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## Article Title

A Reexamination of Current Hotel Valuation Techniques – Which Approach is More Realistic?

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## Abstract

This study revisits the issue of accuracy in contemporary hotel valuation. The valuation results are compared to the market values of these firms to assess which technique provides the most robust and supportable estimate. Research results reveal that, at least for the analyzed sample, the discounted cash flow (DCF) technique provides the most realistic estimate of a hotel firm's value. Results also show that the valuation estimate of AVM is significantly different from both Band of Investment methods. As such, the process of valuing hotel properties is better understood.

## Methods

Along with the hotel valuation techniques used by Rushmore (1992) and Chen and Kim (2010), this study uses the cost approach and the automated valuation model (AVM) in its examination of contemporary hotel valuation techniques. Fourteen randomly selected hotel firms are analyzed using nine valuation approaches.

## Results

The results of this study confirm that at least in the context of the U.S. markets, hotel investors would benefit more if they relied on the Ten-Year Discounted Cash Flow Method (Method 5) to evaluate their hotel investment decisions.

## Conclusion

This study is not without limitations. At the onset, the nine techniques evaluated in this study required the use of several assumptions. The more information available about a property, its market, and its competitors, the more accurate the estimation can be. Most companies have multiple hotel properties, making it unrealistic to conduct thorough market analysis on each. Hence, the accuracy of assumptions in such valuations is greatly compromised.