

# Hotel 8 Fergus Falls

2454 College Way, Fergus Falls, MN 56537



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SECTION 1

# Executive Summary

OFFERING SUMMARY

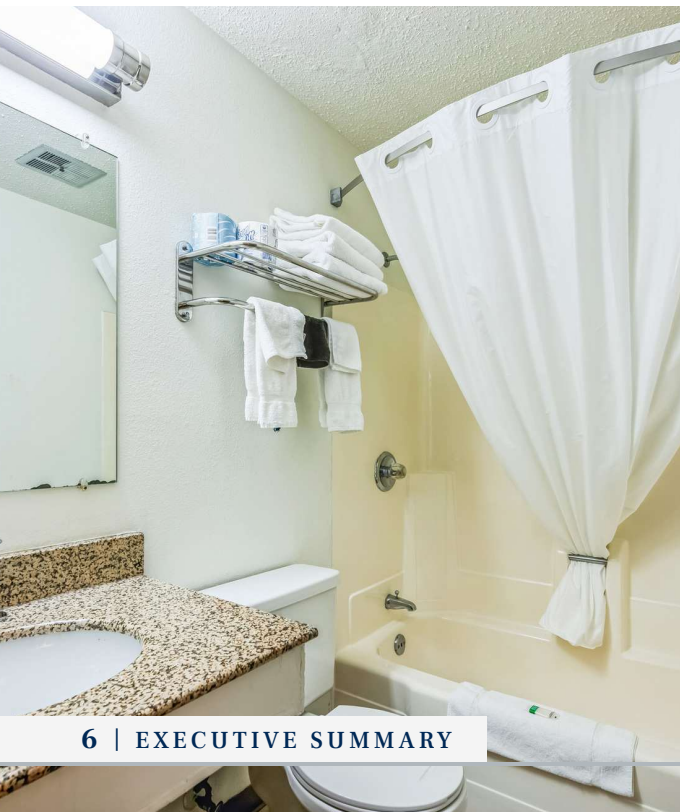
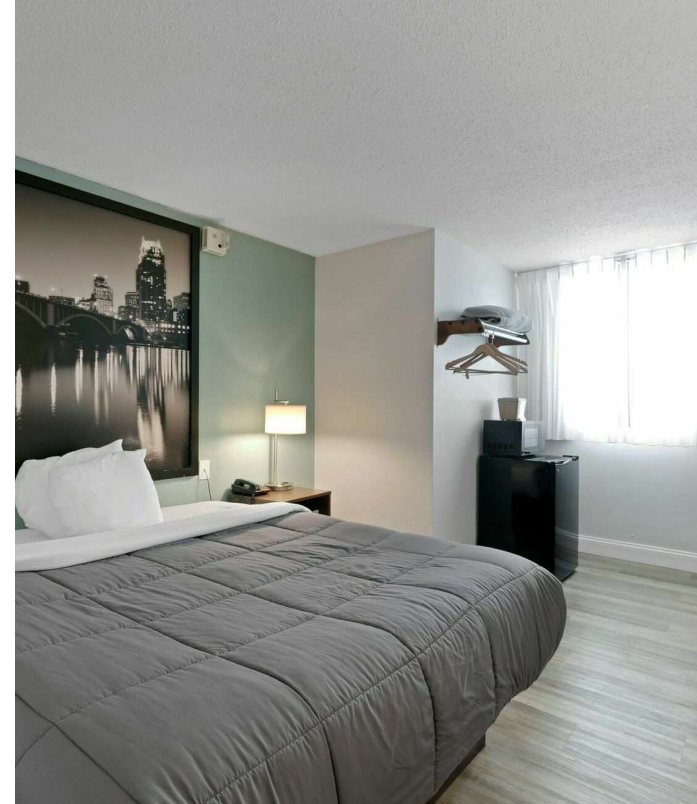
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INVESTMENT HIGHLIGHTS

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# OFFERING SUMMARY



Listing Price

**\$1,600,000**



Cap Rate

**11.66%**



# of Rooms

**31**

FINANCIAL	
Listing Price	\$1,600,000
Down Payment	100% / \$1,600,000
NOI	\$186,537
Cap Rate	11.66%
Room Revenue Multiplier (RRM)	3.07
Price/Room	\$51,613
RevPAR	\$44.77
ADR	\$98.19

OPERATIONAL	
# of Rooms	31
Lot Size	1.64 Acres (71,438 SF)
Occupancy	46%
Year Built/Renovated	1977/2022



# HOTEL 8 FERGUS FALLS

2454 College Way, Fergus Falls, MN 56537

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## INVESTMENT OVERVIEW

Marcus & Millichap is proud to be the exclusive advisor and broker for the Hotel 8 Fergus Falls, a 32-room, two-story hotel built in 1977. This investment presents an excellent opportunity for an owner-operator seeking a stabilized asset with potential for hands-on management and operational improvements.

Strategically positioned just off the Highway 210 exit from heavily traveled I-94, Hotel 8 Fergus Falls enjoys strong visibility and easy access to regional and long-distance travelers. The property is situated on the west side of Fergus Falls' Central Business District, just two miles from the Fergus Falls Municipal Airport.

Fergus Falls (~13,100 residents) serves as the county seat of Otter Tail County (~57,300 residents) and is located along the Otter Tail River, less than 60 miles from the Fargo/Moorhead MSA. As part of West Central Minnesota's lakes region, the area attracts year-round tourism, business travelers, and outdoor enthusiasts visiting destinations such as Fergus Falls, Alexandria, and Detroit Lakes. Additionally, Fergus Falls' major employers, including Lake Region Hospital, Otter Tail Power Company, Northern Contours, and Sara Lee Bakery Group, provide steady business travel demand.

