The same motel has three prices.

Before anything else — before occupancy, before location, before the numbers — establish what you are actually buying. A motel is sold three different ways, and they are three different transactions with three different prices, three different deposits and three different risks.

LEASEHOLD
the business only · you pay rent

Typically **2.5–3.5×** adjusted net profit. Lowest entry price, highest headline return, no land. The lease term is the asset, and it runs down every year.

Harder to fund. Lease is the security.

FREEHOLD GOING CONCERN
land, buildings and business as one

Typically **7–9×** adjusted net profit. Highest entry price, lowest headline return, real property under it. Two assets, one settlement.

Strongest funding. Property is the security.

PASSIVE FREEHOLD
the property, with a lessee in place

Priced on **rental yield**, not profit. You are a landlord. The tenant runs the motel and pays you rent — the quality of that lessee is your risk.

Property investment. Different lender, different test.

The benchmark that connects them

Industry practice, when a motel is split into freehold and leasehold, is that the landlord takes roughly **45% of the gross profit as rent** and the lessee keeps about 55% for running it. A leasehold paying materially more than that is a lessee working for the landlord. Ask for the split before you look at anything else.

THE INDUSTRY, IN FOUR NUMBERS

About **$4.1 billion** across **2,111 businesses** — roughly **$1.9 million** each with 11 staff. Industry profit of $452 million works out near **$214,000 per business**. Margin sits at **11.0%** and has **risen 6.3 points in five years** — the healthiest trend of any sector in this series. See page 6.

The rebuild — illustrative	Amount
Adjusted net profit "to a working couple"	**$240,000**
A management couple at market, wage plus super	– $110,000
Deferred refurbishment, annualised	– $25,000
Rent at the next review	– $8,000
What the lender assesses	**$97,000**

As a leasehold at 3×, the headline 33% return becomes 13.5% once you pay a couple to run it. As a freehold going concern at 8×, a 12% headline becomes **about 5%** — barely above the cost of the debt. That is why owner-operators buy freeholds and passive investors struggle with small ones.

Which one is for you — honestly

- ☐ **You will live on site and run it.** A leasehold gives the highest return on the least capital, because your labour is the equity. A freehold going concern gives less return but builds a property asset underneath a job — and most owner-operators who stay a decade end up wealthier from the land than from the trading.
- ☐ **You want a manager to run it.** Be careful with a small freehold: after a management couple's wage, the return can sit close to the cost of debt. The tenure that works for a hands-off owner is usually the passive freehold — buy the property, lease it to an operator, and be a landlord.

THE QUESTION UNDERNEATH ALL THREE

A motel's return is really two returns stacked: a **property return** on the land and buildings, and an **operating return** on running it. A leasehold buys only the second. A passive freehold buys only the first. A freehold going concern buys both — which is why its headline yield sits between the two, and why splitting it later into a freehold and a lease is one of the ways value is created in this sector.

DO THIS BEFORE YOU OPEN A SINGLE LISTING

Decide which of the three you are buying. Then get your capacity assessed for that tenure — the deposit, lender and term are different for each, and knowing what you can settle changes which motels you should even look at.

Why do guests stop here?

The structural test for a motel. The industry is splitting into properties whose demand is steady and properties whose demand is discretionary — and they are worth very different multiples of the same profit.

They stop because of the ROAD	They stop because of WORK	They stop because of the BEACH
Highway corridor, a natural overnight stop, easy parking. Durable, and largely untouched by short-term rentals.	Mining, construction, a hospital, a regional hub, events. Midweek, price-stable, less discretionary than leisure.	Coastal and tourism-dependent leisure. Exposed to household budgets and to Airbnb, which concentrates exactly here.
The industry's strongest position.	**Resilient — check what is contracted.**	**Volatile. Price it, and check five years.**

The three numbers, monthly, three years

- ☐ **Occupancy** — rooms sold as a share of rooms available. The national average sits in the low seventies; a motel well below that has a reason.
- ☐ **Average daily rate** — room revenue divided by rooms sold. This is the pricing power.
- ☐ **RevPAR** — revenue per available room, occupancy and rate combined. The single metric that compares one motel with another.
- ☐ **By month, not year.** Motel revenue is among the most volatile in the economy and the seasonal shape is everything. An annual total hides a February that lost money.
- ☐ **By channel.** What share of bookings arrives through online travel agencies, and what commission they take. That is traffic you rent, and the cost is inside the margin.

