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Date of Report: Saturday, 11 January 2014

Full Motel Analysis

Version 137

Motel Purchase Assessment & Finance Application

Presented To: For demonstration purposes

Presented By: Russ Dodson
Motel Analyst

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Motel Being Assessed:

A Country Motel in Australia

Contents of Report:

Photo Presentation	Beginning of Presentation
Instructions for the Report:	Pages 1 & 2. (Includes Privacy Act & GST Disclaimers)
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Accountants Financials	End of Presentation
Adjusted Financials	End of Presentation

Every effort has been made to provide as accurate as possible information in these reports. However Motel Assist is not responsible for any errors or omissions and strongly recommend you to seek independent advice at all times.

Refer to the 2 pages of explanation of this program in the "Explanation" page

Instructions		
Motel Purchase Assessment & Finance Application		
Contents:	P.3 - 5	Summary inc Financials
	P. 6	Snap Analysis
	P. 7	Overview
	P. 8&9	Debt Service Ratio
	P. 10	Comparisons
	P. 11	Rent Assessment (if Leasehold)
	P. 12-15	Input Data & Worksheet
	P.16&17	Explanation on Report

Privacy Act 1988 and GST Disclaimers below

Report For: For demonstration purposes

Dear,

[<Click here> for more about the program](#)

Entry Date: Saturday, 11 January 2014 **Print Date:** Sunday, 12 January 2014

In the "Input Data" see coloured boxes like this, insert the data and hover the cursor over box to retrieve instructions.

Summary and Assessment of: A Country Motel in Australia

The program is designed to analyse a motel to assess the value to either purchase, sell or refinance. For the Owner it gives an idea of what the motel is worth, applying typical Industry Benchmarks when applied to a capitalisation method of valuation. For the Purchaser they can assess if they can afford to purchase by inserting their financial information .

See Notes Here [Click to view further information on assessing an established motel.](#)

The amount of information you require to assess a motel is comprehensive. This program will give you an idea of what is required to analyse a motel. Also if you consult with a specialist it is a great tool to assess the results of an independent report.

By completing all the boxes in the "**Input Data**" area, the program will calculate assessments from that data.

[You will require a Depreciation Schedule, current Profit & Loss, plus at least three previous years to check consistency.](#)

I suggest you print a template of the "Input Data" sheets so you know what information is required.

In the "Input Data" page you will see items coloured blue which must be inserted for the program to work and items in aqua coloured boxes. **Do not complete aqua boxes** until you have assessed the viability of the motel business. It is important that the business is viable in its own right. Once the business viability is established complete the aqua boxes for finance.

? This symbol is shown in the "Overview" page which explains the entry procedure. You will also see **red triangles** in the coloured input boxes with **green** borders. This signifies that there is an instruction. Hold the mouse over the box and an instruction will appear. A silver triangle on the right hand side of the input box signifies a drop down selection.

This program is complimentary at our quarterly seminars where the geometry and layout is explained. Attendance to the seminar is not necessary to operate the program, just follow the prompts and read the explanations.

Please, do not commit yourself to a purchase on this information without consulting professional advice.

If your calculated capitalised price is below the accepted Industry Benchmark Calculation, here are some points.

1. Is the property and business running efficiently, if not,
2. What will it cost to restructure, refurbish or rebuild the business?
3. How long will it take?
4. Is there an attribute you or your partner can offer or do you see the business having possible hidden potential.

An area that must be assessed is the estimated growth of the motel and is it possible by applying:

1. Increase in tariff (An important factor is to make sure you can obtain a 2% growth factor in the motel.)
2. Increase in occupancy.
3. Increase the revenue by introducing or refining Internet Booking Agents, Coaches, Breakfasts, Restaurant & Conferences.
4. Staff training in how the customer is greeted and introduced to your product and service to obtain or justify the tariff.
5. Compare the tariff of a typical room offered by a nearby motel of similar rating.

The balance that must be understood is:

1. Increase the room tariff, the occupancy normally drops.
2. Reduce the tariff, in theory the occupancy increases, however it rarely increases the turnover.

Solution:

Have a reason to increase the tariff through a carefully structured program giving value for the increase. Whatever you do it is going to take time & cost money. The money spent is a capital expense coming from the net dollar earned, finance or cash. If this money is spent, will the money spent be an acceptable percentage return to the motel business?

I trust this program will assist you and give you confidence to see that a motel business is a great way of life when the correct preparation and procedures are implemented.

Regards,

To complete this report there is software available to assist you complete a "Physical Inspection" Free download from Motel Assist website.

Disclaimer:

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Report Date: Saturday, 11 January 2014

Print Date: 12/01/2014 11:53

Summary and Assessment of: A Country Motel in Australia

The Report is directed to: For demonstration purposes

Privacy ACT 1988:

To construct these reports information is collected from Owners of motels to produce the statistics allowing those who have received the report to assess the motel business with comparisons and Benchmarks provided.

The information collected is taken at face value and inserted in the reports as general information. Proof of the information is retained by the those inserting the information and will be provided under agreed circumstances. In some circumstances the signing of a Confidentiality Agreement may be necessary to release this information.

It is acknowledged by those reading the report within this program that the information provided is for their information only and in no way can it be relied upon without further consultation with the provider of that information.

The information supplied could fall into any area of the public such as newspapers, internet, financial institutions, trades people, Government & Statutory Bodies or any Institution that may have a vested interest in the report.

In providing this information we accept that all parties agree to this declaration of use of information supplied unless we are advised to the contrary.

Assessments of Profit and Future Trading:

The stated projections listed in this program illustrate the outcome calculated from the input values and assumptions. The figures can be varied as required and are in no way intended to be a guarantee of future performance.

GST Disclaimer:

The figures provided in this program, relating to price, income, outgoings and the like is provided without reference to the possible impact of GST (Goods & Services Tax). Please make your own assessment of the impact of GST on the details of the motel business analysed.

If you have any concerns or cannot understand these statements please contact;

Russ Dodson: Phone: 0428-668-357

Motel Assist Phone: 02-8003-4206 This number is a local call anywhere in Australia (Through Skype)

Full Motel Analysis

Version 137

Report For: For demonstration purposes

Entry Date: Saturday, 11 January 2014 Print Date: Sunday, 12 January 2014 Page 3.

Summary and Assessment of: A Country Motel in Australia
 Title, being a **Freehold Motel** If a Leasehold title number of years remaining in the lease is: 26 years.

This summary is to assist you in understanding your maximum financial limitations and the ability of the stated net income from the motel to meet your borrowings. If you are purchasing a Leasehold Business a full understanding of the lease by reading it carefully is very important. An area that should be carefully assessed is how the Goodwill is calculated. Refer to bottom of page 17 in "Notes" within the "Input Data" tab. Once you satisfied with the Goodwill assess the Plant Fixtures & Fittings from the Depreciation Schedule. The sums of these two areas make up the value of the business component of the motel.

		Basic Details	
Negotiated Price (All figures do not include GST)	\$1,350,000	No of Rooms:	30
Costs to acquire the motel - to view these costs click on:	\$98,785	Accommodation Income	\$396,326
Total including acquisition costs:	\$1,448,785	Av room rate Ex. GST	\$100.50
Add funds required to meet possible cash flow short fall in 1st months trading:	\$8,180	Net Room Cost per Day:	\$78.11
Total Cost to Purchase Motel:	\$1,456,965	Profit on Cost per Day	\$22.39
Less: Cash in Hand \$350,000 less other cash & development \$0	\$350,000	Assessed Occupancy:	36.01%
Funds Required to complete Purchase without applying additional Security:	\$1,106,965	Rent:	\$96,590.00
Add loan available on initial security given to the Lender:	\$1,128,721	Net Profit	\$100,935.54
Your Net Funds in hand applying full mortgage value (Shortfall):	\$21,756		

Mortgage Funds Available on Security Offered:		Security Available to Mortgage		Value of Security Offered	
Finance Provider: National Australia Bank Ltd		Prp 1.	\$740,721	Prp 1. Motel	\$1,234,535
Proposed Motel as Security: A Country Motel in Australia		Prp 2.	\$388,000	Prp 2. Additional	\$485,000
Additional Residential Security: Local Address		Prp 3.	\$0	Prp 3. Additional	\$0
Additional Residential Security:		Prp 4.	\$0	Prp 4. Additional	\$0
Additional Commercial Security:				Total Value:	\$1,719,535
Total Funds Available for Mortgage:	\$1,128,721			Less, LVRs	\$590,814
Less: (personal) loans in existence that are not held with security:	\$0			Gross Security	\$1,128,721
Net Security Available to assess borrowing after Personal Loans:	\$1,128,721			Existing Mortgages, Excl Motel:	\$0
Total Cash in Hand \$350,000 less other cash & development \$0	\$350,000			Net Security Available:	\$1,128,721
Total Available Funds for a Purchase (including all security):	\$1,478,721				
Less: Total Purchase Price plus Costs, Including provision for 1st months trading:	\$1,456,965				
Net Surplus/Shortfall Funds utilising full security from the Lender	\$21,756			based on a LVR of	60%

Amount you have nominated to borrow: \$1,100,000 plus \$0 totals \$1,100,000 Being 64.0% of Valuation

Net Cash Flow Situation in the First Year of Operation			
Net income after tax received from all sources:	(Tax: \$34,793)	\$150,278	\$2,890 Per week
Less: Cost of all loans, per annum, including Principal:	Interest Only	\$77,072	\$1,482 Per week
Surplus/Shortfall (Net cash flow funds after meeting principal & interest in loans)		\$73,206	\$1,408 Per week

Understanding the Capitalised Pricing Structure of the Motel:		Negotiated Price	\$1,350,000	Cash required to complete purchase
The asking price is based on a net yield of:	14.6% calc on a net profit of	\$197,526		
Your assessment of the capitalised value not including acquisition costs of:		\$98,785	\$1,234,535	
The above assessment is based on a yield of:	16.0% (Refer to adjusted value below)		\$1,448,785	
Difference in price: Over/Under on what you are prepared to pay, excluding acquisition costs:			\$115,465	
Now if you were to include the acquisition costs in this analysis the difference in price would now be:			\$214,250	
This places the Asking Price of the motel after acquisition costs at: (Not including 1st month shortfall)			\$1,448,785	\$328,244

The next section of the summary is to assist you in understanding how to assess "if cash" has been taken from the turnover or how the motel is affected by applying increased turnover.

