Analysis of the Main Methods of Valuation of Hotel Assets

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ABSTRACT

The article discusses the main methods of evaluating hotel assets. Internationally recognized methods were used as the main methods for evaluating the assets of the analyzed concentration of income and expenses of a Mexican restaurant.

KEYWORDS: *The property, asset, income, cost, net operating income (NOI), appraiser, cost of appraisal.*

Introduction. The hotel business, which is one of the types of economic activity, is a separate income-generating object of real estate. is an important means of replenishment. The process of developing new concepts of the hotel business and modernizing the old ones continues around the world.

The problems of hotel management (management, financing, evaluation, design) are important for the economic analysis of tourism.Economic analysis of the hotel sector, in turn, is based on the analysis of the efficiency of investments made.

Real estate valuation is a multi-stage complex process, and of course there are Uzi-specific features and methods of estimating any type of object. The value of the Mexican business is in the sentence shular. Appraisers use three main approaches to calculate the market values of the hotel asset:

- Capitalization of revenues
- Comparison of market deals
- Development cost comparison

To choose the method that will give the most accurate results, it is recommended in each case to carefully study the indovidual characteristics of the hotel.

Method of capitalization of income

The method of capitalizing revenues is based on the following principle: the value of the asset depends on the net profit or the discounted value of future receipts. Future receipts of income-generating assets such as hotels consist of net income (calculated using income and cost projections) and expected revenue from future sales of the asset. These receipts can be converted to market value using the capitalization process and discounted cash flow analysis.

In accordance with the MBMS, the revenue approach is a set of methods for estimating the value of the valuation object based on determining the expected income from the use of the valuation object. This approach is used when there is reliable information that allows you to predict the future income that the object of evaluation is able to bring, as well as the costs associated with the object of evaluation.

From the point of view of active participants in the hotel real estate market, the profitable approach reflects the existing financial and economic situation of the hotel to the greatest extent, therefore, it is like as a rule, maximum weight is given when coordinating the results obtained within the framework of the implementation of existing approaches to evaluation.

We believe that the ten-year analysis of discounted cash flows is the most accurate method of valuation, which allows the appraiser to prove all the sources of market forecasts and investment parameters with transparency. The appraiser who receives the hotel's revenue and expenditure forecasts can determine the future operational benefit of the hotel. The appraiser then accepts the optimal capitalization rate, which reflects the risk of ownership of the asset over the period under consideration. Using this capitalization rate, we are allowed to sell the asset at the end of the ten-year period. After receiving information about the future operational benefits of the hotel and the proceeds from its sale, we will discount them on the basis of investment parameters and requirements of shareholders and creditors for the return on investment.

This method is usually preferred in the evaluation of income-generating assets, since it most closely reflects the investment thinking of knowledgeable buyers.

Method of comparing market operations (transactions)

The method of comparing market operations is based on the assumption that a knowledgeable buyer does not buy a large amount of assets from the value of a similar existing asset. To get the Most Accurate Estimate, in order to sell a similar asset, the transaction value must be adjusted to reflect the existing differences between the two assets. While investors are interested in information about market operations, they rarely rely on it to make a final purchase , a decision. Factors such as lack of up-to-date information on market operations and the many changes required to compare the two assets often make this method less accurate.

The comparison of market operations is most suitable for determining the range of asset values on the basis of completed transactions and as an indicator of price trends. However, decision-making on the basis of this method is often not justified due to the lack of qualitative data on market operations.

Comparison of development costs

Asset valuation is achieved by subtracting the depreciation (depreciation, functional and economic aging) of the asset from the value of the construction of a similar new asset. This price is then added to the value of the free standing and available land to obtain the final price of the asset. The method of comparing the costs of development gives reliable results for newly built assets, but the aging process and depreciation losses of the asset become more difficult to predict over time. This method gives the most accurate results when calculating the cost of entering the market or assessing newly built assets.

Analyzing the economic literature, the main ways to increase the competitiveness of hotel services, in our opinion, are the following: - ranking of the composition of the set of services provided, based on consumer requirements; - modernization of technological processes and equipment in the offer of services; - correctly selected marketing strategy (setting the price in relation to supply and demand, improving sales channels, studying new market requirements, ; - work with partners with a license and a certificate of conformity and introduce a system of their promotion; - innovation in the provision of services, the implementation of research results;-proper organization and management of the activities of the employees of the enterprise; - to achieve the differentiation of services from the services of competitive enterprises in the eyes of consumers.

Our practice shows that the most knowledgeable buyers base their buying decisions on such financial and economic factors as projected net profit and return on investment.

Conclusion

The methods described above have been recognized internationally as the main methods of assessing hotel assets. While the method of capitalizing revenues is considered the most relevant, an experienced appraiser will consider all three approaches. The comparison of development costs will help to determine the cost of entering the market, while market operations will help to determine the range of values of assets based on "number-percent".

Income capitalization is an example of the rating of the hotel asset using the approach.

As we have already said, the method of capitalizing earnings in the valuation of income-generating assets is usually preferred. In the next place we will consider an example to evaluate the asset of the hotel using the method of earnings capitalization.

Table 1 provides an approximate forecast of the net operating income of the hotel for a period of ten years.

Table 1 net operating income forecast

Years	1	2	3	4	5	6	7	8	9	10
Net operasion income	100 000	200 000	300 000	400 000	500 000	600 000	700 000	800 000	900 000	1000 000

In order to calculate the price of an asset using the method of profit capitalization, we need to deduct the projected operating profit of the hotel and the expected profit from the future sale of the asset. Table 2 provides investment parameters for this example.
Table 2 investment parameters

Share of land assets.	70%
Credit amortization.	10 year
term.	10 year
the interest rate on the loan.	12%
The level of capital in alokhi(term).	10%
interest costs on the sale of the asset.	1%
equity return rate.	20%
Permanent mortgage.	0,173050

Since the acquisition of the asset requires borrowed funds, we can divide the cost of the asset into two components:

equity and debt capital

Asset value (V) = equity value (E) + debt value (D)

When M = where (1-M)V = interest on borrowed funds E

It follows that by determining the value of securities, we can calculate the value of the asset. It is known to us that the value of securities consists of the amount of net operating profit discounted after the loan repayment and the discounted income received from the sale of the asset.

$(1-M)V = \sum (De\ X1/Sn) + (((NI11/Rr - - [b\ (NI11/Rr)])\ x1/S10$

Where $De = NI - (f \times M \times V)$

Table 3

NI = net operating income *V = asset value* *M = interest on borrowed funds* *F = permanent mortgage*	*De = cash flow after credit compensation* *b = total costs incurred from the sale of assets* *n = year of valuation* *Rr = the level of capital in the alokhida(term).*

$1/S^n$ = The rate of discount on the expected rate of return on securities

Table 3 provides the necessary calculations for determining the value of capital according to the above formula.

By applying and simplifying these calculations to the formula of the value of securities, we get the following:

$$\mathbf{(1-M)V = 1\ 707\ 955 - 0{,}507854\ V + 1\ 758\ 796}$$

$$\mathbf{0{,}807854\ V = 3\ 466\ 751}$$

$$\mathbf{V = 4\ 291\ 309}$$

As a result, we calculated the cost of the hotel asset with the cash flows and investment parameters indicated in Tables 1 and 2.

It should be remembered that this example uses ipotetic data and very simplified valuation scenarios, but the equation value formula and the method of capitalizing revenue can be applied to any real hotel asset. The main thing in the successful evaluation of a hotel is a reliable access data, which is used in calculating the value of the hotel asset.

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