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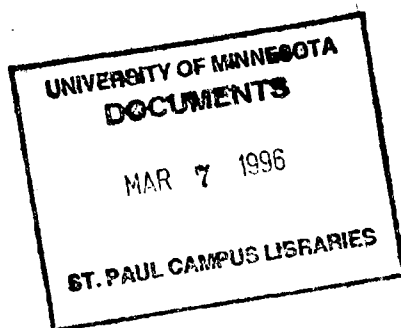
**SURVEY OF MINNESOTA MOTELS**

Conducted by the  
**MINNESOTA MOTEL ASSOCIATION**

**COMPILED BY**

John Sem and Jerrilyn LaVarre Thompson  
Tourism Center  
University of Minnesota  
and  
Connie Schwegman  
Minnesota Sea Grant

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# A SURVEY OF MINNESOTA MOTELS

## INTRODUCTION

During the summer and fall of 1990, the Minnesota Motel Association conducted a survey of Minnesota motels. The purpose of this survey was:

1. to determine calendar year financial operating information for the years 1989 and 1990;
2. to develop financial operating percentages for the Minnesota motel and hotel industry;
3. to determine the types of services provided to hotel and motel customers; and
4. to determine the hotel and motel rate structure for calendar year 1990.

The information in this report is a partial summary of the information supplied by 156 Minnesota motels. The raw information tables are available through the Minnesota Motel Association or the Tourism Center, University of Minnesota.

## METHODOLOGY

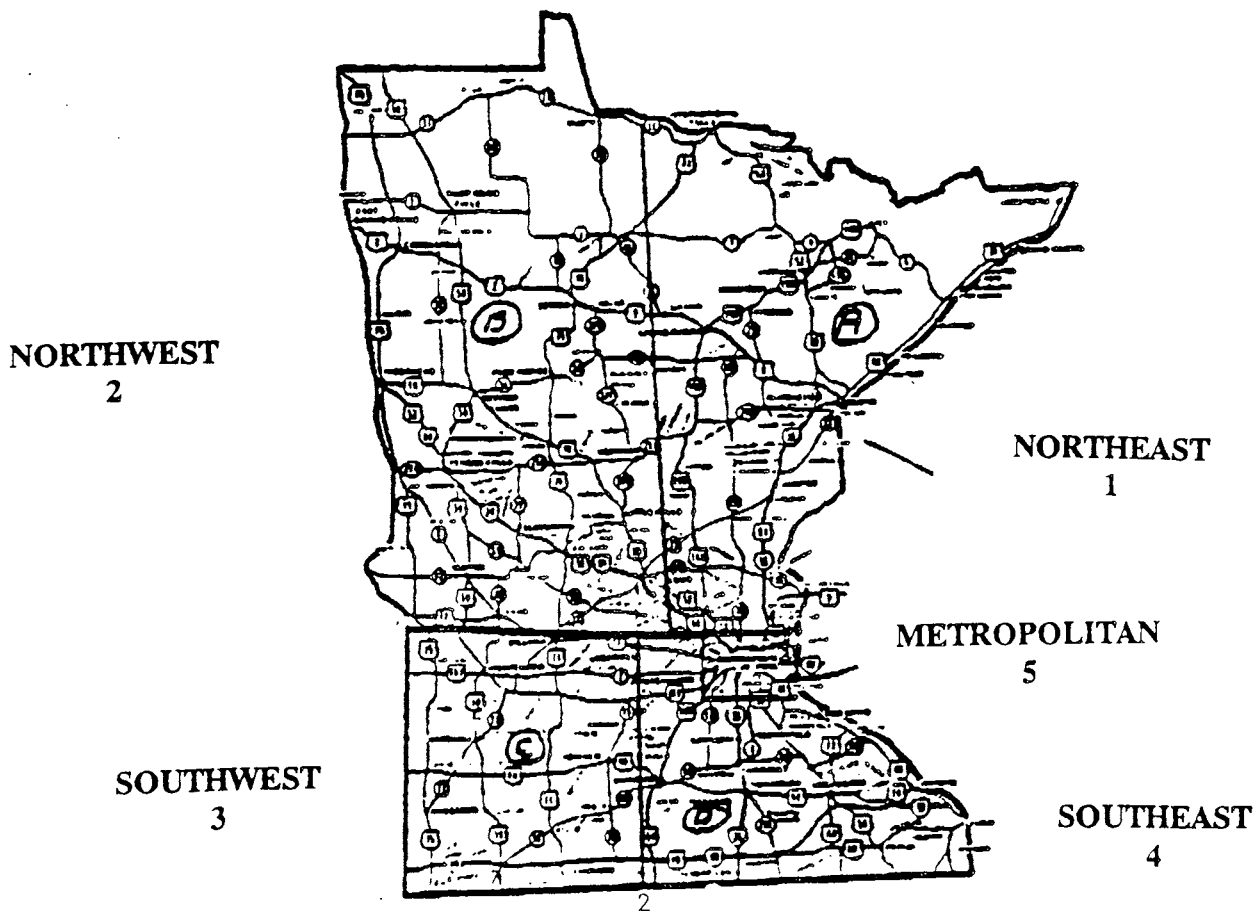
The Minnesota Motel Association sent out a personal letter and a survey to approximately 1,000 Minnesota motel owners. This list was developed from membership lists of the Motel Association and existing motel businesses presently in operation in the state during 1990. Four weeks later, a second letter was sent out to the same motel and hotel owners. The motel manager or owner was asked to fill out the survey and return it to the University of Minnesota for compilation. The survey instrument is located in the appendix of this report.

## FINDINGS

The survey findings are based on 156 returned questionnaires. Care should be taken in the interpretation of this information. Approximately 15 percent of the Minnesota motel owners and managers returned the survey. While this report contains valuable information, there may be some risk in assuming all data is representative of the motel industry as a whole due to the small sample size. However, the survey represents a wide range of motel sizes from throughout the state of Minnesota.

Information was collected on a geographic basis. Managers or owners were asked to identify their general geographic location on a Minnesota map that was included in the survey. The state was divided into five large regions identified below.

Key:            Northeast =        1  
                 Northwest =       2  
                 Southwest =      3  
                 Southeast =     4  
                 Metropolitan = 5



## GENERAL OVERVIEW:

The following is a general overview of the information provided by motel owners and managers. This information is based on the averages of all properties responding to the questionnaire. There are substantial variations by regions in the state and size of motel. The remainder of the report details the differences in financial information by location and size of motel.

### Motel Characteristics

1.	No. of years the property has been owned	8.8 years
2.	Average age of property	30 years
3.	Average number of rooms at each property	43 rooms
4.	Average 1989 total motel sales	\$617,967
5.	Average 1989 total room receipts	\$374,736
6.	Average 1989 property taxes	\$30,601
7.	Average 1990 property taxes	\$29,497
8.	Average number of employees	23.4
9.	Average number of part-time employees (20 hours or less)	8.2
10.	Percentage of properties with restaurants	29.7%
11.	Percentage of properties with lounges	22.6%
12.	Percentage of properties with indoor pools	9.1%
13.	Percentage of properties with outdoor pools	6.2%
14.	Percentage of properties with whirlpools	21.1%
15.	Percentage of properties with exercise rooms	6.3%
16.	Percentage of properties with gift shops	17.1%
17.	Average motel sales per room	\$6,106

## MOTEL SIZE BY REGION

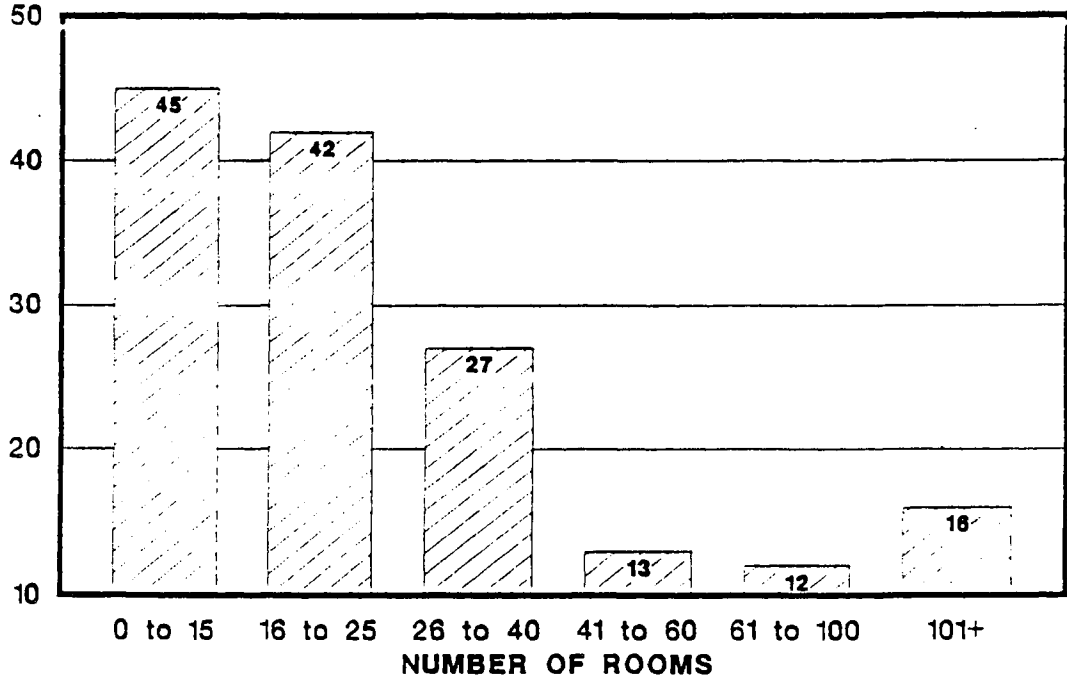
Most data in this study is reported by motel size based on the number of rooms properties have for sale. Seventeen surveys did not report their geographic location so are not identified in this table. Motel property size is very consistent between regions except for the metropolitan area. The metropolitan motels responding to the survey are much larger on average than those in other parts of the state. The non-metropolitan sections of the state had very similar motel size distributions and number of properties responding to the survey.

## MOTEL DISTRIBUTION BY SIZE

No. of Rooms						:Total Properties:							
0 to 15	:	8	:	16	:	6	:	8	:	38	:		
16 to 25	:	10	:	9	:	9	:	3	:	3	:	34	:
26 to 40	:	6	:	5	:	5	:	6	:	2	:	24	:
41 to 60	:	3	:	2	:	1	:	3	:	1	:	10	:
61 to 100	:	2	:	2	:	1	:	2	:	2	:	9	:
101+	:	4	:	2	:		:	3	:	5	:	14	:
Regional Total	:	33	:	36	:	22	:	25	:	13	:		:
	:	NE	:	NW	:	SW	:	SE	:	METRO	:		:

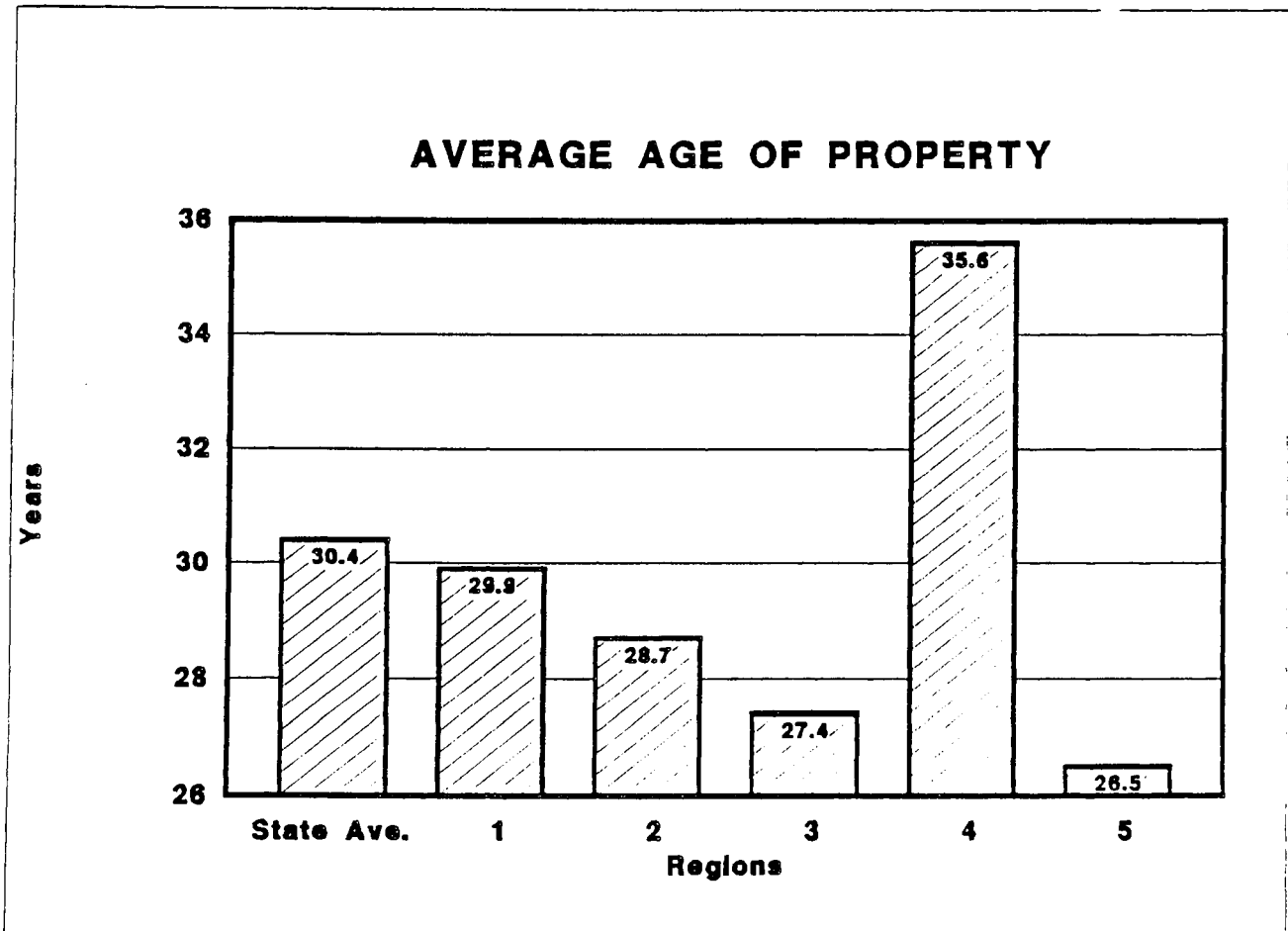
### DISTRIBUTION BY SIZE HOTELS & MOTELS