What to ask, and what to look at

- ☐ **When was the last refurbishment, and what did it cost?** The cycle is seven to ten years, and industry-wide renovation stalled when rates rose in 2021–22. A buyer in 2026 is very often inheriting the deferred one.
- ☐ **Which guests come back, and why?** Contracted workforce accommodation is an asset; habitual is a hope.
- ☐ **What does the food and beverage side actually earn?** It is 17% of industry revenue and can lose money on its own.
- ☐ **Who runs the desk at 10pm?** If the answer is the owners, from the residence, that is the job you are buying.
- ☐ **Walk every room.** Not the three they show you. Bathrooms, air-conditioning, mattresses, the roof. The refurbishment bill is written on the walls.

SIT IN RECEPTION FOR AN EVENING

Watch who checks in between five and eight. Tradies in work utes are a corridor-and-work motel. Families with boogie boards are a leisure motel. Couples who ask for "their" room are the goodwill. An hour at the desk answers the demand-mix question better than any spreadsheet.

TWO SEARCHES, TEN MINUTES

Read the **reviews all the way back** — they date the last refurbishment more honestly than the vendor will. And check **what is being built or approved nearby**: a new hotel, a bypass that moves the highway, or a mine that is closing.

The 12 deal-killers.

Run every motel you look at past the list. One is a negotiation. Three is a walk. Anything touching tenure or the lease term counts double, because it decides whether the deal can be funded at all.

1 **Paying a freehold multiple for a leasehold.** Tenure confused, or a leasehold priced as if the land came with it.

> → **Establish tenure first. Price against the right benchmark.**

2 **A lease with too few years left.** Leaseholds lose value as the term runs down, and lenders shorten the loan to match.

> → **Negotiate an extension before contract. It sets the funding.**

3 **Rent above the 45% benchmark.** The landlord taking more than the industry split leaves the lessee working for them.

> → **Reprice, or renegotiate the rent before you sign.**

4 **Refurbishment deferred since the rates rose.** A 7–10 year cycle, and renovation stalled across the industry from 2021–22.

> → **Cost it room by room. It comes off the price.**

5 **Numbers you cannot see monthly.** No occupancy, rate and RevPAR by month, or bookings all through one online agency.

> → **Monthly data as a condition. Price the commission.**

6 **Leisure-only demand in an Airbnb market.** Coastal or tourism-dependent, with no corridor or workforce trade underneath it.

> → **Five years of figures, and a discount for volatility.**

7 **One contract carrying the midweek.** Mining, construction or a project workforce that ends when the job does.

> → **Check the contract, its term, and what replaces it.**

8 **The working couple read as profit.** Adjusted net profit assumes two owners on site, on call, unpaid.

> → **Take a management couple out at market. Compare like with like.**

9 **Compliance debt in the building.** Fire safety, accessibility, pool, planning conditions — unmet, and yours at settlement.

> → **Council and fire inspection records. Rectification costed.**

10 **Food and beverage losing money.** A restaurant, a licence and a kitchen that subtract from the accommodation profit.

> → **Separate the accounts. Price the motel, not the restaurant.**

11 **Chattels not valued, or valued at cost.** Beds, linen, appliances and furniture bought as part of the price, unlisted.

> → **Register, count, value at market. It moves the goodwill.**

12 **No restraint, no handover.** The couple stays in town, keeps the regulars, and nothing stops them.

> → **No restraint, no deal.**

WHY THE REFURBISHMENT QUESTION IS NUMBER FOUR

Fixed assets are three-quarters of everything a motel owns. When the industry stopped renovating in 2021–22, that capital did not disappear — it became a bill waiting for the next owner. A tired motel at a good multiple is not a bargain until you have costed what it takes to make guests come back.

AND THE PROTECTION IS REAL

Almost no new motels are being built — construction costs have made it unviable at the rates regional operators can charge. A well-located, well-maintained motel faces less new competition than nearly any other small business in this series. Buy the right one and the moat is genuine.

Score it — one column per motel you inspect

1 ______	2 ______	3 ______	4 ______	5 ______	6 ______
7 ______	8 ______	9 ______	10 ______	11 ______	12 ______

Score them side by side.

You will look at several. Fill this in the same day you visit — the motel you remember most fondly is rarely the one that stacks up best on paper.