Increased T/O [Click on box for information](#)

When cash has been taken from the turnover and you add it back it does not impact any increase in the expenses, therefore it is a straight add back. However if you increase the turnover to evaluate the future net profit the expenses are increased to meet the cost it takes to generate the increased income. (The program takes all this into account.)

This area also assists you in evaluating if you increased your room tariff to assess the net earnings against the capital required to upgrade the rooms.

Refer to page 13 **Notes on increased turnover** in the Input Data worksheet page showing increase of 5% over the actual T/O of \$408,979. The nominated cash returned is \$0 plus increased T/O \$21,855 makes up the total increase shown in the figures below.

Increased value of business to: \$1,345,930 plus acquisition costs, capitalised from a net profit of: \$215,349

Assessment of Increased Motel Turnover at its projected operation					Understanding Rent Ratios in Leasehold Motels		
	Actual	Projected	% Increase		Rentals can be assessed as a percentage of turnover or percentage of freehold net profit.		
Accommodation	\$396,326	\$418,181	5.5%	\$21,855	The calculation of the freehold net profit is preferred because there are so many variables. A motel can be a Bed & Breakfast or have a restaurant or conference rooms. A typical rent is between 45% to 47.5% of Freehold Net Profit.		
Breakfast	\$12,653	\$12,653	0.0%	\$0	This motel shows a percentage of 48.9% of Net Profit		
	\$0	\$0		\$0	Refer to the increased turnover to assess the rent ratio.		
Restaurant	\$0	\$0	0%	\$0	To assess the ratio after applying an increase to the Net Profit		
Beverage	\$0	\$0	0%	\$0	of: \$215,348.80	New Rent	44.9% of Net Profit
Minibar + Other Income	\$0	\$0		\$0			
Total	\$408,979	\$430,834	5.3%	\$21,855			
Freehold Net Profit before rent:	\$197,526	\$215,349	9.0%	\$17,823			
Leasehold Net Profit after rent:	\$100,936	\$118,759	17.7%	\$17,823			

Transparency on Financials

Add-Backs or Add-Ons:	% of T/O	2012	2011
Depreciation	6%	\$27,441	9%
Interest	1%	\$2,319	1%
Motor Vehicle Adj.	2%	\$8,265	2%
Owners Wages, Drawings & Super	0%	\$0	0%
Replacements etc.	6%	\$26,700	4%
Wages - Managers	0%	\$0	0%
Wage Adjustment	5%	\$20,513	2%
Food % Adjustment	0%	\$0	0%
Advertising	1%	\$4,672	1%
Credit Card & Eftpos Charges	0%	\$402	0%
Relief Managers	1%	\$3,309	0%
Personal Living	0%	\$0	0%
Workers Compensation Premium	0%	\$0	0%
	0%	\$0	0%
	0%	\$0	-16%
	0%	\$0	0%
	0%	\$0	0%
	0%	\$0	0%
	0%	\$0	3%
	0%	\$0	9%
Total Add-backs	22%	\$92,818	12%

% of T/O	2010
8%	\$31,731
2%	\$8,263
2%	\$9,411
0%	\$0
7%	\$27,269
0%	\$0
3%	\$11,049
0%	\$0
1%	\$2,713
0%	\$1,002
0%	\$1,336
0%	\$0
0%	\$0
0%	\$0
0%	\$0
-3%	\$11,184
0%	\$0
0%	\$0
21%	\$81,590
10%	\$39,400
31%	\$120,990

Summary		2012	
Total Income:	\$13,633	100%	\$408,979
Total, Cost of Sales	\$196	1%	\$5,869
Gross Profit	\$13,437	99%	\$403,110
Total Operating Expenses	\$9,947	73%	\$298,402
Net Operating Profit	\$3,490	26%	\$104,708
Add the Add-backs	\$3,094	23%	\$92,818
Adjusted Net Operating Profit:	\$6,584	48%	\$197,526
Rent 48.9% of F/H Net Profit.	\$3,220	24%	\$96,590
Adjusted Net Profit after rent	\$3,365	25%	\$100,936

List of Purchase Costs			
Stamp Duty:		4.4%	\$59,740
Mortgage S/Duty:	Loan \$1,100,000	0.3%	\$4,345
Legal Fees:		0.6%	\$7,700
Finance Costs:		0.8%	\$11,000
Valuation, Pest, Building Reports		0.8%	\$11,000
Total		6.9%	\$93,785
Stock in Hand (Subject to stock take)			\$5,000
Also Allow for deficit in 1st months trade:			\$8,180
All up costs to provide for:		7.9%	\$106,965
Asking Price for Motel:		100%	\$1,350,000
Total Acquisition Cost:			\$1,456,965

Profit & Loss Check with input document		2012		2011		2010	
Total Income:		\$408,979.00	100%	\$422,950.00	0%	\$389,383.00	100%
Total, Cost of Sales		\$5,869.00	1%	\$6,985.00	0%	\$5,963.00	2%
Gross Profit:		\$403,110.00	99%	\$415,965.00	0%	\$383,420.00	98%
Current Rent 48.9% of Freehold Net Profit		\$96,590.00	24%	\$0.00	0%	\$0.00	0%
Total Operating Expenses		\$394,992.06	97%	\$350,862.26	0%	\$347,528.10	89%
Net Operating Profit (Check with source document)		\$8,117.94	2%	\$65,102.74	15%	\$35,891.90	9%
Add the Add-backs		\$92,817.60	23%	\$50,863.84	12%	\$120,989.99	31%
Adjusted Net Operating Profit:		\$100,935.54	25%	\$115,966.58	27%	\$156,881.89	40%

Negotiated Price \$1,350,000

Break-even Analysis in the First Year			
Refers to your assessed income and expenses:			
You need to make:	\$284,345	in sales to break even	
	% over/		
	sales	Monthly	2012
Sales	100.0%	\$23,695	\$284,345
Less: Cost of sales	2.1%	\$489	\$5,869
Gross Margin	98.6%	\$23,355	\$280,265
LESS EXPENSES			
Admin & Overhead	66.2%	\$15,697	\$188,369
Sales & Marketing	5.2%	\$1,241	\$14,896
Interest Expense	27.1%	\$6,417	\$77,000
Rent	0.0%	\$0	\$0
Total Expenses	98.6%	\$21,559	\$280,265
Net Profit			\$0
Break-even sales			
as a % of total sales figure of	\$408,979	70%	
To assess the break-even of a motel (76% - 80%) would be the highest to consider unless you can establish an upside.			

Cash Required to Complete the Purchase	
Total Price including all costs	\$1,456,965
Cash in Hand:	\$350,000
Cash Reserve:	\$0
Development	\$0
Interest:	\$350,000
Net Funds Required:	\$1,106,965
Mortgaged Funds Available:	\$1,128,721
Surplus/Shortfall	\$21,756
Understanding your net returns on Cash Outlay	
Total Cash Spent: (Excluding 1st months expenses)	\$1,448,785
Net Return of Motel	\$197,526
This equates to 60.18% net on money invested	
Money Invested: \$328,244	

The following reports only appear on Freehold Analysis

Leasehold Business break-down on Benchmarks	
Based on a net yield of:	30%
The Leasehold Business is worth:	\$336,452
Goodwill is Assessed at:	\$218,694
Plant Fixtures & Fittings:	\$117,758
Benchmark Rental for a 25 yr lease:	45%
The Plant Fixtures & Fittings is:	35%
The Annual Rental is:	45.0% of Freehold Net Profit

Notes on Investment Property Returns:	
In a new property split the Freehold price determines the value of the Investment Property.	Price: \$1,234,535
Value of Leasehold:	\$336,452
Net Value of Investment Property:	\$898,083
Net return on a rental of \$88,886	9.9%

BOTTOM LINE: - Based on our Benchmarks			
Freehold Business:	\$1,234,535	PF&F	\$117,758
Leasehold Business:	\$336,452	Goodwill	\$218,694
Investment Freehold:	\$898,083	Leasehold	\$336,452
Freehold Business Yield:	16.00%	F/hold Net Profit of	\$197,526
Leasehold Business Yield:	30.00%	L/hold Net Profit of	\$12,049
Investment Freehold Yield:	9.90%	on a rental of	\$88,886

A Benchmark rental should be 45% of Freehold Net Profit
Minimum tariff growth of a motel must be at least 2%.

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Refer to "Overview" page number 7 for more detailed descriptions

Full Motel Analysis

Version 137

Report For: For demonstration purposes
Dear

If you see a small red triangle in the right corner of text hover mouse over text

Entry Date: Saturday, 11 January 2014 Print Date: Sunday, 12 January 2014 Page 6.

Summary and Assessment of: A Country Motel in Australia	Year Ended: 2012
Being a Freehold Business Operating in a Company Structure	Price: \$1,350,000

Snap Analysis is designed to assist you in narrowing down your preferences & make an initial decision without commitment. Once you have chosen a series of motels that fit your criteria you can seriously compare each motel by referring to the snap priority points below comparing with the benchmarks. An important check is RevPAR-Revenue per available room: \$0.00

What to look for in a motel: (You must assess the red highlighted areas very closely and the underlined is mandatory!!!!)

- | | |
|---|---|
| 1. Location is paramount. | 7. Location to other family members. |
| 2. External pull up appeal must be evident. | 8. Check the last AAA rating schedule. |
| 3. Residence must meet families requirements. | 9. Where the business is coming from. <u>(Goodwill)</u> |
| 4. Motel rooms must be spacious. | 10. Reason for selling. |
| 5. Condition of Building (if weatherboard check Insurance) | 11. If Leasehold, length of lease & rent as a % of FH net profit. |
| 6. Plant Fixtures & Fittings - refer to depreciation schedule | 12. Income growth cycle must be at least 2%. |

The above points are the main ones for you to focus on now. Detailed notes are supplied in "Motel Buying Basics"

To obtain more information on this go to Motel Assist website

Finance:

After you place your financial information in "Input Data" **X** refer to "Debt Service Ratio" to establish if the cash flow from the motel and your financial position is sufficient. If so then assess your acceptable yield you stated in the "Overview" & now you can commence the negotiation procedure. **X** To assess your financial capability refer to "Input Data" page

About this motel:

Listed below are priority points on how this motel compares with the Industry Benchmarks. Under no circumstances can you use this data to make a final decision. It is stated to assist you in directing your attention to the obvious weaknesses & strengths within the financial structure of this motel business.