NUMBER OF PROPERTIES RESPONDING



## AVERAGE AGE OF PROPERTY

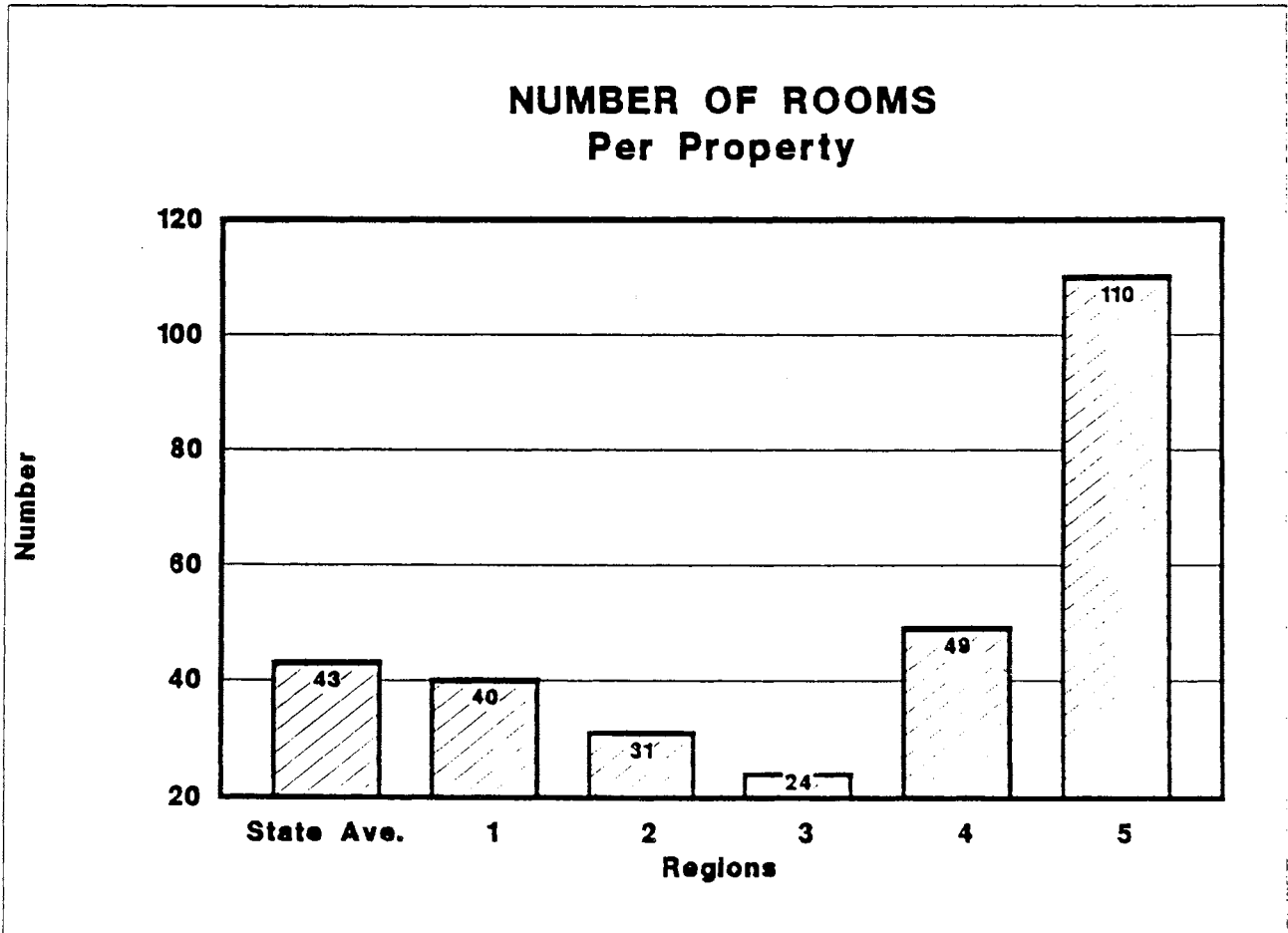
The average age of motel properties in Minnesota is 30.4 years. The metropolitan area has the lowest age of 26.5 years while southeast Minnesota has the highest with 35.6 years. Southeast Minnesota's motel properties are more than five years older, on the average, than those in any other region.





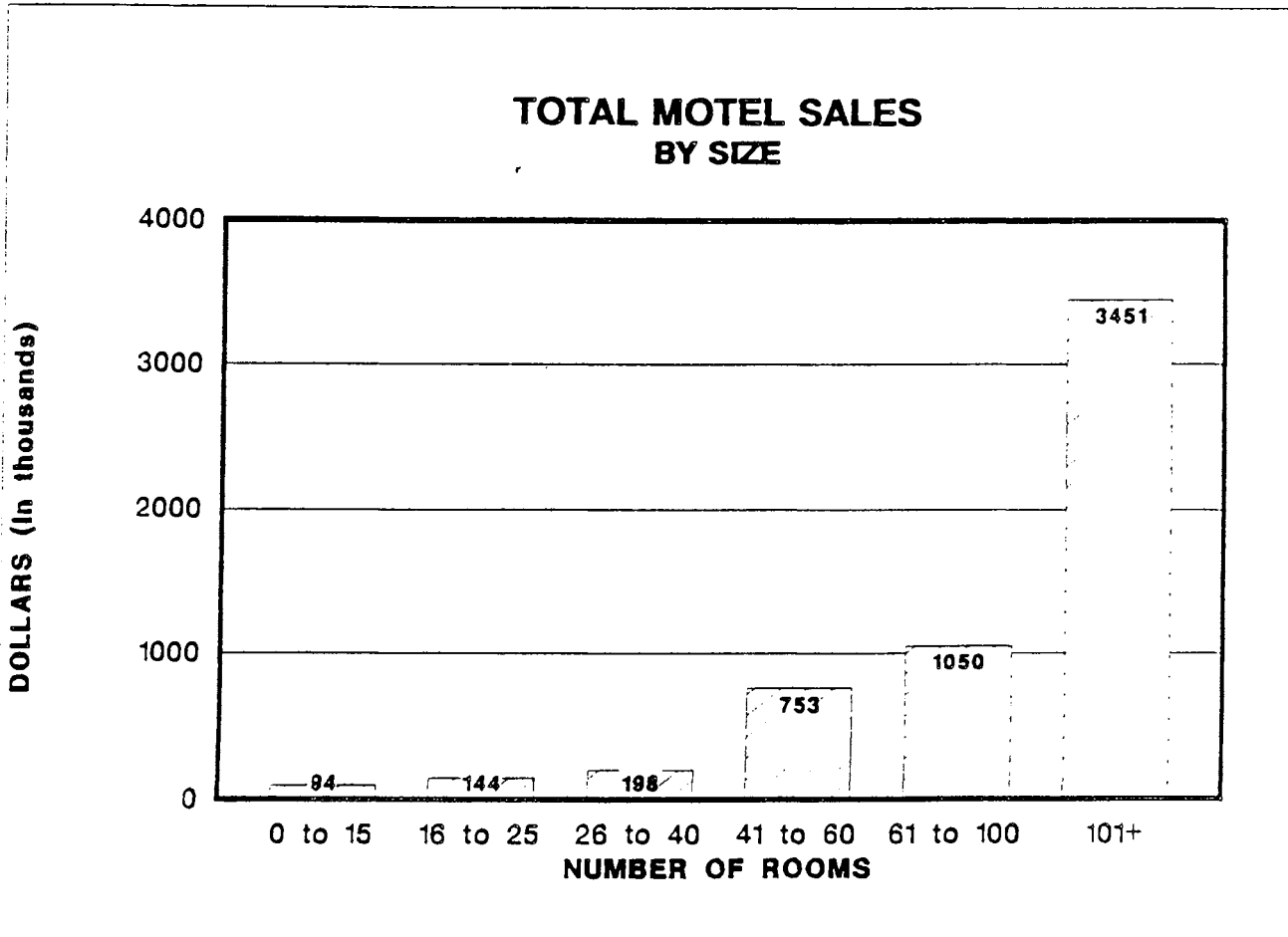
## NUMBER OF ROOMS

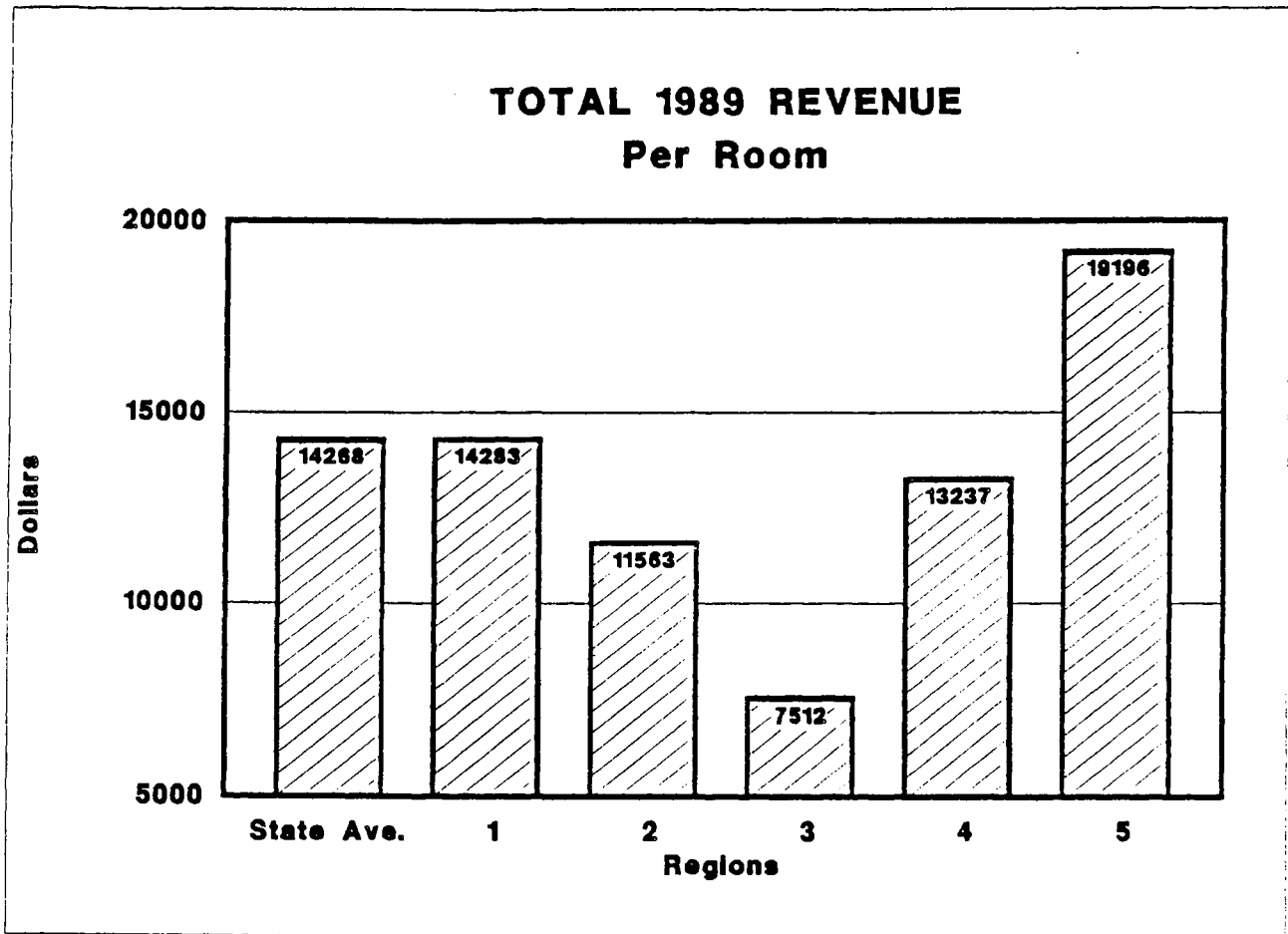
The average number of rooms per property for the state is 43. Southwest Minnesota has the lowest average with 24 rooms, while the metropolitan leads the state with an average of 110 rooms. However, the size of motels has great variations ranging from less than five rooms to over 250 rooms. Properties with 25 rooms or less accounted for more than 56% of those motels responding to the survey. Properties with more than 60 rooms accounted 20% of the survey responses.



