

Aston Hill Motor Lodge Port Macquarie

To enter details it is best to print Instructions first

Version 93. 17/06/2018

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.**

A template report has been inserted in this program which was taken from Aston Hill Motor Lodge 2017 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
- Lease-Extension
- 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
- Priority Entry - Allowing easy access to data for entry into Priority Software
- 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, 17 June 2018

Aston Hill Motor Lodge Port Macquarie

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

MOTEL Assist
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Tel: 02-6766-5331
Fax: 02-6761-2056
Mobile: 0428-668-357
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Compare with source Profit & Loss		
Total Income (Exc GST)	\$755,325.78	100.00%
Less Goods Sold	\$16,219.67	2.15%
Gross Profit	\$739,106.11	97.85%
Less Operating Expenses	\$715,490.44	94.73%
Freehold Net Profit	\$23,615.67	3.13%
Return Add-backs	-\$421,214.88	55.77%
Adjusted Freehold Net Profit	\$444,830.55	58.89%
Less Rent	\$200,173.00	26.50%
Leasehold Net Profit	\$244,657.55	32.39%
Rent as a percentage of Freehold Net Profit:		45.00%

Asking Price if on the Market:	\$825,000
Financial Year Analysed:	2017
Title:	Leasehold Title
If Leasehold term of lease:	29
Number of rooms:	22
Average Daily Room Rate [ADR]:	\$143.97
Turnover from all revenue sources:	\$755,325.78
Outgoings Inc Add-Backs, Exc. Rent:	\$294,275.56
Annual Rent:	\$200,173.00
Repairs & Maintenance:	\$19,573.52

Other information to assist analysis:		
Rent as a percentage of Freehold net profit:	\$200,173	45.00%
Wages Housekeepers exc Laundry	\$73,715	9.76%
Star Ratings Australia:	4	
Number of Motels in Town:	45	
Year Constructed:	1985	
Land Size:	900 m2	
Occupancy	71.5%	
Combined Repairs & Capital Expenditure:	6.23%	
Estimated hours housekeepers worked per week	48 hours	
Time allowed to clean a standard size room:	30 minutes	

Freehold Yield:	12.00%
Leasehold Yield:	28.00%
Investment Return:	7.07%
RevPar:	\$97.75

Capitalised Worth based on above yields:	
Freehold Business:	\$3,706,921
Leasehold Business:	\$873,777
Investment Freehold:	\$2,833,144

[Refer to Tab: Questions Answered.](#)

Know your Break Even [see at right]	
Sales required to Breakeven:	\$510,668
Break Even Percentage:	67.6%
Is Finance Included:	No
Breakeven on room cost:	\$53.97

[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 93

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 5,452 of 7,629 available giving a RevPar: \$97.75 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:

- | | |
|---|--|
| 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: 2.57% \$19,416 Has been calculated for this motel over a 15 year period.

Repairs & Maintenance: 2.6% 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, 17 June 2018

Version 93. 17/06/2018

Client of: **Aston Hill Motor Lodge Port Macquarie**
For: **Assessment**
Title: Leasehold Title
Asking Price: \$825,000
Lease years Left: 29
No. of Rooms: 22
Operation: Motel without a Restaurant
Entry Date: Sunday, 17 June 2018
Print Date: Sunday, 17 June 2018

Total Turnover:	\$755,326	100%
Less, Cost of Sales:	\$16,220	2%
Gross Profit:	\$739,106	98%
Operating Expenses:	\$715,490	95%
Freehold Net Profit:	\$23,616	3%
Rent:	\$200,173	27%
Leasehold Net Profit:	-\$176,557	-23%
Add-Backs:	\$421,215	56%
Adjusted Net Profit:	\$244,658	32%

1. What is this motel worth:

Freehold Business: \$3,706,921
Leasehold Business: \$873,777
Investment Freehold: \$2,833,144

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

Net Profit:	Capital expenditure has not been deducted	
Freehold	Leasehold	From [Q-Check] Tab
\$444,831	\$244,658	

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

Current Revenue is: \$755,326
Current Net Profit is without add backs -\$176,557
Current Net Profit is with add backs \$421,215

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

Only active when nominated Leasehold title

Method One: \$87,617 0 year extension From [Valuation-Yield] Tab
Method Two: \$78,640 5 year extension From [Lease-Extension] Tab

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

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

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

5. How can I rectify Rent Creep?

The obvious answer is to increase revenue and decrease expenditure, however it is easier said than done. From my experience when the rental percentage exceeds 55% professional help is necessary to assess where the expenditure is required. Careful assessment on the operating systems and the overall condition of the property must be considered. Availability of funds is probably the most deciding factor and length of lease if a Leasehold property.

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

The breakeven turnover of this motel is \$510,668 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.

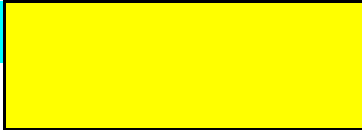
Recommendation:

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



Aston Hill Motor Lodge Port Macquarie

Motel without a Restaurant

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

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

Version 93. 17/06/2018
Sunday, 17 June 2018

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: \$825,000

Your motel has a capitalised worth as follows:

Shows an occupancy of 71%

Average daily room rate \$143.97 Exc GST

RevPar \$97.75 Exc GST

Check the wage calculations on the bottom of the page. Weekly hours calculated for Housekeepers 48

Leasehold:	\$873,777	Based on a yield of	28%
Freehold:	\$3,706,921	Based on a yield of	12%
As an Investment:	\$2,833,144	Based on a net return of	7.1%

Go to Definitions to understand RevPar With a break even of 68%

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:	\$19,416	Per Annum	Being	2.57%	of T/Over
Capital Items that should be anticipated over a 30 year period:	\$22,499	Per Annum	Being	2.98%	of T/Over

Study the Replacement Cost work sheet within the tab.

Finance

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

Trends

Please go to the explanation shown in the tab.

Valuation-Yield

Lease-Extension

Investment

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

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

Method One: To extend a lease by 0 years, a premium is calculated to total	\$87,617	in Tab Valuation-Yield
Method Two: To extend a lease by 5 years, a premium is calculated to total	\$78,640	in Tab Lease-Extension

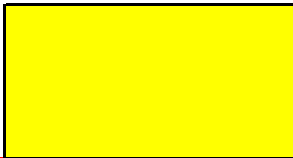
Study the calculations shown in the Valuation-Yield and Lease-Extension tabs.

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

Buy-Sell

This tab is complex and requires assistance from a competent Motel Broker. It is designed to show all variables that can take place to established buying or selling platform for both Purchaser and Seller. It does not matter how accomplished you are as an operator you should not negotiate a sale or purchase without the assistance of an accomplished negotiator or in extreme cases mediator. There is a section whereby you can receive one line explanations on why items in the Profit & Loss are not in line with Industry Benchmarks.

Full Explanation



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

Viability of your motel

Full Explanation

Rent Creep

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

Rent creep occurs when a Leasehold Motel Business experiences downward pressure on tariffs and upward pressure on expenses. The result is that the percentage ratio of the rent over the freehold net profit exceeds 47%. The percentage on this motel is 45.00%

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 \$436,888 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:	\$3,706,921	\$0
Less the Business Component:	\$873,777	\$0
Freehold Component:	\$2,833,144	\$0

Financials:

Revenue	\$755,326	100%		\$0	100%
Expenses Inc. Add-Backs	\$310,495	41%		\$0	
Freehold Net Profit:	\$444,831	59%		\$0	
Rent:	\$200,173	45%		\$0	
Leasehold Net Profit:	\$244,658	32%		\$0	
Remove the Add-Backs	\$421,215	56%		\$0	0%
Actual Cash in Hand Net:	-\$176,557	-23%		\$0	0%

Actual Cash in Hand as a percentage of the total Capitalised worth of the motel -4.8% per annum
 If the Leasehold Business was sold and the Freehold retained: 7.1% per annum
 Rent as a percentage of the Freehold Net Profit: 45.0% per annum
 If the rent was 45% of the Freehold Net Profit the Net on Investment is: 7.1% based on a rental \$200,174
 Add the number of working partners **2.0** Income per working partner is -\$88,279 **See notes below:**

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

Full Explanation

Analysis of: **Aston Hill Motor Lodge Port Macquarie**
 For: Assessment
 No. of Rooms: 22

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: 17/06/2018

Print Date: 17/06/2018

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 **22**
 Enter your total revenue a. With a Restaurant **\$745,709** Enter revenue in both boxes to see if a restaurant is viable
 b. Without a Restaurant

Asking Price: \$825,000 Yield of 27.84% Asking Price: Yield of 0.00%

1. Motel without Restaurant

Template Assessment	8,030 Rooms available to sell
Basic Analysis	22 Rooms in Motel
Turnover:	\$745,709 100%
Expenses:	\$328,112 44% Add-backs included
F.H. Net Profit:	\$417,597 56% of Freehold Net Profit
Rent:	\$187,919 45%
L.H. Net Profit:	\$229,678 31%
Capital Expenditure	\$19,416 2.6% Capital Expenditure is not included
Adj Net Revenue	\$229,678 31% See explanation on the right
8,030 Rooms Sold	FH Net Profit \$417,597
100% Occupancy	Less Cap Exp: \$19,416
\$92.87 ADR	Adj Net Profit \$398,181
\$92.87 RevPar	Adj Yield
Capitalised value of Freehold Motel	12% Assessed Price \$3,479,975
Capitalised value of Leasehold Motel	28% \$820,280

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	8,030 Rooms available to sell
Basic Analysis	22 Rooms in Motel
Turnover:	\$0 100%
Expenses:	\$0 58% Add-backs included
F.H. Net Profit:	\$0 0%
Rent:	\$0 45% of Freehold Net Profit
L.H. Net Profit:	\$0 0%
Capital Expenditure	\$0 0%
Adj Net Revenue	\$0 0% Explanation on the right
8,030 Rooms Sold	Adj Net Profit
100% Occupancy	Yield
\$92.87 ADR	Assessed Price
\$92.87 RevPar	
Capitalised value of Freehold Motel	12% \$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>	71% Occupancy
Leasehold Title	\$97.75 RevPar
Actual Turnover:	\$755,326 100%
Actual Expenses:	\$310,495 41% Add-backs/Ons included
F.H. Net Profit:	\$444,831 59% of Freehold Net Profit
Rent:	\$200,173 45%
L.H. Net Profit:	\$244,658 32%
Capital Expenditure	\$32,706
<i>Not included in Capitalised Value</i>	
Total Capital Expenditure:	\$47,056.80 6.23%
Capitalised value of Freehold Motel:	12% \$3,706,921
Capitalised value of Leasehold Motel:	28% \$873,777

Leasehold Title Motel with a Restaurant

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

Break-even percentage: 68% Should not exceed 80%

Rent Creep ratio percentage to T/Over: 45.0% Should not exceed 47%

Capital Cost annual percentage over T/O: 2.6% 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 \$19,416 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 \$873,777

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%
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	
Capitalised value of Freehold Motel	12% \$0
Capitalised value of Leasehold Motel	28% \$0

