation](#) which is the most difficult task when you are so close to the business operation.

Points to Consider:

[click here for brief on Priority Points](#)

- | | |
|---|--|
| 1 Location in the town is always the key factor | 1 Allow at least 3 to 4% of annual revenue on upgrades |
| 2 Room size reflects through to tariff | 2 Spend some time on "Working on your business" |
| 3 Pull up appeal | 3 Have systems in place for remedial tasks |
| 4 Cleanliness & Clutter | 4 Take time off away from the premises |
| 5 Bed comfort/hot water/shower flow/big TVs/room lighting | 5 Through the eyes of a guest: Refer to Strategies Tab |

Warning Signs: An important warning in a Leasehold business is when rent exceeds 50% of net profit

Throughout the report macros depict any area of the report that falls outside the Motel Industry Benchmarks so I will pull them from the reports and list them below.

 Rent: [See Rent Creep Tab](#)

Capital Expenses: 2.76% \$14,086 Has been calculated for this motel over a 15 year period.

 Repairs & Maintenance: 6.1% Was spent within this financial year *[Allow a combined % of at least 5% PA]*

Growth: We consider a Leasehold motel must maintain a capitalised revenue growth above 1.5%

A-System Is a program to assist any motel work through to rectify if there are discrepancies in the day to day operation.

Disclaimer: Every effort has been made to provide accurate information as possible. However Motel Assist and the Selling Agent are not responsible for miss-statement of facts, errors and commissions. It is recommended that a purchaser rely on his or her own enquiries.



Viability of your motel

Questions Answered

Sunday, 8 October 2017

Version 87. 09/10/2017

Client of: **Demonstration Motel - Country NSW**
For: **Actual assessment to be used as a template**
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: Monday, 9 October 2017

Total Turnover:	\$510,260	100%
Less, Cost of Sales:	\$7,182	1%
Gross Profit:	\$503,078	99%
Operating Expenses:	\$275,417	54%
Freehold Net Profit:	\$227,661	45%
Rent:	\$113,027	22%
Leasehold Net Profit:	\$114,634	22%
Add-Backs:	\$39,098	8%
Adjusted Net Profit:	\$153,731	30%

1. What is this motel worth:

Freehold Business: \$1,905,416
Leasehold Business: \$549,040
Investment Freehold: \$1,356,376

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: \$510,260
Current Net Profit is without add backs
Current Net Profit is with add backs

Freehold	Leasehold	
\$266,758	\$153,731	From [Q-Check] Tab
Capital expenditure has not been deducted		
	\$114,634	
	\$39,098	

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

Method One: \$100,136
Method Two: \$47,061

Only active when nominated Leasehold title

10 year extension From [Valuation-Yield] Tab
4 year extension From [Lease-Extension] Tab

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

Occurs when there is downward pressure on tariff increases and upward tendencies of accelerated expenses. The Industry expects the rental to be in the vicinity of 45%-47%. As the percentage increases the financial viability of the motel business decreases. Refer to Tabs Rent Creep, Strategies & A-System to combat this problem.

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

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 \$319,452 This is based on borrowing

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

Participating Accountant
Malvern Mathews Smith
Michael Smith
02-6766-8555

Demonstration Motel - Country NSW

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 87. 09/10/2017
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:	Leasehold:	\$549,040 Based on a yield of 28%
Shows an occupancy of 83%	Freehold:	\$1,905,416 Based on a yield of 14%
Average daily room rate \$109.09 Exc GST	As an Investment:	\$1,356,280 Based on a net return of 8.3%
RevPar \$90.63 Exc GST	Go to Definitions to understand RevPar	With a break even of 63%
Check the wage calculations on the bottom of the page.	Weekly hours calculated for Housekeepers	34

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	\$47,061	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 42.37%

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 \$276,734 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:	\$1,905,416	\$0
Less the Business Component:	\$549,040	\$0
Freehold Component:	\$1,356,376	\$0

Financials:

Revenue	\$510,260	100%	\$0	100%
Expenses Inc. Add-Backs	\$243,501	48%	\$0	
Freehold Net Profit:	\$266,758	52%	\$0	
Rent:	\$113,027	42%	\$0	
Leasehold Net Profit:	\$153,731	30%	\$0	
Remove the Add-Backs	\$39,098	8%	\$0	0%
Actual Cash in Hand Net:	\$114,634	22%	\$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: 42.4% per annum
 If the rent was 45% of the Freehold Net Profit the Net on Investment is: 8.9% based on a rental \$120,041
 Add the number of working partners **2.0** Income per working partner is \$57,317 **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 Motel - Country NSW**
 For: Actual assessment to be used as a template
 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: 9/10/2017

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 Enter revenue in both boxes to see if a restaurant is viable
 b. Without a Restaurant **\$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		Adj Net Profit	
100% Occupancy		Yield	Assessed Price
\$93.20 ADR			
\$93.20 RevPar			
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		\$90.63 RevPar	
Actual Turnover:	\$510,260 100%	\$109.09 ADR	
Actual Expenses:	\$243,501 48%	Add-backs/Ons included	
F.H. Net Profit:	\$266,758 52%	of Freehold Net Profit	
Rent:	\$113,027 42%		
L.H. Net Profit:	\$153,731 30%		
Capital Expenditure	\$16,481	[Included in above figures]	
Capital Expenditure is not included in Capitalised Value			
Total Capital Expenditure:	\$26,176.33 5.13%	Adj Yield	Assessed Price
Capitalised value of Freehold Motel:	14%		\$1,905,416
Capitalised value of Leasehold Motel:	28%		\$549,040

Leasehold Title Motel with a Restaurant

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

Break-even percentage: 63% Should not exceed 80%

Rent Creep ratio percentage to T/Over: 42.4% 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 \$549,040

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 \$9,694.94

Capital Maintenance as a Balance Sheet item \$16,481.39

Total Combined Maintenance: \$26,176.33

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:	\$615,000.00	
1st Offer:	\$480,000.00	Tuesday, 29 August 2017
1st Counter Offer:	\$585,000.00	Friday, 1 September 2017
2nd Offer:	\$500,000.00	Saturday, 2 September 2017
2nd Counter Offer:	\$550,000.00	Sunday, 3 September 2017
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:	510,260	100.00%
Less Goods Sold	7,182	1.41%
Gross Profit	503,078	98.59%
Less Expenses exc Add-Backs	275,417	53.98%
Freehold Net Profit	227,661	44.62%
Less, Rent	113,027	22.15%
Leasehold Net Profit	114,634	22.47%
Rent as a percentage of Freehold Net Profit:	49.65%	
Now apply add-backs to above percentage:	39,098	42.37%
Adjusted Leasehold Net Profit:	153,731	