Exclusion:

The standard reports apply to motels without restaurants. To prepare reports on restaurants is a special task requiring careful separate assessment. A restaurant must be treated as a separate business with its own profit stream. You must decide if the restaurant is an add on to the room revenue or a profit driven operation. We have provided some guidelines in the report.

Priority Points		For the Financial Year Ending 2012		Turnover:	\$408,979	100%
Freehold	Assessment	Number of Rooms: 30	Yield offered:	Expenses:	\$211,453	52%
Negotiated Price	\$1,350,000	Yield - Coast 11% to 13% - Inland 13% to 19%	14.6%	Adj. FH Net.	\$197,526	48%
Assessed Value:	\$1,234,535	based on a yield of: 16%	Acquisition Cost	\$98,785	Rent	\$96,590
Top Value:	\$1,345,930	based on a yield of: 16%	Inc. Stamp Duty:	\$59,740	Net after rent:	\$100,936
No Restaurant in this Motel (Licensed)			For full list,click on:	Benchmarks	This Motel	
No Function Centre (Not licensed)			Breakeven without Loan Costs	max of 65%	50%	
Turnover is what you are buying:		Cash Returned	Your interest added to breakeven	max of 80%	70%	
2010	\$389,383	Increase	Your interest & principal added	No Benchmark	70%	
2011	\$422,950	8.6%	Breakeven % to Accommodation T/O	5% to 9%	3.1%	
2012	\$408,979	-3.3%	Wages - No Restaurant (% of T/O)	8% to 12%	14%	
			Wages - Inc. Restaurant (% of T/O)	22% to 34%		
			Replacements & Maintenance of T/O	5% to 8%	12.5%	
Period of Lease in years	Not Applicable		Bank & Credit Card Charges of T/O	1.30%	0.9%	
Annual Rental	45.00%	N/A	Workers Compensation Premium	\$2,759.06	\$1,737.00	
Lease as a % of Freehold Net	45% to 47%	N/A	Superannuation of gross wages	\$5,093.28	\$3,257.40	
Adjusted Net Profit as % of T/O	55% to 65%	\$100,936	Relief Managers Cost per annum	\$5,600.00	\$8,909.07	
Note: If there is a restaurant reduce % by between 8% to 12%			Average Occupancy for Region	39.0%	36.0%	
Annual Revenue per room:	\$13,633	from total revenue	Depreciation Allowance on the improvements?	\$0	0.0%	
Benchmark: Low \$14,397 - Average \$18,000 - Good \$30,462			Cash Returned:	\$0	Projected Growth of Motel:	5.0%
Average Room Rate inc GST:	\$110.55		In a Leasehold business you must be able to maintain a 2% growth rate.			
Cost per room night inc. GST:	\$85.92	Av Room Size	How much cash do you need to complete purchase?	\$328,244		
Difference between the costs:	\$24.63	33 m2	Amount of Loan:	\$1,100,000	Loan Available	\$1,128,721
Expenses you can control:	2012	2011	Annual Payments:	\$77,072	Term in Yrs	Interest Only
Bank & Credit Charges	\$3,688	\$5,296	LVR	63.97%	Final Note:	0
General Insurance	\$7,429	\$10,749	Expenses that you cannot control:	2012	2011	
Linen Hire - Laundry	\$9,630	\$9,962	Electricity, Gas, Oil: (Usage - Climate?)	\$31,575	\$22,447	
Electricity & Gas Rates	\$31,575	\$22,447	Rates & Land Tax:	\$4,833	\$4,926	
Wages for Employees	\$56,592	\$46,271	Current Rental:	\$96,590	\$0	
Once these costs have been negotiated they become fixed costs.			Replacements, Repairs & Maintenance:	\$51,239	\$41,575	
An important percentage to monitor:	This Motel:		Total Food Income:	\$12,653	Food cost % Cost/Income	46%
Benchmark Net Profit % of T/O	55% to 65%	48.3%	Total Food Cost:	\$5,869	Breakfast cost %	46%
The above percentage applies to Freehold net profit ratio			If there is no food income consider that there are free breakfasts in the tariff.			
If the motel has a restaurant reduce Benchmark by 15-18%			Benchmark cost to income % is between 33% to 42%.			
RevPAR:	\$36.19	per room.	Knowing the relationship between ADR & RevPar			
Average Room Rate exc GST:	\$100.50	per room.				

Regards,
Russ Dodson
Motel Assist

Disclaimer:
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A Country Motel in Australia

Note: the following area you can change are in the yellow boxes.

To move through the input boxes press the "Tab" key on the keyboard.

Assessment of a Freehold Title, nominated on Input Page	Freehold	Title, nominated on Input Page
Worth of Freehold	16.0% yield	\$1,234,535 plus acquisition costs
Negotiated Price	\$1,350,000	Plant Fixtures & Fittings
Add Acquisition Costs: 1st Month:		\$8,180
Stamp Duty:		\$59,740
Legal Costs:		\$7,700
Finance inc Mortgage Stamp Duty:		\$15,345
Other Purchase costs inc. Stock:		\$16,000
Total acquisition costs as an estimate:		\$106,965
Price inc. acquisition costs:	\$1,448,785	Explanation?

In the first months trading there could be a one off deficit. Allow 1% to 3% of months turnover. **Allow at least \$8,180** If it is a new motel add between 5 - 7% **2.00%**

The analysis set out below shapes your calculation on the net yield you are prepared to pay.

Now that you have studied the business what yield would you apply? **16.0%**

Worth of Business 16.0% yield \$630,847 plus acquisition costs

To understand the total operation of a motel you need to study the following areas.

1. Freehold & Motel Business **Freehold Title and Business**
2. Leasehold Motel Business **Leasehold Title & Business**
3. Freehold Investment **Freehold Title no Business Component**

When you see a symbol like this click on it for an explanation ?

A red triangle in the top right hand corner of the input box - click on that box for an explanation.

Notes on Building Depreciation	Yield Benchmarks
1. Current Benchmark yield for a Freehold Motel:	16.0% ?
2. Current Benchmark yield for a Leasehold Motel:	30.0% ?
3. Current Benchmark return on a Investment Motel	9.0% ?

To assess the Benchmark Yields click on [?]

Analysis of a Freehold Motel Business:

Worth of Business	16.0% yield	\$1,234,535	acquisition costs to be added
--------------------------	--------------------	--------------------	--------------------------------------

When assessing a motel on the yield/capitalisation method, determine:

1. Is the property and business run down.
2. What will it cost to refurbish & rebuild the business? How long will it take?
3. Is there an attribute you can offer or does the business have hidden potential.

Price including acquisition costs of \$92,434.40 price will be \$1,326,969

The result of these questions shapes your calculation of the net yield you are prepared to pay.

Now that you have studied the business what yield is acceptable? **16.0%**

If you apply the total purchase price including acquisition costs net is **14.9%**

Analysis of a Leasehold Motel Business:

Worth of Business	30.0% yield	\$336,452	acquisition costs to be added
--------------------------	--------------------	------------------	--------------------------------------

The rental shown in the P&L is \$96,590.00 being 48.9% of the FH

Net Profit or a Benchmark rental of \$88,886.49 being **45.0%** of net

is considered the maximum to be applied to a typical leasehold motel.

The rent on a Leasehold Motel is determined by the Landlord on what they consider they want as a net return on their acquisition costs of the Investment.

Price including acquisition costs of \$25,630.33 price will be \$362,082

Now that you have studied the business what yield is acceptable? **30.0%**

If you apply the total purchase price including acquisition costs net is **27.9%**

Analysis of an Investment Freehold:

Worth of Investment	9.0% return	\$1,073,222	acquisition costs to be added
----------------------------	--------------------	--------------------	--------------------------------------

Add acquisition costs of \$59,517.22 total price is \$1,132,739

The bottom line comes down to negotiation skills where you the buyer of one of the components is content with the purchase knowing that the other components are in line with the motel business.

The result of these questions shapes your calculation of the net yield you are prepared to pay.

Now that you have studied the investment what return is acceptable **9.0%**

If you apply the total purchase price including acquisition costs net is **8.5%**

Assessing Finance Possibilities using indicative rates

Nominated Lender:	National Australia Bank Ltd	Freehold
Indicative Interest Rate:	7.0%	Funding Position
Purchase Price inc. all costs:	\$1,448,785	Cash in Hand:
Allow for 1st months trading:	\$8,180	Extra Security:
Total acquisition costs:	\$1,456,965	Less, Cash & Develop:
Maximum Loan on Security Offered	\$1,128,721	Funds Available:
Surplus / Shortfall on security:	\$328,244	Loan Required
Less, Cash Available:	\$738,000	All Up Price
Surplus / Shortfall on security:	\$409,756	Loan Required
Type of Loan:	Interest Only	Monthly Repayments:
Amount Borrowed:	\$1,100,000	Annual Repayments:
Amount borrowed is 76% of the purchase price./		Interest P.Annum

Formal application must be made to verify the loan and conditions. Interest Only

Overview of Profit & Loss

Income:	2012	
Accommodation	\$396,326	96.9%
Breakfasts	\$12,653	3.1%
Restaurant & Beverage	\$0	0.0%
Other	\$0	0.0%
Total Income	\$408,979	100.0%
Less, Cost of goods sold:		
Breakfasts	\$5,869	1.4%
Restaurant, Beverage & Other	\$0	0.0%
Other	\$0	0.0%
Cost of Sales:	\$5,869	1.4%
Gross Profit	\$403,110	0.0%
Expenses: "Critical Expenses Shown" (Static or fixed expenses)		
Advertising	\$14,896	3.6%
Bank & Credit Card Charges	\$4,253	1.0%
Chain Fees	\$11,000	2.7%
Electricity Gas Oil	\$31,575	7.7%
General Insurance	\$7,429	1.8%
Linen Hire	\$9,630	2.4%
Telephone	\$6,009	1.5%
Rates, Land Tax & Water Rates	\$12,692	3.1%
Replacements	\$51,239	12.5%
Wages & Superannuation	\$68,758	16.8%
Workers Compensation	\$1,737	0.4%
All other expenses (see below)	\$79,183	19.4%
Total Expenses	\$298,402	73.0%
Freehold Net Profit	\$104,708	25.6%
Add-Backs		
Depreciation	\$27,441	6.7%
Interest	\$2,319	0.6%
Motor Vehicle Adj.	\$8,265	2.0%
Owners Wages & Super	\$0	0.0%
Replacements inc. Capital.	\$26,700	6.5%
Wages - Managers	\$0	0.0%
Wage Adjustment	\$20,513	5.0%
Food % Adjustment	\$0	0.0%
Advertising	\$4,672	1.1%
All other Add-Backs	\$2,907	0.7%
Total Add-Backs	\$92,818	22.7%
Adjusted Freehold Net Profit	\$197,526	48.3%
Rental as % of FH Net.	48.9%	\$96,590
Adjusted Leasehold Net Profit	\$100,936	24.7%

To calculate your net cash position deduct interest, principal & interest repayments (Motel Loan Only) before tax.