Establishing annual Repairs & Maintenance and Capital Maintenance

Repairs & Maintenance as a Profit & Loss Item \$14,351.19

Capital Maintenance as a Balance Sheet item \$32,705.61

Total Combined Maintenance: \$47,056.80

The combined Maintenance totals an annual percentage of: 6.23%

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, 17 June 2018

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:	\$825,000.00	
1st Offer:		
1st Counter Offer:		
2nd Offer:		
2nd Counter Offer:		
3rd Offer:		
3rd Counter Offer:		
Agreed Price:		

Refer to Results and Overview Tabs

Subject to Finance

2017-Profit & Loss is not Accountant's verified taxation figures		
Total Income:	755,326	100.00%
Less Goods Sold	16,220	2.15%
Gross Profit	739,106	97.85%
Less Expenses exc Add-Backs	715,490	94.73%
Freehold Net Profit	23,616	3.13%
Less, Rent	200,173	26.50%
Leasehold Net Profit	-176,557	-23.37%
Rent as a percentage of Freehold Net Profit:	847.63%	
Now apply add-backs to above percentage:	421,215	45.00%
Adjusted Leasehold Net Profit:	244,658	

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

Refer to Rent Creep

Financial Figures:	2015		2016		2017		2018		2019		Total of Last 12 Mths	
		%		%		%		%		%		%
Income:	0	0.00%	0	0.00%	755,326	100.00%	706,933	100.00%	721,071	100.00%	0	0.00%
Less Purchases:	0	0.00%	0	0.00%	16,220	2.15%	9,096	1.29%	15,684	2.18%	0	0.00%
Gross Profit	0	0.00%	0	0.00%	739,106	97.85%	697,837	98.71%	705,387	97.82%	0	0.00%
Less Expenses:	0	0.00%	0	0.00%	715,490	94.73%	214,533	30.35%	538,183	74.64%	0	0.00%
Freehold Net:	0	0.00%	0	0.00%	23,616	3.13%	483,304	68.37%	167,205	23.19%	0	0.00%
Add-Backs:	0	0.00%	0	0.00%	421,215	55.77%	12,218	1.73%	0	0.00%	12,218	0.00%
Adjusted FH Net:	0	0.00%	0	0.00%	444,831	58.89%	495,522	70.09%	167,205	23.19%	12,218	0.00%
Less Rent	0	0.00%	0	0.00%	200,173	26.50%	114,085	16.14%	210,307	29.17%	0	0.00%
Adj. Leasehold Net	0	0.00%	0	0.00%	244,658	32.39%	381,437	53.96%	-43,102	-5.98%	12,218	0.00%

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:												
Less Purchases:												
Gross Profit	0	0	0	0	0	0	0	0	0	0	0	0
Less Expenses:												
Freehold Net:	0	0	0	0	0	0	0	0	0	0	0	0
Less Rent												
Leasehold Net	0	0	0	0	0	0	0	0	0	0	0	0

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:												
Less Purchases:												
Gross Profit	0	0	0	0	0	0	0	0	0	0	0	0
Less Expenses:												
Freehold Net:	0	0	0	0	0	0	0	0	0	0	0	0
Less Rent												
Leasehold Net	0	0	0	0	0	0	0	0	0	0	0	0

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:												

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

Total: 0

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 30% is appropriate.

Refer to Lease Extension Tab

Yield Variables:	2015	2016	2017	2018	2019
28%	\$0	\$0	\$873,777	\$1,362,273	-153,936
29%	\$0	\$0	\$843,647	\$1,315,299	-148,627
30%	\$0	\$0	\$815,525	\$1,271,455	-143,673
31%	\$0	\$0	\$789,218	\$1,230,441	-139,039
32%	\$0	\$0	\$764,555	\$1,191,989	-134,694

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: **\$825,000**

Version 93. 17/06/2018

By:



MOTEL Assist
making motels more profitable

To move through the spread sheet use the Tab key

Build Date: Sunday, 17 June 2018

Input by: Russ Dodson

Assessment of:	Astons Hill Motor Lodge Port Macquarie		
For:	Assessment		
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, June 17, 2018	Star Ratings Australia:	Rated 4
Print Date:	Sunday, June 17, 2018	Number of Motels in Town:	45
Financial Year Analysed:	2017	Population of Town:	43,655
	BAS Revenue Inc. GST		N/A
1st Qtr:	G1	G11	
2nd Qtr:	G1	G11	
3rd Qtr:	G1	G11	
4th Qtr:	G1	G11	
Total Revenue Exc. GST	\$0	Exc. GST	\$0
	Total:	\$0	Expense Ratio 0%

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	29																															
Does the motel have a Restaurant?	No	Motel without a Restaurant																														
Pre-set generic yields - Freehold 16% & Leasehold 30%	28%	Change yield at the bottom of this page																														
Insert Room Types, No. & Tariff	<table border="1"> <thead> <tr> <th>Room Type</th> <th>No.</th> <th>Tariff</th> </tr> </thead> <tbody> <tr><td>1 Executive</td><td>3</td><td>\$99.00</td></tr> <tr><td>2 Superior</td><td>6</td><td>\$128.00</td></tr> <tr><td>3 Prestige</td><td>4</td><td>\$138.00</td></tr> <tr><td>4 Special Facilities</td><td>1</td><td>\$128.00</td></tr> <tr><td>5 Family</td><td>3</td><td>\$185.00</td></tr> <tr><td>6 Corporate</td><td>2</td><td>\$195.00</td></tr> <tr><td>7 2 Room Suite</td><td>2</td><td>\$215.00</td></tr> <tr><td>8 3 Bedroom Apt</td><td>1</td><td>\$364.00</td></tr> <tr><td>Total Rooms in Motel:</td><td>22</td><td>\$158.36</td></tr> </tbody> </table>		Room Type	No.	Tariff	1 Executive	3	\$99.00	2 Superior	6	\$128.00	3 Prestige	4	\$138.00	4 Special Facilities	1	\$128.00	5 Family	3	\$185.00	6 Corporate	2	\$195.00	7 2 Room Suite	2	\$215.00	8 3 Bedroom Apt	1	\$364.00	Total Rooms in Motel:	22	\$158.36
Room Type	No.	Tariff																														
1 Executive	3	\$99.00																														
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8 3 Bedroom Apt	1	\$364.00																														
Total Rooms in Motel:	22	\$158.36																														
To calculate your total sleeping spaces go to Page 3 Analysis Worksheet	<table border="1"> <thead> <tr> <th colspan="2">Room Break-Up</th> </tr> </thead> <tbody> <tr><td>Room</td><td>16</td></tr> <tr><td>Apartment</td><td>6</td></tr> <tr><td>Total:</td><td>22</td></tr> </tbody> </table>		Room Break-Up		Room	16	Apartment	6	Total:	22																						
Room Break-Up																																
Room	16																															
Apartment	6																															
Total:	22																															
		Average Daily Room Rate																														

Go to Results & Overview to assess your motel asset.

Enter P&L

Profit & Loss Entry		Add Other Entries:		Amount
Accommodation	745,709	99%	Insurance recoveries	4,495
Breakfast		0.0%	Sundry Income	5,121
Goods for own use		0.0%		
<i>Restaurant figures not required</i>		0.0%		
<i>Beverage figures not required</i>		0.0%		
Conference inc Food & Beverage		0.0%		
Telephone		0.0%		
Minibar		0.0%		
Add Fee Refund & Interest Received	9,616	1%	Total Transposed to P&L	9,616
Internet		0.0%		
Total Income	755,326	100%		
Less cost of goods sold			Add Other Entries:	Amount
Breakfasts	16,220	2.1%		
<i>Restaurant figures not required</i>		0.0%		
<i>Beverage figures not required</i>		0.0%		
Minibar		0.0%		
Additional Entries	0	0.0%	Total Transposed to P&L	0
Conference inc Food & Beverage		0.0%		
Total Cost of Sales	16,220	2.1%		
Gross Profit	739,106	98%		

MOTEL ANALYSIS

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

Analysis of: Aston Hill Motor Lodge Port Macquarie
For: Assessment
No. of Rooms: 22

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: 17/06/2018

Print Date: 17/06/2018

1. Motel without Restaurant

Template Assessment		8,030 Rooms available to sell
Basic Analysis		22 Rooms in Motel
Turnover:	\$745,709	100%
Expenses:	\$357,940	48%
F.H. Net Profit:	\$387,769	52%
Rent:	\$174,496	45%
L.H. Net Profit:	\$213,273	29%
Add-backs included of Freehold Net Profit		
	Net Yield	Assessed Price
Capitalised value of Freehold Motel	12%	\$3,231,406
Capitalised value of Leasehold Motel	28%	\$761,688

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		8,030 Rooms available to sell
Basic Analysis		22 Rooms in Motel
Turnover:	\$0	100%
Expenses:	\$0	56%
F.H. Net Profit:	\$0	0%
Rent:	\$0	0%
L.H. Net Profit:	\$0	0%
Add-backs included		
Rent is 45% of Freehold Net Profit		
	Net Yield	Assessed Price
Capitalised value of Freehold Motel	12%	\$0
Capitalised value of Leasehold Motel	28%	\$0

Your Assessment - from Input P&L page

Basic Analysis no restaurant		71% Occupancy
Actual Turnover:	\$755,326	100%
Adjusted Expenses:	\$310,495	41%
F.H. Net Profit:	\$444,831	59%
Rent:	\$200,173	45%
L.H. Net Profit:	\$244,658	32%
Add-backs/Ons included of Freehold Net Profit		
5,452 Rooms Sold	Net Yield	Assessed Price
71% Occupancy		
\$143.97 ADR		
\$97.75 RevPAR		
Capitalised value of Freehold Motel	12%	\$3,706,921
Capitalised value of Leasehold Motel	28%	\$873,777

Your Assessment - from Input P&L page

Basic Analysis with a restaurant		
Actual Turnover:	\$0	100%
Adjusted Expenses:	\$0	
F.H. Net Profit:	\$0	
Rent:	\$0	
L.H. Net Profit:	\$0	
Add-backs/Ons included of Freehold Net Profit		
5,452 Rooms Sold	Net Yield	Assessed Price
71% Occupancy		
\$143.97 ADR		
\$97.75 RevPAR		
Capitalised value of Freehold Motel	12%	\$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

Aston Hill Motor Lodge Port Macquarie
Motel without a Restaurant
Blue Add-Backs

Administration	\$26,000
Depreciation Plant	\$17,852
Interest	\$0
Legal	\$0
Superannuation	\$0
Wages Management	\$117,518
Wages Owners	\$18,000
Total	\$179,370
Add other Add-backs	\$241,845
Grand Total	\$421,215

Enter ADR exc GST	\$136.77	Average Daily Room Rate
RevPAR	\$97.75	Revenue per available room
Average T/O Daily	\$2,043	Room income
Average T/O Weekly	\$14,341	Room income
Average T/O Daily	\$0	Restaurant & Beverage Income
Average T/O Weekly	\$0	Restaurant & Beverage Income
Occupancy	71%	\$53.97 Room cost breakeven
Room Nights Sold	5,452	of 7,629 available

Analysis

Information about Aston Hill Motor Lodge Port Macquarie

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

The program has now been extended to assist existing operators.
[Click here to view proof of room revenue over the past 5 years.](#)

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

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

 View motel website: <http://www.astonhillportmacquarie.com.au/>

You are welcome to visit the motel and see for yourself how we have

achieved to run it within the Motel Industry benchmark guidelines

Yours sincerely, Russ Dodson

Go to Links for more information on RevPAR

An understanding how long it takes to clean an average sized motel room

It takes up to 30 minutes for an efficient Houskeeper to clean an average sized room