## INVESTMENT HIGHLIGHTS

Premier Location – Strategically positioned just off the Highway 210 exit from heavily traveled I-94, ensuring strong guest traffic.

Recently Extensively Renovated – Modernized accommodations and operational efficiency.

Manager's Apartment On-Site – Ideal for owner-operators to maximize cost efficiencies and oversight.

Diverse Local Economy – Key industries in Fergus Falls include Manufacturing (14%), Retail Trade (12%), Health Care/Social Assistance (11%), and Construction (10%), creating a strong foundation for local demand.



SECTION 2

# Property Information

REGIONAL MAP

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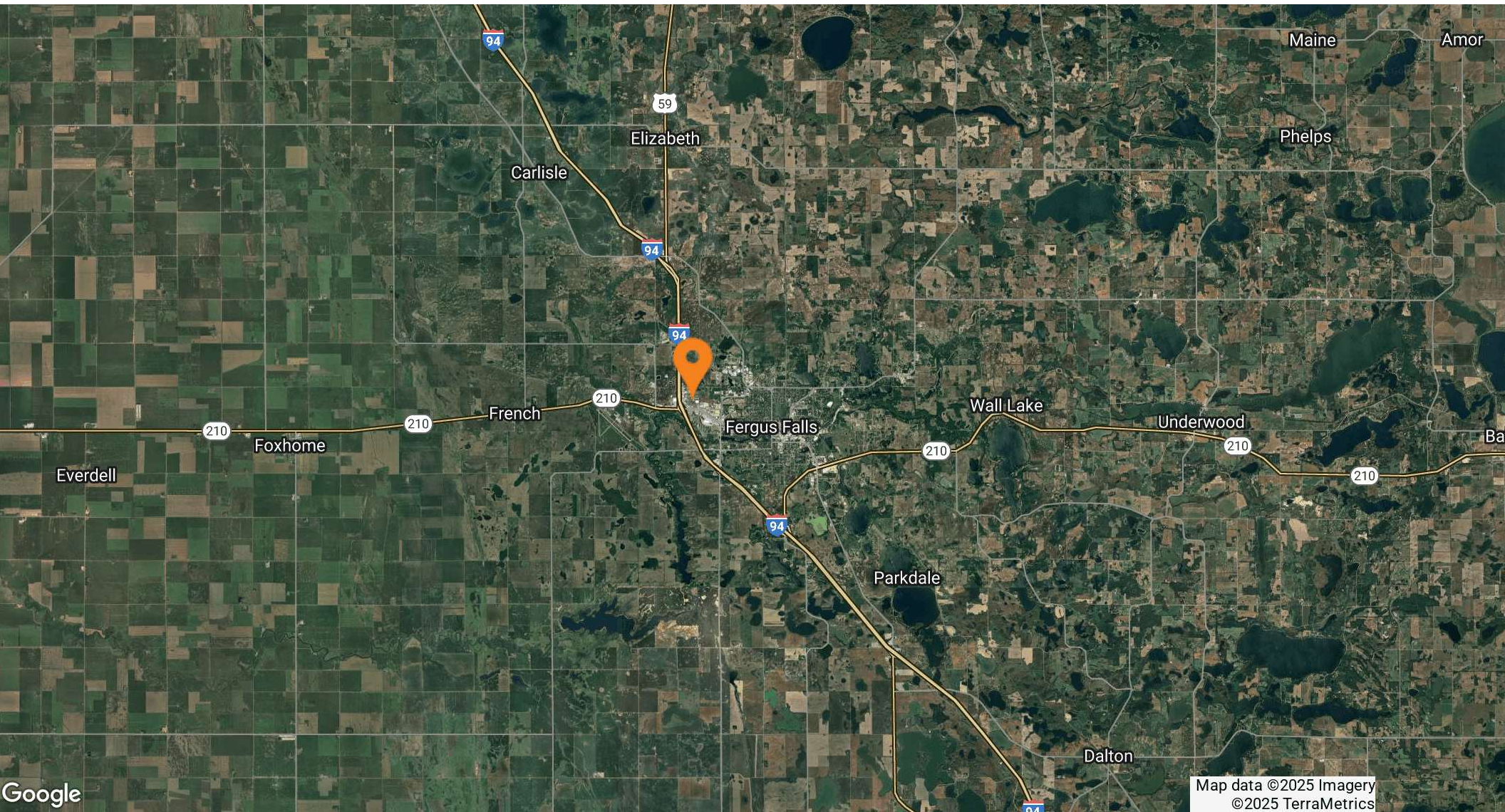
LOCAL MAP