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

Financial Figures:	2014		2015		2016		2017		2018		Total of Last 12 Mths	
		%		%		%		%		%		%
Income:	501,717	100.00%	534,951	100.00%	510,260	100.00%	482,321	100.00%	492,010	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%	503,078	98.59%	473,225	98.11%	484,934	98.56%	482,331	100.00%
Less Expenses:	278,691	55.55%	296,747	55.47%	275,417	53.98%	214,533	44.48%	216,939	44.09%	222,634	46.16%
Freehold Net:	215,057	42.86%	231,184	43.22%	227,661	44.62%	258,692	53.63%	267,995	54.47%	259,697	53.84%
Add-Backs:	40,000	7.97%	40,000	7.48%	39,098	7.66%	12,218	2.53%	10,000	2.03%	12,218	2.53%
Adjusted FH Net:	255,057	50.84%	271,184	50.69%	266,758	52.28%	270,910	56.17%	277,995	56.50%	271,915	56.38%
Less Rent	107,469	21.42%	115,086	21.51%	113,027	22.15%	114,085	23.65%	118,749	24.14%	114,081	23.65%
Adj. Leasehold Net	147,588	29.42%	156,098	29.18%	153,731	30.13%	156,825	32.51%	159,246	32.37%	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	\$640,547	\$653,437	663,525
25%	\$590,351	\$624,392	\$614,925	\$627,300	636,984
26%	\$567,645	\$600,377	\$591,274	\$603,173	612,485
27%	\$546,621	\$578,141	\$569,375	\$580,833	589,800
28%	\$527,099	\$557,493	\$549,040	\$560,089	568,736

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 87. 09/10/2017

By:



To move through the spread sheet use the Tab key

Build Date: Sunday, 8 October 2017

Input by: Russ Dodson

Assessment of:	Demonstration Motel - Country NSW		
For:	Actual assessment to be used as a template		
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:	Monday, October 9, 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	Total: G1	\$530,553	G11 \$311,664
			Exc. GST \$283,331
			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

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	\$120.00 Average Daily Room Rate

Room Break-Up
Room <input type="text" value="15"/>
Apartment <input type="text" value="0"/>
Total: 15

Go to Results & Overview to assess your motel asset.

Enter P&L

Profit & Loss Entry		Add Other Entries:		Amount	
Accommodation	486,271	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	510,260	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	503,078	99%			

Profit & Loss Entry						
Less-Expenses						
Accountancy	F	4,375	0.9%	of Accommodation revenue F = Fixed Expense V = Variable Expense		
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%		Understand the Wage Component of a Motel <i>Overview using Benchmarks from the Analysis Tab</i>	
Gas & Oil	V	8,182	1.6%			
Filing Fees	F		0.0%			Position
Freight & Cartage	V	364	0.1%			Per Week
Ground and Pool Maintenance	V	2,969	0.6%	Week		
Insurance General	F	8,447	1.7%	Reception & Books		
Insurance-Workers Comp.	V	1,449	0.3%	Housekeepers		
Interest	F	37,077	7.3%	On rooms sold Hrs Req		
Internet Access & Computer Maint.	V	3,636	0.7%	Laundry		
Legal	F	1,020	0.2%	Handy Person Grd 3		
Linen Hire	V	14,421	2.8%	Breakfasts		
Add entry: Donations	F	1,240	0.2%	Restaurant:		
Licence Fees and Subscriptions	F	1,016	0.2%	Chef, Grd 5, say		
Motor Vehicle and Travelling	V	4,792	0.9%	Kitchen Hand		
Add entry: Petty Cash	F	800	0.2%	Waitress		
Pest Control	F	655	0.1%	Total wages per week/annum:		
Postage, Printing and Papers	V	1,112	0.2%	Inc. weekend rates		
Rates and Land Tax	F	13,650	2.7%	Refer to Tab below - Analysis to assess total:		
Relief Management Contract	F		0.0%	56,129 P.A.		
Repairs and Maintenance	V	31,110	6.1%	Wage Breakdown		
Capital Replacements	V		0.0%	Relief		
Security	F	605	0.1%	Grounds-Pool		
Research & Development	F		0.0%	Reception		
Staff Amenities,Uniforms,Training	F	1,374	0.3%	House Keeping		
Add entry: Linen Replacement	F	1,956	0.4%	Breakfasts		
Superannuation-Management-Owne	F		0.0%	Laundry		
Superannuation-Employees	V	4,525	0.9%	Chef		
Telephone and Fax	V	7,133	1.4%	Waitress		
Wage Breakdown	V	0	0.0%	Functions		
Wages Housekeepers exc Laundry	V	51,087	10.0%	Total Transposed to P&L		
Wages Housekeepers inc Laundry	V		0.0%	Add Other Entries:		
Wages Restaurant	V		0.0%	AAA Tourism		
Wages Management	F		0.0%	Siteminder		
Wages Owners	F		0.0%	Trip Advisor		
Add entry: General Expenses	F		0.0%	Guest Point		
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 Transposed to P&L		
Total Operating Expenses (Exc Rent)		275,417	54%	5,234		
Less Rent % of F/H NP: 42.4%	F	113,027	22.2%	42.4%		

Input [Now go to Results](#)

MOTEL ANALYSIS

MOTEL Assist
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 TAMWORTH NSW 2340
 Tel: 02-6766-5331
 Fax: 02-6761-2056
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Analysis of: Demonstration Motel - Country NSW
For: Actual assessment to be used as a template
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: 9/10/2017

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

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.