	Motel A	Motel B	Motel C
Tenure — leasehold / freehold going concern / passive			
Asking price, and the multiple it implies			
Adjusted net profit “to a working couple”			
Rebuilt profit — after a management couple			
Rooms, and RevPAR (12-month)			
Occupancy trend — three years			
Lease: years left, and rent as % of gross profit			
Demand mix — road / work / leisure			
Last refurbishment, and the deferred bill			
Deal-killers found — how many			

When one stacks up — ask for these five

- ☐ **The lease in full** — term, options, rent, reviews, and who pays for what
- ☐ **Financials and tax returns** — three years minimum, five if held, and **monthly** occupancy, rate and RevPAR
- ☐ **The adjusted net profit worksheet**, with every add-back evidenced
- ☐ **The chattels register**, and the refurbishment history room by room
- ☐ **Compliance** — council, fire, pool, planning, and any notice outstanding

Any one of the five coming back thin, late or heavily qualified is itself a finding.

Do this now, while you’re still looking

Get your borrowing capacity assessed **before** you start negotiating — and get it assessed for both tenures. A freehold going concern funds against property; a leasehold funds against a lease that runs down. The deposit, the term and the lender are different, and knowing which one you can actually settle changes which motels you should even look at.

And when you’ve found one — over the page.

Send us the pack and our answer comes back within 24 hours. The next page lists exactly what to send and what you get back.

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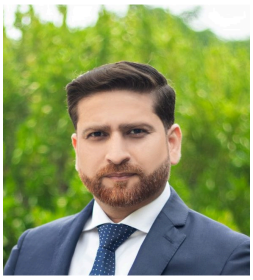
Our fee is quoted up front. If the numbers say walk, we’ll still tell you to walk.
With gratitude — Priyank

Send the pack. Get an answer in 24 hours.

Funding is decided on the quality of the submission, not only the quality of the deal — and a motel is bought and financed as a going concern — land, business and goodwill read as one. Send these to **priyank@prevailfinance.com.au** and within 24 hours you have our answer, fundable or not.



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With gratitude

About the business

- ☐ The five documents from page 4
- ☐ The business summary or information memorandum
- ☐ **Monthly** occupancy, rate and RevPAR, three years
- ☐ The adjusted net profit worksheet, evidenced line by line
- ☐ Tenure — lease in full, or title and any existing lease
- ☐ Chattels register and refurbishment history
- ☐ Asking price, and how it was built

About you

- ☐ Two years' tax returns and notices, plus entity financials
- ☐ Assets and liabilities, with an equity source
- ☐ Six months' loan statements, three months' transactions
- ☐ Photo ID and any hospitality or management background
- ☐ A short work history — credit assesses **your** capacity too
- ☐ Proposed buying entity and transition plan

Why the pack decides the outcome

Complete pack (everything, first time) → **One clean submission** (the story holds together) → **Credit reads it once** (confidence, not questions) → **Room to negotiate** (gearing, pricing, exceptions)

Partial pack (sent in pieces) → **Questions, then re-work** (days lost each round) → **Credit reads it twice** (doubt attaches to the file) → **Conditions and delay** (and a finance clause running out)

Same deal, same buyer, same lender. The only variable is what arrived in the first email — and it moves the terms, not just the timeline.

Once you accept our quote, in one business day:

- ☐ Your Action Plan — what happens, in what order
- ☐ The funding pathway scoped for this tenure
- ☐ An indicative pricing band
- ☐ The finance clause date your contract needs
- ☐ Pre-approval prepared, ready when you say so

Then what we do with it

- ☐ **Maximise the funding** — rebuilt profit and the tenure presented the way accommodation lenders assess them
- ☐ **Solve the term** — on a leasehold, the years remaining set the loan; an extension negotiated before contract changes the answer
- ☐ **Put the case properly** — directly to the decision-maker
- ☐ **Structure the tenure** — leasehold, freehold going concern, or split freehold and lease between entities or a fund

Source: IBISWorld, *Motels in Australia* (H4402), June 2026

The numbers behind the sector.

What the industry research says about size, profit, cost and where the money comes from — distilled to what a buyer needs. All figures from IBISWorld's June 2026 report unless stated.

Headline	Figure	5-yr trend
Industry revenue	$4.1bn	+11.1% p.a.
Businesses	2,111	+1.4% p.a.
Revenue per business	$1.9m	+9.5% p.a.
Profit per business	$214k	—
Profit margin	**11.0%**	**+6.3 pp**
Employees per business	11	−1.9% p.a.
Forecast revenue growth	2.5% p.a.	to 2030–31
Revenue volatility	Very high	—

WHAT THAT MEANS FOR A BUYER

A recovered, profitable sector whose growth phase is over. The 11.1% annual growth was the post-pandemic rebound; 2.5% is the future. Buy on the run rate, not the recovery.