Larger Rooms: 40 minutes 30 Rm time taken to clean

Apartments: 55 minutes 45 Apt time taken to clean

Insert Ratio of multiple room nights 1.25 being the average duration

It is recommended that you assess and record the times on each room

MOTEL ANALYSIS

 Print Date: Sunday, 17 June 2018
 Entry Date: Sunday, 17 June 2018

 Aston Hill Motor Lodge Port Macquarie
Leasehold Title
Motel without a Restaurant
Capitalised Value from P&L Figures
 \$873,777

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 2017
- Is the motel a Leasehold Business? Yes Asking Price: \$825,000
 - Does the motel have a Restaurant? No
 - How many rooms are there in the motel? 22 with 93 sleeping spaces
 - The Benchmark yield are you expecting 28% Benchmark for a Leasehold 30% & Freehold 16%
 - Turnover without a restaurant \$745,709 Actual Room T/O \$755,326 Occupancy 71%
 - Turnover with a restaurant \$0 Actual Room T/O \$0 Occupancy 0%
 - Now establish what annual allowance will be applied to capital replacements annually over 15 years: \$19,416 per annum 2.57% of revenue
 - We are now going to calculate your average daily room rate. **ADR = \$143.97 Excluding GST**

Motel Room Configuration Enter the bed numbers & types **RevPAR= \$97.75 Excluding GST**

Room Type	Tariff-GST	No.	King	Queen	Single	Sofa	Bunk	Fold Out
Executive	\$99	3	0	3	0	0	0	2
Superior	\$128	6	0	6	6	0	5	4
Prestige	\$138	4	4	1	0	0	1	3
Special Facilities	\$128	1	0	1	1	0	0	1
Family	\$185	3	0	3	8	1	0	3
Corporate	\$195	2	0	2	0	1	0	1
2 Room Suite	\$215	2	0	4	0	0	0	0
3 Bedroom Apt	\$364	1	0	3	0	0	0	2
ADR inc GST	\$158.36	22	4	23	15	2	6	16
ADR exc GST	\$143.97		8	46	15	2	6	16

9. Number of sleeping places 93 Maximum Room Revenue \$1,208,077 Inc. GST \$1,098,252 Exc. GST

Establish the break-even turnover Additional Sleeping Spaces: 0 0 0

Leasehold Title Motel without a Restaurant				Comments about Break Even	
Refers to your assessed income and expenses:				The Break-even report requires you to establish the day to day trading so, we are going to analyse what is required daily.	
You need to make: \$510,668 in sales to break even				You will need to generate sales of \$1,399.09 per day, being 14.9 rooms	
	% over/breakeven	Motel Occupancy:	71%	The rent is per day \$548.42	or an ADR of \$93.66
Sales	100.0%	\$42,556	\$510,668	Total Expenses \$850.67 per day	
Less: Cost of sales	3.2%	\$1,352	\$16,220	That adds up to \$1,399.09 per day	
Gross Margin	96.8%	\$41,204	\$494,449	The difference is your profit of \$670.29 per day, or	\$244,657 per year after interest
LESS EXPENSES				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.	
Admin & Overhead	59.2%	\$25,184	\$302,210	Select Yes if you are borrowing or No if you own the motel and apply interest from P&L	
Sales & Marketing	1.6%	\$690	\$8,285	Apply interest as shown in P&L account	
Total Admin	60.8%	\$25,875	\$310,495	In some cases you may need to borrow more and pledge other security.	
Interest Expense	0.0%	\$0	\$0	Additional Borrowings: <input type="text"/>	
Rent	39.2%	\$16,681	\$200,173	Total Borrowings: <input type="text"/>	
Total Expenses	100.0%	\$42,556	\$510,668	Total Interest: \$21,844	
Net Profit			\$0	Add to Break-Even? <input checked="" type="checkbox"/>	
Break-even sales				Break-Even will increase to: 68%	
as a % of total sales figure of		\$755,326	67.6%	Net Cash Flow: \$23,616	
Maximum breakeven for Freehold motels is 70% and a maximum of 80% for Leasehold motels is recommended.					

Wages stated in P&L \$73,715 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	47.7	\$24.41	\$1,164.36	\$60,547
On rooms sold Hrs Req	47.7	As calculated by this program		
Laundry	11	\$24.41	\$268.51	\$13,963
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:			\$1,432.87	\$74,509
Inc. weekend rates	58.7	\$26.78	\$1,572	Per Week
(Rate as an assessed average inc. weekends only)			\$81,755	Per Annum

Hospitality Services Grade 2. (Casual)			
Monday to Friday	\$24.41		
Saturday	\$29.30		Motels, Accommodation & Resorts Award(Federal) from 1/7/2017
Sunday	\$34.18		
Public Holiday	\$48.83		
Hospitality Services Grade 4. Chef - Grade 4			
Monday to Friday	\$26.61		
Saturday	\$31.64		Motels, Accommodation & Resorts Award(Federal) from 1/7/2017
Sunday	\$37.26		
Public Holiday	\$53.23		
Summary:			
Wages for Motel	\$74,509	\$7,246	\$81,755
Wages for Restaurant	\$0	\$0	\$0
Total:	\$74,509	\$7,246	\$81,755

Laundry Estimated Wages PW:
Estimated Hrs 11
Est. Wages \$268.51

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.**

Special Note: Holiday Loadings are not included in above wages
 To include Holiday Loading to Housekeepers wages: \$66,435

Analysis

Aston Hill Motor Lodge Port Macquarie
Leasehold Operation

Asking Price: \$825,000

Broker: Fine-Tuned
13/04/2018 Russ Dodson
When you have fine-tuned your add-backs enter date and name above - 2nd line

Build Date:
Print Date:

Version 93, 17/06/2018
Sunday, 17 June 2018
Sunday, 17 June 2018

Motel without a Restaurant

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

	2017	%T/O	2016	%T/O	2015	%T/O	Benchmark 2017	Add-Back or Add-On 2017	Industry Benchmark	Benchmark Explanatory - Work Sheet
Note: Items highlighted in blue are deemed to be add-backs and add-ons in red.										
Income										
Accommodation	745,709	98.73%		0%		0%				When a Benchmark explanation is highlighted - careful consideration is required
Breakfast	0	0.0000%		0.0%		0.0%				Living in Premises Allowance:
Goods for own use	0	0.0000%		0.0%		0.0%				If not included in Accommodation 3% to 5% would be a minimum acceptance percentage
Restaurant 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
Beverage figures not required	0	0.0000%		0.0%		0.0%				Careful assessment here, determine the worth of the restaurant to the accommodation
Conference inc Food & Beverage	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.
Telephone	0	0.0000%		0.0%		0.0%				Usually quite low due to most people having mobile phones
Minibar	0	0.0000%		0.0%		0.0%				At the discretion of the motel
Add Fee Refund & Interest Received	9,616	1.2731%		0.0%		0.0%				Additional income items if required
Internet	0	0.0000%		0.0%		0.0%				Most country motels offer free internet, which is now expected by the guests.
Total Income	755,326	100.00%	0	0%	0	0%				Explanation
Less cost of goods sold										When there is no sales for the items below click Yes to remove Add-Back or Add-On
Breakfasts	16,220	2.1474%		0.0%		0.0%	40.00%	0	0	Food cost about 40% to 45% of sales (If there is no amount - breakfast inc in tariff)
Restaurant figures not required	0	0.0000%		0.0%		0.0%	38.00%	0	0	Food cost should be between 30% to 38% of sales
Beverage figures not required	0	0.0000%		0.0%		0.0%	30.00%	0	0	Liquor cost should not exceed 30% of sales
Minibar	0	0.0000%		0.0%		0.0%	33.00%	0	0	Average cost of 33% of sales
Additional Entries	0	0.0000%		0.0%		0.0%				
Conference inc Food & Beverage	0	0.0000%		0.0%		0.0%	31.00%	0	0	As per restaurant & beverage percentages
Total Cost of Sales	16,220	2.15%	0	0.0%	0	0.0%				
Gross Profit	739,106	97.85%	0	0%	0	0.0%		0		
Less-Expenses										
Accountancy	1,500	0.1986%		0.0%		0.0%	0.35%	-1,144	2,644	Allow 0.75% or a minimum of \$2500.00 in a smaller motel without a restaurant
Advertising & Research	7,192	0.9521%		0.0%		0.0%	1.00%	-362	7,553	At least between 1.00% to 2.5% refer to Chain contributions towards advertising.
Bank Charges	451	0.0597%		0.0%		0.0%	0.06%	0	451	Varies due to mortgage conditions - 0.1% to 0.5%
Credit card & Eftpos Charges	5,113	0.6770%		0.0%		0.0%	0.68%	-0	5,114	Deals through AAoA are less than 0.9% through the Commonwealth Bank
Cable or Foxtel TV	8,204	1.0861%		0.0%		0.0%	1.09%	-0	8,204	Charged at a cost per room
Chain Fees	1,094	0.1448%		0.0%		0.0%	1.00%	-6,460	7,553	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	3,965	0.5249%		0.0%		0.0%	0.52%	-0	3,965	General House cleaning 0.3% to 0.9% - Laundry is assessed on usage up to 1.2%
Comm to Internet Booking Agents	19,078	2.5258%		0.0%		0.0%	2.53%	-0	19,078	Commissions range from 11% to 15% allow an average from 1.75% to 3.5% at the top end
Compliance to Ordinances	3,612	0.4782%		0.0%		0.0%	0.15%	2,479	1,133	An expense is appearing due to Government ordinances, Pool & Fire ordinances - say 0.15%
Consumables	9,422	1.2474%		0.0%		0.0%	1.25%	0	9,422	All items supplied to the motel rooms on a daily basis, usually around 1.5%
Administration	26,000	3.4422%		0.0%		0.0%	0.00%	26,000	0	Change variable to meet cost if necessary
Depreciation Plant	17,852	2.3635%		0.0%		0.0%	0.00%	17,852	0	Depreciation is included as an add-back because it is allowed for in Capital Replacements
	0	0.0000%		0.0%		0.0%	0.00%	0	0	Change variable to meet cost if necessary
Electricity	3,602	0.4769%		0.0%		0.0%	3.00%	-19,057	22,660	Varies greatly per property, typical percentage is 3.0% to 8.5% depending on climate
Gas & Oil	7,950	1.0525%		0.0%		0.0%	1.05%	0	7,950	Varies greatly per property, typical percentage is 1.2% to 4% depending on previous averages
Filing Fees	246	0.0326%		0.0%		0.0%	0.00%	246	0	Change variable to meet cost if necessary
Freight & Cartage	97	0.0129%		0.0%		0.0%	0.01%	-0	97	Change Benchmark % to meet cost as there can be no benchmark in this area
Ground and Pool Maintenance	4,243	0.5617%		0.0%		0.0%	0.56%	-0	4,243	Varies greatly per property, typical percentage is between 0.09 to 1.7%
Insurance General	10,159	1.3449%		0.0%		0.0%	1.34%	0	10,158	Premiums vary from \$5,500 to \$12,500 depending on size of property
Insurance-Workers Comp.	834	0.1104%		0.0%		0.0%	0.11%	-710	1,544	Workers Compensation premium is 3.9% to 4.2% of gross wages being 0.55% of T/O
Interest	0	0.0000%		0.0%		0.0%	0.00%	0	0	An owners expense - Full Add-Back
Internet Access & Computer Maint.	10,103	1.3375%		0.0%		0.0%	1.00%	2,550	7,553	Allow between 0.35% to 0.7%
Legal	0	0.0000%		0.0%		0.0%	0.00%	0	0	Usually an owners expense and would be classed as an add-back
Linin Hire	10,875	1.4388%		0.0%		0.0%	1.44%	-0	10,875	Sheets only allow from 1.5% and for the full linen service allow up to 7.2%
	0	0.0000%		0.0%		0.0%	0.00%	0	0	Change variable to meet cost if necessary
Licence Fees and Subscriptions	6,161	0.8157%		0.0%		0.0%	0.50%	2,385	3,777	Allow 0.2% to 0.5%
Motor Vehicle and Travelling	12,264	1.6237%		0.0%		0.0%	0.00%	9,264	3,000	A flat allowance of \$3,000 is used in my assessments to cover motor vehicle use in a motel
Replacement Bedding	15,362	2.0339%		0.0%		0.0%	0.00%	15,362	0	Change variable to meet cost if necessary
Pest Control	0	0.0000%		0.0%		0.0%	0.00%	0	0	If there is not expense for this - look closely at the areas where infestation can occur
Postage, Printing and Papers	2,837	0.3755%		0.0%		0.0%	0.38%	0	2,836	Varies greatly per property, typical percentage is between 0.3 to 1.2%
Rates and Land Tax	3,880	0.5136%		0.0%		0.0%	0.51%	0	3,879	As charged
Relief Management Contract	0	0.0000%		0.0%		0.0%	0.00%	0	0	Allow 28 days a year away at \$250 (exc GST) per day amounts to \$7,000
Repairs and Maintenance	19,574	2.5914%		0.0%		0.0%	1.90%	5,222	14,351	Allow a total of 2% per annum of Total Income for repairs & maintenance
Capital Replacements	0	0.0000%		0.0%		0.0%	4.33%	-32,706	32,706	Ref: Replacement Cost Tab shows it at \$19,416 2.57% of turnover for 15 yrs
Security	0	0.0000%		0.0%		0.0%	0.12%	-896	896	Becoming a very important issue allow between 0.25% to 0.75% depending on location
Research & Development	23	0.0030%		0.0%		0.0%	0.20%	-1,488	1,511	Allow 0.20% for a functional motel
Staff Amenities,Uniforms,Training	372	0.0493%		0.0%		0.0%	0.00%	372	0	Allow 0.2% to 0.9%
	0	0.0000%		0.0%		0.0%	0.00%	0	0	Change variable to meet cost if necessary
Superannuation-Management-Owners	0	0.0000%		0.0%		0.0%	0.00%	11,164	0	An owners expense - Full Add-Back managers Wages 117,518 Super % Rate 9.5%
Superannuation-Employees	23,001	3.0452%		0.0%		0.0%	0.89%	16,303	6,698	9.5% of wages 191,233 9.50% 18,167.18 2.41% of revenue
Telephone and Fax	13,580	1.7978%		0.0%		0.0%	1.20%	4,516	9,064	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	73,715	9.7594%		0.0%		0.0%	12.00%	-16,924	90,639	Allow between 6% to 10% of Room Income \$66,435.03 8.8%
Wages Housekeepers inc Laundry	0	0.0000%		0.0%		0.0%	0.00%	0	0	Allow between 7% to 12% of Room Income, wages shown current % = \$66,703.54 8.8%
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	117,518	15.5586%		0.0%		0.0%	0.00%	117,518	0	When managers are employed it is a full Add-Back + super 11,164
Wages Owners	18,000	2.3831%		0.0%		0.0%	0.00%	18,000	0	An owners expense - Full Add-Back
Lease Internal	78,000	10.3267%		0.0%		0.0%	0.00%	78,000	0	Change variable to meet cost if necessary
Waste Removal	3,090	0.4092%		0.0%		0.0%	0.30%	825	2,266	Allow 0.3% to 0.75%
Water Rates	3,621	0.4794%		0.0%		0.0%	0.00%	0	0	As charged
Occupation Licence by Owner	171,591	22.7175%		0.0%		0.0%	0.00%	171,591	0	Change add-back to show amount
Other Additional Entries	1,313	0.1738%		0.0%		0.0%	0.00%	1,313	0	Varies on the entries - check Input Tab
Operating Expenses (Exc Rent)	715,490	94.73%	0	0.0%	0	0.0%		421,215	301,819	Total of Industry Benchmarks
Add-Backs or Add-Ons	421,215	55.77%		0.0%		0.0%		0	0	Add Adjustment from Buy-Sell Tab
Adj - Total Operating Expenses	294,276	38.96%	0	0.0%	0	0.0%		421,215		Adjusted total Add-Backs
Adj - Freehold Net Operating Profit	444,831	58.89%		0.0%		0.0%				
Less Rent as a % of Freehold Net Profit	200,173	26.50%		0.0%		0.0%				
Leasehold Adjusted Net Profit	244,658	32.39%	0	0.0%	0	0.0%				