## 1989 TOTAL ANNUAL SALES

Total annual sales includes all motel sales from all profit centers including room, restaurant, lounge and retail goods. The state average total annual sales by room is \$14,268. Southwest Minnesota has the smallest average total sales by room with only \$7,512 compared with the metropolitan area with an average of \$19,196. Total sales revenue, based on size of property, range from \$94,000 for motels with 15 rooms or less to \$3,451,000 for hotels with over 100 rooms.





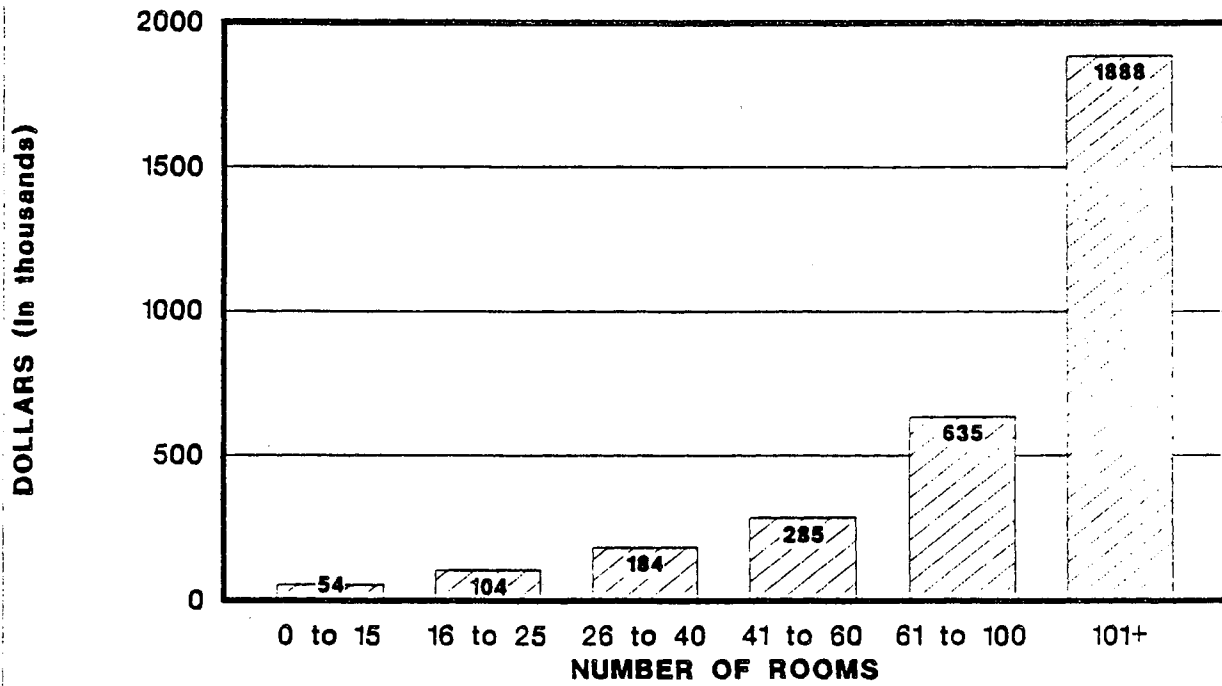
### 1989 ROOM SALES

Motel total annual room sales account for only 60.6 percent of total annual sales. Annual room sales averages by region are:

Northeast	60.7%
Northwest	59.4%
Southwest	60.1%
Southeast	79.6%
Metropolitan	57.1%

Total motel room sales by size of property range from \$54,000 for motels with 15 or fewer rooms to \$1,888,000 for motels with more than 100 rooms. Many motels have other profit centers that make up the remainder of their revenue.

### MOTEL ROOM SALES BY SIZE



## MOTEL REVENUE BY ROOM

Motel revenue varies dramatically by property ranging from under \$2,000 per room to more than \$12,000 per room. However, the data indicates that revenue per room increases with the size of motels. Motels with 15 or fewer rooms averaged \$4,611 revenue per room while large properties with more than 100 rooms had an average revenue per room of \$10,396. Larger properties usually have more profit centers such as restaurants and conference services.

### AVERAGE REVENUE PER ROOM BY SIZE OF MOTEL

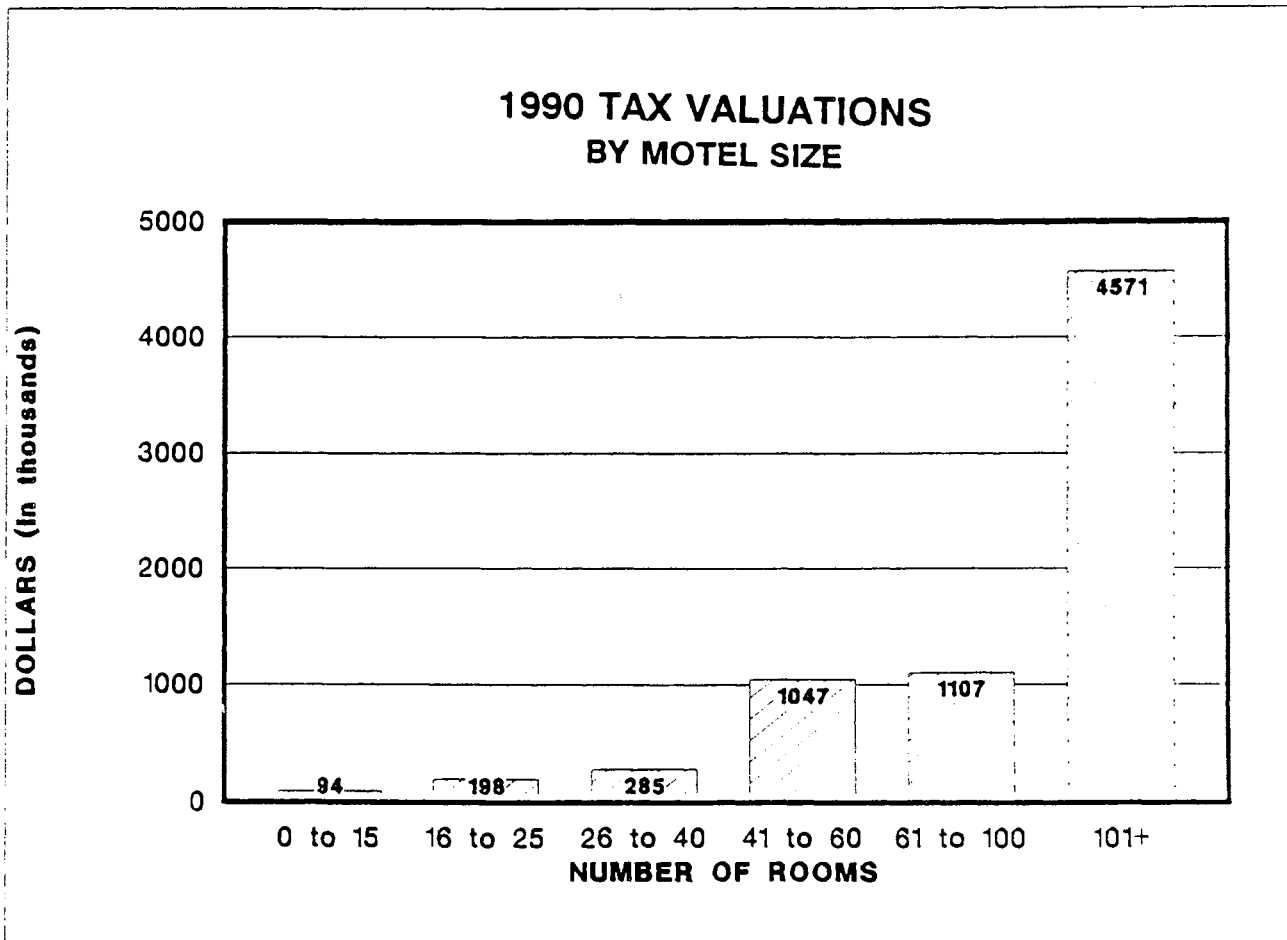
<u>Size of Motel</u>	<u>Average Revenue Per Room</u>
0 to 15 rooms	\$4,611
16 to 25 rooms	\$5,099
26 to 40 rooms	\$5,683
41 to 60 rooms	\$7,875
61 to 100 rooms	\$7,691
More than 100 rooms	\$10,396
All Motels	\$6,106.00

## REVENUE PER ROOM BY SIZE OF MOTEL

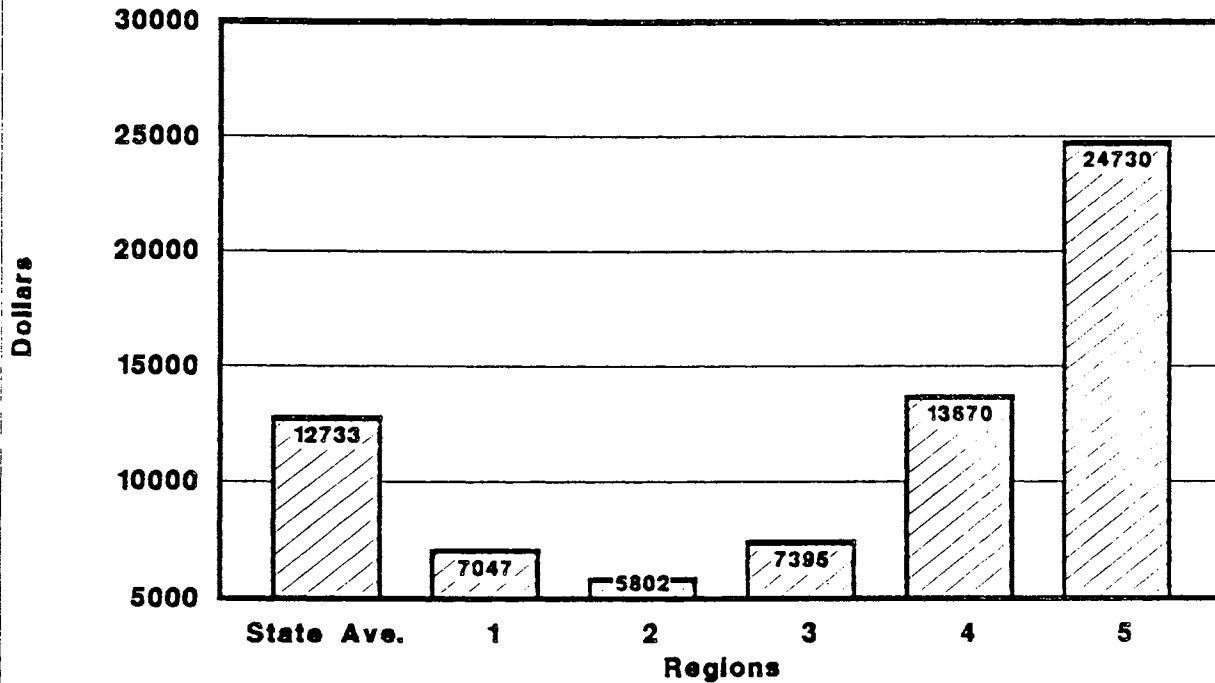
Revenue per Room	No. 0 to 15 Units	No. 16 to 25 Units	No. 26 to 40 Units	No. 41 to 60 Units	No. 61 to 100 Units	No. 101 + Units	Percentage of Motels
Less than \$2,000	2	2	1				3.8%
\$2,001 to \$4,000	17	12	6	1	1		28.0%
\$4,001 to \$6,000	12	13	9	2	1	1	29.5%
\$6,001 to \$8,000		7	4	3	2		12.1%
\$8,001 to \$10,000	3	1	3	4	4	5	15.2%
\$10,001 to \$12,000		2	1		1	5	6.7%
More than \$12,000	1			1		4	4.5%

## 1990 ASSESSED PROPERTY VALUATION

The 1990 assessed motel property valuation, by size of property, ranged from \$94,000 for motels with 15 or fewer rooms to \$4,571,000 for motels with more than 100 rooms. Average 1990 assessed property valuation per room ranged from \$5,802 in Northwest Minnesota to \$224,730 in the metropolitan area, with the state average at \$12,733.



## AVERAGE ASSESSED VALUATION Per Room



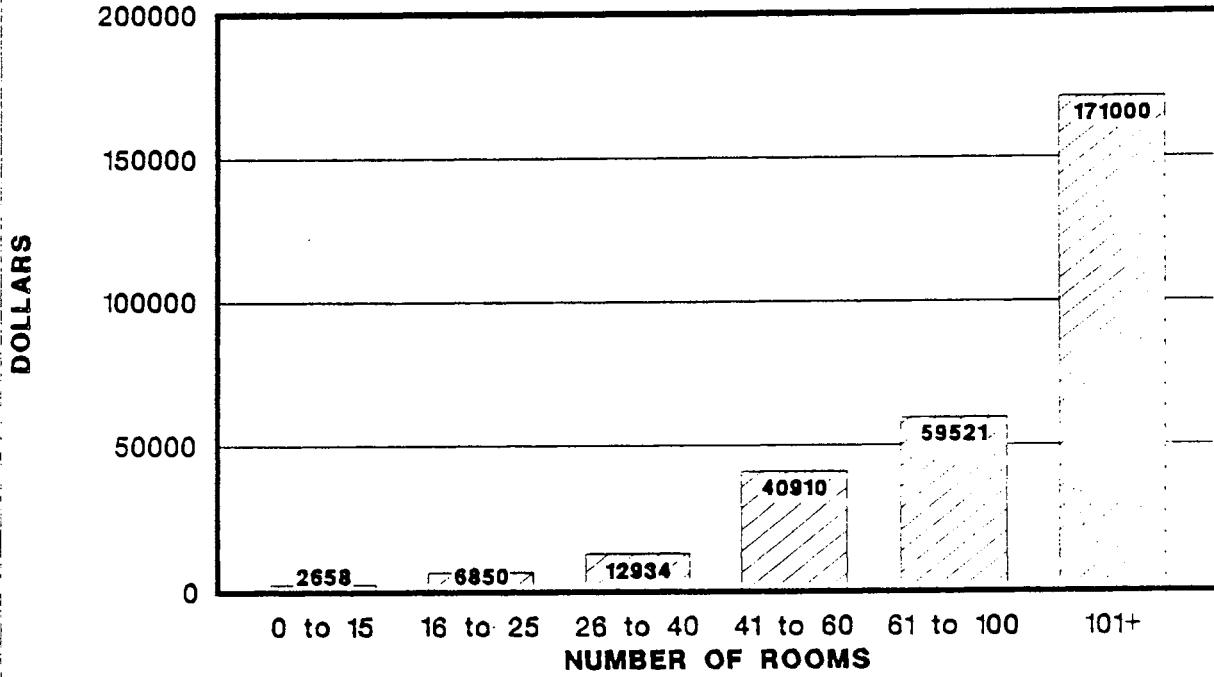
### 1990 PROPERTY TAX PAYMENTS

The average 1990 property tax paid by motels responding to the survey ranged from \$2,658 for motels with 15 or fewer rooms to \$171,000 for hotels with more than 100 rooms. The 1990 property tax per room varied from \$268 in the southwest region to \$1,028 in the metropolitan area. The 1990 state average property tax per room was \$681.