Variable **\$77,071.72**

Net Cash in hand: \$23,863.81

Conclusion

This assists you to find the balance of values in the 3 areas of title from the above P&L. Insert the Freehold asking price and it will calculate the breakdown on that asking price. You have chosen a yield 16.0% which values the Freehold and Business at : **\$1,234,535** If you agree with this amount place it in the box below or place an amount in the box and compare with the Benchmark Parameters below.

	Yield	Amount
Freehold & Business	16.0%	\$1,234,535
Leasehold Business	30.0%	\$336,452
Investment Freehold	10.8%	\$898,083

Applying Benchmark Parameters

Title	Yield	Amount
Freehold & Business	16.0%	\$1,234,535
Leasehold Business	30.0%	\$336,452
Investment Freehold	10.8%	\$898,083

Prepared by Russ Dodson

Motel Assist

Phone: 02-8003-4206 or Mobile 0428-668-357

DEBT SERVICE CALCULATIONS FOR PURCHASE OF A MOTEL

Motel Title **Freehold**

Page 8.



Entity A Country Motel in Australia

Date: 12/01/2014
Year 2012

Negotiated Price \$1,350,000

Assessed Capitalised Value: \$1,234,535

Land Cost if Development	\$0
Offering Motel Security:	\$1,234,535
Maximum Loan on Freehold	\$740,721
Maximum Loan on Leasehold	
Maximum Loan on Investment	

Bank LVRs
60% LVR
50% LVR
70% LVR

The areas shown in blue or with yellow back ground can be changed

Nominated Bank: **National Australia Bank Ltd**
Note: Not all Banks finance Leasehold security. Check with your Financier on what LVR % is offered. Version 137

Income	
The Net Profit below, is less interest on loan	77,000
Net Profit below, is less Dep. Allowances	0
Net profit before Tax, Sole Trader:	0
Net profit before Tax, Partnership:	0
Net Profit before Tax, Company:	23,936

Your Net Profit as Stated Above	23,936
Add back your Interest	77,000
Add back Dep Allowance	0
As per Owner's Profit & Loss	100,936

Add backs (Included in above Net Profit)	
Depreciation	27,441
Interest	2,319
Motor Vehicle Adjustment	8,265
Owners Drawings, Wages, Super	0
Replacements, Refurbishment	26,700
Managers Wages	0
Adjustment of Wages	20,513
Adjustment of Food Costs	0
Nominated Living Expenses	0
Advertising,	4,270
Relief Managers	3,309
Other Add-backs, refer to "Input Data"	0
Total Add-Backs as per P&L	92,818

Your adjusted Profit & Loss	23,936
Investment Property Adj. Inc	0
Partners Wages Outside Motel #1	93,600
Partners Wages Outside Motel #2	0
Superannuation	0

Less	
Asset Loss	
Lease/HP (If to be paid out)	
Asset Sales	
Abnormals	
Related pmts/dist.	
Carried Down Balance	117,536

Add Back your Interest & Depreciation	77,000
Your total Business Income	194,536

Plus	
PAYE external	
Your Total Income	194,536
Less (Assessed food costs from stock while occupying motel)	
No of adults	2 7900
No of children	1 1565
Living Expenses	9,465
Available Income	185,071 (A)

Total of Available Income:	\$185,071 (A)
Total of Personal Facilities:	\$0 (B)
Available for Business Debt Service:	\$185,071 (A-B)
Investment Income from Motel	\$96,590 (A)
Total of Personal Facilities:	\$0 (B)
Available for Business Debt Service:	\$96,590 (A-B)

The areas shown in blue or with yellow back ground can be changed

Business Facilities	Term (years)	Benchmark Rate	Actual Rate	Loan Amount	Monthly Fee	Monthly Repayments at Benchmark Rate	Monthly Repayments at Actual Rate
Loan to Purchase Motel		9.50%	7.00%	\$1,100,000		\$8,709	\$6,423
						\$0	\$0
Totals				\$1,100,000	Per annum	\$104,508	\$77,072

Interest Payable during Construction Once Only 7.00% Interest Only **Development interest is for notation only - you must apply this in your calculations: \$0**

Benchmark Interest Cover Ratio (ICR)	1.86
Benchmark Debt Service Ratio (DSR)	1.53
Actual Debt Service Ratio	2.07
Total Debt Service	104,508
Anticipated Taxation - Sole Trader 2006	0
Anticipated Taxation - Partnership 2006	0
Anticipated Taxation - Company 30%	7,181
Anticipated Taxation - Investment Property	0
Anticipated Taxation Income outside Motel - Partner 1	27,612
Anticipated Taxation Income outside Motel - Partner 2	0
Anticipated Taxation - PAYE external	0
Total All Taxation (Federal Tax)	34,793 D

Offering Motel Security:	\$1,234,535
Maximum Loan on Freehold	\$740,721
Maximum Loan on Leasehold	
Maximum Loan on Investment	
Note: Not all Banks finance Leasehold security. Check with your Financier on what LVR % is offered.	
Funds Available for Business Debt Service in 1st Year	A - B \$281,660.54
Less: Annual Loan Repayments	\$104,508.12
Add Tax Liabilities:	D \$34,792.66
Surplus After Debt Service & Taxation:	\$139,300.78
Note: This net figure is calculated on the Interest Benchmark of: 9.50%	
Development Interst applies to the first year only	
Funds Available for Business Debt Service in 1st Year	A - B \$281,660.54
Less: Annual Loan Repayments	\$77,071.72
Add Tax Liabilities:	D \$34,792.66
Surplus After Debt Service & Taxation:	\$169,796.15
Note: This net figure is calculated on the "Actual" Interest Rate of: 7.00%	

Surplus after Debt Service A-B-D-Taxation 45,770
Years to pay off debt (Loan divided by Surplus after debt & tax) Interest Only
The above "Years" is the total loan amount divided by the "Surplus after Debt Service & Taxation. Regional Banks prefer the years not to exceed 7 for motel Leaseholds.

Full Motel Analysis



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Loan Application for:

For demonstration purposes

Entry Date: Saturday, 11 January 2014

Print Date: Sunday, 12 January 2014

Summary and Assessment of: A Country Motel in Australia

Loan for Motel:	\$1,100,000	Negotiated Price	\$1,350,000
Other Loans:	\$0		
Total Debt:	\$1,100,000		

This page is designed for those who would like to adjust the loan application to within acceptable Industry Guidelines.

Explanations to assist you in the typical guidelines and terminologies applied in processing loans:

EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation

EBITDAR - Earnings before Interest, Tax, Depreciation, Amortisation & Rent

ICR - Benchmark Interest Cover Ratio = Net Profit, divided by the total interest paid

Below 1.25 - Risk is high

1.25 to 1.5 - Risk is medium

Above 1.5 - Risk is acceptable

Your ICR is rated 1.86

DSR - Actual Debt Service Ratio = Net Income After Tax, divided by Total Loan Payments

LVR - Loan to Valuation Ratio is expressed as a percentage and calculated by taking the amount of the loan, dividing it by the value of the property and then multiplying it by 100

Notes on Principal & Interest Loans:

It is the Bank's policy to determine if you can reduce principle within the loan. (Note: If you want to check the viability of the motel business remove the other assets and income not associated with the motel.) This can be done from the "Input Data" page 14.

If you have nominated that you want to pay interest only being \$77,071.72 per annum.

Check if all other assets have been removed:	-\$93,600	If there is an amount here all security has not been removed.
--	-----------	---

The ideal period for you to evaluate this business is to assess what your principal & interest payments would be over 10 years but can be extended to 15 years in special circumstances.

Annual Principal & Interest will be: \$115,327.96 Insert in this box the number of years you want the loan to run.

Now to establish the time it will take to pay off the loan from the "Surplus after debt service & taxation" amounting to \$131,539.92 (Refer to Box below)

The "Years" explained above is 8 years. If the years are less than 7 to 8 years you are within typical major Bank guidelines.

This box is the nucleus of your borrowing:

Funds Available for Business Debt Service	A - B	\$281,660.54
Less: Annual Loan Repayments (P&I)	\$115,327.96 over 25 years	
Add Tax Liabilities:	D \$34,792.66	\$150,120.62
Surplus After Debt Service & Taxation:		\$131,539.92
Note: This net figure is calculated on the "Benchmark" Interest Rate of:		9.50%

Your repayment period is outside the usual guidelines. Please contact your Financier to explain your special circumstances.

Further Explanations:

If a red message appears above you may not be able to afford the motel within conventional lending guidelines.

If you have included other income and assets you may have to sell those assets and convert them to cash to comply.

This program allows you to assess this by going back to the "Input Data" page 14. by adjusting the assets and loans to see if it can be set within sensible limits.

Then come back to this section and view the results.

Congratulations, if you are using this section of the program you are up there with the Financiers. What you are really doing is assessing the risk of your borrowings.

In other words you are "minimising risk" by doing that you are making the business investment safer for you and the Financier, which means lower interest rates.

Final Note:

If you have decided on this motel it is time now to either consult your Bank or seek further information to assess if your parameters on the value of the motel are correct.

This is where I assist you in verifying the information with the Industry Benchmarks.

Regards,

Russ Dodson
 Mobile: 0428-668-357

Every effort has been made to provide as accurate as possible information in these reports. However Motel Assist is not responsible for any errors or omissions and strongly recommend you to seek independent advice at all times.

Maus Business Benchmarking Guide for Motels

Page 10.

For: For demonstration purposes

Print Date: 12/01/2014

Since 1996 Maus have ceased supplying Benchmarks for motels. However those figures are still relative to the current motel operations.