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

Compare with source Profit & Loss	2017	%T/O	2016	%T/O
Total Income:	755,326	100.00%		
Less Goods Sold	16,220	2.15%		
Gross Profit	739,106	97.85%		
Less Operating Expenses	715,490	94.73%		
Freehold Net Profit	23,616	3.13%		
Return Add-backs	421,215	55.77%		
Adjusted Freehold Net Profit	444,830	58.89%		
Less Rent	200,173	26.50%		
Leasehold Net Profit	244,657	32.39%		

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 45.0% of Freehold Net Profit

Basic Analysis		2017		Total Overview	
Actual Turnover:	\$755,325.78	100%	Adj. Total Fixed Costs	\$229,214.00	
Adj. Expenses:	\$310,495.23	41%	Adj. Total Variable Costs	\$265,234.56	
Adj. F.H. Net Profit:	\$444,830.55	59%	Adj. Total Costs inc Rent	\$494,448.56	
Actual Rent:	\$200,173.00	45%			
L.H. Net Profit:	\$244,657.55	32%			

Click on the Analysis tab below to view the Analysis.

Profit & Loss Items	2017	Add-Backs or Add-Ons	2017
Total Fixed Costs	\$680,196.59	Total Fixed Costs	\$450,982.59
Total Variable Costs	\$235,466.85	Total Variable Costs	\$39,767.71
Total Costs	\$915,663.44	Total Costs	\$421,214.88

Results

Motel Overview & Projections

ALL FIGURES BELOW ARE FOR THE INITIAL YEAR



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

Leasehold Title

Asking Price: **\$825,000**

Entry Date: 17/06/2018

Print Date: 17/06/2018

No Restaurant

Version 93. 17/06/2018

All Figures are excluding GST unless nominated to include GST

Occupancy	71.5%	67.8%	Your	69.1%	Your
Tariff Increase	Initial Year	-5.2%	Amendments	2.0%	Amendments
%	2017	2018	2018	2019	2019
of T/O	AMOUNT	AMOUNT	RD 2/9/17	AMOUNT	RD 2/9/17
Current Year ending:					
INCOME:					
Accommodation	98.7%	745,709	706,933	468,773	721,071
Breakfast	0.0%	0	0	11,955	0
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	0.0%	0	0	804	0
Minibar Licensed No	0.0%	0	0	800	0
Add Fee Refund & Interest Received	1.3%	9,616	0	800	0
Internet	0.0%	0	0	0	0
TOTAL INCOME:	100%	755,326	706,933	482,332	721,071

1st Full Year Only	
No. of Rooms	22
Rooms Occ.	5452
Occupancy	71%
Room Tariff	\$136.77
Inc. GST	\$150.45
Breakfast per Room	\$0.00
Inc. GST	\$0.00
Sales % T/O	0%

Benchmark Goodwill	
Plant & Fittings	\$460,131
Goodwill	\$301,557
Freehold	\$2,469,717
Value of Motel	\$3,231,406

Actual Add Backs	
Total	\$421,215

Refer to Results Tab

Actual Capitalised Value	
Freehold	\$3,706,921
Value/Unit	\$168,496
Leasehold	\$873,777
Value/Unit	\$39,717

Mortgage Details	
Maximum loan available	50% of Capitalised
Value:	\$873,777
Interest Rate	5.00%
Total Loan:	\$436,888
Interest PA:	\$ 21,844

LESS: COST OF PURCHASES	
Breakfasts	2.1%
Restaurant	0.0%
Beverage	0.0%
Minibar	0.0%
Conference inc Food & Bev	0.0%
TOTAL PURCHASES:	2.1%
GROSS PROFIT:	97.9%

Breakfasts	2.1%	16,220	15,376	8,390	15,684	15,684
Restaurant	0.0%	0	0	0	0	0
Beverage	0.0%	0	0	0	0	0
Minibar	0.0%	0	0	706	0	0
Conference inc Food & Bev	0.0%	0	0	0	0	0
TOTAL PURCHASES:	2.1%	16,220	15,376	9,096	15,684	15,684
GROSS PROFIT:	97.9%	739,106	691,556	473,236	705,387	705,387

Wage Break-up

	of T/O
Management	\$117,518.31 16.6%
Relief	\$0.00 0.0%
Grounds-Pool	\$0.00 0.0%
Reception	\$0.00 0.0%
Housekeeping	\$0.00 0.0%
Breakfasts	\$0.00 0.0%
Laundry	\$0.00 0.0%
Chef	\$0.00 0.0%
Waitress	\$0.00 0.0%
Functions	\$0.00 0.0%
	\$0.00 0.0%
Total	\$117,518.31 16.6%

ADMINISTRATIVE & OVERHEADS:

Accountancy	F	0.2%	1,500	1,500	2,450	1,530	2,500
Advertising & Research	V	1.0%	7,192	6,818	5,822	6,954	6,954
Bank Charges	F	0.1%	451	428	242	436	436
Credit card & Eftpos Charges	V	0.7%	5,113	4,848	4,132	4,945	4,945
Cable or Foxtel TV	F	1.1%	8,204	7,777	5,488	7,933	7,933
Chain Fees	F	0.1%	1,094	1,037	6,267	1,058	1,058
Cleaning contracts	V	0.0%	0	0	0	0	0
Cleaning chemicals inc laundry	V	0.5%	3,965	3,758	5,734	3,834	3,834
Comm to Internet Booking Agents	V	2.5%	19,078	18,086	11,551	18,447	18,447
Compliance to Ordinances	F	0.5%	3,612	3,424	3,493	3,493	3,493
Consumables	V	1.2%	9,422	8,932	6,332	9,111	9,111
Administration	F	3.4%	26,000	0	0	0	0
Depreciation Plant	F	2.4%	17,852	16,924	0	17,262	0
Electricity	V	0.5%	3,602	3,415	10,133	3,483	3,483
Gas & Oil	V	1.1%	7,950	7,537	7,321	7,687	7,687
Filing Fees	F	0.0%	246	233	0	238	238
Freight & Cartage	V	0.0%	97	92	855	94	94
Ground and Pool Maintenance	V	0.6%	4,243	4,022	3,651	4,102	4,102
Insurance General	F	1.3%	10,159	9,630	8,405	9,823	9,823
Insurance-Workers Comp.	V	0.1%	834	790	1,569	806	806
Interest	F	0.0%	0	0	12	12	12
Internet Access & Computer Maint.	V	1.3%	10,103	9,577	7,252	9,769	9,769
Legal	F	0.0%	0	0	225	0	0
Linen Hire	V	1.4%	10,875	10,309	14,252	10,516	10,516
Licence Fees and Subscriptions	F	0.8%	6,161	5,841	1,629	5,958	5,958
Motor Vehicle and Travelling	V	1.6%	12,264	11,626	7,051	11,859	3,000
Replacement Bedding	F	2.0%	15,362	14,563	289	14,855	14,855
Pest Control	F	0.0%	0	0	854	0	0
Postage, Printing and Papers	V	0.4%	2,837	2,689	1,919	2,743	2,743
Rates and Land Tax	F	0.5%	3,880	3,678	13,837	3,751	3,751
Relief Management Contract	F	0.0%	0	0	1,636	0	3,500
Repairs and Maintenance	V	2.6%	19,574	18,556	20,377	18,927	25,000
Capital Replacements	V	0.0%	0	0	0	0	0
Security	F	0.0%	0	0	451	0	0
Research & Development	F	0.0%	23	22	0	22	22
Staff Amenities, Uniforms, Training	F	0.0%	372	353	1,098	360	360
Superannuation-Management-Owners	F	0.0%	0	0	0	0	0
Superannuation-Employees	V	3.0%	23,001	21,805	4,048	22,241	22,241
Telephone and Fax	V	1.8%	13,580	12,873	5,594	13,131	13,131
Wage Breakdown	V	0.0%	0	0	0	0	0
Wages Housekeepers exc Laundry	V	9.8%	73,715	69,882	48,107	71,280	71,280
Wages Housekeepers inc Laundry	V	0.0%	0	0	0	0	0
Wages Restaurant	V	0.0%	0	0	0	0	0
Wages Management	F	15.6%	117,518	0	0	0	0
Wages Owners	F	2.4%	18,000	18,000	0	18,000	18,000
Lease Internal	F	10.3%	78,000	73,944	0	75,423	75,423
Waste Removal	V	0.4%	3,090	2,930	939	2,988	2,988
Water Rates	V	0.5%	3,621	3,432	0	3,501	3,501
Occupation Licence by Owner	F	22.7%	171,591	162,668	601	165,921	165,921
Other Additional Entries	V	0.2%	1,313	1,244	0	1,269	1,269
TOTAL EXPENSES:		94.7%	715,490	543,244	214,533	553,760	538,183
Add-Backs shown on Profit & Loss - Highlighted Blue		23.7%	179,370	34,924	667	35,274	18,012
Benchmark Add-Backs, detailed in Tab Results		55.8%	421,215	0	0	0	0
Adj - Total Operating Expenses		39.0%	\$294,276	\$543,244	\$214,533	\$553,760	\$538,183
Adj - Freehold Net Operating Profit		58.9%	\$444,831	\$163,689	\$258,703	\$151,627	\$167,205
LESS RENT:		26.5%	\$200,173	\$205,177	\$114,085	\$210,307	\$210,307
ADJ. LEASEHOLD NET PROFIT After Rent:		32.4%	\$244,658	-\$41,488	\$144,618	-\$58,680	-\$43,102
Rent as a % of Freehold Net Profit (Cannot exceed 50%)		45.0%		125.3%	44.1%	138.7%	125.8%
Value of Freehold Business: Yield:		12.00%	\$3,706,921	\$1,364,075	\$2,155,860	\$1,263,558	\$1,393,373
Value of Leasehold Business: Yield:		28.00%	\$873,777	-\$148,173	\$516,494	-\$209,571	-\$153,936

Annual Capital Expenditure		Allow
Bedding	\$8,862	\$6,500
Electrical	\$2,798	\$2,000
Furniture	\$3,759	\$2,500
Air Conditioners	\$1,773	\$3,000
Laundry	\$1,042	\$750
Fixed Fittings	\$2,728	\$0
Reception/Office	\$0	\$0
Other	\$0	\$0
Other	\$0	\$0
Other	\$0	\$0
Other	\$0	\$0
Allow Annually	\$34,329	\$27,150

Wage Break-up		of T/O
Management	\$117,518.31	16.6%
Relief	\$0.00	0.0%
Grounds-Pool	\$0.00	0.0%
Reception	\$0.00	0.0%
Housekeeping	\$0.00	0.0%
Breakfasts	\$0.00	0.0%
Laundry	\$0.00	0.0%
Chef	\$0.00	0.0%
Waitress	\$0.00	0.0%
Functions	\$0.00	0.0%
	\$0.00	0.0%
Total	\$117,518.31	16.6%

Annual Capital Expenditure		Allow
Bedding	\$8,862	\$6,500
Electrical	\$2,798	\$2,000
Furniture	\$3,759	\$2,500
Air Conditioners	\$1,773	\$3,000
Laundry	\$1,042	\$750
Fixed Fittings	\$2,728	\$0
Reception/Office	\$0	\$0
Other	\$0	\$0
Other	\$0	\$0
Other	\$0	\$0
Other	\$0	\$0
Allow Annually	\$34,329	\$27,150

The annual allowance for capital expenses over turnover 4.5%

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

Profit & Loss Overview		2017
Income	\$755,326	100%
Less Purchases	\$16,220	2%
Gross profit	\$739,106	98%
Marketing	\$8,285	1%
Other Expenses	\$707,205	94%
Total Expenses	\$715,490	95%
FH Profit	\$23,616	3%
Add Backs	\$600,585	80%
Adj.Net Profit	\$444,831	59%
Rent if L/hold	\$200,173	27%
Net After Rent	\$244,658	32%

Overview



Viability of your motel

2.57% Fitout % 15 years
2.98% Fitout % 30 years

General Items	\$169,995	\$154,541	\$292,028
Other Items	\$71,038	\$64,580	\$138,940
Structural Work	\$265,111	\$241,010	\$536,030
Total:	\$506,144	\$460,131	\$966,998

Replacement & Refurbishment Cost

22 No. of Rooms:

2 x 15 Year Cycle Replacement Plan

Annual allowance over 30 years:

\$33,743 Inc GST \$32,233 Exc GST

Multiple Allowance

Based on external laundry service for all linen sheets.

General Items	QTY	PRICE	Mth Year Installed	Years in Existence	GST	Inc GST	Exc GST	Multiple Allowance Exc GST
King or Queen Bed head Timber Veneer finish x 6 times	22	\$332			\$730	\$8,034	\$7,304	\$43,824
Premium King or Queen Bed Ensemble x 6 times	22	\$675			\$1,485	\$16,335	\$14,850	\$89,100
Doona Cover and Doona	0	\$150			\$0	\$0	\$0	
Valances	0	\$65			\$0	\$0	\$0	
Bed Spreads Queen	22	\$264			\$581	\$6,389	\$5,808	
Blankets Queen - Wool (+ spare in cupboard)	66	\$80			\$528	\$5,808	\$5,280	
Blankets Queen - Cotton	22	\$40			\$88	\$968	\$880	
Pillows 700gms Dacron Fill for Queen beds (inc spare)	88	\$13			\$114	\$1,249	\$1,135	
Mattress Protectors Queen (+ 25% on hand)	28	\$26			\$72	\$787	\$715	
Single Bed Head Timber Veneer Finish x 6 times	22	\$277			\$609	\$6,703	\$6,094	\$36,564
Premium Single Bed x 6 times	22	\$410			\$902	\$9,922	\$9,020	\$54,120
Bed Spreads Single	22	\$165			\$363	\$3,993	\$3,630	
Blankets Single - wool (+ spare in cupboard)	66	\$60			\$396	\$4,356	\$3,960	
Blankets Single - cotton (+ spare in cupboard)	22	\$31			\$68	\$750	\$682	
Mattress Protectors Single	22	\$11			\$23	\$254	\$231	
Pillows 700gms Dacron Fill for Single beds (inc spare)	44	\$99			\$436	\$4,792	\$4,356	
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)	110	\$22			\$242	\$2,662	\$2,420	
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	44	\$270			\$1,188	\$13,068	\$11,880	
Armchair x 5 times	22	\$288			\$634	\$6,970	\$6,336	\$31,680
Coffee Table x 5 times	22	\$190			\$418	\$4,598	\$4,180	\$20,900
Dining Chair x 5 times	66	\$48			\$317	\$3,485	\$3,168	\$15,840
Luggage Rack	22	\$69			\$152	\$1,670	\$1,518	
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	22	\$315			\$693	\$7,623	\$6,930	
Block out Drapes to suit	22	\$612			\$1,346	\$14,810	\$13,464	
Bathroom Mirror 600 x1000	22	\$165			\$363	\$3,993	\$3,630	
Timber Floor Lamp and Parchment Shade	22	\$325			\$715	\$7,865	\$7,150	
LCD/Plasma 104cm television with hotel lock	22	\$620			\$1,364	\$15,004	\$13,640	
TV Wall Bracket	22	\$88			\$194	\$2,130	\$1,936	
DVD Player (Blue-ray)	22	\$190			\$418	\$4,598	\$4,180	
Kettle	22	\$25			\$55	\$605	\$550	
Toaster (2 Slice)	22	\$25			\$55	\$605	\$550	
Iron, Steam & Dry	22	\$25			\$55	\$605	\$550	
Ironing board with scotch guard cover	22	\$40			\$88	\$968	\$880	
84L bar fridge	22	\$290			\$638	\$7,018	\$6,380	
Hair dryer	22	\$28			\$62	\$678	\$616	
Clock radio with iPod socket	22	\$29			\$64	\$702	\$638	
Total of General Items		\$8,011			\$15,454	\$169,995	\$154,541	\$292,028
Other Items:					GST	Inc GST	Ex GST	
Water Tumblers per sleeping space, Water Jugs,	22	\$12			\$26	\$290	\$264	
Waste Paper Baskets	22	\$16			\$35	\$387	\$352	
10L Toilet Tidy Flat Lid White	22	\$10			\$22	\$241	\$219	
Consumables, Soap, Shampoo, Tea, Coffee & Sugar	22	\$5			\$10	\$111	\$101	
Wall Prints	44	\$95			\$418	\$4,598	\$4,180	
Wall Mirror (minimum size 1200mmx450mm)	22	\$128			\$282	\$3,098	\$2,816	
Office Desk	0	\$290			\$0	\$0	\$0	
Office Chairs	0	\$86			\$0	\$0	\$0	
Desk Lamp	0	\$28			\$0	\$0	\$0	
Compendiums	22	\$26			\$57	\$629	\$572	
Coat Hangers	132	\$2			\$26	\$283	\$257	
Accessory Pack, Coffee Cups, Wine Glasses, Opener etc.	22	\$15			\$32	\$357	\$324	
Cupboard matching, Bed & Side Tables x 3 times	X 22	\$1,680			\$3,696	\$40,656	\$36,960	\$110,880
Electronic Safe	22	\$115			\$253	\$2,783	\$2,530	
Door Mats	22	\$25			\$54	\$593	\$539	
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	22	\$100			\$220	\$2,420	\$2,200	
Total of other items		\$15,897			\$6,458	\$71,038	\$64,580	\$138,940
Major Refurbishment & Replacements					GST	Inc GST	Ex GST	
Add Tiled entry areas & common area, Carpet & Light Fittings	X 22	\$1,240			\$2,728	\$30,008	\$27,280	\$81,840
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 22	\$8,500			\$18,700	\$205,700	\$187,000	\$374,000
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					\$24,101	\$265,111	\$241,010	\$536,030
Grand Total:	X	Capital items replaced more than once			\$46,013	\$506,144	\$460,131	\$966,998