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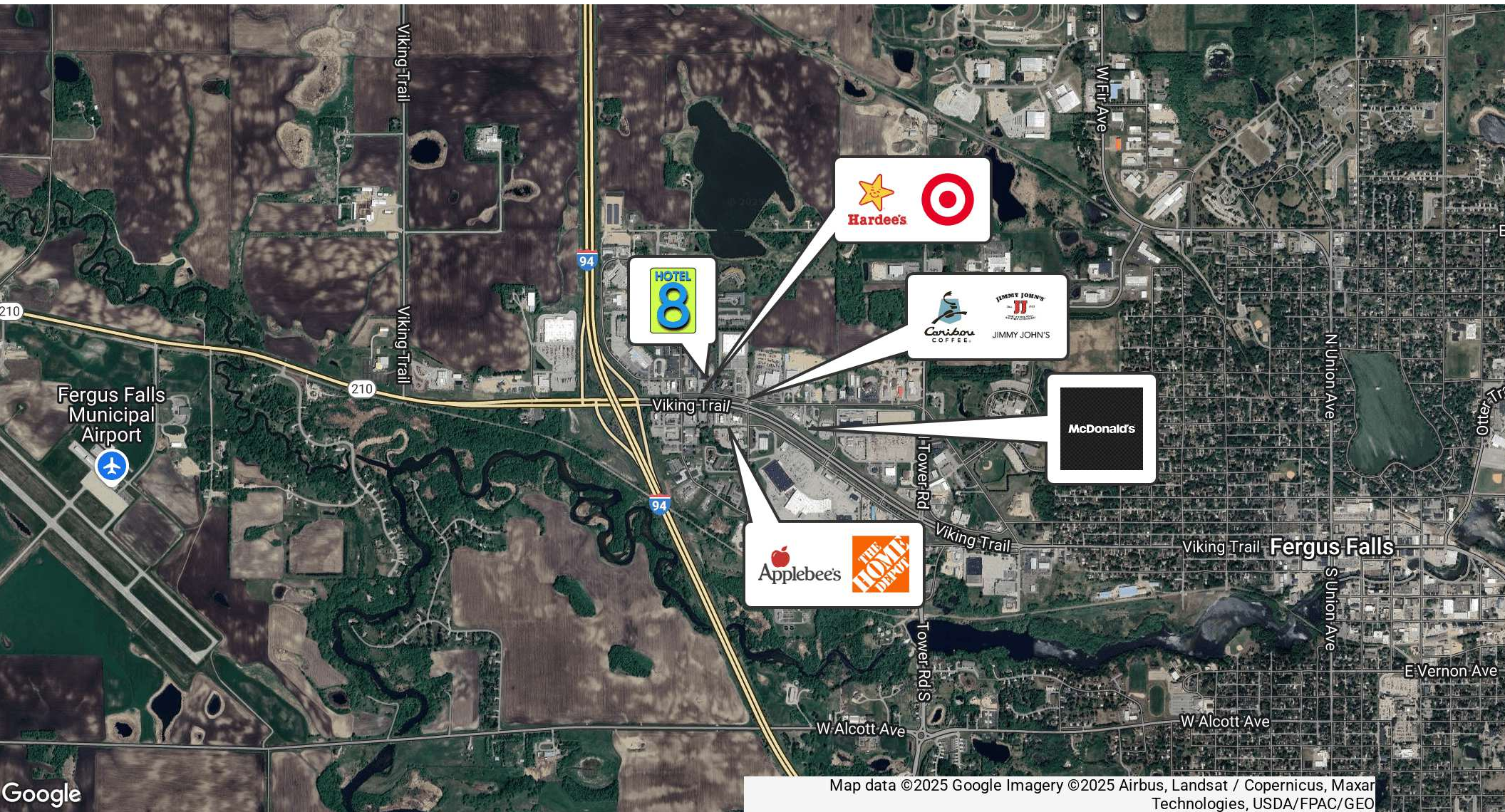