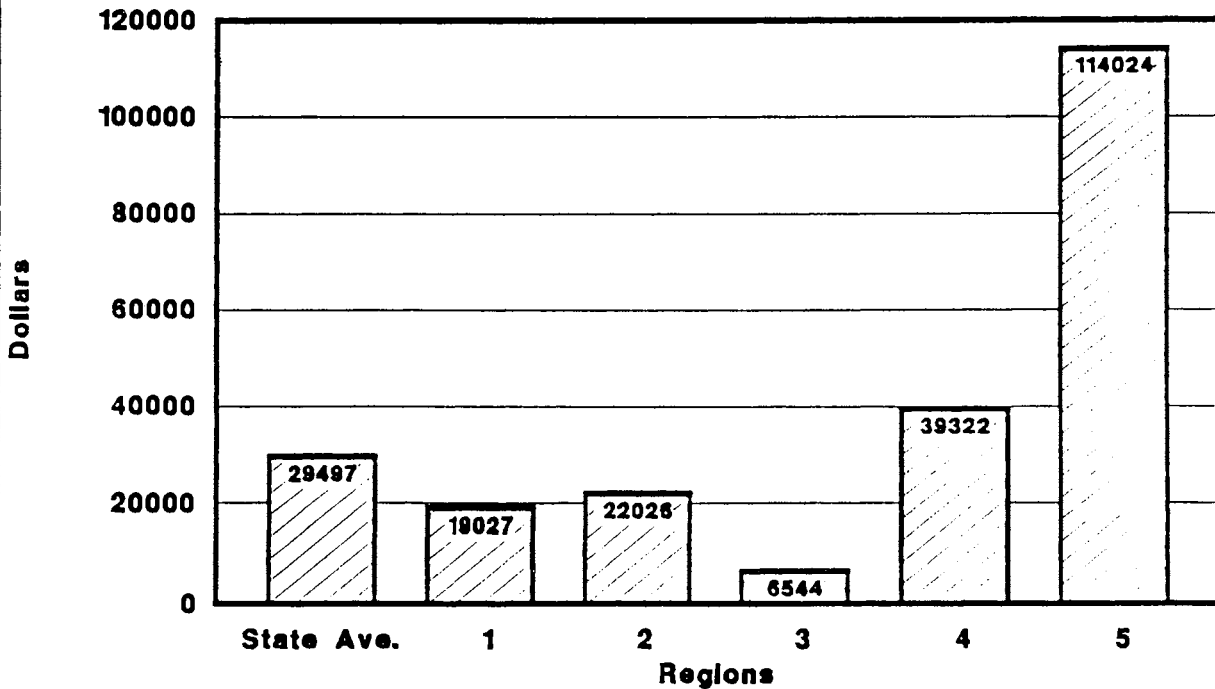
Motels, by size of property, had tax increases between 1989 to 1990, except properties with more than 100 rooms. These large hotels had a property tax decrease of \$5,881 between 1989 to 1990. There were substantial differences in the tax payment changes by geographic areas. Southeast Minnesota had an average decrease of property tax payments of \$2,934 while Northeast and the metropolitan area had property tax increases of \$3,360 and \$3,000 respectively. Southwest Minnesota had a slight decrease of \$461.



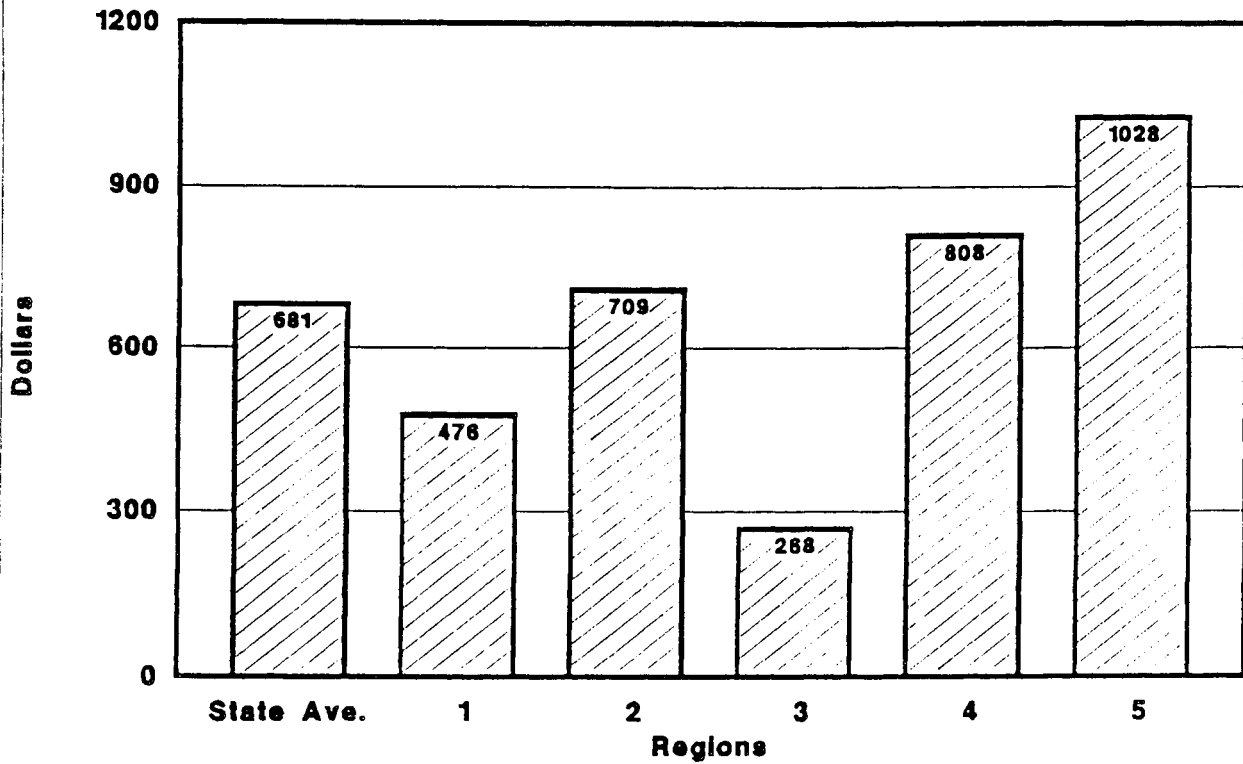
### 1990 PROPERTY TAX BY MOTEL SIZE



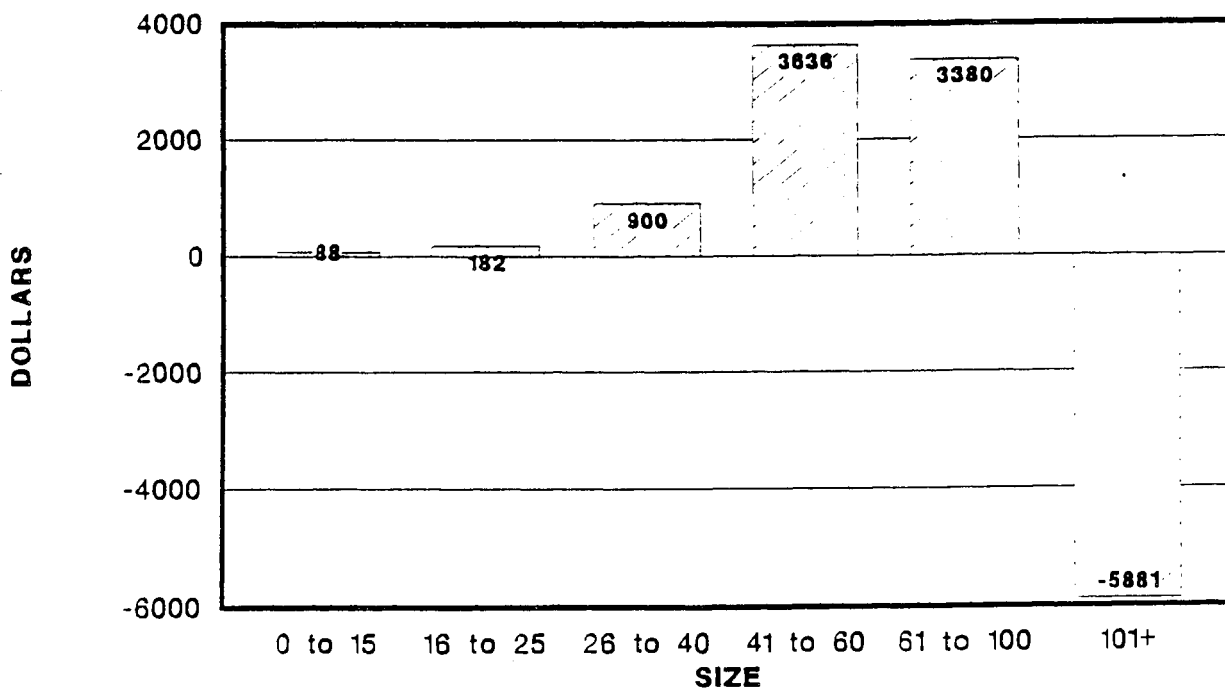
### AVERAGE 1990 PROPERTY TAX Per Property



