


# PROS & CONS OF BUYING A HOTEL VS PUTTING ACCOMMODATION UNITS ON YOUR PROPERTY

If you're looking for a good solid investment that will pay immediate dividends and secure your family's future, why not consider additional accommodation on your property.

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## Pros & cons of buying a hotel vs putting accommodation units on your property.

It's no secret that in all regions right around the country there's a shortage of available accommodation for both farm and essential workers. As a property owner, you've probably come up against this when you're trying to employ or attract additional workers for your farm or rural enterprise.

So what's the solution?

In this article, we want to discuss the pros and cons of just buying a hotel in town and turning this into accommodation for your workers versus purchasing brand new modular accommodation units and placing these right on your property.

### Fictional case study.

In this fictional case study, we meet Tom Underwood. Tom manages a large fruit growing orchard in regional NSW. During harvest time, he needs to employ a large number of workers to help with harvesting the fruit. For many years, he's struggled to get enough workers during his peak harvest time because there's simply no suitable accommodation nearby.

It's driving him crazy, because it's threatening to severely erode profit margins!

But out of the blue, Tom has a brainwave of buying an old hotel in town and renovating it purely for the use of his workers as accommodation during his peak harvest season. While this might appear to be a good solution on the surface, when digging deeper, Tom's come across a whole range of issues that he has to find solutions for.

Let's drill into them for a few minutes.

### Refurbishment costs.

Not only does Tom have to find the funds for the initial

purchase of the old building, but he also has to find the money for the renovations and massive refurbishments that have to happen to make the building habitable again if not at least somewhat comfortable.

As it's an old building, it might need structural work to ensure that it's completely safe. Depending on the state of the roof, this may also have to be replaced so that there are no leaks. Then the wiring and the plumbing will probably need to be upgraded to meet today's standards and be safe so that it passes the required inspections.

It's also likely that the old building is a bit draughty and certainly not conducive to providing a comfortable living environment without very expensive heating and cooling bills. That's yet another expense that Tom's going to have to think about while he has workers staying there!

All of these costs are likely to add up to a substantial sum if Tom wants to provide reasonable accommodation for his workers.

### Zoning issues with council.

Initially, the building would have been zoned to provide short-term accommodation for tourists and travellers. As Tom want to use the building solely for his own employees, it could require a zoning change with the local council.

This is **not always easy to achieve and could turn out to be quite costly**. So it's another expense that Tom might have to budget for. Plus zoning changes don't happen all that quickly so Tom might find that the accommodation won't even be ready for his next harvest season ... or maybe even the one after that!



## Distance from the farm.

While the town where the hotel is situated is only 35km from Tom's orchard, this does still provide some challenges. Firstly, he needs to consider parking for all of the seasonal workers he needs to employ.

Some of these workers might not even have their own transport. This means that Tom might have to invest in a van or minibus and a driver to transport the workers from the hotel to the orchard in the morning and then back again in the evening.

This only adds more costs on the already large sum that he's had to outlay for the hotel, the renovations, and the zoning changes. Not to mention the headache of arranging it all ...

## Would buying new modular accommodation units be better for Tom?

After sitting down and putting these issues down on paper and applying some possible figures next to all the costs, Tom starts to wonder whether buying brand new modular accommodation units that he places on his property might be a better solution.

He considers the fact that new units are just that. They're newly built and won't require any refurbishment costs. All that Tom has to pay for is the construction of the modular units and the transport costs to have them placed onto his property.

He does have enough land to comfortably house quite a number of units that would provide sufficient accommodation for the workers that he needs to employ.

Sounds good so far!

Tom then went and had a chat to his local council's planning office to see whether this would be a feasible option. He was assured that as long as the accommodation units were built to Australian Standards and had their own building certificates, he shouldn't have any problems getting the required planning approval to place them on his property. In fact, the planning approval process was likely to be easier and cost far less than the rezoning of the hotel would.

Tom also considered the amount of time that he would save by purchasing new modular accommodation as opposed to renovating and refurbishing an old hotel. As the units are built in a factory, they could be completed fairly quickly. On the other hand, renovations of the hotel could stretch out over many months depending on the availability of local tradespeople and the materials required.

Mmmm, better and better, thinks Tom!

Then there's also the time Tom would have to spend to project manage the entire operation to ensure that everything is being done properly. Could he really afford

to take that time away from what needs to be done on the farm?

## What did Tom decide to do?

After carefully evaluating his options, Tom decided that purchasing modular accommodation units for his farm was definitely the way to go. It meant that with a single investment, he would be able to provide his seasonal workers with comfortable accommodation right on the property.

Plus the investment that he made by purchasing the new units would allow him to claim some tax benefits for his business. Not to mention the fact the units were a solid investment that he could even sell down the track if he decided to turn his orchard into a different venture.

It all seemed a no-brainer actually.

## But what are the pros and cons of each solution?

Let's take a leaf from Tom's book and have a look at all the pros and cons associated with buying an old hotel versus purchasing brand new modular accommodation units.





Buying An Old Hotel		Purchasing New Modular Accommodation Units	
Pros	Cons	Pros	Cons
Existing building	Needs extensive renovations and refurbishment	No need for renovation or refurbishment	Have to be built from scratch and transported to site plus services have to be connected
	Will need to comply with current standards in building, plumbing and electrical for a building certificate	Already built to Australian Standards and come with a building certificate	
	Requires expensive and time-consuming rezoning application	Planning applications are fairly easy to get	May need planning or development application
	Lots of time needed to project-manage the renovations	Very little time involvement needed	

	Ongoing maintenance needed	Virtually maintenance free
	Travel required to and from the town	No travel required
Increased resale value	May be difficult to sell	Good resale value and would be fairly easy to sell
All expenses would be tax-deductible		The cost of the units can be claimed as a tax write-off

As you can see from this, there are certainly more advantages to purchasing new modular accommodation units than actually taking an older building and refurbishing it. There are both cost-saving and time-saving benefits when you buy new as well as less on-going maintenance.

So if you want to follow Tom's example and consider purchasing some **new modular accommodation units** for your farm enterprise, why not have a look at all the options that we have available.



-  1300 59 59 31
-  [info@aruva.au](mailto:info@aruva.au)
-  5 Sunny Bank Road, Lisarow NSW 2250
-  Futurebuild Group Pty Ltd.ABN: 98 150 296 558