## REGIONAL MAP // Hotel 8 Fergus Falls





## Hotel 8 Fergus Falls // LOCAL MAP





SECTION 3

# Financial Analysis

INVESTMENT OVERVIEW

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STAR COMPARISON

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P&L W/REMOVALS

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CLEAN P&L

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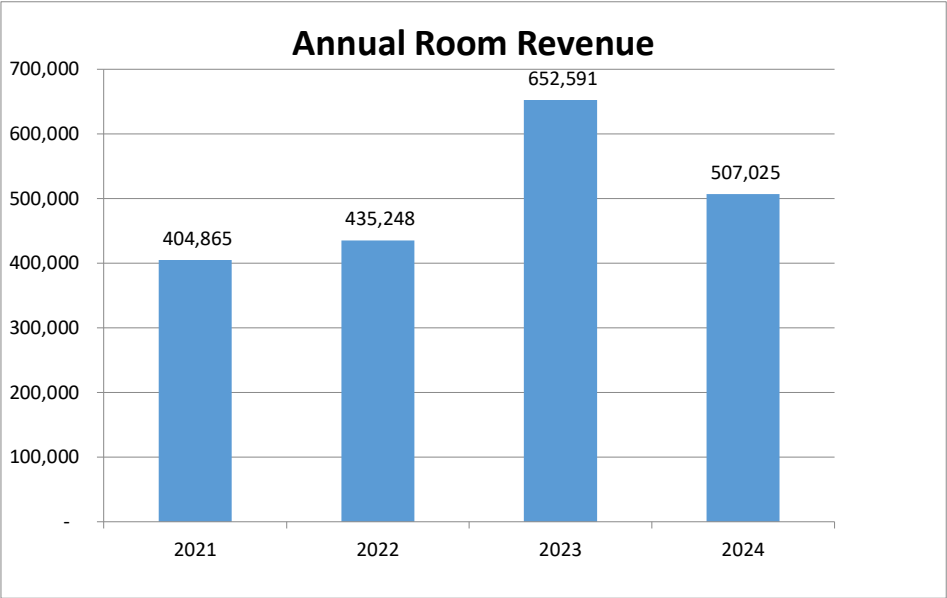
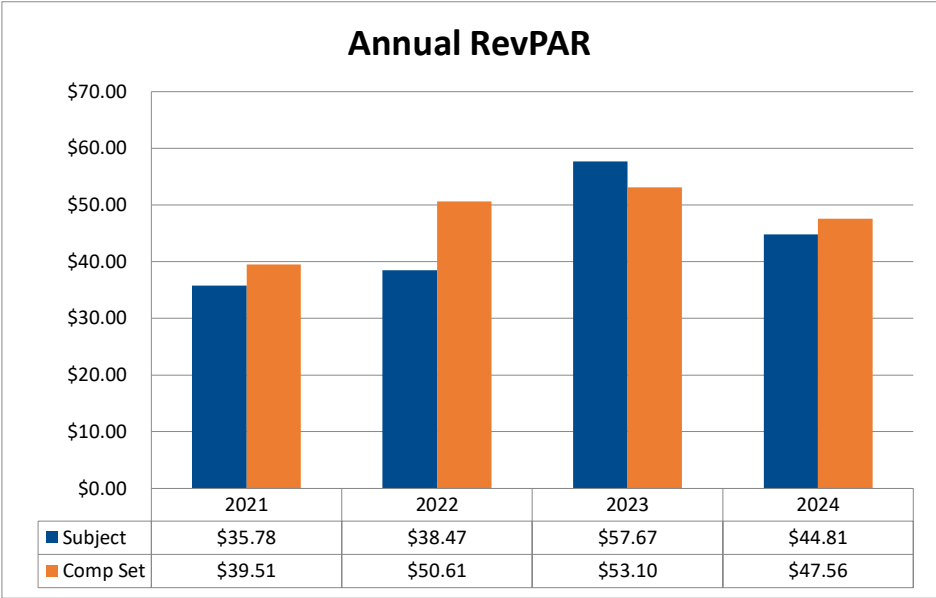
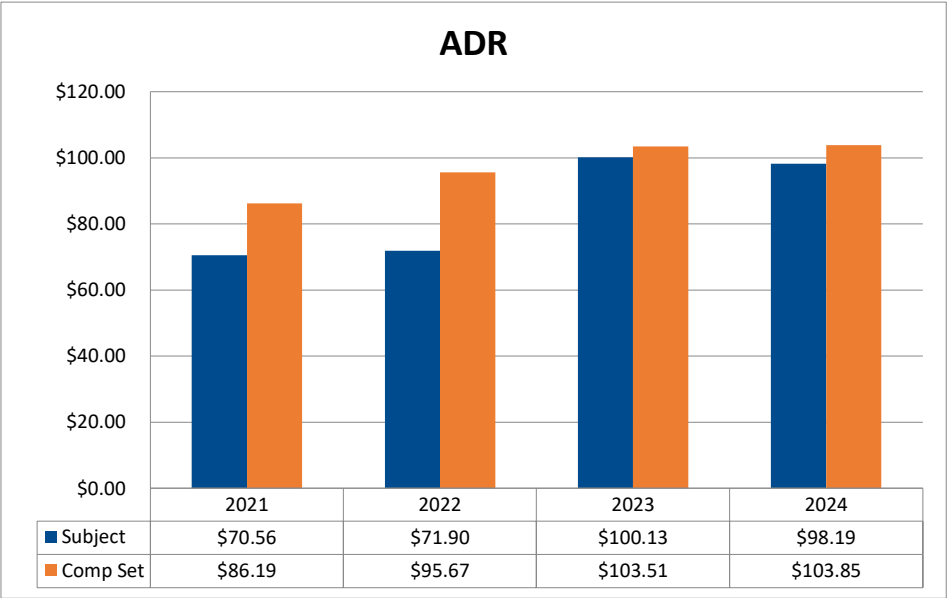
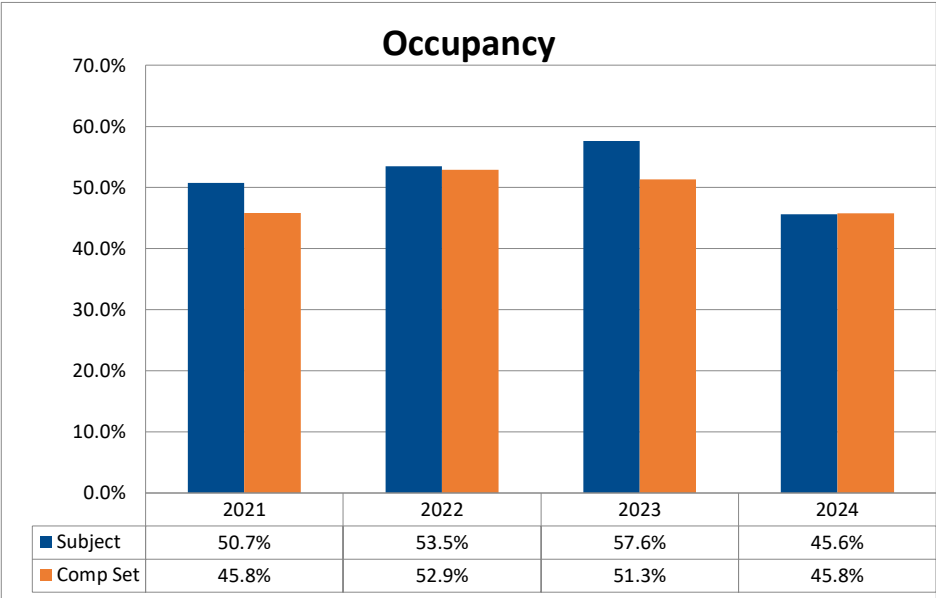
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## Hotel 8 Fergus Falls // INVESTMENT OVERVIEW