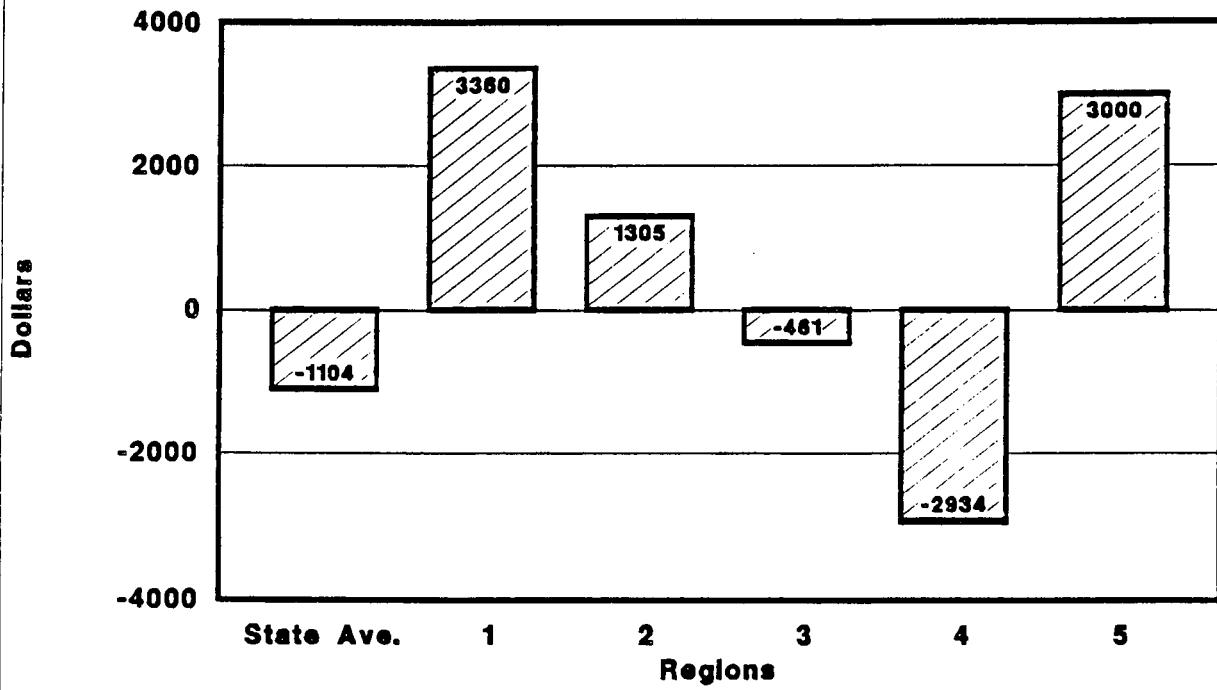
### 1990 Property Tax Per Room



### CHANGE IN PROPERTY TAXES BETWEEN 1989 & 1990 BY MOTEL SIZE

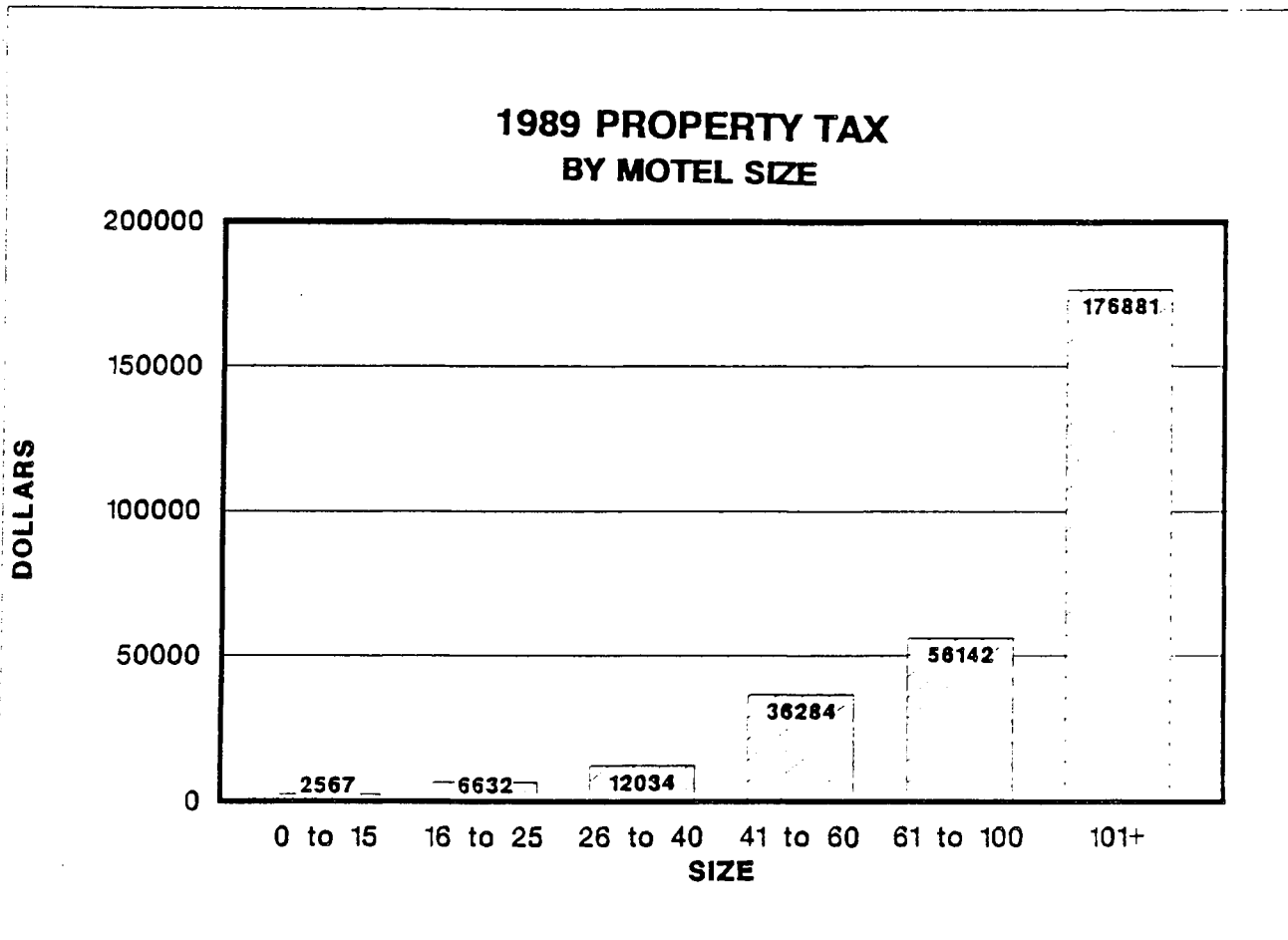


### CHANGE IN PROPERTY TAX - 1989 TO 1990 Per Property



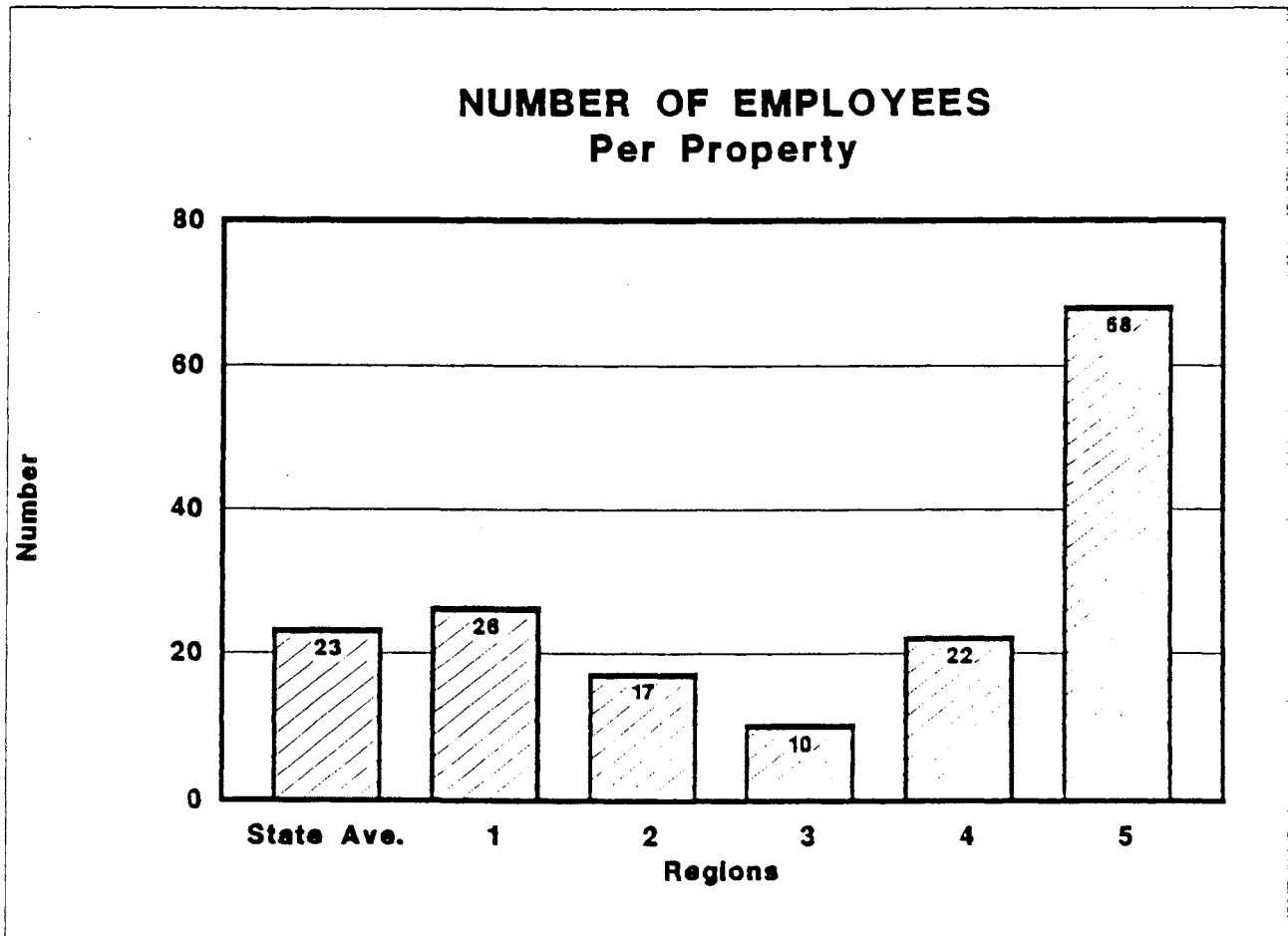
## 1989 PROPERTY TAX PAYMENTS

The 1989 property tax payments, by size of motel properties responding to this survey, ranged from \$2,567 for motels with 15 or fewer rooms to \$176,881 for motels with more than 100 rooms. All property tax bills increased for each size category between 1989 and 1990.



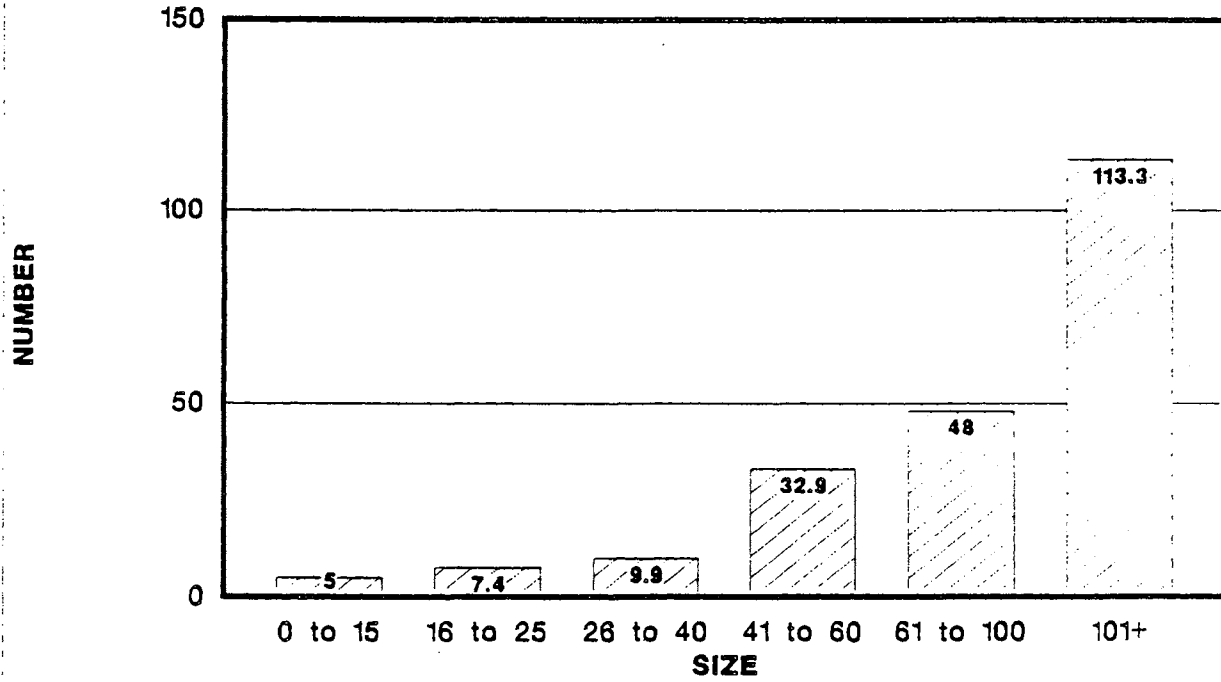
## NUMBER OF EMPLOYEES PER PROPERTY

The average number of full-time employees per motel property responding to this survey property was 23 people. Due to the great variations in motel size, this average may be misleading. Southwest Minnesota properties averaged only 10 employees, while the metropolitan area averages 68 people. Full time employees, by size of property, ranged from five people for motels with 15 or less rooms to over 113 people for motels with more than 100 rooms.