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

Your Assessment - from Input P&L page

Basic Analysis <i>no restaurant</i>		83% Occupancy
Actual Turnover:	\$510,260 100%	\$109 Average daily room rate
Adjusted Expenses:	\$243,501 48%	Add-backs/Ons included
F.H. Net Profit:	\$266,758 52%	
Rent:	\$113,027 42%	of Freehold Net Profit
L.H. Net Profit:	\$153,731 30%	
	Net Yield	Assessed Price
4,457 Rooms Sold		
83% Occupancy		
\$109.09 ADR		
\$90.63 RevPAR		
Capitalised value of Freehold Motel	14%	\$1,905,416
Capitalised value of Leasehold Motel	28%	\$549,040

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	
	Rent is	of Freehold Net Profit
	Net Yield	Assessed Price
4,457 Rooms Sold		
83% Occupancy		
\$109.09 ADR		
\$90.63 RevPAR		
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 Motel - Country NSW

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	-\$7,448
Grand Total	\$39,098

Enter ADR exc GST	\$109.09	Average Daily Room Rate
RevPAR	\$90.63	Revenue per available room
Average T/O Daily	\$1,332	Room income
Average T/O Weekly	\$9,351	Room income
Average T/O Daily	\$0	Restaurant & Beverage Income
Average T/O Weekly	\$0	Restaurant & Beverage Income
Occupancy	83%	\$53.02 Room cost breakeven
Room Nights Sold	4,457	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

Large 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: Monday, 9 October 2017
 Entry Date: Sunday, 8 October 2017

 Demonstration Motel - Country NSW
Leasehold Title
Motel without a Restaurant
Capitalised Value from P&L Figures
 \$553,469

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 \$510,260 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= \$90.63 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: \$319,452 in sales to break even			
	% over/breakeven	Monthly	
Sales	100.0%	\$26,621	\$319,452
Less: Cost of sales	2.2%	\$598	\$7,182
Gross Margin	97.8%	\$26,023	\$312,270
LESS EXPENSES			
Admin & Overhead	62.3%	\$16,582	\$198,988
Sales & Marketing	2.3%	\$620	\$7,436
Total Admin	64.6%	\$17,202	\$206,425
Interest Expense	0.0%	\$0	\$0 No
Rent	35.4%	\$9,419	\$113,027
Total Expenses	100.0%	\$26,621	\$319,452
Net Profit			\$0
Break-even sales			
as a % of total sales figure of		\$510,260	62.6%
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 \$875.21 per day, being 12.2 rooms
 The rent is per day \$309.66 or an ADR of \$71.67
 Total Expenses \$565.55 per day
 That adds up to \$875.21 per day

The difference is your profit of \$421.18 per day, or **\$153,731 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 as shown in P&L account

In some cases you may need to borrow more and pledge other security.
 Additional Borrowings: \$0
 Total Borrowings: Total Interest: \$15,774
 Add to Break-Even? **Yes**
 Break-Even will increase to: **63%**
 Net Cash Flow: \$227,661

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

Hospitality Services Grade 2. (Casual)			
Monday to Friday	\$24.41		
Saturday	\$29.30		
Sunday	\$34.18		
Public Holiday	\$48.83		
Motels, Accommodation & Resorts Award(Federal) from 1/7/2017			
Hospitality Services Grade 4. Chef - Grade 4			
Monday to Friday	\$26.61		
Saturday	\$31.64		
Sunday	\$37.26		
Public Holiday	\$53.23		
Motels, Accommodation & Resorts Award(Federal) from 1/7/2017			
Summary:		W/Ends	Gross
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

 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

 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 Motel - Country NSW
Leasehold Operation
Motel without a Restaurant

