



# Interactive Motel Analysis Program Explanation

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This program has been constructed in Microsoft Excel 2003 and is downloaded into your computer by email. All precautions for eliminating viruses have been carried out but we cannot be liable for any viruses introduced through your firewall configuration.

If you do not have the Microsoft Excel 2003 software we can download viewing software. Refer to Questions page for links to download the software.

Our initial obligation is to assist you load the program onto your computer and assume that you can transfer the program to your "My Documents" file and open the program. If you do not have this experience or are having difficulty please contact us on our toll free number 1800-235-232 for assistance.

## **About the Program:**

It is interactive and requires you to insert basis data. Once you have inserted the data the program will calculate a typical financial benchmark result on what to expect from a motel with similar statistics. The data has been collected over 18 years from actual Profit & Loss figures submitted to a NSW Motel Brokerage from motels offered for sale.

## **The program input is set at two levels:**

1. **Level One:** Insertion of a net profit or income you would like to receive from a motel business. The program calculates the Motel's worth, expected turnover and net profit.
2. **Level Two:** Other data is inserted to establish more detail in the operation and also displays income, expenditure and worth of the motel. The data inserted would be an extract from the financials of the motel you have chosen to investigate.

## **Level One:**

### **Tab One: Data Entry:**

#### **Establish worth and turnover from Net Profit:**

There are template percentages and amounts placed in the dark green boxes. If you are not sure on these percentages leave them as they are stated.

Freehold Benchmark Yield: **14%**

Leasehold Benchmark Yield: **30%**

Rental as a percentage of Freehold Net Profit: **47%**

Average Daily Room Rate including GST: **\$109.00**

Occupancy Expected: **68%**

At the top of the yellow input area there is a blank dark green box with a red border. Place an amount of \$100,000 in this box and observe the change in the figures on the right hand side of the page. Now view the following.

### **Freehold Result:**

You will notice that a Freehold motel without a restaurant requires a turnover of \$175,439 for a capitalised value of \$717,286. The motel required 6 rooms to obtain those results on an average room rate of \$109.00 including GST and on an occupancy of 68%.

When a restaurant is included the turnover and labour is increased.

**Leasehold Result:**

You will notice that a Leasehold motel without a restaurant requires a turnover of \$331,016 for a capitalised value of \$333,333. The motel required 13 rooms to obtain those results on an average room rate of \$109.00 including GST and on an occupancy of 68%.

The restaurant has a higher turnover and labour could be rationalised.

**Investment Freehold Motel:**

This title is excluded from this data. It is included in the second part of the program.

Move down the page to establish purchase costs and return on the funds outlaid.

You may change the indicative interest rates and add a salary component in the boxes to the right of the page. It is suggested you leave the salary component blank until you have studied the rest of the options available in the program.

You will note at the bottom of the page an attempt has been made to alert you to the lack of profitability of a restaurant in relation to the size of the motel. A Leasehold motel business has been illustrated.

**Other Tabs at the Bottom of the Program:**

You have the option to investigate in more detail the impact of your data in a Benchmark Freehold Profit & loss or Leasehold Profit & Loss.

**Tab Two: Freehold Industry Profit & Loss:**

To assist in creating a scenario as accurate as possible there are additional questions relating to the operation of the motel business. The best way to address these questions is to place your cursor in the top left hand corner of the page and "Tab" down the page by pressing the "Tab" key on the keyboard. The following will appear:

- a. Insert the type of additional income, say Tours.
- b. Insert the amount.
- c. Minibar: Click on the down arrow and select either Yes or No.
- d. Asking Price: If the motel is for sale insert the asking price.
- e. Insert the additional item of cost.
- f. Insert the amount.
- g. Insert the additional item of cost.
- h. Insert the amount.
- i. Chain Fees: Click on the down arrow and select either Yes or No.
- j. Cleaning or Cleaning Contracts: Insert an amount if applicable.
- k. Negotiated Price: Inserted the negotiated price. The purchase costs are calculated on this amount.
- l. Cash in Hand: Place your available cash in this area.
- m. Amount decided to borrow: Insert the amount you have to borrow on your current cash position.
- n. Linen Hire (Laundry): If there is an external linen service answer "Yes". Note: the program is costing the linen being sheets only that is being laundered away from the motel. The towels, pillow slips, floor mats and washers are laundered at the motel.
- o. Restaurant: Click on the down arrow and select either Yes or No. You will notice quite a change in the figures. Study the effects closely.
- p. Insert an additional expense item.
- q. Insert the amount.

**Understanding the wage components of a motel:**

This is an area that is often understated and this area of the program is designed to make you aware of the cost mechanism. Note: Public Holiday rate has not been

averaged into the award. Usually a careful assessment of the future public holidays can be planned from the acquisition date.

