



Motel Buying Basics

Finance:

- ✗ Firstly, work out how much cash you need to buy a motel. As a guideline Banks will lend 60% of valuation on a freehold motel and up to 40%-50% of valuation on a leasehold motel.
- ✗ If you have to sell your home to buy a motel always disclose this up front so it can be taken into consideration by all the parties.
- ✗ Remember if you decide on a motel the contract requires an up-front 10% deposit.
- ✗ Always approach a Bank or Finance Advisor to establish how much you can safely borrow on your proposed purchase.
- ✗ It is recommended to finance on a principal & interest basis for a period of between 10 to 15 years. (10 years maximum LH) Charts are available to show you your repayments.

Try and establish the typical property you would like to purchase:

- ✗ Once you have established what you can pay for a motel, the next is where?
- ✗ Location – country, coastal or, metropolitan.
- ✗ Remember to work out your own accommodation, is the motel residence big enough.
- ✗ If it is your first motel you should not take on a restaurant without a thorough assessment.
- ✗ If the motel is an older style weatherboard or fibro construction insurance is difficult to underwrite.
- ✗ Refer to my explanation on “Leasehold or Freehold Business” which gives you further insight into understanding the two titles.

What you must look for in a motel:

- ✗ **POSITION** – Is the key, the location and drawing power of the town, district and is the motel on a highway, in the centre of town, views of the beach, position is very important and must be placed 1st at all times.
- ✗ **Condition** – The AAAT rating is an excellent indicator on the class and condition of a motel also if the motel is in a chain where minimum requirements are stipulated.
- ✗ **Occupancy** – Is a consideration but more importantly the average room rate is very important. Can room rate and the occupancy be improved? They go hand in hand. If you increase the room rate you may reduce the occupancy. However in a lot of cases the net profit is increased by this action.
- ✗ **Restaurant** – This is an area that requires expertise and should be analysed carefully. Once you have established that the restaurant is licensed, what is the seating capacity, staff, and kitchen set up. Does the kitchen comply with local ordinances and HACCP in place?
- ✗ **Owner** – Does the owner have valid reasons for sale, will they sign a statement of verification on the figures supplied and agree to a restrictive trade agreement.
- ✗ **Purchase Price** – Is it typical on the yields you have seen with other similar motels?
- ✗ **Accountancy** – Always assess on approved taxation figures. If you do not have your own Accountant I can refer you to a list of certified accounts in NSW that are part of FMRC benchmark of motel financials.

If your advisor says you cannot afford it **“listen”** going into debt is very stressful. Always consider your family first because it is a family business and you want to enjoy your time in the industry.

<p>Advantages:</p> <ol style="list-style-type: none"> 1. It is a cash flow business 2. Your operating expenses are tax deductible. 3. Receive up to 30% return (Leasehold) 4. Family involvement 5. Personal challenge and achievement 	<p>Disadvantages:</p> <ol style="list-style-type: none"> 1. Working 7 days a week 2. A total commitment is demanded. 3. At least 3 years is required to establish your business basics. 4. Discipline in carrying out all duties on time. 5. Can be extremely stressful
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