Where the dollar goes — cost structure, % of revenue

Utilities 4.0% · Depreciation 3.8% sit between rent and other. Profit is higher than the accommodation sector average of 3.5%.

Where the revenue comes from

By product	Share	By market	Share
Midscale & economy rooms	59.7%	Domestic leisure	52.2%
Luxury & upscale rooms	20.0%	International visitors	29.3%
Food and beverage	17.2%	Domestic business	15.0%
Other services	3.1%	Other visitors	3.5%

GEOGRAPHY

NSW and Queensland hold **63% of all motels** against 51.6% of population — the road-trip corridors. Victoria is under-represented (20.9% of motels, 25.6% of population) because Melbourne is a hotel-and-apartment market. The report's own words: metropolitan markets are **"structurally unviable"** for motels. Regional is the business.

THE BALANCE SHEET SHAPE

Fixed assets are about **76% of total assets**. Long-term debt sits near **46%** of liabilities and net worth. Debt to net worth around 0.7. This is a property-heavy, debt-carrying asset class — which is why tenure and the cost of money matter more here than in any other guide in this series.

THE WAGE LINE IS DOING THE WORK

Wages have fallen from 33.9% of revenue in 2007–08 to **26.6% in 2025–26**, and are forecast to keep falling toward 22% by 2031–32 as revenue per employee climbs past $200,000. The margin expansion of the last five years is largely a labour story — motels filled more rooms without adding staff. The question for a buyer is whether the motel in front of you did the same, or whether its wage line is where the industry was fifteen years ago.

What is moving the market.

Seven forces the research identifies, and what each one means for the price you pay and the motel you choose.

1 · ALMOST NOTHING NEW IS BEING BUILT

New motel construction is described as **virtually non-existent**. Only about 2,339 rooms were added nationally in 2025 across all accommodation. CBRE expects future supply to run 41% below historic delivery. For existing regional motels this is a widening moat — and the reason value now comes from repositioning old stock, not adding new.

2 · THE REFURBISHMENT CYCLE STALLED

Cycles run **7–10 years**. Many 1970s and 80s motels were upgraded when rates were low; renovation activity **declined sharply from 2021–22** as rates rose. Depreciation as a share of revenue has fallen as a result. Translation: the deferred capital is now a buyer's liability, and it is in most motels on the market.

3 · SHORT-TERM RENTALS BITE IN SOME PLACES, NOT OTHERS

Airbnb's penetration is concentrated in **high-density urban and coastal markets**. Regional highway corridors are largely unaffected because low property values make short-term rental economics unviable there. Victoria's 7.5% short-stay levy gives partial relief, but the protection is state-specific and fragile.

4 · THE MARKET IS SPLITTING IN TWO

Business- and event-adjacent motels near **regional hubs, transport corridors and worksites** are sustaining margins on stable midweek trade. Leisure-reliant coastal properties face occupancy pressure as household budgets tighten. Mining and construction alone were 35% of corporate bookings in 2025.

5 · THE COST OF MONEY IS THE HEADWIND

The cash rate reached **4.35% in May 2026** and is forecast to peak near 4.70% by year end, with inflation above target until mid-2027. For a sector where fixed assets are three-quarters of the balance sheet, funding cost is a first-order variable — and domestic demand recovery is not expected before late 2027.

6 · QUEENSLAND HAS A DECADE-LONG CATALYST

The **Brisbane 2032 Olympics** is identified as the sector's most significant demand event. CBRE estimates ~81,000 rooms will be needed across South-East Queensland against 67,200 in inventory, with the pipeline adding only 11%. Construction workforce, event and overflow demand start well before 2032 and are expected to persist after it.

7 · MEMBERSHIP CHAINS, NOT FRANCHISES, DOMINATE

No operator holds more than 5% share. The largest networks — Golden Chain (200+ properties), Budget Motels, Best Western — are mostly **member organisations** that preserve operator autonomy, unlike Choice Hotels' franchise model. Joining one buys booking channels and buying power without surrendering control. Worth pricing into any independent you consider.

The seasonal shape, industry-wide

Peaks: Christmas–New Year, school holidays (April, July, September–October), summer. **Troughs:** February–March, May–June, November. Consistent year to year — which means a settlement date can be chosen deliberately, and a vendor's "quiet patch" can be checked against the calendar.