Asking Price: \$615,000

Broker: **Tamworth Real Estate**
Fine-Tuned: **13/07/2017 Russ Dodson**

Build Date: Sunday, 8 October 2017
Print Date: Monday, 9 October 2017

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

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

	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	486,271	95.30%	534,951	97%	500,736	100%				When a Benchmark explanation is highlighted - careful consideration is required
Breakfast	11,701	2.2931%	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	0.2683%	1,550	0.3%		0.0%				Usually quite low due to most people having mobile phones
Add Fee Refund & Interest Received	10,919	2.1400%	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	510,260	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	1.2666%	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	0.1409%	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	503,078	98.59%	542,527	99%	493,748	98.4%		0		
Less-Expenses										
Accountancy	4,375	0.8573%	5,050	0.9%	3,359	0.7%	0.75%	548	3,827	Allow 0.75% or a minimum of \$2500.00 in a smaller motel without a restaurant
Advertising & Research	1,186	0.2324%	2,803	0.5%	3,865	0.8%	0.80%	-2,896	4,082	At least between 1.00% to 2.5% refer to Chain contributions towards advertising.
Bank Charges	386	0.0757%	154	0.0%	151	0.0%	0.08%	0	386	Varies due to mortgage conditions - 0.1% to 0.5%
Credit card & Eftpos Charges	4,753	0.9314%	8,784	1.6%	7,320	1.5%	0.93%	0	4,753	Deals through AAoA are less than 0.9% through the Commonwealth Bank
Cable or Foxtel TV	5,374	1.0533%	5,234	1.0%	5,771	1.2%	1.05%	-	5,375	Charged at a cost per room
Chain Fees	6,251	1.2250%	6,251	1.1%	6,781	1.4%	1.23%	-	6,251	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	1.1856%	7,809	1.4%	5,488	1.1%	1.19%	-	6,050	General House cleaning 0.3% to 0.9% - Laundry is assessed on usage up to 1.2%
Comm to Internet Booking Agents	13,248	2.5963%	13,180	2.4%	9,825	2.0%	2.60%	-	13,248	Commissions range from 11% to 15% allow an average from 1.75% to 3.5% at the top end
Compliance to Ordinances	379	0.0742%		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	1.5133%	7,839	1.4%	6,501	1.3%	1.51%	-	7,722	All items supplied to the motel rooms on a daily basis, usually around 1.5%
Bad Debts	870	0.1706%	633	0.1%		0.0%	0.00%	870	0	Change variable to meet cost if necessary
Depreciation Plant	7,579	1.4853%	7,731	1.4%	2,748	0.5%	0.00%	7,579	0	Depreciation is included as an add-back because it is allowed for in Capital Replacements
Borrowing Expenses	1,703	0.3337%	1,703	0.3%	1,701	0.3%	0.00%	1,703	0	Change variable to meet cost if necessary
Electricity	10,251	2.0090%	14,037	2.6%	14,079	2.8%	2.01%	-	10,251	Varies greatly per property, typical percentage is 3.0% to 8.5% depending on climate
Gas & Oil	8,182	1.6034%	7,065	1.3%	10,132	2.0%	1.60%	0	8,182	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	0.0713%		0.0%		0.0%	0.07%	-	364	Change Benchmark % to meet cost as there can be no benchmark in this area
Ground and Pool Maintenance	2,969	0.5819%	2,969	0.5%	1,975	0.4%	0.58%	-	2,969	Varies greatly per property, typical percentage is between 0.09 to 1.7%
Insurance General	8,447	1.6544%	8,027	1.5%	7,800	1.6%	1.66%	-	8,447	Premiums vary from \$5,500 to \$12,500 depending on size of property
Insurance-Workers Comp.	1,449	0.2840%	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	7.2662%	41,301	7.5%	43,932	8.8%	8.8%	37,077	0	An owners expense - Full Add-Back
Internet Access & Computer Maint.	3,636	0.7126%	8,005	1.5%	3,293	0.7%	0.50%	1,085	2,551	Allow between 0.35% to 0.7%
Legal	1,020	0.1999%	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	2.8262%	10,740	2.0%	10,405	2.1%	2.83%	0	14,421	Sheets only allow from 1.5% and for the full linen service allow up to 7.2%
Donations	1,240	0.2430%	891	0.2%	250	0.0%	0.00%	1,240	0	Change variable to meet cost if necessary
Licence Fees and Subscriptions	1,016	0.1992%	3,377	0.6%	2,053	0.4%	0.20%	-	1,016	Allow 0.2% to 0.5%
Motor Vehicle and Travelling	4,792	0.9392%	3,999	0.7%	2,953	0.6%	0.00%	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	0.1568%	989	0.2%	1,719	0.3%	0.16%	0	800	Change variable to meet cost if necessary
Pest Control	655	0.1283%	660	0.1%	660	0.1%	0.13%	-	655	If there is not expense for this - look closely at the areas where infestation can occur
Postage, Printing and Papers	1,112	0.2180%	1,380	0.3%	1,242	0.2%	0.22%	-	1,112	Varies greatly per property, typical percentage is between 0.3 to 1.2%
Rates and Land Tax	13,650	2.6752%	13,702	2.5%	14,769	2.9%	2.68%	-	13,650	As charged
Relief Management Contract	0	0.0000%	1,899	0.3%	2,483	0.5%	0.00%	-4,592	4,592	Allow 28 days a year away at \$250 (exc GST) per day amounts to \$7,000
Repairs and Maintenance	31,110	6.0969%	35,339	6.4%	34,961	7.0%	1.90%	21,415	9,695	Allow a total of 2% per annum of Total Income for repairs & maintenance
Capital Replacements	0	0.0000%		0.0%		0.0%	3.23%	-16,481	16,481	Ref: Replacement Cost Tab shows it at \$14,086 2.76% of turnover for 15 yrs
Security	605	0.1186%	703	0.1%	633	0.1%	0.12%	-	605	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	0.2692%	358	0.1%		0.0%	0.27%	-	1,374	Allow 0.2% to 0.9%
Linen Replacement	1,956	0.3833%	2,083	0.4%	6,237	1.2%	0.38%	-	1,956	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	0.8888%	4,233	0.8%	6,248	1.2%	0.89%	-	4,525	9.5% of wages 51,087 9.50% 4,853.25 0.95% of revenue
Telephone and Fax	7,133	1.3979%	7,797	1.4%	6,827	1.4%	1.40%	-	7,133	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	10.0119%	49,832	9.1%	41,599	8.3%	10.01%	0	51,087	Allow between 6% to 10% of Room Income \$47,771.94 9.4%
Wages Housekeepers inc Laundry	0	0.0000%		0.0%		0.0%	0.01%	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	0.1978%	1,064	0.2%	2,403	0.5%	0.20%	-	1,009	Allow 0.3% to 0.75%
Water Rates	0	0.0000%		0.0%		0.0%	0.00%	0	0	As charged
Uniforms	430	0.0843%	699	0.1%	211	0.0%	0.08%	0	430	Change add-back to show amount
Other Additional Entries	5,234	1.0258%	4,516	0.8%	3,735	0.7%	1.03%	-	5,234	Varies on the entries - check Input Tab
Operating Expenses (Exc Rent)	275,417	53.98%	296,747	54.0%	278,691	55.5%		39,098	225,401	Total of Industry Benchmarks
Add-Backs or Add-Ons	39,098	7.66%	0	0.0%	0	0.0%		0	0	Add Adjustment from Buy-Sell Tab
Adj - Total Operating Expenses	236,320	46.31%	296,747	54.0%	278,691	55.5%		39,098	0	Adjusted total Add-Backs
Adj - Freehold Net Operating Profit	266,758	52.28%	245,780	44.7%	215,057	42.9%				
Less Rent as a % of Freehold Net Profit	113,027	22.15%	115,086	20.9%	107,469	21.4%				
Leasehold Adjusted Net Profit	153,731	30.13%	130,694	23.8%	107,588	21.4%				

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

Compare with source Profit & Loss	2016	% T/O
Total Income:	510,260	100.00%
Less Goods Sold	7,182	1.41%
Gross Profit	503,078	98.59%
Less Operating Expenses	275,417	53.98%
Freehold Net Profit	227,661	44.62%
Return Add-backs	39,098	7.66%
Adjusted Freehold Net Profit	266,758	52.28%
Less Rent	113,027	22.15%
Leasehold Net Profit	153,731	30.13%

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 42.4% of Freehold Net Profit

Basic Analysis		2016		P & Loss Items		2016	
Actual Turnover:	\$510,259.76	100%	Adj. Total Fixed Costs	\$162,769.18			
Adj. Expenses:	\$243,501.49	48%	Adj. Total Variable Costs	\$186,577.64			
Adj. F.H. Net Profit:	\$266,758.27	52%	Adj. Total Costs	\$349,346.83			
Actual Rent:	\$113,027.02	42%					
L.H. Net Profit:	\$153,731.25	30%					

Click on the Analysis tab below to view the Analysis.

Profit & Loss Items	2016	Add-Backs or Add-Ons	2016
Total Fixed Costs	\$207,342.12	Total Fixed Costs	\$44,572.94
Total Variable Costs	\$181,102.39	Total Variable Costs	\$5,475.25
Total Costs	\$388,444.51	Total Costs	\$39,097.68

Results



Motel: **Demonstration Motel - Country NSW**
Leasehold Title Asking Price: **\$615,000**

Entry Date: 8/10/2017
Print Date: 9/10/2017

ALL FIGURES BELOW ARE FOR THE INITIAL YEAR

Motel Overview & Projections

No Restaurant

Version 87_09/10/2017

All Figures are excluding GST unless nominated to include GST

Occupancy	83.1%	80.3%	Your	81.9%	Your
Tariff Increase	Initial Year	-3.4%	Amendments	2.0%	Amendments
%	2016	2017	RD 2/9/17	2018	RD 2/9/17
of T/O	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Current Year ending:					
INCOME:					
Accommodation	95.3%	486,271	469,738	468,773	479,132
Breakfast	2.3%	11,701	11,303	11,955	11,529
Goods for own use	0.0%	0	0	0	0
Restaurant (Cannot enter figures)	0.0%	0	0	0	0
Beverage (Cannot enter figures)	0.0%	0	0	0	0
Conference inc Food & Beverage	0.0%	0	0	0	0
Telephone	0.0%	0	0	0	0
Minibar Licensed No	0.3%	1,369	1,322	804	1,349
Add Fee Refund & Interest Received	2.1%	10,919	0	800	0
Internet	0.0%	0	0	0	0
TOTAL INCOME:	100%	510,260	482,363	482,332	492,010