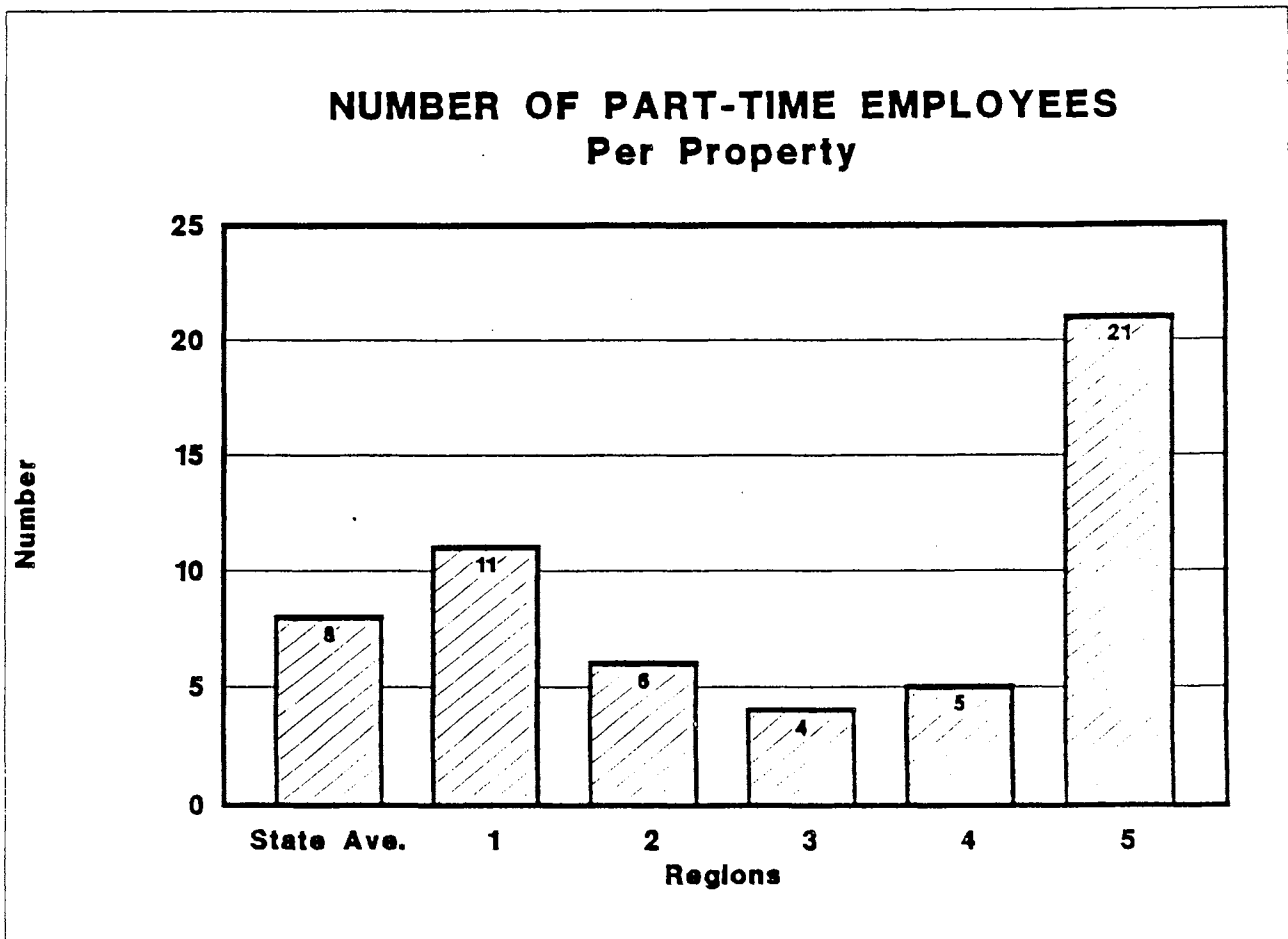
# FULL-TIME EMPLOYEES

## BY MOTEL SIZE



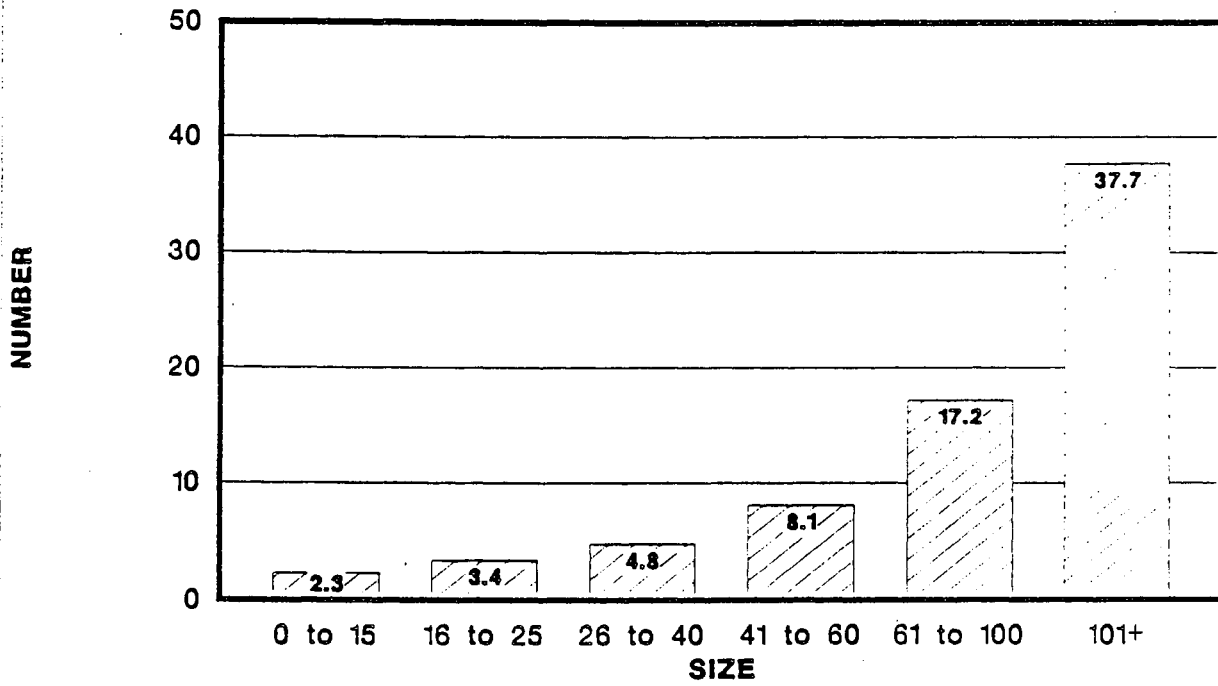
## NUMBER OF PART TIME EMPLOYEES PER PROPERTY

The state average for the number of part-time employees for motels is 8 people. This average varies by region from four part-time employees for southwest Minnesota to 21 part-time people for the metropolitan area. The number of part-time employees by size of operation varies from 2.3 people for properties with fifteen or less rooms to 37.7 people for properties with more than 100 rooms.



# PART-TIME EMPLOYEES

## BY MOTEL SIZE

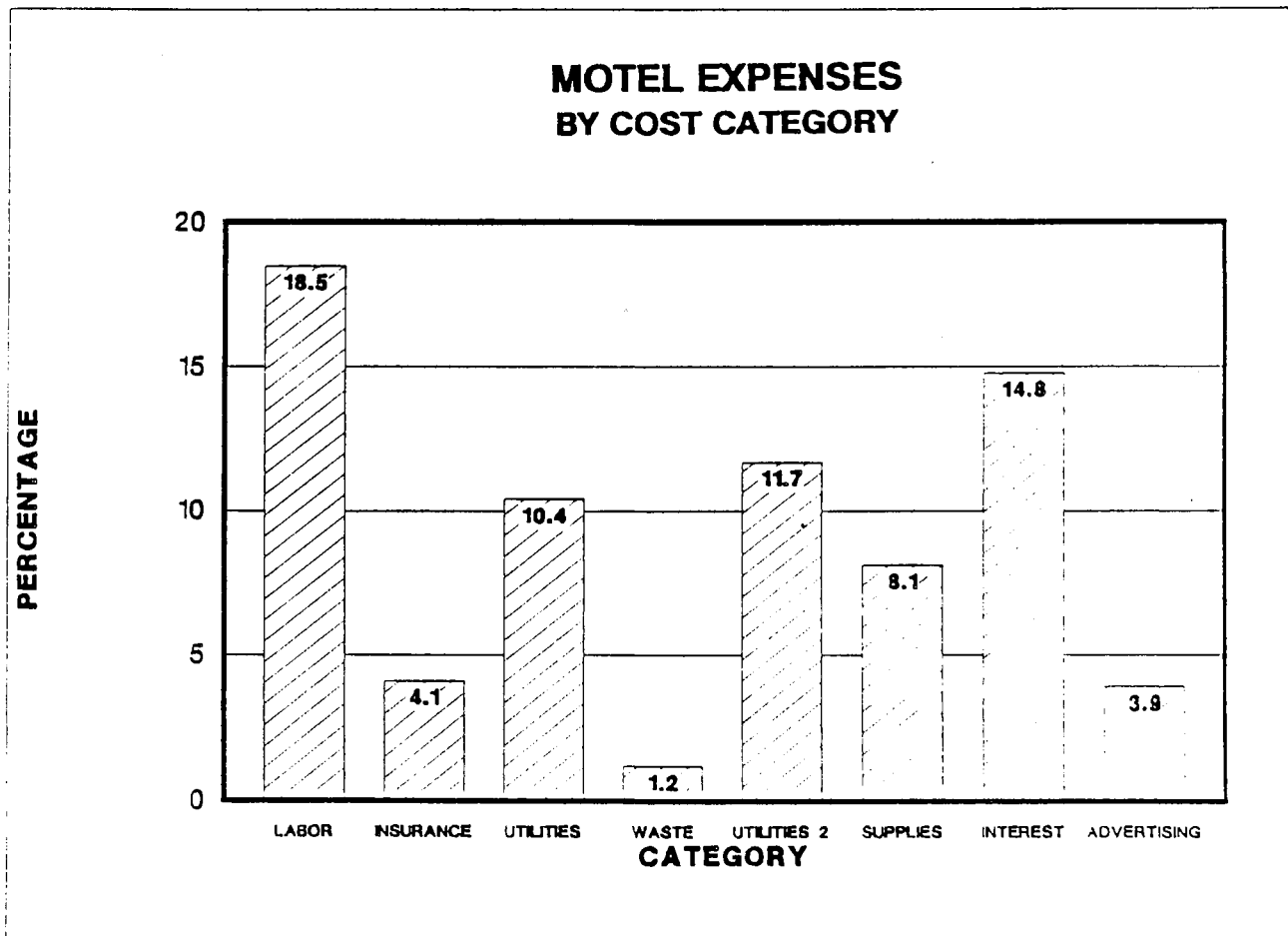




## MOTEL EXPENSES BY COST CATEGORY

Wages and labor costs account for 18.5% of total motel annual sales for all property size classes. Interest and utilities were the next largest expense categories, with 14.8% and 10.4% respectively. Waste disposal, advertising and insurance account for the smallest percentage of costs as a percent of total sales. The totals in the listed cost categories do not add up to 100 percent since the survey did not ask to account for all motel sales by categories.

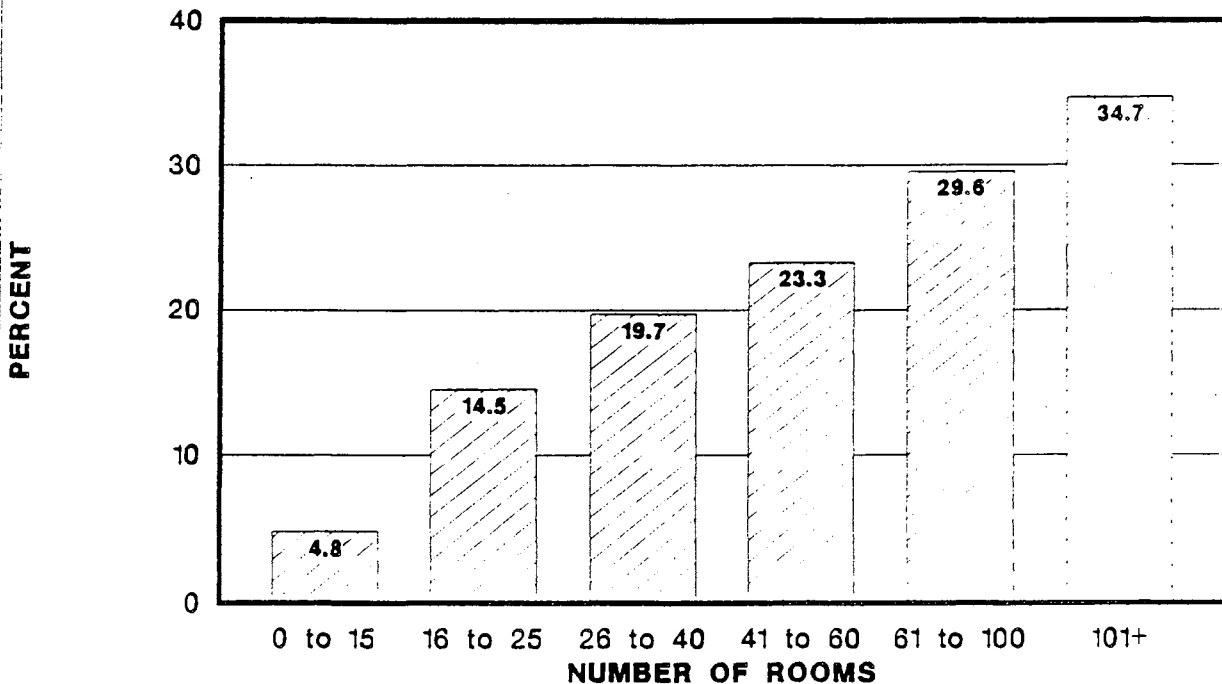
Only one-half of the responses to the survey itemized disposal costs separately. These owners and managers placed these costs in the utilities category. Cost category "utilities 2" includes the utilities and waste costs.