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
	\$3,696	\$40,656	\$36,960	\$110,880
	\$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
	\$2,728	\$30,008	\$27,280	\$81,840
	\$1,773	\$19,503	\$17,730	\$53,190
	\$18,700	\$205,700	\$187,000	\$374,000
	\$900	\$9,900	\$9,000	\$27,000
	\$0	\$0	\$0	\$0
	\$29,124	\$320,359	\$291,235	\$674,970

Exc. GST

Capital Items that should be anticipated over a 15 year period: \$19,416 Per Annum Being 2.57% of Turnover Allow per calendar month: \$1,617.97
 Capital Items that should be anticipated over a 30 year period: \$22,499 Per Annum Being 2.98% of Turnover Allow per calendar month: \$1,874.92



Viability of your motel

Finance

DEBT ASSESSMENT

Sunday, 17 June 2018

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

Version 93. 17/06/2018

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: Aston Hill Motor Lodge Port Macquarie
Report is for: Assessment

Leasehold Title Motel without a Restaurant
No of Rooms: 22 Financial Statement 2017
Freehold Yield: 12.0% Leasehold Yield: 28.0%

Capitalised Value of Motel Sections:	
Freehold Motel & Business	\$3,706,921
Leasehold Business:	\$873,774
Freehold Investment:	\$2,833,147

Profit & Loss Statement as per source document 2017		
Total Income:	\$755,326	100.0%
Less Goods Sold	\$16,220	2.1%
Gross Profit	\$739,106	97.9%
Less Operating Expenses	\$715,490	94.7%
Freehold Net Profit	\$23,616	3.1%
Return Add-backs	\$421,215	55.8%
Adjusted Freehold Net Profit	\$444,830	58.9%
Less Rent	\$200,173	26.5%
Leasehold Net Profit	\$244,657	32.4%

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 \$200,174 per annum

The Freehold investment shows a net return of 7.1% on a rental of \$200,174 per annum.

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

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

Loans available on generic Loan Value limits	Funds Available	Interest Payable
Freehold Motel & Business 70% of an approved valuation	\$2,594,844	\$129,742
Leasehold Business: 50% of an approved valuation	349,510	\$17,475
Freehold Investment: 70% of an approved valuation	\$1,983,203	\$99,160

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

Commercial Interest Rate from Input Tab is 5.0% to calculate the annual interest component of the loan

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

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



Sunday, 17 June 2018

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: \$825,000

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:	\$2,594,844
Cash Required:	\$18,000

Interest payable: \$129,742 Per Annum
Principal & Interest for [] years: Monthly Payment
Principal in the 1st Year:
Interest in the 1st Year:

Total Repayments: Asking Price: \$825,000

Acquisition of a Leasehold Motel Business:

Asking/Negotiated Price:	\$825,000
Acquisition Costs:	\$47,753
Stock and 1st 3 month reserve:	\$18,000
Funds Required:	\$890,753
Mortgage Limit:	\$349,510
Cash Required:	\$672,753

Interest payable: \$17,475 Per Annum
Principal & Interest for [10] years: \$2,312 Payment
Principal in the 1st Year: \$17,238
Interest in the 1st Year: \$10,509

Total Repayments: \$27,747

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: \$99,160 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		2017
Total Income:	\$755,326	100.0%
Less Goods Sold	\$16,220	2.1%
Gross Profit	\$739,106	97.9%
Less Interest	\$0	0.0%
Less Other Expenses	\$715,490	94.7%
	\$715,490	0.0%
Freehold Net Profit	\$23,616	3.1%
Return Add-backs Less Interest	\$421,215	55.8%
Adjusted Freehold Net Profit	\$444,830	58.9%
Allow additional P&I	\$0	\$444,830

(Cash in Hand)

Modified Profit & Loss with Interest Adjustment		2017
Total Income:	\$755,326	100.0%
Less Goods Sold	\$16,220	2.1%
Gross Profit	\$739,106	97.9%
Less 1 yrs Interest	\$10,509	0.0%
Less Other Expenses	\$715,490	0.0%
	\$725,999	96.1%
Freehold Net Profit	\$13,107	1.7%
Return Add-backs Less Interest	\$421,215	55.8%
Adjusted Freehold Net Profit	\$434,322	57.5%
Less Rent 46.1% of FH Net	\$200,173	26.5%
Leasehold Net Profit	\$234,149	31.0%
Principal Repayment	\$17,238	\$216,911 Cash

Profit & Loss Statement as per source document		2017
Total Income:	\$755,326	100.0%
Less Goods Sold	\$16,220	2.1%
Gross Profit	\$739,106	97.9%
Less Interest	\$0	0.0%
Less Other Expenses	\$715,490	0.0%
	\$715,490	94.7%
Freehold Net Profit	\$23,616	3.1%
Return Add-backs Inc Interest	\$421,215	55.8%
Adjusted Freehold Net Profit	\$444,830	58.9%
Less Rent 45.0% of FH N/P	\$200,173	26.5%
Leasehold Net Profit	\$244,657	32.4%

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, 17 June 2018

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

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

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

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

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

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

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

The Lessor's Position:

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

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

Recommendation:

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

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

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

Most Important:

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

Overview of Current Figures:

Total Income:	\$755,326	100.0%
Less Goods Sold	\$16,220	2.1%
Gross Profit	\$739,106	97.9%
Less Operating Expenses	\$715,490	94.7%
Freehold Net Profit	\$23,616	3.1%
Return Add-backs	\$421,215	55.8%
Adjusted Freehold Net Profit	\$444,830	58.9%
Less Rent	\$200,173	26.5%
Leasehold Net Profit	\$244,657	32.4%
Rent as a percentage of Freehold Net Profit:	45.00%	
Capitalised Value of Business	\$815,525	

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, 17 June 2018



All figures quoted are exclusive of GST if applicable

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

You have three titles:

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

The valuation process is explained

[Valuation Explanation](#)

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

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

Lets analyse this motel.

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

 Title: **Leasehold Title**

 Operation: **Motel without a Restaurant**

Capitalised Value:	Yield: 28%	\$873,777
Freehold Net Profit:		\$444,831
Leasehold Net Profit:		\$244,658
Current Rental:	45.0% of net	\$200,173
Maximum Rental at 47% of FH Net Profit:		\$209,070 <i>Check Only</i>
Number of years remaining in the lease:		29
Number of years required to purchase:		0

Based on Current Rental Paid

Years Left	Assessed Worth	Yield
1	\$76,692	PFF
2	\$294,768	83%
3	\$335,147	73%
4	\$388,345	63%
5	\$461,618	53%
6	\$509,703	48%
7	\$643,836	38%
8	\$661,237	37%
9	\$661,237	37%
10	\$661,237	37%
11	\$679,604	36%
12	\$679,604	36%
13	\$679,604	36%
14	\$699,022	35%
15	\$699,022	35%
16	\$699,022	35%
17	\$719,581	34%
18	\$719,581	34%
19	\$741,387	33%
20	\$741,387	33%
21	\$764,555	32%
22	\$789,218	31%
23	\$815,525	30%
24	\$815,525	30%
25	\$843,647	29%
26	\$873,777	29%
27	\$873,777	29%
28	\$873,777	28%
29	\$873,777	28%
30	\$873,777	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:

 29 **\$465,852**

The number of years you have nominated to purchase will appear here:

 0 29 **\$553,469**

 Amount to pay for the period of lease **\$87,617** equating to #DIV/0! per annum

paid as an increased rental for duration of the lease. New Annual rental will now be \$0 per annum

increasing the ratio to 0.0% of the Freehold Net Profit.

On completion of the lease the Landlord pays the Lessee	
Value of Plant Fixtures & Fittings	\$76,692 Subject to valuation
Goodwill is calculated on years left in lease	\$465,852 Not applicable if lease expired
Net Value of Goodwill less PF&F	\$389,160

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.

Note on Value of Plant, Fixtures & Fittings:	
Value shown in "Replacement Cost"	\$219,121
When valued allow 35% of this value	\$76,692
Amount per room is	\$3,486

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

Valuation

Yield Logic

Motel: **Aston Hill Motor Lodge Port Macquarie**
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			71.5% Occupancy
Actual Turnover:	\$755,326	100%	\$143.97 Average daily room rate
Adjusted Expenses:	\$310,495	41.1%	Add-backs/Ons included
F.H. Net Profit:	\$444,831	58.9%	of Freehold Net Profit
Rent:	\$200,173	45.0%	
L.H. Net Profit:	\$244,658	32.4%	
			Net Yield
Capitalised value of Freehold Motel		12.00%	Assessed Price
Capitalised value of Leasehold Motel		28.00%	\$3,706,921
			\$873,777

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		12.00%		\$0
Capitalised value of Leasehold Motel		28.00%		\$0



Leasehold Title

Motel without a Restaurant

Tip: Tab down the page to find entry boxes

Tip: See this triangle in box - more instructions

Lease-Extension

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

Aston Hill Motor Lodge Port Macquarie

22 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

29 **Program is Active**

Adjusted Leasehold Net Profit

\$244,658 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	\$873,777	[Full Lease Value BASED ON ABOVE CAPITLISATION RATE]
Less Value of Chattels	\$0	
Goodwill Value of Lease, less the chattels	<u>\$873,777</u>	
Divide by original lease term 25 years	\$34,951	
Multiply by lease extension 5 years	\$174,755	
Apply 45% to establish the lease premium of	\$78,640	for the period of 5 years
This means the annual lease premium will be	\$15,728	

Establish value of extending a lease for a term less than desired: Years remaining 29 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 tem 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	\$873,777	[Full Lease Value BASED ON ABOVE CAPITLISATION RATE]
Divide lease value by the 29 remaining which =	\$30,130	being extra profit earned or amount lease is depreciating PA
Establish true net profit by subtracting \$30,130 from the current net profit of \$244,658		
This will leave you with an adjusted net Leasehold net profit of	\$214,527	
Now you can establish the capitalised worth of the business at	\$766,169	being 28% capitalisation rate
This exercise is to establish what surplus funds you will earn over the remaining years of the lease.		
Amt Earned \$6,221,292 over 29 years less the value of the Leasehold business being chattels only	\$0.00	
SUPRLUS EARNED	\$5,455,123	add chattels \$0 total return being \$5,455,123

Further Explanation:

I would not expect a first time operator to venture down this path as it is a calculated risk and requires a person who has experience in the Industry who can evaluate what their expertise could earn them over the short term.

If the remaining lease years exceed 10 years you have the advantage of injecting capital into the business to earn extra returns due to being able to write off the improvements over the remaining period of the lease.

Again, a calculation required by an experienced operator.

