



## Opinion of Value

Hospitality assets, such as hotels and resorts, are complex real estate types, with significant land use value depending on their operational performance. Their performance is susceptible to greater market fluctuations, location issues, management sophistication and higher capital investment than other real estate such as offices or retail. Because of this, the valuation of hospitality assets requires a special market understanding and product expertise. Today, Horwath HTL is the leading industry expert retained by major hotel owners, lenders and operators to optimize their investment returns.

We employ a sophisticated Discounted Cash Flow (DCF) valuation approach recognized as the standard by investors in the hospitality industry. In our experience, sophisticated investors use replacement cost and sales comparisons only as secondary references. The Discounted Cash Flow valuation process involves thorough review of the market, quantification of current and future market demand and most importantly, projection of a property's potential future operating and financial performance based on assessment of its competitive attributes and characteristics.

Discount rates based on prevailing investment trends and the weighted average costs of debt and equity are then applied to the projected net cash flows and aggregated to derive the property's present value. Often, we also identify the potential upside opportunities associated with strategic repositioning through re-branding and/or capital improvements to derive a value reflecting an asset's optimal performance.

Horwath HTL asset valuations are regarded as independent, expert opinions and a pre-requisite for:

- **Buyers, Investors & Fund Groups** - for acquisition or disposal of single properties or portfolios
- **Owners & Developers** - for arrangement of deal structuring, financing or disposal of assets
- **Banks & Financing Institutions** - for pre-mortgage review or work-out and insolvency situations



### Suitable Project Types:

1. Land Acquisition (using residual land value analysis)
2. Asset Transaction
3. Equity / Debt Participation
4. Pre-Lending or Refinancing Review
5. Due diligence for acquisitions or disposals
6. Stock exchange listing
7. Basis for joint venture or partnership structuring
8. Asset revaluation for balance sheet purposes