## LABOR COSTS AS A PERCENTAGE OF TOTAL SALES BY MOTEL SIZE

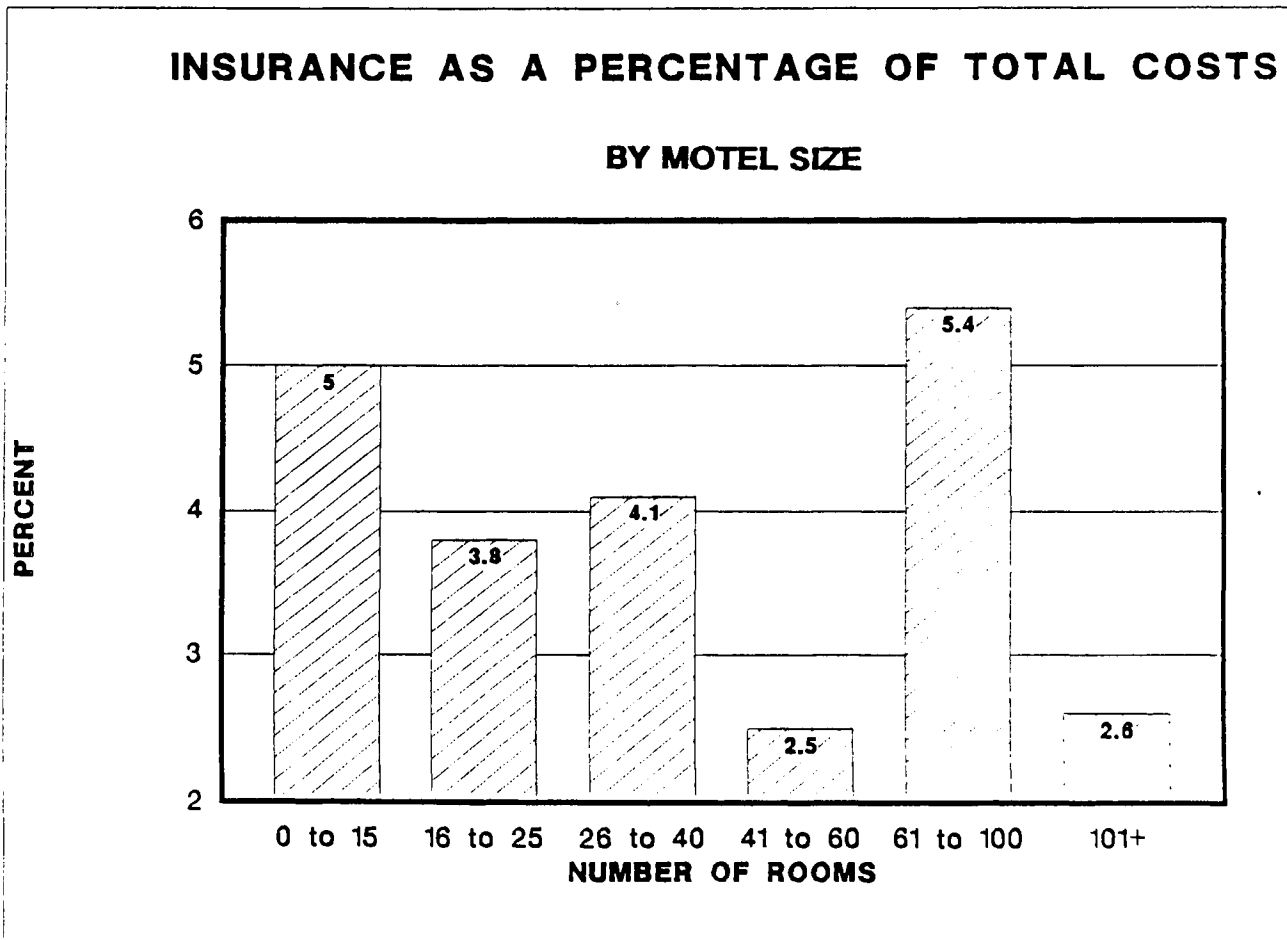
There is a direct relationship between size of motel property and the importance of labor costs to operate the property. Labor comprises only 4.8 percent of sales for motels with 15 or fewer rooms. A substantial percentage of labor at smaller motels is contributed by the motel owners. Labor costs account for the largest percentage of sales for motels with more than 100 rooms. Larger motels have more profit centers like restaurants, lounges and catering services that require more labor; therefore, their labor costs as a percentage of sales are higher.

## LABOR COSTS AS A PERCENTAGE OF TOTAL COST BY MOTEL SIZE



## INSURANCE AS A PERCENTAGE OF TOTAL SALES BY MOTEL SIZE

Insurance premiums accounts for 4.1 percent of a motel's total sales. Insurance costs range from a total of 5.4% of sales for motels with 61 to 100 rooms to only 2.5% of sales for motels from 41 to 60 rooms.



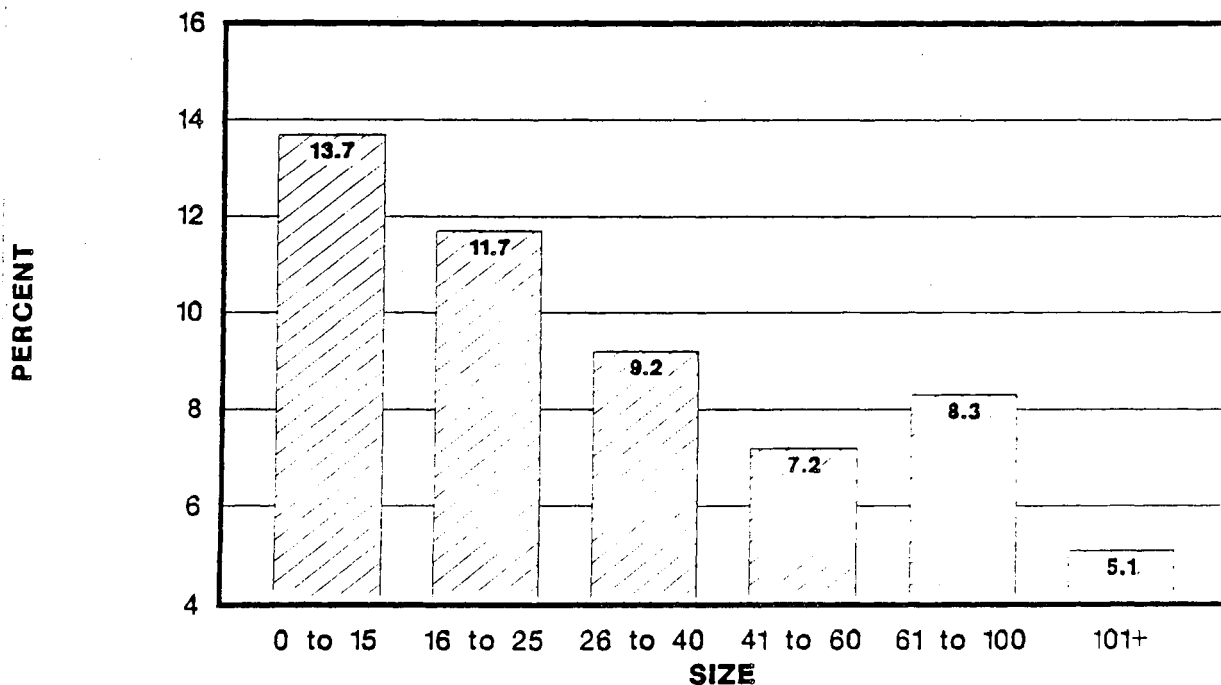
## UTILITIES AS A PERCENTAGE OF TOTAL SALES BY MOTEL SIZE

Utility costs, which include water and sewer, natural gas, electricity and other basic costs, account for 10.4 percent of total hotel sales. These utility costs range from 13.7 percent of sales for properties with 15 or fewer rooms to only 5.1 percent of sales for properties with more than 100 rooms.

When waste disposal costs, as a percentage of sales, are added into the utilities category, utilities as a percentage of sales changes to:

Motel size	% of total sales
0-15 rooms	15.2%
16-25 rooms	13.5%
26-40 rooms	9.8%
41-60 rooms	7.9%
61-100 rooms	10.2%
101 plus rooms	5.9%

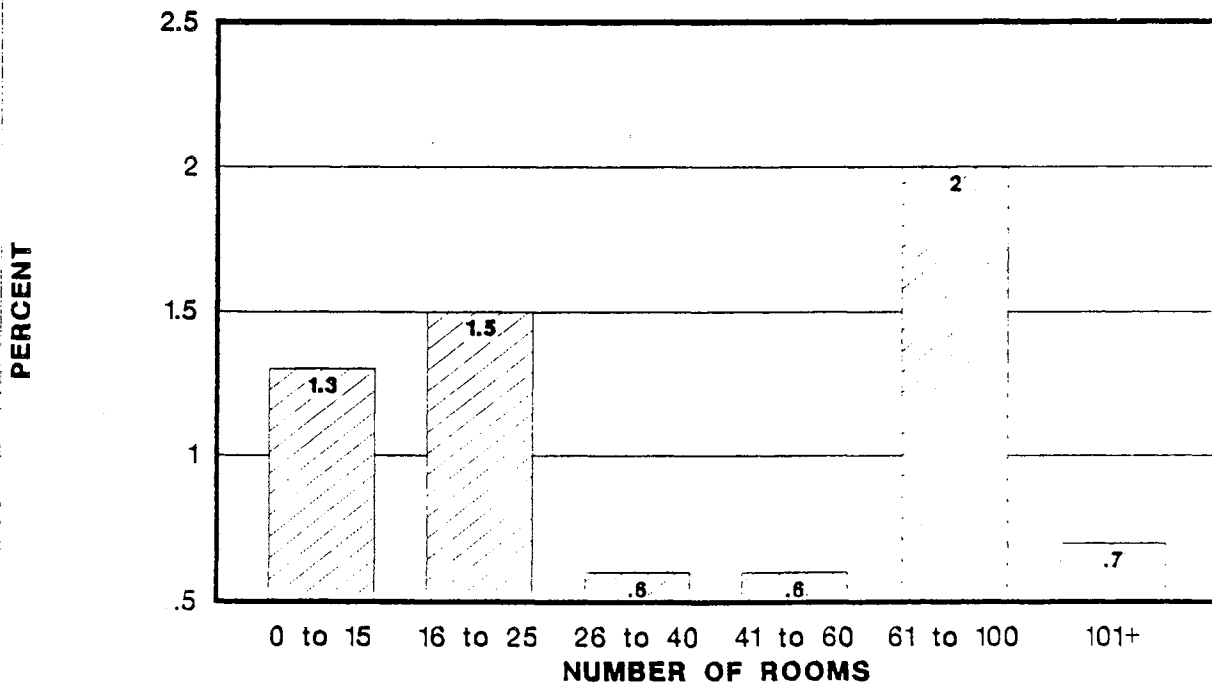
## UTILITIES AS A PERCENTAGE OF TOTAL COSTS BY MOTEL SIZE



## WASTE DISPOSAL AS A PERCENTAGE OF TOTAL SALES BY MOTEL SIZE

Waste disposal accounts for only 1.2 percent of the average motel's total sales. Properties with room numbers ranging from 61 to 100 pay the largest percentage of sales at two percent, and motels with room numbers ranging from 26 to 40 pay the lowest with 0.6% of sales. Only one-half of all survey respondents itemized waste disposal costs separately, so the reliability of the data is limited.

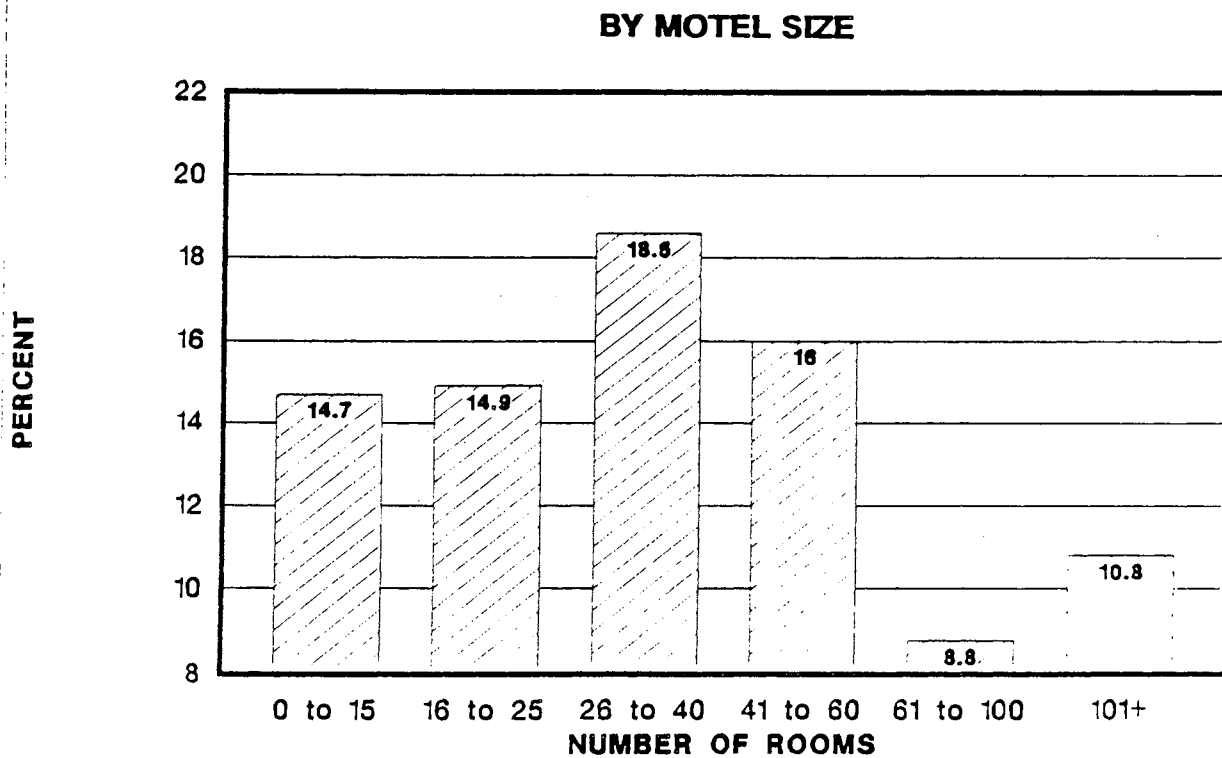
## WASTE DISPOSAL AS A PERCENTAGE OF COST BY MOTEL SIZE



## INTEREST AS A PERCENTAGE OF TOTAL SALES BY MOTEL SIZE

Interest expenses account for 14.9 percent of the average motel's total sales. This percentage ranges from a total of 18.6% of sales for properties with 26 to 40 rooms to a low of 8.8% of sales for properties with 61 to 100 rooms.

