

How Is a Motel or Serviced Apartment Hotel Valued?

What Every Owner Should Understand Before Going to Market

By Liz Galea · Founder, Stellar Accommodation Brokers

May 2026

One of the most common questions I hear from accommodation owners — whether they're thinking seriously about selling or just beginning to wonder — is some version of: 'What is my business actually worth?'

It's a reasonable question, and it deserves a straight answer. The problem is that motel style and serviced apartment hotel business valuations are not simple. They're not like residential property, where you look at comparable sales on the street and land somewhere in the middle. They involve business performance, lease structure, location, market conditions, and a buyer pool with very specific requirements. Getting the number wrong — either too high or too low — has real consequences.

This is my attempt to demystify the process. I've spent nearly three decades in this industry — as an operator, a franchisee, and a broker — and I've seen what happens when owners go to market without understanding how their business will be valued. I want to change that.

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The Foundation: It Starts With EBITDA

Almost every motel and serviced apartment hotel lease valuation in Australia starts in the same place: EBITDA. That stands for Earnings Before Interest, Tax, Depreciation and Amortisation — and in plain terms, it's a measure of what the business actually earns before the owner's financing and tax decisions are factored in.

Why EBITDA rather than just 'profit'? Because buyers aren't purchasing your tax return. They're buying the underlying earning capacity of the business — and EBITDA is the closest standardised measure of that. It strips out the variables that differ from owner to owner and leaves the core business performance visible.

The basic valuation formula for a motel lease looks like this:

Normalised EBITDA × Market Multiple = Indicative Value

Both sides of that equation matter equally — and both require careful thought.

What Is 'Normalised' EBITDA — and Why Does It Matter?

The word 'normalised' is doing a lot of work in that formula. It means the EBITDA has been adjusted to reflect what a new, arm's-length owner would realistically earn from the business — not what the current owner happened to earn in a particular year.

Common adjustments that go into normalising EBITDA include:

- **Owner's salary** If the owner takes a salary that is above or below market rate for a working manager, that salary is adjusted to reflect what it would actually cost a buyer to run the business.
- **Non-recurring items** One-off costs or revenues that won't recur — a major repair in a single year, a one-time grant, an insurance payout — are removed so the number reflects sustainable trading.
- **Personal expenses** Expenses that are personal rather than operational — a personal vehicle run through the business, for example — are added back to show true business earnings.
- **Which year is being used** It matters enormously whether the EBITDA being presented reflects the most recent full financial year, a trailing twelve months, or an average across multiple years. Buyers will scrutinise this carefully.

This is where the preparation work before going to market really pays off. A vendor who can present clean, well-documented, normalised financials will always achieve a better outcome than one who cannot — regardless of what the underlying numbers actually are.

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The Market Multiple: What Drives It Up or Down?

Once you have a normalised EBITDA figure, the market multiple is applied to it. The multiple reflects what buyers in the current market are willing to pay for each dollar of earnings — and it is not fixed. It moves based on a range of factors specific to the property and the market conditions at the time of sale.

Factors that tend to push the multiple higher:

- **Lease term remaining** Longer lease terms remaining give buyers more certainty about the future of the business. A lease with 15+ years remaining commands a meaningfully higher multiple than one with 3–4 years left.
- **Location and demand drivers** A motel or serviced apartment hotel in a location with strong, consistent demand — highway traffic, a regional centre, proximity to a major employer — will attract stronger buyer interest and higher multiples.
- **Trading consistency** A business that has traded consistently across multiple years, without significant peaks or troughs, is lower risk for a buyer and priced accordingly.
- **Property condition** Well-maintained properties with recent capital investment in rooms, common areas, and systems command higher multiples than those requiring significant immediate spend.
- **Rent as a percentage of revenue** Favourable rent-to-revenue ratios — where the rent paid to the landlord represents a reasonable proportion of total revenue — make the business more attractive and defensible for a buyer.