Entry Date: 11/01/2014

View: [Maus Website](#)

The CCH Profile is up to 30 June 2006

Profit & Loss Summary: Year Ended: 2012 A Country Motel in Australia	This Motel		Indicator from Maus Business Benchmarks		
	Amount	%	Average	Low	High
	(Benchmark 2006 Update)				
Total Income:	\$408,979		\$522,285	\$181,934	\$934,719
Costs of Goods Sold	\$5,869	1.44%	10.88%	0.00%	19.16%
Advertising, Promotion, Franchise or Group Fees	\$25,896	6.33%	3.36%	0.84%	7.33%
In-room Supplies	\$4,408	1.08%	2.65%	0.00%	7.86%
Replacements, Repairs, Maintenance, Hire of Plant & Equipment	\$51,239	12.53%	5.21%	2.53%	7.75%
Other Depreciation, Lease and Hire Purchase	\$27,441	6.71%	5.97%	2.06%	10.29%
Rent of Premises#	\$96,590	23.62%	19.35%	14.74%	21.89%
Other Occupancy Costs	\$15,261	3.73%	8.00%	4.29%	12.96%
Interest, Bank Charges	\$6,573	1.61%	6.83%	0.81%	15.77%
Telephone & Fax	\$6,009	1.47%	1.91%	1.14%	3.24%
Employees' Wages, Salaries & Superannuation	\$68,758	16.81%	17.56%	8.02%	31.30%
Net Profit (bos*)	\$100,936	24.68%	21.85%	5.22%	41.61%
Proportion of Income Derived from Accommodation		100.00%	84.00%	59.00%	100.00%
Number of Guest Rooms		30	28	16	38
Average Guest Room Area (square metre)		33	33	18	48
Occupancy Rate for Year		36.01%	63.00%	44.00%	76.00%

calculation excludes any firms in freehold premises

Check: Year Ended 2012

*(bos) before owners' salaries and benefits

Income: \$408,979.00

Net Expenses, less add-backs \$308,043.47

Net: \$100,935.54

Profit & Loss Comparisons - Critical Expenses shown below, for a full list see full Profit & Loss.

Note: Static expenses shown in this text.

Expected Income growth over 3 years:

	2010	%	2011	%	2012	%	2013	2014	2015
Income:									
Accommodation	\$375,691	96.5%	\$406,963	96.2%	\$396,326	96.9%	\$418,181	\$439,090	\$452,262
Breakfasts	\$13,692	3.5%	\$15,987	3.8%	\$12,653	3.1%	\$13,351	\$14,018	\$14,439
Restaurant & Beverage	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	\$0	\$0
Other	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	\$0	\$0
Total Income	\$389,383	100.0%	\$422,950	100.0%	\$408,979	100.0%	\$431,531	\$453,108	\$466,701
Less, Cost of goods sold:									
Breakfasts	\$5,963	1.5%	\$6,985	1.7%	\$5,869	1.4%	\$6,193	\$6,502	\$6,697
Restaurant, Beverage & Other	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	\$0	\$0
Other	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	\$0	\$0
Cost of Sales:	\$5,963	1.5%	\$6,985	1.7%	\$5,869	1.4%	\$6,193	\$6,502	\$6,697
Gross Profit	\$383,420	0.0%	\$415,965	0.0%	\$403,110	0.0%	\$425,339	\$446,606	\$460,004
Expenses:									
Advertising	\$12,447	3.2%	\$13,210	3.1%	\$14,896	3.6%	\$15,343	\$15,803	\$16,277
Bank & Credit Card Charges	\$4,896	1.3%	\$5,296	1.3%	\$4,253	1.0%	\$6,473	\$6,667	\$6,867
Chain Fees	\$9,655	2.5%	\$10,260	2.4%	\$11,000	2.7%	\$11,330	\$11,670	\$12,020
Electricity Gas Oil	\$20,170	5.2%	\$22,447	5.3%	\$31,575	7.7%	\$32,522	\$33,498	\$34,503
General Insurance	\$10,240	2.6%	\$10,749	2.5%	\$7,429	1.8%	\$7,652	\$7,882	\$8,118
Linen Hire	\$8,827	2.3%	\$9,962	2.4%	\$9,630	2.4%	\$10,161	\$10,466	\$10,780
Telephone	\$5,597	1.4%	\$5,366	1.3%	\$6,009	1.5%	\$6,340	\$6,530	\$6,726
Rates, Land Tax & Water Rates	\$4,624	1.2%	\$4,926	1.2%	\$12,692	3.1%	\$13,392	\$13,794	\$14,208
Replacements	\$50,632	13.0%	\$41,575	9.8%	\$51,239	12.5%	\$54,065	\$55,686	\$57,357
Wages & Superannuation	\$58,092	14.9%	\$58,021	13.7%	\$68,758	16.8%	\$72,550	\$74,727	\$76,968
Workers Compensation	\$2,375	0.6%	\$2,280	0.5%	\$1,737	0.4%	\$1,833	\$1,888	\$1,944
All other Expenses, see Input Data	\$159,974	41.1%	\$166,769	39.4%	\$79,183	19.4%	\$83,549	\$86,056	\$88,638
Total Expenses	\$347,528	89.3%	\$350,862	83.0%	\$298,402	73.0%	\$315,210	\$324,666	\$334,406
Freehold Net Profit	\$35,892	9.2%	\$65,103	15.4%	\$104,708	25.6%	\$110,128	\$121,939	\$125,597
Add-Backs									
Depreciation	\$31,731	8.1%	\$39,821	9.4%	\$27,441	6.7%	\$28,954	\$28,954	\$28,954
Interest	\$8,263	2.1%	\$5,049	1.2%	\$2,319	0.6%	\$2,447	\$2,447	\$2,447
Motor Vehicle Adj.	\$9,411	2.4%	\$7,446	1.8%	\$8,265	2.0%	\$8,720	\$8,720	\$8,720
Owners Wages & Super	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	\$0	\$0
Replacements inc. Capital.	\$27,269	7.0%	\$16,198	3.8%	\$26,700	6.5%	\$28,173	\$28,173	\$28,173
Wages - Managers	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	\$0	\$0
Wage Adjustment	\$11,049	2.8%	\$7,333	1.7%	\$20,513	5.0%	\$21,645	\$21,645	\$21,645
Food % Adjustment	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	\$0	\$0
Advertising	\$2,713	0.7%	\$2,636	0.6%	\$4,672	1.1%	\$4,929	\$4,929	\$4,929
All other Add-Backs	\$30,554	7.8%	-\$27,620	-6.5%	\$2,907	0.7%	\$3,068	\$3,068	\$3,068
Total Add-Backs	\$120,990	31.1%	\$50,864	12.0%	\$92,818	22.7%	\$97,936	\$97,936	\$97,936
Adjusted Freehold Net Profit	\$156,882	40.3%	\$115,967	27.4%	\$197,526	48.3%	\$208,064	\$219,875	\$223,533
Rental as % of FH Net.	\$0	0.0%	\$0	0.0%	\$96,590	48.9%	\$96,590	\$96,590	\$96,590
Adjusted Leasehold Net Profit	\$156,882	40.3%	\$115,967	4.6%	\$100,936	24.7%	\$111,474	\$123,285	\$126,943