LESS: COST OF PURCHASES	
Breakfasts	1.3%
Restaurant	0.0%
Beverage	0.0%
Minibar	0.1%
Conference inc Food & Bev	0.0%
TOTAL PURCHASES:	1.4%
GROSS PROFIT:	98.6%

ADMINISTRATIVE & OVERHEADS:

Accountancy	F	0.9%
Advertising & Research	V	0.2%
Bank Charges	F	0.1%
Credit card & Eftpos Charges	V	0.9%
Cable or Foxtel TV	F	1.1%
Chain Fees	F	1.2%
Cleaning contracts	V	0.0%
Cleaning chemicals inc laundry	V	1.2%
Comm to Internet Booking Agents	V	2.6%
Compliance to Ordinances	F	0.1%
Consumables	V	1.5%
Bad Debts	V	0.2%
Depreciation Plant	F	1.5%
Borrowing Expenses	F	0.3%
Electricity	V	2.0%
Gas & Oil	V	1.6%
Filing Fees	F	0.0%
Freight & Cartage	V	0.1%
Ground and Pool Maintenance	V	0.6%
Insurance General	F	1.7%
Insurance-Workers Comp.	V	0.3%
Interest	F	7.3%
Internet Access & Computer Maint.	V	0.7%
Legal	F	0.2%
Linen Hire	V	2.8%
Donations	F	0.2%
Licence Fees and Subscriptions	F	0.2%
Motor Vehicle and Travelling	V	0.9%
Petty Cash	F	0.2%
Pest Control	F	0.1%
Postage, Printing and Papers	V	0.2%
Rates and Land Tax	F	2.7%
Relief Management Contract	F	0.0%
Repairs and Maintenance	V	6.1%
Capital Replacements	V	0.0%
Security	F	0.1%
Research & Development	F	0.0%
Staff Amenities, Uniforms, Training	F	0.3%
Linen Replacement	F	0.4%
Superannuation-Management-Owners	F	0.0%
Superannuation-Employees	V	0.9%
Telephone and Fax	V	1.4%
Wage Breakdown	V	0.0%
Wages Housekeepers exc Laundry	V	10.0%
Wages Housekeepers inc Laundry	V	0.0%
Wages Restaurant	V	0.0%
Wages Management	F	0.0%
Wages Owners	F	0.0%
General Expenses	F	0.0%
Waste Removal	V	0.2%
Water Rates	V	0.0%
Uniforms	F	0.1%
Other Additional Entries	V	1.0%
TOTAL EXPENSES:	54.0%	
Add-Backs shown on Profit & Loss - Highlighted Blue	9.4%	
Benchmark Add-Backs, detailed in Tab Results	-1.5%	
Adj - Total Operating Expenses	46.1%	
Adj - Freehold Net Operating Profit	52.5%	
LESS RENT:	22.2%	
ADJ. LEASEHOLD NET PROFIT After Rent:	30.4%	
Rent as a % of Freehold Net Profit (Cannot exceed 50%)	42.2%	

6,463	6,243	8,390	6,368	6,368
0	0	0	0	0
0	0	0	0	0
719	695	706	708	708
0	0	0	0	0
0	0	0	0	0
7,182	6,938	9,096	7,076	7,076
98.6%	503,078	475,425	473,236	484,934
0.9%	4,375	4,375	2,450	4,462
0.2%	1,186	1,146	5,822	1,168
0.1%	386	373	242	380
0.9%	4,753	4,591	4,132	4,683
1.1%	5,374	5,192	5,488	5,295
1.2%	6,251	6,038	6,267	6,159
0.0%	0	0	0	0
1.2%	6,050	5,844	5,734	5,961
2.6%	13,248	12,797	11,551	13,053
0.1%	379	366	0	373
1.5%	7,722	7,459	6,332	7,608
0.2%	870	0	0	0
1.5%	7,579	7,321	0	7,468
0.3%	1,703	1,645	0	0
2.0%	10,251	9,903	10,133	10,101
1.6%	8,182	7,903	7,321	8,061
0.0%	0	0	0	0
0.1%	364	351	855	358
0.6%	2,969	2,868	3,651	2,926
1.7%	8,447	8,160	8,405	8,323
0.3%	1,449	1,400	1,569	1,428
7.3%	37,077	37,077	12	12
0.7%	3,636	3,513	7,252	3,583
0.2%	1,020	985	225	1,005
2.8%	14,421	13,931	14,252	14,209
0.2%	1,240	1,198	430	1,222
0.2%	1,016	982	1,629	1,001
0.9%	4,792	4,629	7,051	4,722
0.2%	800	773	289	788
0.1%	655	632	854	645
0.2%	1,112	1,074	1,919	1,096
2.7%	13,650	13,186	13,837	13,450
0.0%	0	0	1,636	3,500
6.1%	31,110	30,052	20,377	30,653
0.0%	0	0	0	0
0.1%	605	584	451	596
0.0%	0	0	0	0
0.3%	1,374	1,327	1,098	1,353
0.4%	1,956	1,889	3,980	1,927
0.0%	0	0	0	0
0.9%	4,525	4,371	4,048	4,459
1.4%	7,133	6,890	5,594	7,028
0.0%	0	0	0	0
10.0%	51,087	49,350	48,107	50,337
0.0%	0	0	0	0
0.0%	0	0	0	0
0.0%	0	0	0	0
0.2%	1,009	975	939	994
0.0%	0	0	0	0
0.1%	430	415	601	424
1.0%	5,234	5,056	5,157	5,157
54.0%	275,417	266,622	214,533	232,470
9.4%	47,786	44,398	667	9,707
-1.5%	-7,448	0	11,551	0
46.1%	\$235,080	\$222,224	\$202,315	\$222,764
52.5%	\$267,998	\$260,139	\$270,921	\$262,170
22.2%	\$113,027	\$115,853	\$114,085	\$118,749
30.4%	\$154,971	\$144,286	\$156,836	\$143,421
42.2%	\$154,971	\$144,286	\$156,836	\$143,421
14.00%	\$1,914,273	\$1,858,135	\$1,935,152	\$1,872,642
28.00%	\$553,469	\$515,308	\$560,129	\$512,217

1st Full Year Only	
No. of Rooms	15
Rooms Occ.	4457
Occupancy	83%
Room Tariff	\$109.09
Inc. GST	\$120.00
Breakfast per Room	\$2.62
Inc. GST	\$2.89
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	\$39,098
Refer to Results Tab	
Actual Capitalised Value	
Freehold	\$1,914,273
Value/Unit	\$127,618
Leasehold	\$553,469
Value/Unit	\$36,898
Mortgage Details	
Maximum loan available	50% of Capitalised
Value:	\$553,469
Interest Rate	5.70%
Total Loan:	\$276,734
Interest PA:	\$ 15,774
Wage Break-up	
Management	of T/O
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</	



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
	\$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 Motel - Country NSW**

Version 87. 09/10/2017

MOTEL Assist
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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 Motel - Country NSW

Report is for: Actual assessment to be used as a template

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	\$1,905,416
Leasehold Business:	\$523,989
Freehold Investment:	\$1,381,426

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 \$120,041 per annum

The Freehold investment shows a net return of 8.7% on a rental of \$120,041 per annum.