<b>Purchase Price</b>	<b>\$1,600,000</b>	<b>\$1,600,000</b>	<b>\$1,600,000</b>
<b>Down Payment</b>	<b>\$320,000 20.0%</b>	<b>\$320,000 20.0%</b>	<b>\$320,000 20.0%</b>
<b><i>Proposed Financing - New Loan</i></b>			
New 1st TD	<b>\$1,280,000 80.0%</b>	<b>\$1,280,000 80.0%</b>	<b>\$1,280,000 80.0%</b>
Interest Rate	7.25%	7.25%	7.25%
Amortization (yrs)	25.0	25.0	25.0
Monthly P&I Payment	\$9,252	\$9,252	\$9,252
<b><i>Operating Summary</i></b>	<b><u>Year End 2023</u></b>	<b><u>Year End 2024</u></b>	<b><u>Year 1</u></b>
Rooms	31	31	31
Available Rentable Rooms	11,315	11,315	11,315
Room Sold	5,588	5,160	5,392
Occupancy	49.4%	45.6%	47.7%
ADR	\$79.10	\$98.19	\$100.15
RevPAR	\$39.07	\$44.77	\$47.73
Room Revenue	\$570,130 99.8%	\$521,717 99.7%	\$540,012 99.7%
Other Operating Revenue	\$1,061 0.2%	\$1,459 0.3%	\$1,474 0.3%
<b>Gross Revenue</b>	<b>\$571,191 100.0%</b>	<b>\$523,176 100.0%</b>	<b>\$541,485 100.0%</b>
Operating Expense	\$326,142 57.1%	\$315,712 60.3%	\$316,725 58.5%
<b>EBITDA</b>	<b>\$245,049 42.9%</b>	<b>\$207,464 39.7%</b>	<b>\$224,760 41.5%</b>
Reserves	\$11,424 2.0%	\$10,464 2.0%	\$21,659 4.0%
<b>Net Operating Income (NOI)</b>	<b>\$233,625 40.9%</b>	<b>\$197,000 37.7%</b>	<b>\$203,100 37.5%</b>
Less Debt Service	\$111,023 19.4%	\$111,023 21.2%	\$111,023 20.5%
Debt Coverage Ratio	2.10	1.77	1.83
<b><i>Investment Summary</i></b>			
<b>Net Cash Flow after Debt Service</b>	<b>\$122,602 38.3%</b>	<b>\$85,977 26.9%</b>	<b>\$92,077 28.8%</b>
Plus Principal Reduction	\$18,841	\$18,841	\$18,841
<b>Total Return on Investment</b>	<b>\$141,443 44.2%</b>	<b>\$104,818 32.8%</b>	<b>\$110,918 34.7%</b>
<b>Cash on Cash Return</b>	<b>38.3%</b>	<b>26.9%</b>	<b>28.8%</b>
<b>CAP Rate</b>	<b>14.6%</b>	<b>12.31%</b>	<b>12.69%</b>
<b>Cap Rate Before Reserves</b>	<b>15.3%</b>	<b>13.0%</b>	<b>14.0%</b>
<b>Room Revenue Multiplier</b>	<b>2.81</b>	<b>3.07</b>	<b>2.96</b>
<b>Price per Room</b>	<b>\$51,613</b>	<b>\$51,613</b>	<b>\$51,613</b>

# STAR COMPARISON // Hotel 8 Fergus Falls



NOTE: ALL FIGURES ARE DERIVED FROM STAR REPORTS



## Hotel 8 Fergus Falls // P&L W/REMOVALS

Dept. Description	2023 YE	% of GR	2024 YE	% of GR	Adjustments	2024 YE	% of GR	Comments
<b>REVENUE</b>								
Sales	570,130.19		521,716.70	99.7%		521,716.70	99.7%	
Other Income	1,060.70		1,458.93	0.3%		1,458.93	0.3%	
<b>Total Revenues</b>	<b>571,190.89</b>		<b>523,175.63</b>	<b>100.0%</b>		<b>523,175.63</b>	<b>100.0%</b>	
<b>EXPENSES</b>								
Advertising & Marketing	2,100.00	0.4%	5,883.94	1.1%		5,883.94	1.1%	
Business Licenses	1,419.50	0.2%	660.00	0.1%		660.00	0.1%	
Commissions & Fees	11,021.91	1.9%	8,460.34	1.6%		8,460.34	1.6%	
Contract Labor	389.44	0.1%	-	0.0%		-	0.0%	
General Business Expenses	1,990.46	0.3%	-	0.0%		-	0.0%	
Insurance	30,000.00	5.3%	7,273.21	1.4%	22,726.79	30,000.00	5.7%	Added Insurance, Normalized
Legal & Accounting Services	2,500.00	0.4%	9,622.50	1.8%	(7,122.50)	2,500.00	0.5%	Removed One Time Expense, Normalized
Meals	-	0.0%	3,184.60	0.6%	(3,184.60)	-	0.0%	Not affiliated with OPS
Merchant Account Fees	18,074.77	3.2%	17,590.43	3.4%		17,590.43	3.4%	
MN Income Tax	7,000.00	1.2%	-	0.0%		-	0.0%	
Office Supplies	513.01	0.1%	485.79	0.1%		485.79	0.1%	
Outside Services	416.25	0.1%	-	0.0%		-	0.0%	
Payroll Expenses	135,318.78	23.7%	176,391.96	33.7%	(74,449.78)	101,942.18	19.5%	Removed Owners Wage
Rent	-	0.0%	88,500.00	16.9%	(88,500.00)	-	0.0%	Not affiliated with OPS
Repairs & Maintenance	23,005.56	4.0%	9,656.79	1.8%		9,656.79	1.8%	
Shipping & Postage	43.93	0.0%	369.50	0.1%		369.50	0.1%	
Small Tools & Equipment	980.33	0.2%	7,016.62	1.3%		7,016.62	1.3%	
Snow Removal	650.00	0.1%	600.00	0.1%		600.00	0.1%	
Software & Apps	4,989.76	0.9%	10,516.11	2.0%		10,516.11	2.0%	
Supplies	38,619.14	6.8%	34,836.09	6.7%		34,836.09	6.7%	
Taxes Paid	-	0.0%	28,138.28	5.4%		28,138.28	5.4%	
Travel	-	0.0%	496.16	0.1%	(496.16)	-	0.0%	Not affiliated with OPS
Utilities	28,520.85	5.0%	35,644.09	6.8%		35,644.09	6.8%	
Vehicle Expense	-	0.0%	3,439.96	0.7%	(3,439.96)	-	0.0%	Not affiliated with OPS
Property Tax	18,588.00	3.3%	18,590.00	3.6%		18,590.00	3.6%	
Employee Appreciation	-	0.0%	265.44	0.1%		265.44	0.1%	Not affiliated with OPS
Bank Fees & Service Charges	-	0.0%	306.58	0.1%		306.58	0.1%	Not affiliated with OPS
Membership & Subscriptions	-	0.0%	2,184.76	0.4%		2,184.76	0.4%	
Equipment Rental	-	0.0%	65.16	0.0%		65.16	0.0%	
<b>Total Expenses</b>	<b>326,141.69</b>		<b>470,178.31</b>	<b>89.9%</b>	<b>(154,466.21)</b>	<b>315,712.10</b>	<b>60.3%</b>	
<b>EBITDA</b>	<b>245,049.20</b>	<b>42.9%</b>	<b>52,997.32</b>	<b>10.1%</b>		<b>207,463.53</b>	<b>39.7%</b>	
Add In Reserves	11,423.82	2.0%	20,927.03	4.0%		10,463.51	2.0%	Add In Reserves
<b>NOI</b>	<b>233,625.38</b>	<b>40.9%</b>	<b>32,070.29</b>	<b>6.1%</b>		<b>197,000.02</b>	<b>37.7%</b>	