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



Investment
Understanding Leases

Aston Hill Motor Lodge Port Macquarie

Leasehold Title

Motel without a Restaurant

Sunday, 17 June 2018

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 2.6% 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:	739,106	100%	Note: To activate an Industry entry rental of 45% of FN Net Profit
Expenditure:	715,490	97%	Click on button next to Rental: Select Yes to input rental
Freehold Net Profit:	23,616	3%	
Add-Backs:	421,215	57%	To see breakdown of Add-Backs go to Results tab
Adjusted FH Net:	444,831	60%	
Rental:	<input type="text" value="Yes"/>	200,174	27% Rental is 45.00% of the freehold Net Profit
Leasehold Net Profit:	244,657	33%	

The Investment price should be \$2,833,144 annual rental is \$200,174 giving a net return of 7.07% 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 \$900,000 allowing for \$51,000 acquisition costs and \$35,500 for selling costs Asking or Sale Price: **\$825,000**
 What region or town do want to live in Finance Available: \$436,888
 Once you have discussed those parameters with your partner, contact a Motel Broker from our panel of participating Brokers. Cash Required: \$388,112

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 **\$252,000** (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 **\$244,658** and my adjustment page **\$244,657**
 Whether your buying or selling you must present the motel business in its best light. A concise accurate appraisal of your motel business will streamline the purchasing and sale process.
 To operate a business successfully I direct you to a link from a high profile liquidator who over his many years has put together 14 points that bring a business down. [Never forget this](#)

Yours sincerely, Russ Dodson

1. Motel without a Restaurant

Template Assessment

Basic Analysis		
Turnover:	\$745,709	100.00%
Expenses, Add-Backs included:	\$357,940	48.00%
F.H. Net Profit:	\$387,769	52.00%
Rent:	\$174,496	23.40%
L.H. Net Profit:	\$213,273	28.60%

Net Yield		
Capitalised value of Freehold Motel	\$3,231,406	12.00%
Capitalised value of Leasehold Motel	\$761,688	28.00%
Capitalised value of Investment Motel	\$2,469,717	7.07%

8,030 Rooms to sell		
8,030 Rooms Sold		
100% Occupancy		
\$97.75 ADR		
\$97.75 RevPar		

2. Your Assessment from Input P&L Page

Basic Analysis no restaurant

Assessment from figures inserted in P&L		
Actual Turnover:	\$755,325.78	100.00%
Adjusted Expenses:	\$310,495.23	41.11%
F.H. Net Profit:	\$444,830.55	58.89%
Rent:	\$200,173.00	26.50%
L.H. Net Profit:	\$244,657.55	32.39%

Net Yield		
Capitalised value of Freehold Motel	\$3,706,921	12.00%
Capitalised value of Leasehold Motel	\$873,774	28.00%
Capitalised value of Investment Motel	\$2,833,147	7.07%

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	\$745,709	98.727%
Breakfast	\$0	0.000%
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	\$0	0.000%
Add Fee Refund & Interest Received	\$9,616	1.273%
Internet	\$0	0.000%
Total Income	\$755,326	100.000%

3. My assessment by adjusting the Add-backs

Basic Analysis no restaurant

Assessment from figures inserted in P&L		
Actual Turnover:	\$755,325.78	100.00%
Adjusted Expenses:	\$310,495.23	41.11%
F.H. Net Profit:	\$444,830.55	58.89%
Rent:	\$200,173.75	26.50%
L.H. Net Profit:	\$244,656.80	32.39%

Net Yield		
Capitalised value of Freehold Motel	\$3,706,921	12.00%
Capitalised value of Leasehold Motel	\$873,774	28.00%
Capitalised value of Investment Motel	\$2,833,147	7.07%

Expenses:	Benchmark Percentage	Add-Back or Add-On 2017	Industry Benchmark	Change			
				Actual %	Adj %	Change	Reason
Breakfasts	\$16,220	40.0%	\$0	\$0	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	\$0	33.0%	\$0	\$0	0.000%		
Additional Entries	\$0	0.0%	\$0	\$0	0.000%		
Conference inc Food & Beverage	\$0	31.0%	\$0	\$0	0.000%		
Total Cost of Sales	\$16,220	0.0%	\$0	\$0			
Gross Profit	\$739,106	0.0%	\$0	\$0			
Profit & Loss Entry							
Less-Expenses							
Accountancy	\$1,500	0.4%	-\$1,144	\$2,644	0.199%		
Advertising & Research	\$7,192	1.0%	-\$362	\$7,553	0.952%		
Bank Charges	\$451	0.1%	\$0	\$451	0.060%		
Credit card & Eftpos Charges	\$5,113	0.7%	-\$0	\$5,114	0.677%		
Cable or Foxtel TV	\$8,204	1.1%	-\$0	\$8,204	1.086%		
Chain Fees	\$1,094	1.0%	-\$6,460	\$7,553	0.145%		
Cleaning contracts	\$0	0.0%	\$0	\$0	0.000%		
Cleaning chemicals inc laundry	\$3,965	0.5%	-\$0	\$3,965	0.525%		
Comm to Internet Booking Agents	\$19,078	2.5%	-\$0	\$19,078	2.526%		
Compliance to Ordinances	\$3,612	0.2%	\$2,479	\$1,133	0.478%		
Consumables	\$9,422	1.2%	\$0	\$9,422	1.247%		
Administration	\$26,000	0.0%	\$26,000	\$0	3.442%		
Depreciation Plant	\$17,852	0.0%	\$17,852	\$0	2.363%		
Electricity	\$3,602	3.0%	-\$19,057	\$22,660	0.477%		
Gas & Oil	\$7,950	1.1%	\$0	\$7,950	1.053%		
Filing Fees	\$246	0.0%	\$246	\$0	0.033%		
Freight & Cartage	\$97	0.0%	-\$0	\$97	0.013%		
Ground and Pool Maintenance	\$4,243	0.6%	-\$0	\$4,243	0.562%		
Insurance General	\$10,159	1.3%	\$0	\$10,158	1.345%		
Insurance-Workers Comp.	\$834	0.1%	-\$710	\$1,544	0.110%		
Interest	\$0	0.0%	\$0	\$0	0.000%		
Internet Access & Computer Maint.	\$10,103	1.0%	\$2,550	\$7,553	1.338%		
Legal	\$0	0.0%	\$0	\$0	0.000%		
Linen Hire	\$10,875	1.4%	-\$0	\$10,875	1.440%		
Licence Fees and Subscriptions	\$6,161	0.5%	\$2,385	\$3,777	0.816%		
Motor Vehicle and Travelling	\$12,264	0.0%	\$9,264	\$3,000	1.624%		
Replacement Bedding	\$15,362	0.0%	\$15,362	\$0	2.034%		
Pest Control	\$0	0.0%	\$0	\$0	0.000%		
Postage, Printing and Papers	\$2,837	0.4%	\$0	\$2,836	0.376%		
Rates and Land Tax	\$3,880	0.5%	\$0	\$3,879	0.514%		
Relief Management Contract	\$0	0.0%	\$0	\$0	0.000%		
Repairs and Maintenance	\$19,574	1.9%	\$5,222	\$14,351	2.591%		
Capital Replacements	\$0	4.3%	-\$32,706	\$32,706	0.000%		
Security	\$0	0.1%	-\$896	\$896	0.000%		
Research & Development	\$23	0.2%	-\$1,488	\$1,511	0.003%		
Staff Amenities,Uniforms,Training	\$372	0.0%	\$372	\$0	0.049%		
Superannuation-Management-Owners	\$0	0.0%	\$11,164	\$0	0.000%		
Superannuation-Employees	\$23,001	0.9%	\$16,303	\$6,698	3.045%		
Telephone and Fax	\$13,580	1.2%	\$4,516	\$9,064	1.798%		
Wage Breakdown	\$0	0.0%	\$0	\$0	0.000%		
Wages Housekeepers exc Laundry	\$73,715	12.0%	-\$16,924	\$90,639	9.759%		
Wages Housekeepers inc Laundry	\$0	0.0%	\$0	\$66,435	0.000%		
Wages Restaurant	\$0	0.0%	\$0	\$0	0.000%		
Wages Management	\$117,518	0.0%	\$117,518	\$0	15.559%		
Wages Owners	\$18,000	0.0%	\$18,000	\$0	2.383%		
Lease Internal	\$78,000	0.0%	\$78,000	\$0	10.327%		
Waste Removal	\$3,090	0.3%	\$825	\$2,266	0.409%		
Water Rates	\$3,621	0.0%	\$0	\$0	0.479%		
Occupation Licence by Owner	\$171,591	0.0%	\$171,591	\$0	22.717%		
Other Additional Entries	\$1,313	0.0%	\$1,313	\$0	0.174%		
Add-Back or Add-on			\$421,215	Adjusted Add-Back/Add-Ons	\$0.00		
Buy-Sell							



Viability of your motel

Version 93. 17/06/2018

Rent Creep in Leasehold Titles

Aston Hill Motor Lodge Port Macquarie
Motel without a Restaurant

Sunday, 17 June 2018

MOTEL Assist
222 Carthage Street
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 Aston Hill Motor Lodge Port Macquarie

Total Revenue:	755,326	100%			
Expenditure:	<u>731,710</u>	97%			
Freehold Net Profit:	23,616	3%			
Add-Backs:	<u>421,215</u>	56%			
Adjusted FH Net:	444,831	59%			
Rental:	<u>200,173</u>	27%	Rental is	45.00%	of the freehold Net Profit
Leasehold Net Profit:	<u>244,658</u>	32%			

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

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

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

Regards,
Russ

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Rent Creep



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Motel Financial Health Check Version 93. 17/06/2018

Refurbishment Loading

Aston Hill Motor Lodge Port Macquarie

Leasehold Title

Motel without a Restaurant

Page 17.