Profit & Loss Statement as per source document 2016

Total Income:	\$510,260	100.0%
Less Goods Sold	\$7,182	1.4%
Gross Profit	\$503,078	98.6%
Less Operating Expenses	\$275,417	54.0%
Freehold Net Profit	\$227,661	44.6%
Return Add-backs	\$39,098	7.7%
Adjusted Freehold Net Profit	\$266,758	52.3%
Less Rent	\$113,027	22.2%
Leasehold Net Profit	\$153,731	30.1%

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	\$1,333,791	\$76,026
Leasehold Business:	50% of an approved valuation	209,596	\$11,947
Freehold Investment:	70% of an approved valuation	\$966,998	\$55,119

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.**

Finance



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: \$1,333,791	
Cash Required:	\$18,000

Interest payable: \$76,026 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: \$209,596	\$218,000
Cash Required:	\$460,803

Interest payable: \$11,947 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: \$55,119 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:	\$510,260	100.0%
Less Goods Sold	\$7,182	1.4%
Gross Profit	\$503,078	98.6%
Less Interest	\$0	0.0%
Less Other Expenses	\$275,417	54.0%
	\$275,417	0.0%
Freehold Net Profit	\$227,661	44.6%
Return Add-backs Less Interest	\$39,098	7.7%
Adjusted Freehold Net Profit	\$266,758	52.3%
Allow additional P&I	\$0	\$266,758

(Cash in Hand)

Modified Profit & Loss with Interest Adjustment		2016
Total Income:	\$510,260	100.0%
Less Goods Sold	\$7,182	1.4%
Gross Profit	\$503,078	98.6%
Less 1 yrs Interest	\$11,995	0.0%
Less Other Expenses	\$275,417	0.0%
	\$287,413	56.3%
Freehold Net Profit	\$215,665	42.3%
Return Add-backs Less Interest	\$39,098	7.7%
Adjusted Freehold Net Profit	\$254,763	49.9%
Less Rent 44.4% of FH Net	\$113,027	22.2%
Leasehold Net Profit	\$141,736	27.8%
Principal Repayment	\$16,655	\$125,081 Cash

Profit & Loss Statement as per source document		2016
Total Income:	\$510,260	100.0%
Less Goods Sold	\$7,182	1.4%
Gross Profit	\$503,078	98.6%
Less Interest	\$37,077	0.0%
Less Other Expenses	\$238,341	0.0%
	\$275,417	54.0%
Freehold Net Profit	\$227,661	44.6%
Return Add-backs Inc Interest	\$39,098	7.7%
Adjusted Freehold Net Profit	\$266,758	52.3%
Less Rent 42.4% of FH N/P	\$113,027	22.2%
Leasehold Net Profit	\$153,731	30.1%

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:	\$510,260	100.0%
Less Goods Sold	\$7,182	1.4%
Gross Profit	\$503,078	98.6%
Less Operating Expenses	\$275,417	54.0%
Freehold Net Profit	\$227,661	44.6%
Return Add-backs	\$39,098	7.7%
Adjusted Freehold Net Profit	\$266,758	52.3%
Less Rent	\$113,027	22.2%
Leasehold Net Profit	\$153,731	30.1%
Rent as a percentage of Freehold Net Profit:	42.37%	
Capitalised Value of Business	\$512,437	

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 Motel - Country NSW**

Title: **Leasehold Title**

Operation: **Motel without a Restaurant**

Capitalised Value:	Yield: 28%	\$553,469
Freehold Net Profit:		\$266,758
Leasehold Net Profit:		\$153,731
Current Rental:	45.0% of net	\$113,027
Maximum Rental at 47% of FH Net Profit:		\$125,376 <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	\$185,218	83%
3	\$210,591	73%
4	\$244,018	63%
5	\$290,059	53%
6	\$320,273	48%
7	\$404,556	38%
8	\$415,490	37%
9	\$415,490	37%
10	\$415,490	37%
11	\$427,031	36%
12	\$427,031	36%
13	\$427,031	36%
14	\$439,232	35%
15	\$439,232	35%
16	\$439,232	35%
17	\$452,151	34%
18	\$452,151	34%
19	\$465,852	33%
20	\$465,852	33%
21	\$480,410	32%
22	\$495,907	31%
23	\$512,438	30%
24	\$512,438	30%
25	\$530,108	29%
26	\$553,469	29%
27	\$553,469	29%
28	\$553,469	28%
29	\$553,469	28%
30	\$553,469	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 Motel - Country NSW**
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			83.1% Occupancy
Actual Turnover:	\$510,260	100%	\$109.09 Average daily room rate
Adjusted Expenses:	\$243,501	47.7%	Add-backs/Ons included
F.H. Net Profit:	\$266,758	52.3%	of Freehold Net Profit
Rent:	\$113,027	42.4%	
L.H. Net Profit:	\$153,731	30.1%	

	Net Yield	Assessed Price
Capitalised value of Freehold Motel	14.00%	\$1,905,416
Capitalised value of Leasehold Motel	28.00%	\$549,040

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 Motel - Country NSW

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

Resort Brokers

Hillhouse Burrough McKeown, Lawyers

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

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

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

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

Short Term Lease Valuation

Motel Input Data:

Years Remaining on Lease

20 **Program is Active**

Adjusted Leasehold Net Profit

\$153,731 **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	\$549,040	[Full Lease Value BASED ON ABOVE CAPITLISATION RATE]
Less Value of Chattels	\$0	
Goodwill Value of Lease, less the chattels	<u>\$549,040</u>	
Divide by original lease term 21 years	\$26,145	
Multiply by lease extension 4 years	\$104,579	
Apply 45% to establish the lease premium of	\$47,061	for the period of 4 years
This means the annual lease premium will be	\$11,765	