Factors that tend to push the multiple lower:

- **Short or expiring lease** Short leases with uncertain renewal terms are a significant risk factor for buyers and are reflected in the price.
- **Revenue concentration** If the business is heavily dependent on one corporate client, one booking channel, or one demand driver, buyers will apply a risk discount.
- **Deferred maintenance** If the property requires substantial capital expenditure — a roof, a refurbishment, an equipment upgrade — buyers will discount the price to reflect that immediate obligation.
- **Financials that are hard to explain** Presenting EBITDA from 2022–23 peak trading without clear context for why it has since normalised will raise buyer concerns and extend time on market.

Leases vs Freeholds: A Different Calculation

Everything above applies primarily to motel lease valuations — where the operator is selling the business and the right to operate under the lease, but not the land and buildings themselves.

Freehold going concern valuations — where the owner also owns the property — are more complex. They involve both a business valuation (using EBITDA multiples) and a property valuation (based on comparable land and building values), and the two are then reconciled. In some cases, the property value is the dominant number; in others, the business earnings drive the outcome. Which way the balance falls depends heavily on location, trading performance, and the buyer pool at the time.

For freehold owners, the important question is often not just 'what is my business worth?' but 'should I sell the freehold and the business together, or is there a better outcome in separating them?' That's a more nuanced conversation that depends on the specific property — and one worth having with a specialist before making any decisions.

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The Most Common Mistakes Vendors Make

In nearly three decades around accommodation transactions, the same patterns come up again and again when a sale doesn't go as well as it should have. Most of them are avoidable.

- **Pricing off the best year rather than a sustainable average.** The post-COVID trading bump was real, but buyers and their accountants know it happened everywhere. Presenting 2022–23 figures as the baseline without a clear narrative for why they're representative will slow your sale and erode trust with buyers.
- **Going to market before the financials are clean.** Messy or incomplete accounts don't just make it harder to value the business — they make buyers nervous. Nervous buyers either walk away or discount heavily. Twelve months of clean, clear financials before going to market is worth more than almost any other preparation.
- **Not understanding the lease before starting the sales process.** The lease is the asset being sold, and its terms — rent, remaining term, options, assignment conditions — drive a significant portion of the value. Vendors who don't have a clear handle on their own lease terms are at a disadvantage in every negotiation.
- **Choosing a broker who doesn't specialise in accommodation.** A generalist commercial agent may have a broad buyer database, but they may not

understand the nuance of a motel lease structure, the specific buyer profile for your property type, or how to position your business to the right audience. Sector experience matters more than brand recognition in this market.

What To Do With This Information

Understanding how your motel or serviced apartment hotel is likely to be valued is the first step — but it's only the first step. The more useful exercise is to then think about what you can do, in the period before going to market, to improve that valuation.

That might mean cleaning up the financials over the next 12–18 months. It might mean investing in property presentation to reduce the deferred maintenance discount a buyer would apply. It might mean understanding your lease terms more deeply and having a conversation with your landlord about options before you approach the market. Or it might mean having a frank conversation with a specialist broker about whether now is the right time to sell, or whether waiting 12 months would meaningfully improve your outcome.

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A Final Word

Valuation is not a science — it's an informed conversation between what the market will pay and what a vendor needs to achieve. The best brokers help you understand both sides of that conversation before you commit to anything.

If you've read this and you're now wondering what your specific property might be worth in the current market — that's exactly the kind of conversation I'd love to have. No obligation. No sales pitch. Just an honest, informed view from someone who has been in this industry for a very long time.

Liz Galea

Founder & Principal, Stellar Accommodation Brokers

28 years in the Australian accommodation industry · Quest franchisee (Quest Beaumont Kew, Quest Potts Point, Quest Preston) · Licensed broker in VIC, NSW, QLD and WA

stellarbrokers.com.au · 0417 334 298 · liz@stellarbrokers.com.au