Spec Note	Overview of Lessor's Position						Overview of Lessee's Position						Expected Increase of turnover inc. cash returned \$408,979.00 Gross Increase \$0.00	Yield Worth	
	Rent as per P&L \$96,590.00 Current Increase \$0.00 Minimum Increases 1.30% Annual Rental	Capital Value of investment motel on the following return 9.00%	Adj. Net Profit after deducting annual rental inc CPI	Rental as a % of Net Profit before rent inc CPI	Adj. FH Net Profit before rent Including Cash of \$0.00 Net Growth 5.00%	Capital Value of F/H motel business on the following yield 16.00%	Value of L.H. Business, Less Diminished Value of PFF valued at \$117,758	Average Room Rate & Increases \$110.55 Inc GST 5.23%	Value of L.H. Based on an Increment starting yield of 30.00%	Annual CPI Increase as per lease 1.30% For 12 Months ending Jun-12 Annual Rental	Review to Market every 5 years	Net Value of L/H Business on Yield below			6.00% Allowance for Repairs & Replacements
1	\$96,590.00	\$1,073,222.22	\$100,935.54	48.90%	\$197,525.54	\$1,234,534.59	\$336,451.78	\$110.55	\$336,451.78	\$96,590.00	Minimum Rental	Yield after 5 yrs 31.6%	\$24,538.74	\$408,979.00	41.2%
2	\$97,840.88	\$1,087,120.93	\$106,197.03	47.17%	\$207,401.81	\$1,296,261.32	\$327,704.04	\$116.33	\$340,584.58	\$97,840.88		31.6%	\$25,765.68	\$429,427.95	40.8%
3	\$99,107.97	\$1,101,199.64	\$111,254.03	45.61%	\$217,278.09	\$1,357,988.05	\$318,956.29	\$122.41	\$343,718.88	\$99,107.97		\$349,085.06	\$26,992.61	\$449,876.90	40.4%
4	\$100,391.46	\$1,115,460.67	\$116,311.03	44.20%	\$227,154.37	\$1,419,714.78	\$310,208.54	\$128.80	\$346,548.52	\$100,391.46		on net profit of	\$28,219.55	\$470,325.85	40.0%
5	\$101,691.57	\$1,129,906.39	\$121,368.03	42.90%	\$237,030.64	\$1,481,441.51	\$301,460.80	\$135.54	\$349,085.06	\$101,691.57		\$121,368.03	\$29,446.49	\$490,774.80	39.6%
6	\$103,008.53	\$1,144,539.19	\$131,281.66	41.72%	\$246,906.92	\$1,543,168.24	\$292,713.05	\$142.62	\$366,516.44	\$103,008.53	\$103,008.53	Yield after 10 yrs 33.6%	\$30,673.43	\$511,223.75	39.2%
7	\$104,342.53	\$1,159,361.48	\$136,532.92	40.63%	\$256,783.20	\$1,604,894.97	\$283,965.31	\$150.07	\$368,911.43	\$104,342.53		33.6%	\$31,900.36	\$531,672.70	38.8%
8	\$105,693.82	\$1,174,375.74	\$141,784.19	39.64%	\$266,659.47	\$1,666,621.70	\$275,217.56	\$157.91	\$371,034.64	\$105,693.82		\$392,153.96	\$33,127.30	\$552,121.65	38.4%
9	\$107,062.60	\$1,189,584.43	\$147,035.46	38.72%	\$276,535.75	\$1,728,348.43	\$266,469.81	\$166.17	\$372,895.91	\$107,062.60		on net profit of	\$34,354.24	\$572,570.60	38.0%
10	\$108,449.11	\$1,204,990.09	\$158,216.92	37.86%	\$286,412.03	\$1,790,075.16	\$257,722.07	\$174.85	\$392,153.96	\$108,449.11	\$108,449.11	\$158,216.92	\$35,581.17	\$593,019.55	37.6%
11	\$109,853.57	\$1,220,595.25	\$163,672.67	37.08%	\$296,288.30	\$1,851,801.89	\$248,974.32	\$183.99	\$393,912.75	\$109,853.57	\$109,853.57	Value of Business	\$36,808.11	\$613,468.50	37.2%
12	\$111,276.23	\$1,236,402.51	\$169,128.43	36.35%	\$306,164.58	\$1,913,528.62	\$240,226.57	\$193.61	\$395,427.20	\$111,276.23		Purchase Back Years	\$38,035.05	\$633,917.45	36.8%
13	\$112,717.30	\$1,252,414.48	\$174,584.18	35.67%	\$316,040.86	\$1,975,255.35	\$231,478.83	\$203.72	\$396,705.73	\$112,717.30			\$39,261.98	\$654,366.40	36.4%
14	\$114,177.04	\$1,268,633.81	\$180,039.94	35.03%	\$325,917.13	\$2,036,982.08	\$222,731.08	\$214.37	\$397,756.40	\$114,177.04			\$40,488.92	\$674,815.35	36.0%
15	\$115,655.69	\$1,285,063.19	\$192,448.34	34.44%	\$335,793.41	\$2,098,708.81	\$213,983.33	\$225.57	\$418,116.77	\$115,655.69	\$115,655.69	20 Yrs remaining	\$41,715.86	\$695,264.30	35.6%
16	\$117,153.48	\$1,301,705.34	\$198,108.58	33.89%	\$345,669.69	\$2,160,435.54	\$205,235.59	\$237.36	\$419,085.43	\$117,153.48	\$117,153.48	Buy 5 Years \$32,804.05	\$42,942.80	\$715,713.25	35.2%
17	\$118,670.67	\$1,318,563.01	\$203,768.83	33.38%	\$355,545.96	\$2,222,162.27	\$196,487.84	\$249.77	\$419,840.53	\$118,670.67			\$44,169.73	\$736,162.20	34.8%
18	\$120,207.51	\$1,335,638.99	\$209,429.07	32.90%	\$365,422.24	\$2,283,889.00	\$187,740.10	\$262.82	\$420,389.06	\$120,207.51			\$45,396.67	\$756,611.15	34.4%
19	\$121,764.25	\$1,352,936.12	\$215,089.32	32.44%	\$375,298.52	\$2,345,615.73	\$178,992.35	\$276.55	\$420,737.66	\$121,764.25		15 Yrs remaining	\$46,623.61	\$777,060.10	34.0%
20	\$123,341.15	\$1,370,457.25	\$220,749.56	32.02%	\$385,174.79	\$2,407,342.46	\$170,244.60	\$291.01	\$420,892.73	\$123,341.15	\$123,341.15	Buy 5 Years	\$47,850.54	\$797,509.05	33.6%
21	\$124,938.48	\$1,388,205.29	\$226,409.81	31.63%	\$395,051.07	\$2,469,069.19	\$161,496.86	\$306.22	\$420,860.36	\$124,938.48	\$124,938.48		\$49,077.48	\$817,958.00	33.2%
22	\$126,556.49	\$1,406,183.17	\$232,070.06	31.25%	\$404,927.35	\$2,530,795.92	\$152,749.11	\$322.22	\$420,646.43	\$126,556.49			\$50,304.42	\$838,406.95	32.8%
23	\$128,195.45	\$1,424,393.88	\$237,730.30	30.91%	\$414,803.62	\$2,592,522.65	\$144,001.36	\$339.06	\$420,256.54	\$128,195.45			\$51,531.35	\$858,855.90	32.4%
24	\$129,855.64	\$1,442,840.42	\$243,390.55	30.58%	\$424,679.90	\$2,654,249.38	\$135,253.62	\$356.78	\$419,696.08	\$129,855.64		15 Yrs remaining	\$52,758.29	\$879,304.85	32.0%
25	\$131,537.33	\$1,461,525.85	\$249,050.79	30.27%	\$434,556.18	\$2,715,976.11	\$126,505.87	\$375.42	\$418,970.23	\$131,537.33	\$131,537.33	Buy 10 Years	\$53,985.23	\$899,753.80	31.6%
26	\$133,240.79	\$1,480,453.27	\$254,711.04	29.98%	\$444,432.45	\$2,777,702.84	\$117,758.12	\$395.04	\$0.00	\$133,240.79	\$133,240.79	15 Yrs remaining	\$55,212.16	\$920,202.75	30.0%
	\$0.00	\$0.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		Buy 15 Years	\$0.00	\$0.00	0.0%
	\$0.00	\$0.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			\$0.00	\$0.00	0.0%
	\$0.00	\$0.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			\$0.00	\$0.00	0.0%
	\$0.00	\$0.00	\$0.00	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		30 yrs must be shown	\$0.00	\$0.00	0.0%
Total	\$2,830,078.74									\$2,830,078.74			\$981,549.60		

The following applies if our "Industry Lease" is applied - a template lease is available for you to study

The analysis is based on the negotiation at the beginning of the lease where the "Original Lessor" sets out the minimum annual increases. The lease then increases by CPI each year until review to market every 5 years. The rental can never be less than the minimum percentage set at the commencement of lease shown in blue in column 1. The CPI increase ceiling percentage is 5%.

In calculating the value of your leasehold you must always take into consideration an allowance of at least 3% to 5% p.a. for replacements. In assessing the motel's likely growth rate always assess previous years in comparison with the region's growth. (at least 5 years)

The two leasehold values are shown one with the leases diminished value and the other calculated on the nominated yield. The value of the business is between these two values. Refer to the values calculated in the reverse blue boxes.

Do not forget the value of the plant fixtures and fittings if at the end of a lease.

This spread sheet can be modified by completing the coloured boxes in a special work area.

Note on Growth: If the Motel cannot maintain a minimum growth potential of 2% be vary wary.

Take particular note of figures highlighted in blue. It is important that you understand these figures if they are out of sequence it can have disastrous long term effects on the motels net returns.

5.00% is the expected growth of the motel which is currently at an	Including GST	
average Room Rate of \$100.50	New room rate	\$105.75 \$116.33
\$5.25 room rate increase P.A. to meet this % increase	Old Occupancy	36.0%
Factor in an occupancy increase of:	New Occupancy	38.0%

Every effort has been made to provide accurate information. However Motel Assist cannot be responsible for mis-statement of facts, errors or omissions and recommend that independent advice be sought.

To maintain the assessed growth the above new room rate must be applied each year

Current Annual Turnover	\$408,979.00	33.13%	Turnover/Price
Actual FH Net Operating Profit	\$104,707.94	25.60%	% of T/Over
Acceptable Addbacks	\$92,817.60	22.69%	% of T/Over
Freehold Adjusted Net Profit	\$197,525.54	48.30%	% of T/Over
Annual Rental	\$96,590.00	48.90%	% of Net before rent
Leasehold Adjusted Net Profit	\$100,935.54	51.10%	% of Net before rent
Actual, Maintenance & Replacements	\$51,239.09	12.53%	% of T/Over
R&M Allowance per room	6.00%		of Turnover
Expected Annual growth of motel	5.00%		of Turnover
Estimated Net Profit Growth	5.00%		of Turnover
Yield on Freehold Business	16.00%		Net profit as a % of price
Yield on Leasehold Business	30.00%		Net profit as a % of price
Annual CPI Increases	1.30%		Consumer Price Index increases
Lease Term in years	26		Remaining period of lease options
Minimum annual increases of template	2.00%		The lease term impacts the yield asked for the Full Motel Analysis
Investment return expected	9.00%		

Data Required to prepare this report:

If there is a short cut in analysing a motel, this is it!!!

I have prepared this program for those who want to analyse a motel on their own. By using the program you can calculate the capitalised value using Industry Benchmarks.

You must analyse the business to assess the cash flow and establish if you can afford the business on a stand alone basis. If you need to apply additional assets to meet your

Financier's security levels this program will calculate your net cash flow excluding tax.

Regards,

Russ Dodson

EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation

Where you see this box, the information is critical in assessing the mortgage.



Input Data

Full Motel Analysis

Print Date: 12/01/2014

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Version 137

Where you see a **red triangle** in the top right hand corner of the box with a **green border** place the cursor over the box and an explanation will appear.

Click on the button below to insert the yield in the "Overview Page - must be done to complete program

Instructions Click on instruction boxes before inserting information

Type of Entry: (Click on Box) Motel Purchase Assessment & Finance Application

Information on Motel:

Date of Entry: 11/01/2014 Number of Rooms: 30

Motel Name: A Country Motel in Australia

Address:

City/State/Postcode:

Contact at Motel:

Phone/Fax Number:

Information on Person Inserting the Information: (or the people you are addressing)

Name: For demonstration purposes

Address:

Town/City/State/P-Code:

Phone: Fax:

Email:

Web:

Salutation: Mobile:

Envelope:

Specific Information on Motel:

Type of Motel: Freehold Years left in Lease: 26

Negotiated Price: \$1,350,000 Allow for Stock: \$5,000

Total Costs inc. Stock & 1st Month: \$106,965 Valuation, Pest & Building allow \$7500

All up Outlay for Motel: \$1,456,965 reports required etc: \$11,000

Net Cash in hand for Purchase: \$350,000 Cash Reserve: \$0

Total loan funds required: \$1,106,965 Includes all costs

Your actual cash in Hand/Shortfall: \$21,756

Loan Application is for \$1,100,000 Additional Loan Req? \$6,965

Only Complete this area after you have filled in the Profit & Loss figures below.

Employee Wage Break Down:

Reception: Total of Breakdown \$0

Housekeeping: Diff from Wages -\$56,592

Breakfasts: Wages need close scrutiny, click on the % button below to see b/marks

Kitchen Preparation: currently 13.8% of turnover.

Restaurant Inc. Waitress: Check each area of the motel to be sure the wages meet the task.