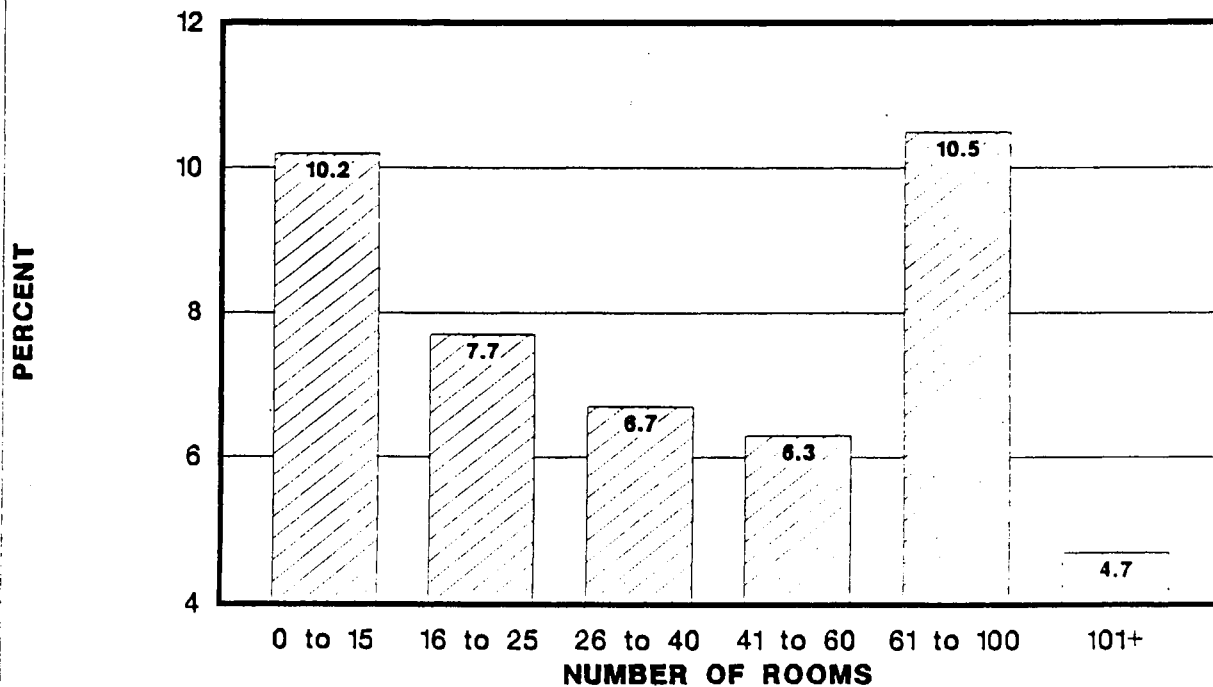
## INTEREST AS A PERCENTAGE OF TOTAL COSTS BY MOTEL SIZE



## SUPPLIES AS A PERCENTAGE OF TOTAL SALES BY MOTEL SIZE

Supplies, which include furniture, fixtures, equipment and room supplies, account for 14.8 percent of sales. Supply costs range from a high of 10.6 percent of sales for motels with 61 to 100 rooms to a low of 4.7 percent of sales for motels with more than 100 rooms.

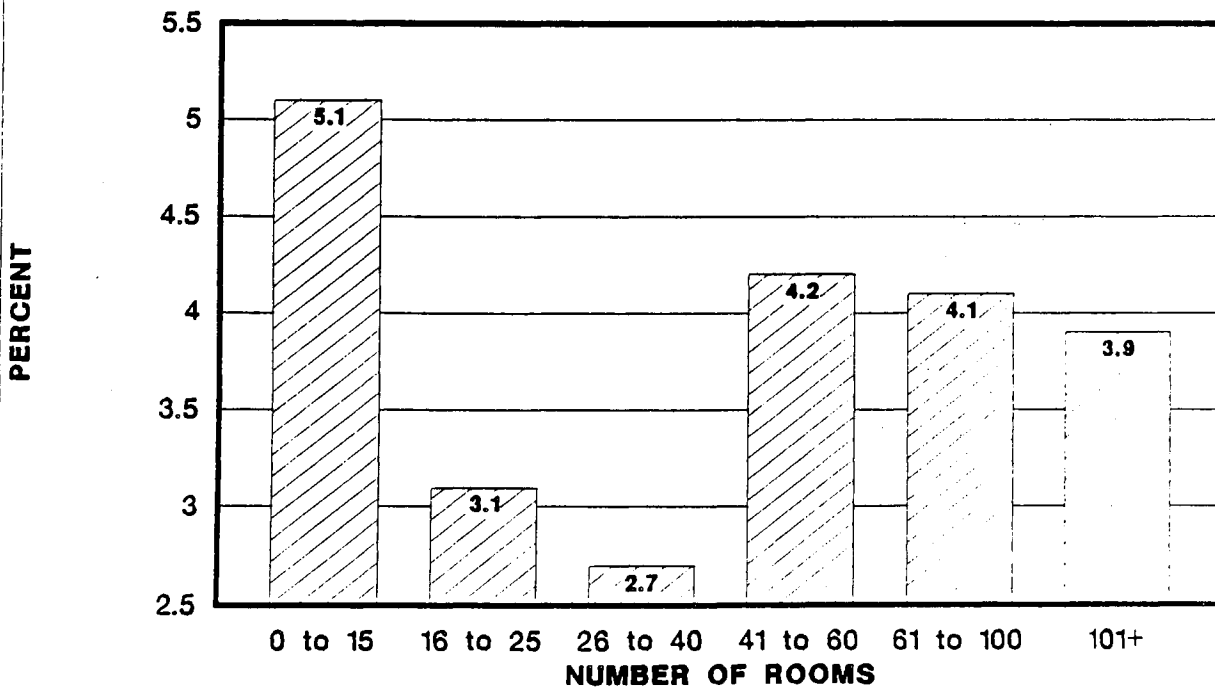
### SUPPLIES AS A PERCENTAGE OF TOTAL COSTS BY MOTEL SIZE



## ADVERTISING AS A PERCENTAGE OF TOTAL SALES BY MOTEL SIZE

Advertising accounts for 3.9 percent of the average motels total sales. Advertising costs range from a high of 5.1% of sales for motels with 15 or less rooms to a low of 2.7% of sales for motels with 26 to 40 rooms.

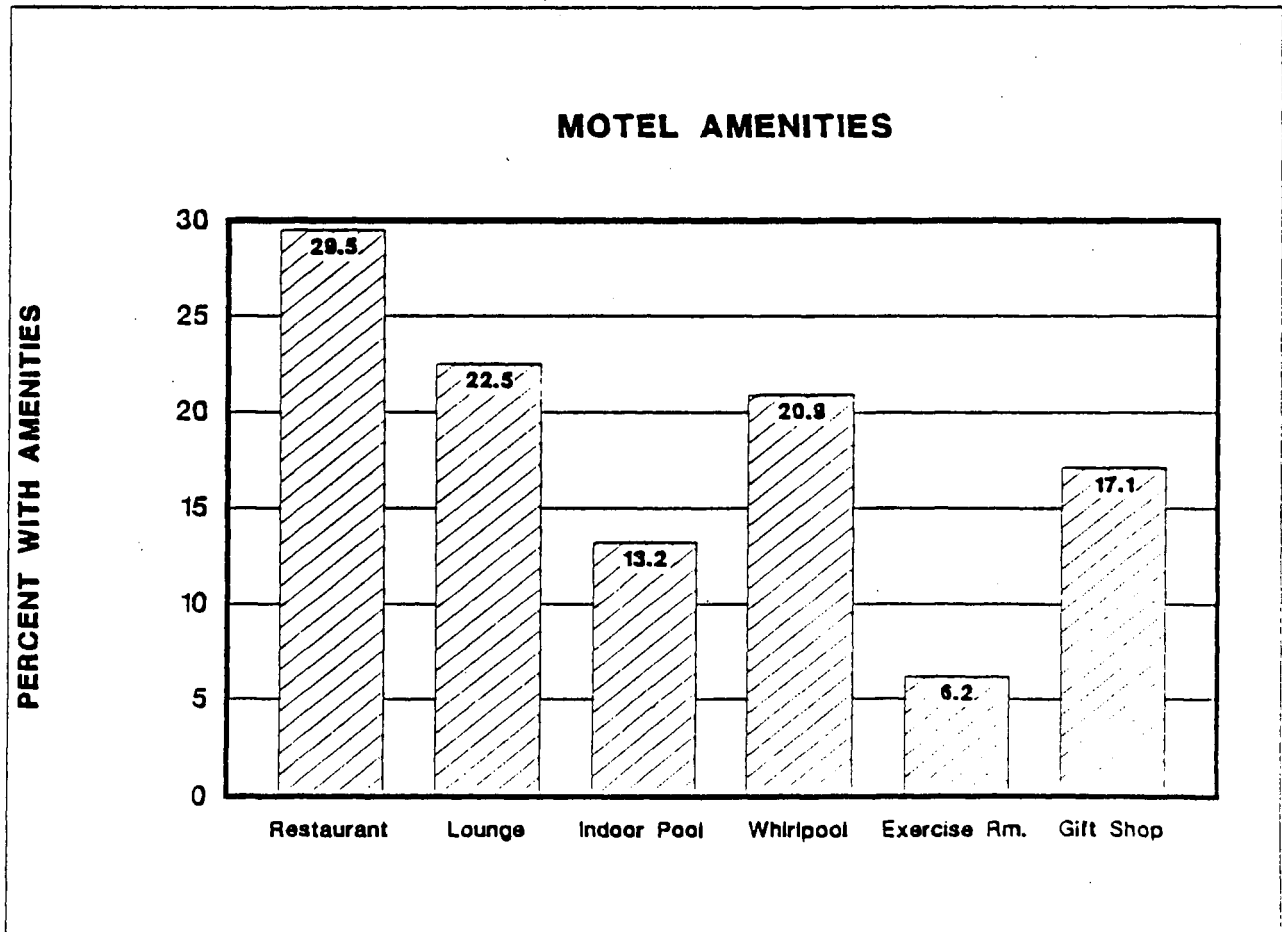
### ADVERTISING AS A PERCENTAGE OF TOTAL COST BY MOTEL SIZE





## MOTEL AMENITIES

Many motels rely on other profit centers to generate income and provide services to their customers. The motel survey asked motel owners and managers if they also operated restaurants, lounges, indoor pools, whirlpools, exercise rooms or gift shops. Restaurants(29.5%) were the most frequently mentioned profit centers while exercise rooms(6.2%) were offered by the fewest motels.



**MOTEL PROPERTY TAXES AS A PERCENTAGE OF TOTAL SALES**  
**BY MOTEL SIZE**

Motels pay an average of 6.2 percent of their total sales for property tax. This varies by size of motels ranging from a low of 5.2 percent for motels with more than 100 rooms to a high of 7.9 percent for motels with the number of rooms ranging from 61 to 100.

<u>Motel Size</u>	<u>Taxes as a % of Sales</u>
State Average	6.2%
0 to 15 rooms	5.5%
16 to 25 rooms	6.2%
26 to 40 rooms	7.1%
41 to 60 rooms	5.7%
61 to 100 rooms	7.9%
101 plus rooms	5.2%

## MOTEL ROOM RATES

All motel owners and managers were asked to provide room rates for both single and double occupancy including the low and high rates charged for each category. Rates varied considerably according to geographic area as well as the size of the motel property.

Reported room rates were lowest in southwest Minnesota and highest for the metropolitan area. Low single room rates varied from a low \$21.89 in southwest Minnesota to a high of \$37.50 in the metropolitan area. Northeast Minnesota had the highest rates for double occupancy/high rates. This rate probably represents peak prices during the high demand summer periods.

**MOTEL ROOM RATES  
BY REGION**

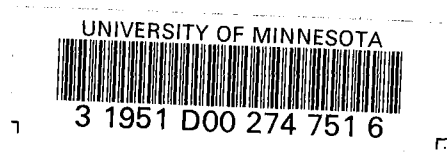
	STATE	NORTH EAST	NORTH WEST	SOUTH WEST	SOUTH EAST	METRO
Single room/ high rates	\$38.28	\$44.67	\$32.14	\$25.75	\$43.74	\$48.54
Single room/ low rates	\$29.26	\$30.93	\$26.65	\$21.89	\$32.78	\$37.50
Double room/ high rates	\$47.17	\$57.10	\$39.95	\$34.74	\$50.39	\$55.83
Double room/ low rates	\$37.00	\$37.00	\$34.00	\$29.82	\$39.62	\$43.82

Room rates, for the most part, vary according to property size except for motels with 15 room or less. All small motels had higher room rates than motels with 16 to 25 rooms.

Larger properties usually have more amenities such as pools, whirlpools, restaurants, lounges, etc. and therefore, must charge higher fees. Single room low rates ranged from \$22.52 for motels with 16 to 25 rooms to \$47.01 for the large motels. Rates varied from \$15 to \$99.50 double room high rates ranged from \$37.16 for motels with 16 to 25 rooms to \$75.84 for the large motels; rates varied form \$20.00 to \$141.50

MOTEL ROOM RATES BY SIZE

	SINGLE LOW RATE	SINGLE HIGH RATE	DOUBLE LOW RATE	DOUBLE HIGH RATE
0 to 15 rooms	\$28.17	\$36.34	\$35.79	\$46.79
16 to 25 rooms	\$22.52	\$28.61	\$30.20	\$37.16
26 to 40 rooms	\$27.49	\$34.55	\$35.70	\$42.31
41 to 60 rooms	\$31.90	\$45.65	\$40.87	\$52.88
61 to 100 rooms	\$32.65	\$40.17	\$40.60	\$48.62
101 plus rooms	\$47.01	\$66.91	\$53.61	\$75.84
State Average	\$29.26	\$38.28	\$37.00	\$47.17



# MINNESOTA EXTENSION SERVICE



UNIVERSITY OF MINNESOTA

The University of Minnesota, including the Minnesota Extension Service, is committed to the policy that all persons shall have equal access to its programs, facilities, and employment, without regard to race, color, creed, religion, national origin, sex, age, marital status, disability, public assistance status, veteran status, or sexual orientation.