

BUYERS ADVICE

When considering buying a hotel particularly for the first time, there are things you need to know and we at Langfords Hotel Brokers can assist you in understanding each step without cost or obligation.

There are many financial and social benefits in becoming a self-employed hotelier and we would be pleased to explain these to you. Since 1959 'Langfords' has assisted many hundreds of hotelier's achieve financial security and most have thoroughly enjoyed the experience.

Having said that, being a hands on publican has its challenges including irregular and sometimes long working hours although in the majority of cases the harder you work the more financially successful you will become. Having a natural understanding of what hospitality is all about is an advantage. Put simply it's about providing customers with a quality product at a fair price as efficiently as possible.

Running a country hotel can be an enjoyable experience and some local customers may become lifelong friends. Country towns offer a healthy environment to raise a family and the wide open spaces and fresh air provides a fantastic backyard playground for children.

Living on premise provides many financial benefits and hotels generally make great family homes with plenty of room for all the family.

What you need to know when considering buying a hotel.

Location

Most prospective hotel buyers have a preference for a specific location/s such as the CBD, suburbia or country. In the case of country we suggest that you work on your maximum drive time from Adelaide relative to direction. For example you may like the Clare Valley, Yorke Peninsula or the South East and once you have made such decision you can see what hotels are available for purchase in your preferred location/s.

Leasehold or Freehold ?

Owning the 'bricks & mortar' appeals to some hotel buyers and not others. Some buyers prefer to buy a leasehold & business hotel where every dollar invested in buying the hotel provides varying financial benefit for the duration. Buying freehold and business can have longer term benefit including selling a lease with rental income. Remember that the market value of any hotel whether leasehold & business or freehold & business is directly linked to specific criteria including business profitability. Please feel free to speak to us about these options.

March 2015

Lease Documents (Leasehold & Business purchase)

When considering purchasing a leasehold hotel you will buy either an existing lease (as applies in most cases) from the vendor as the incumbent lessee or a new lease from the property owner (lessor). The longer the lease duration the greater the 'security of tenure' and when you feel the time is right to sell, your Hotel Broker will offer prospective buyers (as the ingoing tenant) the balance of your lease duration. The lease agreement is a legal document that sets out the rights and obligations of the Lessee and Lessor and we strongly recommend that you employ a specialist Licensing Lawyer to explain it to you.

Hotel Broker

Once the vendor has appointed a Hotel Broker that person will prepare an 'Information Memorandum' which should contain all relevant information and financial data about the hotel to assist you in making an informed decision. We recommend that first time buyers in particular seek independent advice from a Specialist Hotel Accountant in respect of the vendors financial statements contained in the Information Memorandum. Whether you are a first time buyer or experienced hotelier we suggest that you contact all Hotel Brokers and advise them of your hotel purchase criteria so they can refer matching listings to you and keep you informed of upcoming listings. There is no cost or obligation to you to do so.

Finance

We recommend that before you start looking at hotels on the market in your preferred location that you enquire of the 4 major banks as to their funding criteria for hotels. It is imperative that you only consider hotels in your affordable price range to avoid disappointment if you find the right hotel and the bank reject your finance application. The banks are there to assist buyers although they all have strict lending criteria that you should be aware of. We would add that in our experience alternative financial institutions such as credit unions do not offer funding to hotel purchasers.

March 2015

Summary

It is often said that if you surround yourself with professionals in their respective fields you will eventually make an informed decision and buying a hotel is a case in point. We at Langfords Hotels Brokers continue to offer cost free, no obligation advice to prospective purchasers of hotels and are always pleased to do so by phone, email or personal contact.

Please contact John Langford for an initial informal chat about hotels and if you would like our Information Memorandum on any of our current listings please let us know. We are always available including after hours and weekends to assist you and provide answers to your questions.



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The information, advice and recommendations contained herein are a summary only and are not intended to be definitive or exhaustive. We are always available to elaborate and discuss all aspects of this brochure – please contact John Langford for such purpose.

March 2015