## CLEAN P&L // Hotel 8 Fergus Falls

	2023		2024	
Rooms	31		31	
Available Rooms	11,315		11,315	
Rooms Sold	6,054		5,160	
Occupancy	53.5%		45.6%	
ADR	\$71.90		\$98.19	
RevPAR	\$38.47		\$44.77	
Revenue/Room	\$18,426		\$16,877	
Income				
Room Revenue	570,130	99.8%	\$521,717	99.7%
Other Revenue	\$1,061	0.2%	\$1,459	0.3%
Total Revenue	\$571,191	100.0%	\$523,176	100.0%
	2023		2024	
<b><u>Departmental Expenses</u></b>				
Rooms	\$56,461	9.9%	\$63,449	12.2%
Pay Roll Expenses	\$135,319	23.7%	\$101,942	19.5%
Total Departmental Expenses	\$191,780	33.6%	\$165,391	31.6%
Gross Operating Income	\$379,411	66.4%	\$357,785	68.4%
<b><u>Undistributed Operating Expenses</u></b>				
Administration & General	\$24,498	4.3%	\$21,808	4.2%
Marketing	\$2,100	0.4%	\$5,884	1.1%
Franchise Fees	\$0	0.0%	\$0	0.0%
Utility Costs	\$28,521	5.0%	\$35,644	6.8%
Property Operations & Maintenance	\$23,656	4.1%	\$10,257	2.0%
Total Undistributed Operating Expenses	\$78,774	13.8%	\$73,593	14.1%
<b><u>Gross Operating Profit</u></b>	\$300,637	52.6%	\$284,192	54.3%
Fixed Expenses				
Property Taxes	\$25,588	4.5%	\$46,728	8.9%
Insurance	\$30,000	5.3%	\$30,000	5.7%
Total Fixed Charges	\$55,588	9.7%	\$76,728	14.7%
<b><u>Total Expenses</u></b>	\$326,142	57.1%	\$315,712	60.3%
Amount Available for Debt Service & Other Fixed Charges	\$245,049	42.9%	\$207,464	39.7%
Capital Replacement Reserve	\$11,424	2.0%	\$10,464	2.0%
<b><u>Net Operating Income (EBITDA)</u></b>	\$233,625	40.9%	\$197,000	37.7%



SECTION 4

# Market Overview

DEMOGRAPHICS

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## DEMOGRAPHICS // Hotel 8 Fergus Falls

POPULATION	1 Mile	3 Miles	5 Miles
<b>2028 Projection</b>			
Total Population	998	12,804	15,575
<b>2023 Estimate</b>			
Total Population	999	12,692	15,354
<b>2020 Census</b>			
Total Population	961	12,597	15,252
<b>2010 Census</b>			
Total Population	847	12,085	14,613
<b>Daytime Population</b>			
2023 Estimate	2,436	20,120	21,495
HOUSEHOLDS	1 Mile	3 Miles	5 Miles
<b>2028 Projection</b>			
Total Households	497	5,635	6,727
<b>2023 Estimate</b>			
Total Households	497	5,574	6,618
Average (Mean) Household Size	2.1	2.1	2.2
<b>2020 Census</b>			
Total Households	497	5,535	6,549
<b>2010 Census</b>			
Total Households	429	5,311	6,305
HOUSING UNITS	1 Mile	3 Miles	5 Miles
<b>Occupied Units</b>			
2028 Projection	547	6,152	7,346
2023 Estimate	547	6,087	7,230

HOUSEHOLDS BY INCOME	1 Mile	3 Miles	5 Miles
<b>2023 Estimate</b>			
\$200,000 or More	4.7%	3.2%	4.0%
\$150,000-\$199,999	4.6%	4.5%	4.8%
\$100,000-\$149,999	11.1%	12.9%	14.7%
\$75,000-\$99,999	18.2%	16.1%	16.3%
\$50,000-\$74,999	13.6%	15.9%	16.0%
\$35,000-\$49,999	12.8%	13.0%	12.3%
\$25,000-\$34,999	9.4%	9.6%	9.0%
\$15,000-\$24,999	11.6%	11.8%	10.9%
Under \$15,000	13.8%	13.1%	12.0%
Average Household Income	\$72,848	\$69,815	\$75,250
Median Household Income	\$53,755	\$53,901	\$58,492
Per Capita Income	\$37,211	\$31,477	\$33,163
POPULATION PROFILE	1 Mile	3 Miles	5 Miles
<b>Population 25+ by Educational Level</b>			
2023 Estimate Population Age 25+	691	8,783	10,659
Elementary (0-8)	1.9%	2.5%	2.3%
Some High School (9-11)	3.8%	4.7%	4.5%
High School Graduate (12)	25.1%	25.7%	25.3%
Some College (13-15)	20.8%	23.1%	22.5%
Associate Degree Only	18.7%	17.7%	17.4%
Bachelor's Degree Only	22.5%	19.7%	20.6%
Graduate Degree	7.2%	6.7%	7.3%





### POPULATION

In 2023, the population in your selected geography is 15,354. The population has changed by 5.07 since 2010. It is estimated that the population in your area will be 15,575 five years from now, which represents a change of 1.4 percent from the current year. The current population is 48.1 percent male and 51.9 percent female. The median age of the population in your area is 41.2, compared with the U.S. average, which is 38.7. The population density in your area is 195 people per square mile.