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	\$549,040	[Full Lease Value BASED ON ABOVE CAPITLISATION RATE]
Divide lease value by the 21 remaining which =	\$26,145	being extra profit earned or amount lease is depreciating PA
Establish true net profit by subtracting \$26,145	from the current net profit of \$153,731	
This will leave you with an adjusted net Leasehold net profit of	\$127,586	
Now you can establish the capitalised worth of the business at	\$455,666	being 28% capitalisation rate
This exercise is to establish what surplus funds you will earn over the remaining years of the lease.		
Amt Earned \$2,679,316 over 21 years less the value of the Leasehold business being chattels only	\$0.00	
SUPRLUS EARNED	\$2,223,650	add chattels \$0 total return being \$2,223,650

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 Motel - Country NSW

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:	503,078	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:	227,661	45%	
Add-Backs:	39,098	8%	To see breakdown of Add-Backs go to Results tab
Adjusted FH Net:	266,758	53%	
Rental:	<input type="text" value="Yes"/>	120,041	24% Rental is 45.00% of the freehold Net Profit
Leasehold Net Profit:	146,717	29%	

The Investment price should be \$1,356,280 annual rental is \$120,041 giving a net return of 8.85% 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**
 What region or town do you want to live in Finance Available: **\$276,734**
 Once you have discussed those parameters with your partner, contact a Motel Broker from our panel of participating Brokers. Cash Required: **\$338,266**

To assist you with your preparations [click here for inspection sheet](#) [click here for 5 comparisons program](#)
 Input details, from the P&L which have been entered as: **Leasehold Title Motel without a Restaurant** you will expect a net profit of **\$0** (If a zero here add spend/sale price)
 I have transposed below the comparisons from the Analysis page for you to compare. The net profit from your input Profit & Loss page is **\$153,731** and my adjustment page **\$146,717**
 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:	\$510,259.76	100.00%
Expenses, Add-Backs included:	\$244,925	48.00%	Adjusted Expenses:	\$243,501.49	47.72%
F.H. Net Profit:	\$265,335	52.00%	F.H. Net Profit:	\$266,758.27	52.28%
Rent:	\$119,401	23.40%	Rent:	\$113,027.02	22.15%
L.H. Net Profit:	\$145,934	28.60%	L.H. Net Profit:	\$153,731.25	30.13%
5,475 Rooms to sell			5,475 Rooms to sell		
5,475 Rooms Sold			4,457 Rooms Sold		
100% Occupancy			83% Occupancy		
\$90.63 ADR			\$109.09 ADR		
\$90.63 RevPar			\$90.63 RevPar		
Capitalised value of Freehold Motel	\$1,895,251	14.00%	Capitalised value of Freehold Motel	\$1,905,416	14.00%
Capitalised value of Leasehold Motel	\$521,194	28.00%	Capitalised value of Leasehold Motel	\$549,040	28.00%
Capitalised value of Investment Motel	\$1,374,057	8.69%	Capitalised value of Investment Motel	\$1,356,376	8.33%

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	\$486,271	95.299%
Breakfast	\$11,701	2.293%
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	2.140%
Internet	\$0	0.000%
Total Income	\$510,260	100.000%

3. My assessment by adjusting the Add-backs		
Basic Analysis no restaurant		
Assessment from figures inserted in P&L		
Actual Turnover:	\$510,259.76	100.00%
Adjusted Expenses:	\$243,501.49	47.72%
F.H. Net Profit:	\$266,758.27	52.28%
Rent:	\$120,041.22	23.53%
L.H. Net Profit:	\$146,717.05	28.75%
Add-Backs or Add-Ons from below	\$0.00	0.00%
Adjusted Net Profit	\$146,717.05	28.75%
Net Yield		
Capitalised value of Freehold Motel	\$1,905,416	14.00%
Capitalised value of Leasehold Motel	\$523,989	28.00%
Capitalised value of Investment Motel	\$1,381,427	8.69%
Change Yield		
		\$1,667,239
		30.00%
		\$489,057
		10.19%
		\$1,178,182

Expenses:	Benchmark Percentage	Add-Back or Add-On 2016	Industry Benchmark				
				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	\$503,078	0.0%	\$0	\$0			
Profit & Loss Entry							
Less-Expenses							
Accountancy	\$4,375	0.8%	\$548	\$3,827	0.857%		
Advertising & Research	\$1,186	0.8%	-\$2,896	\$4,082	0.232%		
Bank Charges	\$386	0.1%	-\$0	\$386	0.076%		
Credit card & Eftpos Charges	\$4,753	0.9%	\$0	\$4,753	0.931%		
Cable or Foxtel TV	\$5,374	1.1%	-\$0	\$5,375	1.053%		
Chain Fees	\$6,251	1.2%	-\$0	\$6,251	1.225%		
Cleaning contracts	\$0	0.0%	\$0	\$0	0.000%		
Cleaning chemicals inc laundry	\$6,050	1.2%	-\$0	\$6,050	1.186%		
Comm to Internet Booking Agents	\$13,248	2.6%	-\$0	\$13,248	2.596%		
Compliance to Ordinances	\$379	0.1%	\$0	\$379	0.074%		
Consumables	\$7,722	1.5%	-\$0	\$7,722	1.513%		
Bad Debts	\$870	0.0%	\$870	\$0	0.171%		
Depreciation Plant	\$7,579	0.0%	\$7,579	\$0	1.485%		
Borrowing Expenses	\$1,703	0.0%	\$1,703	\$0	0.334%		
Electricity	\$10,251	2.0%	-\$0	\$10,251	2.009%		
Gas & Oil	\$8,182	1.6%	\$0	\$8,182	1.603%		
Filing Fees	\$0	0.0%	\$0	\$0	0.000%		
Freight & Cartage	\$364	0.1%	-\$0	\$364	0.071%		
Ground and Pool Maintenance	\$2,969	0.6%	\$0	\$2,969	0.582%		
Insurance General	\$8,447	1.7%	-\$0	\$8,447	1.655%		
Insurance-Workers Comp.	\$1,449	2.0%	-\$341	\$1,790	0.284%		
Interest	\$37,077	0.0%	\$37,077	\$0	7.266%		
Internet Access & Computer Maint.	\$3,636	0.5%	\$1,085	\$2,551	0.713%		
Legal	\$1,020	0.0%	\$1,020	\$0	0.200%		
Linen Hire	\$14,421	2.8%	\$0	\$14,421	2.826%		
Donations	\$1,240	0.0%	\$1,240	\$0	0.243%		
Licence Fees and Subscriptions	\$1,016	0.2%	-\$0	\$1,016	0.199%		
Motor Vehicle and Travelling	\$4,792	0.0%	\$1,792	\$3,000	0.939%		
Petty Cash	\$800	0.2%	\$0	\$800	0.157%		
Pest Control	\$655	0.1%	-\$0	\$655	0.128%		
Postage, Printing and Papers	\$1,112	0.2%	-\$0	\$1,112	0.218%		
Rates and Land Tax	\$13,650	2.7%	-\$0	\$13,650	2.675%		
Relief Management Contract	\$0	0.0%	-\$4,592	\$4,592	0.000%		
Repairs and Maintenance	\$31,110	1.9%	\$21,415	\$9,695	6.097%		
Capital Replacements	\$0	3.2%	-\$16,481	\$16,481	0.000%		
Security	\$605	0.1%	-\$0	\$605	0.119%		
Research & Development	\$0	0.0%	\$0	\$0	0.000%		
Staff Amenities,Uniforms,Training	\$1,374	0.3%	-\$0	\$1,374	0.269%		
Linen Replacement	\$1,956	0.4%	-\$0	\$1,956	0.383%		
Superannuation-Management-Owners	\$0	0.0%	\$0	\$0	0.000%		
Superannuation-Employees	\$4,525	0.9%	-\$0	\$4,525	0.887%		
Telephone and Fax	\$7,133	1.4%	-\$0	\$7,133	1.398%		
Wage Breakdown	\$0	0.0%	\$0	\$0	0.000%		
Wages Housekeepers exc Laundry	\$51,087	10.0%	\$0	\$51,087	10.012%		
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%	-\$0	\$1,009	0.198%		
Water Rates	\$0	0.0%	\$0	\$0	0.000%		
Uniforms	\$430	0.1%	\$0	\$430	0.084%		
Other Additional Entries	\$5,234	1.0%	-\$0	\$5,234	1.026%		
Add-Back or Add-on			\$39,098	Adjusted Add-Back/Add-Ons	\$0.00		
Buy-Sell							