Add-Backs or Add-Ons:	% T/O		Notes on the Food:	
Depreciation	6.7%	\$27,441	Income	\$12,653
Interest	0.6%	\$2,319	B/mark	\$5,694
Motor Vehicle Adj.	2.0%	\$8,265	Actual	\$5,869
Owners Wages & Super	0.0%	\$0	Difference	\$175
Replacements inc. Capital.	6.5%	\$26,700	Select %	6.0% \$30,790
Wages - Managers	0.0%	\$0	Wages based on % below	\$44,988
Wage Adjustment	5.0%	\$20,513	Select %	11.0% \$65,501
Workers Comp Premium	0.0%	\$0		\$1,737 \$2,759
Advertising	1.1%	\$4,672	Select %	2.5% \$10,224
Credit Card/Eftpos Charges	-0.1%	-\$402	Select %	1.0% \$4,090
Relief Managers	0.8%	\$3,309		
Food from stock	0.0%	\$0		-\$9,465 Adjust amount of stock taken
Food % Adjustment	0.0%	\$0	Select %	0% \$5,869
	0.0%			
	0.0%		Actual cost stated is	\$0
	0.0%		Managers Relief Contract Component:	
	0.0%		\$200 p/day	
	0.0%		No of days	28
Total Add-backs		\$92,818	Allow contract for:	\$5,600

336.932509 791.4921

Profit & Loss Check with input document		2012	2011	2010
Total Income:	100%	\$408,979.00	\$422,950.00	\$389,383.00
Total, Cost of Sales	1.4%	\$5,869.00	\$6,985.00	\$5,963.00
Gross Profit:	98.6%	\$403,110.00	\$415,965.00	\$383,420.00
Current Rent 48.9% of Freehold Net Profit	23.6%	\$96,590.00	\$0.00	\$0.00
Total Operating Expenses	96.6%	\$394,992.06	\$350,862.26	\$347,528.10
Net Operating Profit (Check with source document)	2.0%	\$8,117.94	\$65,102.74	\$35,891.90
Add the Add-backs	22.7%	\$92,817.60	\$50,863.84	\$120,989.99
Adjusted Net Operating Profit:	24.7%	\$100,935.54	\$115,966.58	\$156,881.89
Check: Total Expenses		\$400,861.06 (Cost of Sales + Total Operating Expenses)		

CPI CALCULATION FOR SYDNEY

\$0.00	New Rent payable by Lessee	
0.00%	Percentage increase over previous year	
\$0.00	Insert previous years rent	
179.9	CPI index prior to review date	Jun-12
177.6	CPI index in the previous year	Jun-11

To access CPI figures [Click Here](#)

Financial Input information

In this area you can assess your borrowings.

Assessed Capitalised Value of Motel: \$1,234,535

Cash In Hand: \$350,000 All Up Price: \$1,448,785

Cash Reserve: Add 1st Month: \$8,180

Cash Req to Complete: -\$343,035 Net Cash in hand: \$350,000

Development Interest: \$0 after paying 10% deposit on purchase

Information for Finance Assessment: Loan is 100 Interest Only

If you have chosen Interest Only - how many years: 3 Years

Funds needed to complete this purchase: \$6,965 Special Note:

Loan required: \$1,100,000 Max loan available: \$1,128,721

Loan over assets by: \$0 on LVR 65.6% net security

Development Interest: \$0 Estimate months to build

This area is where you calculate the capitalised value of the motel

Notes on Building Depreciation	Yield Benchmarks
1. Current Benchmark yield for a Freehold Motel:	16.0% ?
2. Current Benchmark yield for a Leasehold Motel:	30.0% ?
3. Current Benchmark return on an Investment Motel	9.0% ?
Freehold Value:	\$1,234,535
Leasehold Value:	

Select Lender: National Australia Bank Ltd

Accounting Entity for the Motel Company

Does the motel have a Restaurant? Yes/No No Lic'd Y/N Yes

Does the motel have a Function Centre? No No Instructions

Investment Property Annual Net Income: \$93,600

Annual Wages Received outside Motel, First Partner:

Annual Wages Received outside Motel, Second Partner:

Annual Superannuation other than from Motel that is available:

Other Income:

Residential Security 1. \$485,000 Less Mortgage:

Residential Security 2. Less Mortgage:

Years remaining in the above loans 1 & 2 Instructions

Existing Loans on non real estate items (Not attracting security):

Description Existing Loan 1. Years

Description Existing Loan 2. Years

Credit Card Limit 1

Credit Card Limit 2

Credit Card Limit Other

Increased mortgage: \$388,000 that is now available.

Details of Residential Security to be offered (Loan details stated above):

Residential Security 1. Local Address

Residential Security 2.

Details on Commercial Security to be offered:

Property Offered:

Assessed Value:

Mortgage Amount:

Food from stock if not allowed for in the Profit & Loss:

No. of Adults Living in Motel: 2

Dependents - Children: 1

Check Benchmark Percentages

Superannuation	9%	Of wages	\$5,093
Workers Compensation	4.61%	Of Wages	\$2,759
Maint, Repairs Refurbishment from 5%-9% pa	6%	Of turnover	\$24,539
Housekeeping Wages 6% to 12%	11.0%	Of turnover	\$44,988
Workers Comp on the adjusted wages + Super			\$1,737 \$2,260.59
Superannuation on Adjusted Wages			\$3,257 \$4,048.89

The Profit & Loss check set out below must collate with the working Profit & Loss account. If it doesn't check for reversible entries until it is rectified.

Input Data - Work Sheet - an area you can insert & assess amounts & percentages

Calculations on Food & Beverage Cost

See explanation here and in left hand bottom of the Input Data Report in B/mark 42%

Total Food Income	\$12,653.00	as a percentage of income	3.1%
Deduct any amount that is not food related			
Adjusted Food Income:	\$12,653.00	100%	
Motel Food Cost:	\$5,869.00	46.4%	
Adjusted Net Profit:	\$6,784.00	53.6%	
Benchmark food cost applied in calc.		45%	
Cost Percentage over Adj Food Income		46%	
Benchmark Cost:	\$5,693.85	45%	
Motel Food Cost:	\$5,869.00	46%	
Difference:	\$175.15	1%	

Notes on Free Breakfasts.

When the warning "Free Breakfasts" appears the additional food cost is not an add-back. You must establish the actual breakfast cost.

Assess Average Motel Occupancy (Tariff excluding GST)			
Insert No. of Rooms	Maximum Annual Room Revenue	Room Size m2	
Standard Room	\$90.00 15	\$492,750	30.0
Deluxe Room	\$109.00 12	\$477,420	30.0
Family Room	\$119.00 3	\$130,305	40.0
Total (All figures Exc. GST)	30	\$1,100,475	33.3
Average Room Rate:	\$100.50	3944 Rooms Occupied.	
Actual Income:	\$396,326	36.0% Occupancy	
Insert Regions publicised av Occupancy:	39.0%	RevPar	\$0.00
Check on Annual Income	\$396,326	ie Total Maximum/ Calc Occupancy	

How to maintain your room revenue and reduce occupancy>>>>> ?

Evaluate the effects of increased turnover and cash returned to Turnover

Assess Average Motel Room Income			
	No.	Revenue	
Standard Room	15	\$492,750	
Deluxe Room	12	\$477,420	
Family Room	3	\$130,305	
Total (All figures Exc. GST)	30	\$1,100,475	
Average Room Rate:	\$100.50	4161 Rooms Occ.	
Assessed Income:	\$418,181	38.0% Occupancy	
Insert the Occupancy you are achieving	38.0%	or would like to achieve	
Calculations on Increased Turnover for 2013			
Accommodation (R42)	\$21,855	5.5%	\$21,855
Breakfast (R43)	\$0	0.0%	\$676
	\$0		
	\$0		
Restaurant			
Beverage			
Mini-bar			
		Yr Ended	2014 5.0%
		Yr Ended	2015 3.0%
Net Total Increased T/O	\$21,855	5.3% of Turnover	
Increased Expenses	\$4,031	1.9% of Expenses	
Increased Net Profit	\$17,823	17.7% of Adj. Net Profit	

Notes on Increased Turnover

The increased expenses are applied only to the items in the Profit & Loss that are affected by increased turnover being Variable Expenses being 36% of Net Profit.

Static Expenses are	\$257,847	64.3% of Total Expenses
Variable Expenses are	\$143,014	35.7% of Total Expenses
Total Expenses:	\$400,861	(Includes cost of sales)
Existing FH Net Profit	\$197,526	
Add Net from Inc. T/Over	\$17,823	Includes cash taken
Add Cash returned	\$0	FH Rental Assessment
Adjusted Net Before Rent	\$215,349	
Less Current Rental	\$96,590	Frm Rent Ass
Adjusted Net After Rent	\$118,759	
Rent shown as a % of Net P. before rent:	44.9%	0.0%

Cash put back into T/O

Construction of Motel:			
Land Cost:			
Construction Cost:	\$0		
Plant Fixtures & Fittings:	\$0	Total Cost:	\$0
Building Depreciation Allowance:			
Depreciation Figure from Balance Sheet:	\$0	Year Constructed	
Cost of Construction:		Dep Allowance Bal Sheet:	
Investment Allowance:	\$0	Dep Allowance Const:	
General Depreciation:			
Value of Plant F, Fittings:	\$0	Average Depreciation %	

Break-even Analysis in the first year Page 13.

Refers to your assessed income and expenses:

You need to make:	\$284,345	in sales to break even
	% over/	
	sales	Monthly 2012
Sales	100.00%	\$23,695 \$284,345
Less: Cost of sales	2.06%	\$489 \$5,869
Gross Margin	98.56%	\$23,355 \$280,265
LESS EXPENSES		
Admin & Overhead	66.25%	\$15,697 \$188,369
Sales & Marketing	5.24%	\$1,241 \$14,896
Interest Expense	27.08%	\$6,417 \$77,000
Rent	0.00%	\$0 \$0
Total Expenses	98.56%	\$21,559 \$280,265
Net Profit		\$0
Break-even sales	\$284,345	
as a % of total sales figure of	\$408,979	70%

To assess the break-even of a motel (76% - 80%) would be the highest to consider unless you can establish an upside.

Calculating additional rooms/day required to meet T/O

Using the average room rate of: \$100.50 Ex GST we can assess how many rooms per day it will take to achieve the increase in room revenue.