### HOUSEHOLDS

There are currently 6,618 households in your selected geography. The number of households has changed by 4.96 since 2010. It is estimated that the number of households in your area will be 6,727 five years from now, which represents a change of 1.6 percent from the current year. The average household size in your area is 2.2 people.



### INCOME

In 2023, the median household income for your selected geography is \$58,492, compared with the U.S. average, which is currently \$68,480. The median household income for your area has changed by 44.31 since 2010. It is estimated that the median household income in your area will be \$71,065 five years from now, which represents a change of 21.5 percent from the current year.

The current year per capita income in your area is \$33,163, compared with the U.S. average, which is \$39,249. The current year's average household income in your area is \$75,250, compared with the U.S. average, which is \$100,106.



### EMPLOYMENT

In 2023, 8,431 people in your selected area were employed. The 2010 Census revealed that 55.6 percent of employees are in white-collar occupations in this geography, and 21 percent are in blue-collar occupations. In 2023, unemployment in this area was 5.0 percent. In 2010, the average time traveled to work was 15.00 minutes.



### HOUSING

The median housing value in your area was \$166,955 in 2023, compared with the U.S. median of \$268,796. In 2010, there were 4,179.00 owner-occupied housing units and 2,127.00 renter-occupied housing units in your area.



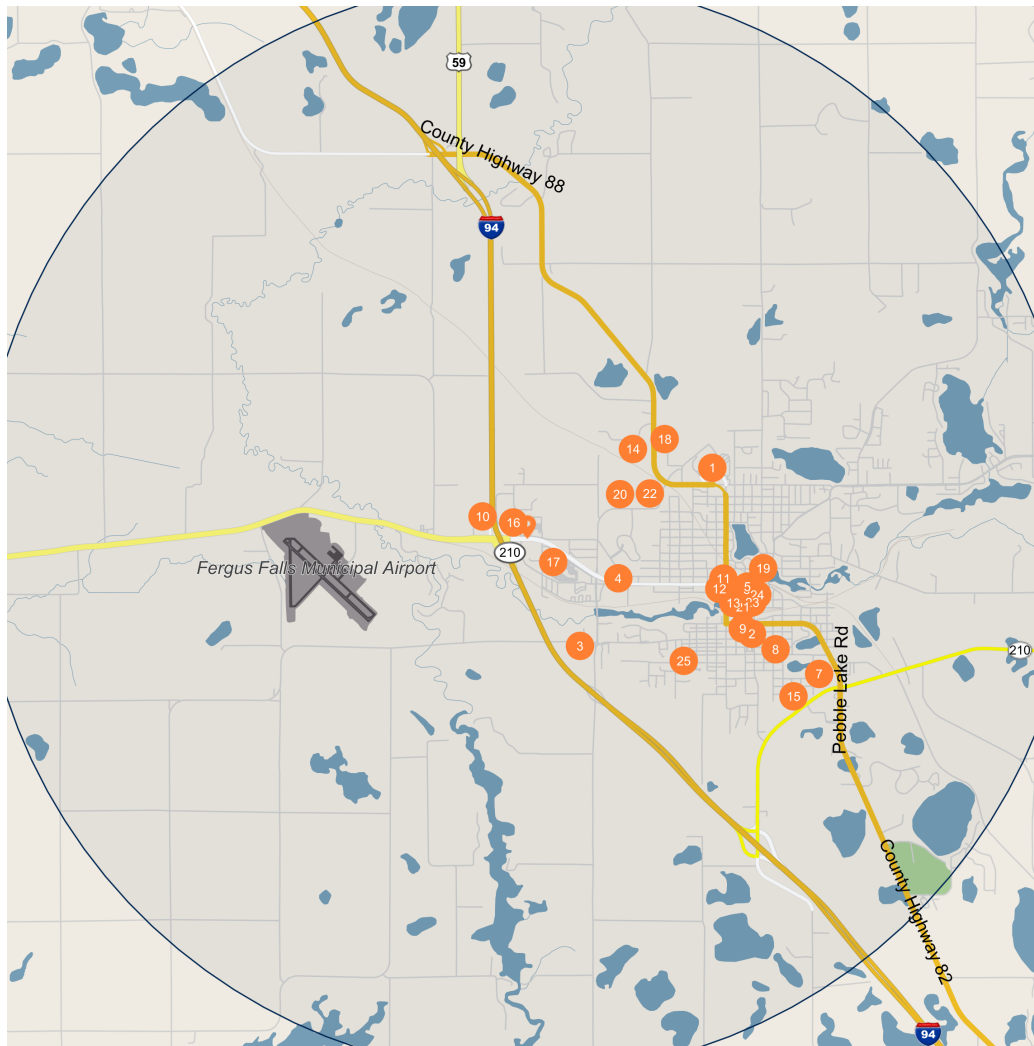
### EDUCATION

The selected area in 2023 had a higher level of educational attainment when compared with the U.S. averages. Only 7.3 percent of the selected area's residents had earned a graduate degree compared with the national average of 12.7 percent, and 20.6 percent completed a bachelor's degree, compared with the national average of 20.2 percent.