Viability of your motel

Version 87. 09/10/2017

Rent Creep in Leasehold Titles

Demonstration Motel - Country NSW

Motel without a Restaurant

Sunday, 8 October 2017

MOTEL Assist
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TAMWORTH NSW 2340
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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 Motel - Country NSW

Total Revenue:	510,260	100%		
Expenditure:	<u>282,599</u>	55%		
Freehold Net Profit:	227,661	45%		
Add-Backs:	<u>39,098</u>	8%		
Adjusted FH Net:	266,758	52%		
Rental:	<u>113,027</u>	22%	Rental is	42.37% of the freehold Net Profit
Leasehold Net Profit:	<u>153,731</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

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 Creep



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Motel Financial Health Check Version 87. 09/10/2017

Refurbishment Loading

Demonstration Motel - Country NSW

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.



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: **\$553,469** RevPAR: **\$90.63** ADR: **\$109.09**

Tariff Structure Motel: Demonstration Motel - Country NSW

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%	\$3,827	0.8%	
Eftpos/Merchant Fees	\$4,753	0.9%	\$4,753	0.9%	
Bank Fees	\$386	0.1%	\$386	0.1%	
Cleaning & Laundry Chemicals	\$6,050	1.2%	\$6,050	1.2%	
Electricity	\$10,251	2.0%	\$10,251	2.0%	
General Insurance	\$8,447	1.7%	\$8,447	1.7%	
Repairs and Maintenance	\$31,110	6.1%	\$21,415	4.2%	
Capital Replacements	\$0	0.0%	-\$16,481	-3.2%	
Interest	\$37,077	7.3%	Assess	N/A	
Wages Housekeepers exc Laundry	\$51,087	10.0%	\$51,087	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 Motel - Country NSW

Unit Four: Apply logic to system operations and motel ambience

Current Computer Operating System?	
------------------------------------	--

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

Unit Five: Best Practice Application

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

Unit Six: Maximise staff efficiency and training

Reception	
Housekeepers	
Chef	
Restaurant Staff	

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

What does the guest want?	A-Yes	B-Not sure	C-No	Must be available
1. An extremely clean room				
2. Very spacious rooms				
3. Comfortable Bed				
4. Generous shower				
5. Excellent TV reception & large TV				
6. Free Wi-Fi				
7. Functional modern air conditioning				
8. Breakfast at a reasonable prices				
9. Evening on-site meals available				
10. Friendly attentive approach to Guests				



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 Motel - Country NSW

Asking Price: \$615,000

Page 23

Motel Broker Tamworth Real Estate Graeme Mills 0418-667-761 gmills@tamworthrealestate.com.au	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	486,271	100%			486,271	100%
Less : Cost Of Goods Sold (\$)	7,969	7,020	7,182				7,182	1%
Sub - Total	492,766	527,931	479,089	99%			479,089	99%
				0%			0	0%
				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	490,009	101%	Add back	0	490,009	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	11%			51,087	11%
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	101,564	21%	Adjusted Net		101,564	21%

Notes about this Motel Print Date: Monday, 9 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

Page 24.

Viability of your motel

Definitions

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Sunday, 8 October 2017

Version 87. 09/10/2017

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

[Click here for explanation](#)

[Click here for full definition](#)

Definitions



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 87. 09/10/2017

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

Sunday, 8 October 2017

Report Tabs:

Version 87. 09/10/2017

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 87. 09/10/2017 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

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

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Data Entry:

1	Financial Year Analysed:	2016
2	Name & Location of Motel:	Demonstration Motel - Country NSW
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:	\$510,259.76
8	Outgoings Inc Add-Backs, Exc. Rent:	\$236,319.81
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: 8.33%
 RevPar: \$90.63

Other information to assist analysis:

			%
1	Rent as a percentage of Freehold net profit:	\$113,027	42.37%
2	Wages Housekeepers exc Laundry	\$51,087	10.01%
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]	\$510,259.76	100.00%
Less Goods Sold		\$7,181.68	1.41%
Gross Profit		\$503,078.08	98.59%
Less Operating Expenses		\$275,417.49	53.98%
Freehold Net Profit		\$227,660.59	44.62%
Return Add-backs		-\$39,097.68	7.66%
Adjusted Freehold Net Profit		\$266,758.27	52.28%
Less Rent		\$113,027.02	22.15%
Leasehold Net Profit		\$153,731.25	30.13%

Rent as a percentage of Freehold Net Profit: 42.37%

Priority Entry