Sunday, 17 June 2018

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 \$19,416 per annum.
being 2.57% as a percent of total revenue or \$1,617.97 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, 17 June 2018

Unit One: Structure room types to maximise tariff plus reduce expenses No. Rooms: 22

Capitalised Worth of Motel: \$873,777 **RevPAR: \$97.75** **ADR: \$136.77**

Tariff Structure Motel: Aston Hill Motor Lodge Port Macquarie

Room Type	Tariff	No.	Notes
Executive	\$99.00	3	
Superior	\$128.00	6	
Prestige	\$138.00	4	
Special Facilities	\$128.00	1	
Family	\$185.00	3	
Corporate	\$195.00	2	
2 Room Suite	\$215.00	2	
3 Bedroom Apt	\$364.00	1	

Profit & Loss Adjustments Add-Backs-Add-Ons

Expense Item to Check	Cost	%	Benchmark	%	Notes
Accountancy Fees	\$1,500	0.2%	\$2,644	0.4%	
Eftpos/Merchant Fees	\$5,113	0.7%	\$5,114	0.7%	
Bank Fees	\$451	0.1%	\$451	0.1%	
Cleaning & Laundry Chemicals	\$3,965	0.5%	\$3,965	0.5%	
Electricity	\$3,602	0.5%	\$22,660	3.0%	
General Insurance	\$10,159	1.3%	\$10,158	1.3%	
Repairs and Maintenance	\$19,574	2.6%	\$5,222	0.7%	
Capital Replacements	\$0	0.0%	-\$32,706	-4.3%	
Interest	\$0	0.0%	Assess	N/A	
Wages Housekeepers exc Laundry	\$73,715	9.8%	\$90,639	12.0%	
Wages Housekeepers inc Laundry	\$0	0.0%	\$0	0.0%	
Wages Management	\$117,518	15.6%	Assess	N/A	
Water Rates	\$3,621	0.5%	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, 17 June 2018

No. Rooms: 22

Systems to be Implemented to Aston Hill Motor Lodge Port Macquarie

Unit Four: Apply logic to system operations and motel ambience

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

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

Unit Five: Best Practice Application

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

Unit Six: Maximise staff efficiency and training

Reception	
Housekeepers	
Chef	
Restaurant Staff	

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

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

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



To move through the document press the CTRL key

Motel: Aston Hill Motor Lodge Port Macq **Motel without a Restaurant** Enter Date Sunday, 17 June 2018

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

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

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

Revenue Centres:		High Priority	Priority		
Accommodation	Income: \$745,709	Breakfasts	Income: \$0	Mini-Bar	Income: \$0
		Cost: \$16,220	Cost: \$0	Cost: \$0	Cost: \$0
		Net: -\$16,220	Net: \$0	Net: \$0	Net: \$0
Accountable to		Accountable to		Accountable to	
Conferences	Income: \$0	Compendium		Restaurant	Income: \$0
Cost: \$0				Cost: \$0	Cost: \$0
Net: \$0				Net: \$0	Net: \$0
Accountable to		Accountable to		Accountable to	
		Promotions		Internet - Specials	
		1		1	
		2		2	
		3		3	
Accountable to		Accountable to		Accountable to	
				Beverage	Income: \$0
				Cost: \$0	Cost: \$0
				Net: \$0	Net: \$0
				Accountable to	
				Charge-Backs	
				1	
				2	
				3	
				Accountable to	

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

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

Maintenance & Development Centres

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

Expense Areas

Electricity/Gas/Oil	Security	Insurance	Cleaning/Laundry Chemicals	
Electricity \$3,602		\$10,159	\$3,965	
Gas & Oil \$7,950				
Water \$3,621				
\$0				
Total \$15,173	Accountable to	Accountable to	Accountable to	Accountable to

A-System Worksheets



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

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

1. Location:

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

2. Internet Exposure:

Create a website that professionally exhibits your motel.

3. External Pull up Appeal:

First impressions will set the stage for a rememberable 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 has constructed 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.

Corporate Guests:

The Priority Guest System has been expanded to include Corporate Guests with an invitation format offered to Companies allowing streamlined booking procedures.

A room standard has been put into place catering for all that is expected by the Company Representative.

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

Aston Hill Motor Lodge Port Macquarie

Asking Price: \$825,000

Page 23

Motel Broker	Detailed Profit & Loss figures provided by Accountant				Industry Standard Adjustments			
	Accountant	Accountant	Inserted from Input	%	Notes	Vendors add backs	Adj 2017 Income & expenditure	%
	2015	2016	2017					
Plus: Sales (\$)	<i>View results Tab to see further break-up of Income</i>							
Sales	0	0	745,709	100%			745,709	100%
Less : Cost Of Goods Sold (\$)	0	0	16,220				16,220	2%
Sub - Total	0	0	729,490	98%			729,490	98%
				0%			0	0%
				0%			0	0%
				0%			0	0%
Add Fee Refund & Interest Received	0	0	9,616	1%			9,616	1%
Total Income	0	0	739,106	99%	Add back	0	739,106	100.0%
Less: Expenses (\$)								
Accountancy	F	0	0	1,500	0%		1,500	0%
Advertising & Research	V	0	0	7,192	1%		7,192	1%
Bank Charges	F	0	0	451	0%		451	0%
Credit card & Eftpos Charges	V	0	0	5,113	1%		5,113	1%
Cable or Foxtel TV	F	0	0	8,204	1%		8,204	1%
Chain Fees	F	0	0	1,094	0%		1,094	0%
Cleaning contracts	V	0	0	0	0%		0	0%
Cleaning chemicals inc laundry	V	0	0	3,965	1%		3,965	1%
Comm to Internet Booking Agents	V	0	0	19,078	3%		19,078	3%
Compliance to Ordinances	F	0	0	3,612	0%		3,612	0%
Consumables	V	0	0	9,422	1%		9,422	1%
Administration	F	0	0	26,000	3%		26,000	3%
Depreciation Plant	F	0	0	17,852	2%		17,852	2%
	F	0	0	0	0%		0	0%
Electricity	V	0	0	3,602	0%		3,602	0%
Gas & Oil	V	0	0	7,950	1%		7,950	1%
Filing Fees	F	0	0	246	0%		246	0%
Freight & Cartage	V	0	0	97	0%		97	0%
Ground and Pool Maintenance	V	0	0	4,243	1%		4,243	1%
Insurance General	F	0	0	10,159	1%		10,159	1%
Insurance-Workers Comp.	V	0	0	834	0%		834	0%
Interest	F	0	0	0	0%		0	0%
Internet Access & Computer Maint.	V	0	0	10,103	1%		10,103	1%
Legal	F	0	0	0	0%		0	0%
Linen Hire	V	0	0	10,875	1%		10,875	1%
	F	0	0	0	0%		0	0%
Licence Fees and Subscriptions	F	0	0	6,161	1%		6,161	1%
Motor Vehicle and Travelling	V	0	0	12,264	2%		12,264	2%
Replacement Bedding	F	0	0	15,362	2%		15,362	2%
Pest Control	F	0	0	0	0%		0	0%
Postage, Printing and Papers	V	0	0	2,837	0%		2,837	0%
Rates and Land Tax	F	0	0	3,880	1%		3,880	1%
Relief Management Contract	F	0	0	0	0%		0	0%
Repairs and Maintenance	V	0	0	19,574	3%		19,574	3%
Capital Replacements	V	0	0	0	0%		0	0%
Security	F	0	0	0	0%		0	0%
Research & Development	F	0	0	23	0%		23	0%
Staff Amenities,Uniforms,Training	F	0	0	372	0%		372	0%
0	F	0	0	0	0%		0	0%
Superannuation-Management-Owners	F	0	0	0	0%		0	0%
Superannuation-Employees	V	0	0	23,001	3%		23,001	3%
Telephone and Fax	V	0	0	13,580	2%		13,580	2%
Wage Breakdown	V	0	0	0	0%		0	0%
Wages Housekeepers exc Laundry	V	0	0	73,715	10%		73,715	10%
Wages Housekeepers inc Laundry	V	0	0	0	0%		0	0%
Wages Restaurant	V	0	0	0	0%		0	0%
Wages Management	F	0	0	117,518	16%		117,518	16%
Wages Owners	F	0	0	18,000	2%		18,000	2%
Lease Internal	F	0	0	78,000	10%		78,000	10%
Waste Removal	V	0	0	3,090	0%		3,090	0%
Water Rates	V	0	0	3,621	0%		3,621	0%
Occupation Licence by Owner	F	0	0	171,591	23%		171,591	23%
Other Additional Entries	V	0	0	1,313	0%		1,313	0%
Total Operating Expenses (Exc Rent)		0	0	715,490	96%		715,490	96%
Less Add-backs	F	0	0	-421,215	-56%		-421,215	-56%
Total Expenses:		0	0	444,831	60%	Add	0	0%
Rent:				200,173				
Operating Profit (figures exclusive of GST)		0	0	244,658	33%	Adjusted Net	739,106	99%

Notes about this Motel Print Date: Sunday, 17 June 2018

Insertion Date: 17/06/2018

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

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

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

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

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



MOTEL Assist
making motels more profitable

Viability of your motel

Definitions

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Sunday, 17 June 2018

Version 93. 17/06/2018

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

[Click here for explanation](#)

[Click here for full definition](#)



Viability of your motel

Links

Sunday, 17 June 2018

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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

Viability of your motel

Priority Entry

Motel without a Restaurant

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

Data Entry:

1 Financial Year Analysed:	2017
2 Name & Location of Motel:	Aston Hill Motor Lodge Port Macquarie
3 Title:	Leasehold Title
4 If Leasehold term of lease:	29
5 Number of rooms:	22
6 Average Daily Room Rate [ADR]:	\$143.97
7 Turnover from all revenue sources:	\$755,325.78
8 Outgoings Inc Add-Backs, Exc. Rent:	\$294,275.56
9 Annual Rent:	\$200,173.00
10 Repairs & Maintenance:	\$19,573.52
11 Asking Price if on the Market:	\$825,000

Freehold Yield:	12.00%
Leasehold Yield:	28.00%
Investment Return:	7.07%
RevPar:	\$97.75

Other information to assist analysis:

		%
1 Rent as a percentage of Freehold net profit:	\$200,173	45.00%
2 Wages Housekeepers exc Laundry	\$73,715	9.76%
3 Star Ratings Australia:	4	
4 Number of Motels in Town:	45	
5 Year Constructed:	1985	
6 Land Size:	900 m2	
7 Occupancy	71%	
8 Estimated Hours of Housekeepers:	47.7% hours	
9 Time allowed to clean a standard size room:	30 minutes	

Establishing annual Repairs & Maintenance and Capital Maintenance

Repairs & Maintenance as a Profit & Loss Item	\$14,351.19	1.90%
Capital Maintenance as a Balance Sheet item	\$32,705.61	4.33%
Total Combined Maintenance:	\$47,056.80	6.23%

Room Configuration:

	Room Type	No.	Tariff inc GST
1	Executive	3	\$99.00
2	Superior	6	\$128.00
3	Prestige	4	\$138.00
4	Special Facilitie	1	\$128.00
5	Family	3	\$185.00
6	Corporate	2	\$195.00
7	2 Room Suite	2	\$215.00
8	3 Bedroom Apt	1	\$364.00
Total Rooms:		22	\$158.36 Av. Daily Rm. Rate
Total Sleeping		93	Spaces

Compare with source Profit & Loss

Total Income:	[Exc. GST]	\$755,325.78	100.00%
Less Goods Sold		\$16,219.67	2.15%
Gross Profit		\$739,106.11	97.85%
Less Operating Expenses		\$715,490.44	94.73%
Freehold Net Profit		\$23,615.67	3.13%
Return Add-backs		-\$421,214.88	55.77%
Adjusted Freehold Net Profit		\$444,830.55	58.89%
Less Rent		\$200,173.00	26.50%
Leasehold Net Profit		\$244,657.55	32.39%

Rent as a percentage of Freehold Net Profit: 45.00%

Priority Entry



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, 17 June 2018

Version 93. 17/06/2018

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

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

Quick assessment of the Capitalised worth of a motel business:

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

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

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

Entering Profit & Loss figures into the program:

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

Results To appreciate your motel's trading pattern you need to insert the previous two years figures. Page down entering the figures, however disregard the area in the yellow Benchmark column for now. You will come across a series of Yes/No boxes in the Goods Sold, hover the cursor over the red Explanation box and make your entries. Once you have completed this area we are ready to assess the **Add-Backs and Add-Ons** In the Benchmarks Explanatory Notes I have given averages of expenditure applying to the Motel Industry, however there are always variations which may apply to your motel. Where the **percentage is highlighted blue** you can change this percentage to suit your operation. If you are not sure refer this expense to your Accountant or Motel Broker.

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

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

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

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

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

Instructions

Instructions

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Report Tabs:

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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 93. 17/06/2018 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