The motel parameters are listed above so you can see the data inserted in the front page.

Now cursor through each position in the motel and estimate the hours you will work and the hours you will require staff.

The Housekeepers hours have been calculated by the program.

Finally you have the option to alter the template costs shown as \$5,000.

### **Tab Three: Leasehold Industry Profit & Loss:**

Apply the same approach to this section as the previous instructions except you will notice that the Minibar, Chain Fees, Linen Hire and Restaurant questions require you to return to the Freehold section if you want to change them in the Leasehold area.

### **Tab Four: What If Profit & Loss:**

This program allows you to insert more interactive data to assess the motel.

The first area you must establish in this program is - what title you are assessing Freehold or Leasehold. This is determined by clicking on the title in the yellow checking box at the top of the page and selecting the title from the drop down box.

Now move to the right of the green heading click on the "Transfer Ratios" button to transfer the current figures from the previous template Profit & Loss templates. You can change these figures to suit your scenario.

You can now "Tab" through the page as previously instructed in the template Profit & Loss pages.

### **Tab Five: Questions:**

The questions are reminders of pertinent areas of a motel operation you must be aware of.

If you attend a seminar this program together with full financial software is included in the seminar fees.

A special section in the Seminar is devoted to understanding the software so you can use it at any time in the future.

### **Tab Six: Instructions:**

This page allows you to download the instructions to operate this program plus other direct links which is explained on the page.

At the top of the page you will notice a button "Press to align all pages". This button when pressed will align every page in the program to the top of the page to allow you to scroll through the program and view the results from your out put.

### **Level Two:**

#### **Establish worth and turnover from Net Profit:**

There are template percentages and amounts placed in the dark green boxes. If you are not sure on these percentages leave them as they are stated.

Freehold Benchmark Yield: **14%**

Leasehold Benchmark Yield: **30%**

Rental as a percentage of Freehold Net Profit: **47%**

Average Daily Room Rate including GST: **\$109.00**

Occupancy Expected: **68%**

At the top of the yellow input area there is a blank dark green box with a red border make sure that it is blank with no figures in it. This activates the program to accept data in the other boxes.

Now you can modify any box in the yellow area to suit the motel you are investigating. If you accept the template data in the boxes the additional data is.

Ideal Number of Rooms: **18**

Net Return Expected on Rental: **9%**

**Freehold Result:**

You will notice that a Freehold motel without a restaurant shows a turnover of \$484,755 for a capitalised value of \$1,973,645. The motel has 18 rooms to obtain those results on an average room rate of \$109.00 including GST and on an occupancy of 68%.

When a restaurant is included the turnover and labour is increased.

**Leasehold Result:**

You will notice that a Leasehold motel without a restaurant matches the Freehold turnover of \$484,755 for a capitalised value of \$452,438 and the same 18 rooms to obtain those results on an average room rate of \$109.00 including GST and on an occupancy of 68%.

The restaurant has a higher turnover and labour could be rationalised.

Allowing the same turnover allows you to compare the differences between a Freehold & Leasehold business.

**Investment Freehold Motel:**

In assessing an Investment Motel you have stated a net profit return of 9% when in fact the net return on the residual value of the value of the Investment component is \$1,521,207 showing the rental of \$120,366 to be 7.91% of the Residual Value. The Residual Value is the Freehold Capitalised Value less the Leasehold Capitalised Value.

The difference in the return is shown in red in the Investment Freehold Motel area shown in bright green box.

**Page two of the report:**

Move down to the page below to establish purchase costs and return on the funds outlaid.

You may change the indicative interest rates and add a salary component in the boxes at the right of the page. If you add a wage component the wages will appear in the Tab Industry P&Ls, however you must answer the drop down box to Yes in the area next to Owners Wages in the FH Industry P&L page for the wages to appear in the Industry Profit & Losses.

You will note at the bottom an attempt has been made to alert you to the profitability of a restaurant in relation to the size of the motel. A leasehold title has been illustrated.

There is no provision to change these calculations here, however you can add wages and other figures in the Industry P&L Tabs.

If you need further explanation please click on the "E" Explanation boxes numbered from E1 to E6 on the front page.

**Tabs at the Bottom of the Program:**

Please refer to the information under this heading on page 2.

**Comment on Software:**

We trust that you receive benefit from the layout of the software which is being updated all the time with new data.

If you apply to us at any time over the next eighteen months we will forward you by email a current update at no charge.

The program has no license limitations and can be readily copied. We believe the value in the program is how the data is interpreted.

RD 4/3/2007