In the "Assess Average Motel Occ" Room income you have placed an occupancy of 38.0% which calculated a total room income of \$418,181 Using these calculations you will need to sell an additional 217 rooms per year to meet the projected room income stated above or, 0.6 rooms/day or \$21,855 per annum

Calculation for Room Cost per Night

Percentage of Food & Beverage to Turnover		3.1%
Insert New Restaurant Ratio to Turnover:		
Motel Operating Expenses	\$304,271.06	98.8%
Add: Rental	96,590.00	31.4%
Less: Add Backs	92,817.60	30.1%
Adj. Total Motel Operating Expenses	\$308,043.47	100.0%
Deduct expenses relating to Food & Beverage		
Bank & Credit Charges	\$679.40	0.2%
Wages, Super & W.C.	\$18,658.84	6.1%
Rent Proportion	\$2,988.30	1.0%
Electricity & Gas	\$976.87	0.3%
Other F&B Expenses	\$5,143.44	1.7%
	\$0.00	0.0%
Net Costs relating to Food & Beverage	0.00	0.0%
Net Cost relating to Room Revenue:	\$308,043.47	100.0%
Is this a B&B motel only Yes/No	Yes	
Cost per room Night:	\$78.11	\$85.92 Including GST

Property plus other Assets & Finance Overview

Purchase Property:	Maximum	Existing	Loan
Asset Valuation / LVR	Loan	Mortgage	Available
Prp 1.	\$1,234,535 60%	\$740,721	\$0 \$740,721
Offering your other assets as security			
Asset Valuation / LVR	Max Loan	Mortgage	Loan Available
Prp 2.	\$485,000 80%	\$388,000	\$0 \$388,000
Prp 3.	\$0 0%	\$0	\$0 \$0
Prp 4.	\$0 0%	\$0	\$0 \$0
Total	\$485,000	\$388,000	\$0 \$388,000

How a Bank will assess the risk and apply a % to Bank Value

Maximum Value on existing property	\$388,000 (Bank Value)
Less, Existing Mortgage	\$0
Funds Available to Mortgage	\$388,000
Assessment including Motel to purchase: % of Valuation	
Maximum Valuation of all property offered	\$1,719,535 100%
Maximum Mortgage Available on Security	\$1,128,721 66%
Less, Existing Mortgage/s	\$0 0%
New Net Funds available to Borrow	\$1,128,721 66%
Loan Application Funds seeking to Borrow	\$1,100,000 64%
All up loan, Existing + Application	\$1,100,000 64%

Note: The above assessment is on your assets over mortgage liability which is not enough for a Lending Institution to assess when you are purchasing a motel. The cash flow is calculated in conjunction with your gross mortgage repayments shown in the "Debt Service Ratio" Page.

These assessments cannot be used as a basis of a purchase they are guide lines only. An official approved loan application must be submitted in accordance with the Lending Institution of your choice.



Full Motel Analysis

Version 137

Saturday, 11 January 2014

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Dear,

**Re: Motel Purchase Assessment & Finance Application
 A Country Motel in Australia**

This spreadsheet has been constructed as a work sheet for me to prepare specific reports for all areas of the Motel Industry. Over the past 12 years the report has been modified 136 times as situations arose. I do not expect you to grasp all the input areas because I have difficulty in remembering all the keys due to the immense size of the internal programming. I give you the report for you to witness the complexity it takes to analyse a Motel Business. I have done my best to add explanations throughout the report pages explaining the logic of the out-come within the report.

The report is designed to assist Owners and prospective Purchasers to prepare for either selling, operating or purchasing a motel.

For the Owner:

Information must be available for the purchaser to analyse, that is, concise, transparent and most importantly thorough information, describing all areas of the financial performance of the motel business.

The report compares with Motel Industry Benchmarks to establish the capitalised value of the motel Business and Freehold.

The physical aspects of the motel are not covered in this report, however triggers will be alerted to lack of expenditure in repairs & maintenance.

For the Purchaser:

There are eight segments in the report which allows you to assess a motel at different levels and areas depending on your needs. You can select any one of these segments or print the lot as one report.

A "Fact Sheet" is available providing the relevant data in an easy to read layout if the Owner has selected the Marketing Assistance Program.

There are two major areas in assessing a motel.

1. Financial Covered in this report.
 2. Physical A special "Property Assessment Due Diligence" is available, which requires an on site inspection.
- Do not overlook the residence, it must be appealing and functional. Refer to "What to look for in a Motel" on the Snap Analysis page.

Once you have established that a motel meets your requirements you have to assess whether the CASH FLOW of the motel and your financial situation is sufficient to meet finance parameters. The "Financial Information" area at the top of "Input Data" page is the area you place your financial details which will assess if you have sufficient cash and assets to consider making a finance application.

It is important to seek independent financial advice because this report is a guide only and it is doubly important to have the data verified by an independent source.

Explanation on Sections of the Report:

The report is divided into nine sections.

- | | | | |
|------|--|------------------------------------|---|
| i. | Instructions: | Page 1 | |
| ii | Summary: | Pages 3 to 5 | |
| iii | Snap Analysis | Page 6 | |
| iv | Overview: | Page 7 | |
| v | Debt Service Ratio: | Pages 8 & 9 | |
| vi | Comparisons: | Page 10 | |
| vii | Rent Assessment: | Page 11 | |
| viii | Input Data including a worksheet explanation area: | Pages 12 to 15 | Make sure you read page 15 Awareness |
| ix | Explanation of Report: | <click here> | to view summary of services offered. |

Each section has its own area of research and information. Some may overlap due to the different areas the reports are directed to. When I prepare a report to a specific area some of the sections are deleted.

i. Instructions

An introduction to the workings of the sections of the report and a basic understanding of the motel operation.

ii. Summary: *(To read in conjunction with the "Snap Analysis Report")*

Summarises the motel showing the asking price and all purchasing costs, the security offered, capitalised value of the motel and your borrowing position and much more.

Work through the information and assess all the sections which gives you a detailed overview in the break-up of the Purchase Price, Mortgage break-up and other important data that must be considered. At the bottom of the page the "Cash Factor" is explained which should be brought into the equation. Traditionally Accountants will not include cash taken as a component when calculating the capitalised value of any business. Because cash withdrawn is widely practiced it is worth considering in your evaluation of the motel business.

A detailed Profit & Loss account is shown with percentages to the income. A further section is also included verifying authenticity to the source or the report's Profit & Loss Account that has been provided by the Owner for the current year.

iii. Snap Analysis: *(To read in conjunction with the "Summary Report")*

This page has been designed for the analytical process whereby you may need to compare more than one motel. Print off the page and place it beside the "Snap Analysis" page from the other motel you are comparing and highlight the differences with a coloured marker and pencil.

Take note of the abbreviated pointers of "what to look for in a motel" if you are nearing a decision.

RevPAR: "Revenue per Available Room" and is one of the most important measurements in the motel industry. It measures the number of available rooms per annum being 10,950 for this motel. To establish the RevPAR divide the accommodation revenue of \$396,326 by the number of rooms shown above which equals \$36.19 per room. Now you can assess the busy and quiet times of the motel and in particular what tariffs are being obtained during these times. Once you understand why the quiet times exist you then have to work on how you can apply a plan to make the motel operate better in those periods.

iv. **Overview:**

This is where you calculate the worth of the business to you. It allows both Owner & Purchaser to place the Benchmark parameters in the program which calculates the capitalised value of all areas of the motel, being either Freehold, Leasehold or Investment on the property you are assessing.

You may need to seek the actual Benchmark Yields that would apply to this particular motel. Within the active program go to the question marks under "Yield Benchmarks" in the Overview page and hold the cursor over the question marks which will activate notes on the Benchmark yields for each section of the motel business.

v. **Debt Service Ratio:**

This report is an actual internal financial template used by major Banks. What you see here is exactly how the motel and your financial position is assessed by the Financiers. The report has a second page of explanation for you to assess if you want to study how the Financiers assess the risk of the finance application.

Remember the more you can reduce the risk in the loan application the lower the interest rate.

vi. **Comparisons:**

An analysis cannot be complete without comparing two similar businesses which has been independently prepared by Accountants across Australia. The information sourced under the guidance of Maus one of the leaders in supplying Benchmark data on all types of businesses.

Go to the Comparisons page and click on the link provided which will take you straight to the motel section of their web site. Better still I supply you the link here: [Maus Web Site](#) Input to this site ceased some years ago, however it is still relevant.

This site will give you an insight to what they offer you in the understanding of applying Benchmarks and further investigation of motels.

vii. **Rent Assessment:**

This is the most complex area of the program which took about two years to perfect because of the immense amount of data that had to be correlated. It has many cross checks to make sure that you identify any abnormality that could appear during the life of the lease.

I do not expect you to grasp the full potential of this spreadsheet straight away, however it is extremely important to refer it to a Motel Industry Specialist or an accomplished Motel Broker if you do not understand its contents.

Capital Expenditure on replacements within the lease period:

If a proper replacement schedule is not in place the motel business will shrink and become unviable. It has been proven beyond doubt that at least 6% of revenue has to be placed aside to meet these costs.

If the motel business has not been allocating around this percentage be very wary and inspect the state of repair closely.

[You must have a 10 year replacement plan in place.](#)

viii. **Services & Explanation of Report:**

This is an interactive page to the internet allowing you to click on the links provided to investigate the services offered by the host providers to this program being Motelinfo and Motel Assist.

Click on the following links to enter the web sites

[Motelinfo](#)

[Motel Assist](#)

Other important providers to the Motel Industry are AAoA (Accommodation Association of Australia) and AAAT

The links to the websites are:

[AAoA](#)

[Star Rating](#)

ix. **Input Data:**

This is the work area of the program where the information is placed. Extreme care must be taken to ensure that the information you are supplied is accurate because any errors in this area will create improper and false conclusions.

It is recommended that you seek independent assistance to have the input data verified to Motel Industry Standards.

Data on the Motel that is Required from the Owner to complete this report:

i. Profit & Loss Accounts submitted to the ATO for at least three years.

ii. BAS Returns for at least three years

iii. Spread sheet of monthly income divided between the sources and if possible the occupancy for each month.

iv. Break-down of Wages.

v. Depreciation Schedule.

Any other relevant information that could affect the capitalised price of the motel.

Conclusion:

If you have read through or completed the Input Data in the report I trust that the results have given you an insight of what to expect when you commence a Financial Due Diligence on a motel Freehold, Leasehold Business or Investment property.

I offer assistance on this process as set out through earlier sections of the report.

The report is designed to assist in the process of either operating, selling or purchasing a motel. It is your decision when you seek assistance in this process.

Yours faithfully,

Russ Dodson

Every effort has been made to provide as accurate as possible information in these reports. However Motel Assist cannot be responsible for any errors or omissions and strongly recommend you to seek independent advice.