



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 the motel always, disclose this up front so all the parties can consider it.
- ✘ Remember if you decide on a motel the contract requires a 10% deposit.
- ✘ Of course, it is always prudent to 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 over a period of between 10 to 15 years. (10 years maximum LH) Charts are available to show you what your repayments would be.

Try to 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 needs in accommodation, is the motel residence big enough?
- ✘ If it is your first motel, you may not need a restaurant, if so make sure a restaurant is nearby.
- ✘ If the motel is an older style weatherboard or fibro construction and there is evidence that WorkCover is not up to date – be wary and seek advice, this could be a very expensive area.
- ✘ 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 motel on a highway, in the centre of town, views of the beach, **position is very important** and must be considered at all times.
- ✘ **Condition** – The AAA 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 the room rate and occupancy be improved? They go hand in hand. If you increase the room rate, you may reduce the occupancy. However, in many cases **the net profit is increased by this action.**
- ✘ **Restaurant** – This area requires expertise and should be analysed carefully. Once you have established the restaurant is licensed, know the seating capacity, staff, and kitchen set up. Does the kitchen comply with local health 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 of the yields you have seen in similar motels?
- ✘ **Accountancy** – **Always assess on approved taxation figures.** If you do not have your own Accountant it is important to seek an Accountant who has credentials in motel work. 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.

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<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 28% 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 stressful
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