The number of area residents with an associate degree was higher than the nation's at 17.4 percent vs. 8.5 percent, respectively.

The area had fewer high-school graduates, 25.3 percent vs. 26.9 percent for the nation, but the percentage of residents who completed some college is higher than the average for the nation, at 22.5 percent in the selected area compared with the 20.1 percent in the U.S.

## DEMOGRAPHICS // Hotel 8 Fergus Falls



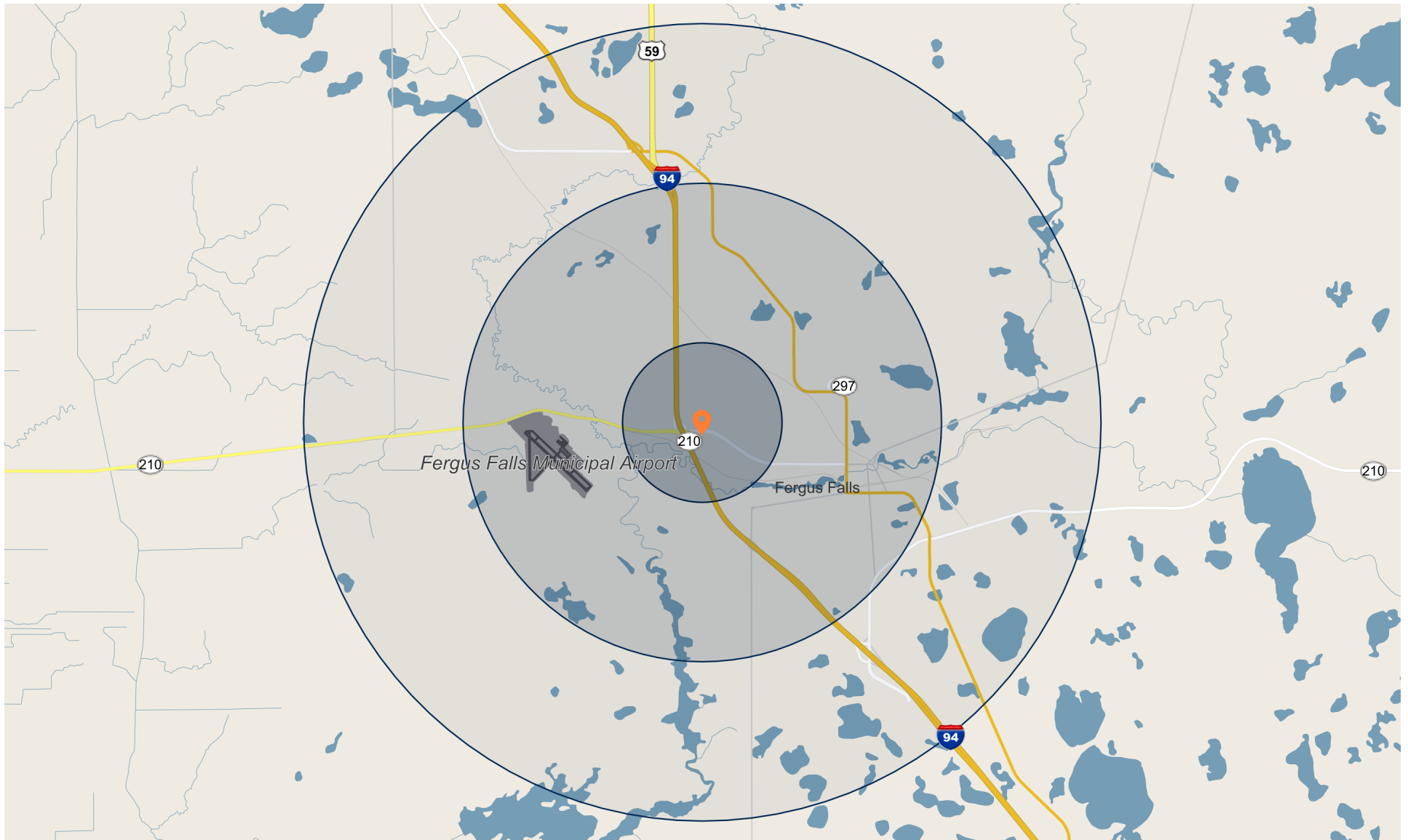
### Major Employers

### Employees

1	Minnesota Department Humn Svcs-Fergus FLS Regional Trtmnt Ctr	777
2	Lake Region Healthcare Corp	627
3	Minnesota Department Humn Svcs	531
4	EDJ Holding Company Inc	475
5	Rita Restaurant Corp	439
6	Conner Enterprises Inc-Zero Variance	400
7	Pioneer Home Inc-Pioneer Retirement Community	350
8	Lutheran Brethren Homes Inc-Lb Homes	275
9	Fergus Falls Medical Group PA	208
10	Walmart Inc-Walmart	172
11	Fergus Falls Newspapers Inc-Daily Journal	165
12	Service Food Market Inc-Service Food Super Value	150
13	State Bankshares Inc-State Bank	139
14	Shoremaster LLC-Waterfront Brands	118
15	Prairie Community Services Inc-Arlington Home	110
16	Lutheran Social Service Minn	107
17	Home Depot USA Inc-Home Depot The	106
18	Barry-Wehmiller Companies Inc-Thiele Technologies	102
19	Fergus Falls Public Schools	95
20	Quality Circuits Inc	90
21	Minnesota Fraud Invstgtors Ass-Mfia	90
22	Productive Alternatives Inc	90
23	Security State Bank Fergus FLS	90
24	Otter Tail Power Company	89
25	Prairie Community Services Inc-Douglas House	87



## Hotel 8 Fergus Falls // DEMOGRAPHICS





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