The Efficacy of the Use of Depreciated/Replacement Cost Method as an Alternative to Profit/Account Method in Valuation of Hotels in Bauchi

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Abstract
Various valuation models were developed to value different interests in land and landed property. Although, the basis of valuation might be the same, the methodology may sometimes differ to capture certain peculiarities and attributes in respect of a particular property. In an ideal situation, the profit method of valuation should be adopted in the valuation of hotel properties. Where this is not attainable, the depreciated replacement cost method is adopted. The aim of the study is to examine the efficiency of the use of depreciated replacement cost method as an alternative to profit or account method in valuation of hotels, Bauchi with a view to suggest and recommend the best method of valuing hotel properties. This research is located in a positivist epistemology, where no objective truth is accepted and truth or meaning generation comes through social engagement with the world. The instruments used for data collection are interviews, house inspection, and document review. The study adopts the depreciated replacement cost method and profit or account method of valuation in analyzing the data obtained. Complete theoretical analysis was equally adopted in analyzing the data. The findings reveal that the cost approach may provide a reliable estimate of value in the case of new hotel properties, but as buildings and other improvements grow older and begin to deteriorate, the resultant loss in value becomes increasingly difficult to quantify accurately. The revealed results confirmed the importance of profit or account method of valuation as the most effective and efficient in the evident that the hotel property is not moving at a lost. The study recommends amongst others that before cost approach could be used in valuation of hotel properties, income-related consideration must be difficult to ascertain.
Keywords: Depreciated/Replacement Cost Method, Hotel Valuation, Improvement, Land and Profit/Account Method

1. INTRODUCTION

1.1 Background to the Study

Various valuation models were developed to value different interests in land and landed property. Although, the basis of valuation might be the same, the methodology may sometimes differ to capture certain peculiarities and attributes in respect of a particular property (Ifediora, 2009). Traditionally, hotels are valued using profit or account method of valuation. This method is mostly used because hotels exhibit certain characteristics and peculiarities which render the use of other methods impracticable (Ogunba, 2013). Although, hotels generate income, rent is not paid for its usage. This renders the use of investment method alone impracticable. Hotels also embody personal properties such as furniture and fitting in addition to the real property. The application of cost method becomes cumbersome due to the fact that these personal properties are subject to high physical and functional obsolescence.

Conventionally, the use of profit or account method of valuation in valuing hotels is justified from managerial or business point of view (Kuye, 2000). It is argued that in any business, there are four distinct players, whom all deserve reward for partaking in the business. In other words, there are four factors of production in any business. Hotel business is, therefore, not an exception. These factors include: land, labour, capital and entrepreneur. These factors are entitled to rent, wage/salaries, interest and profits. Thus, the income of the hotel comprises these four rewards. When expenses, interest, and profits or operator’s remuneration are deducted from the income, the balance represents rents for the hotel property which can be capitalized using an appropriate yield and year’s purchase to obtain the capital value.

However, profit method only value the goodwill of the property which, to may, only present value in the use or investment value rather than value in exchange or market value. This value is also criticized from the opportunity cost point of view. A potential purchaser would mostly likely consider the cost he would incur to develop a similar property plus cost of land (Metcalfe, 2014). Also, the potential seller would most likely consider his past expenditure on the property. In other words, he would likely consider the cost of developing the hotel. Thus, he may be reluctant to sell at price lower than the cost he incurred. Thus, cost becomes a unifying factor between the potential purchaser and the seller. (Appraisal Institute, 2011). Thus, this study attempts to evaluate the efficacy of the use of replacement cost method as an alternative to profit or account method in valuation of hotel properties. A particular reference was made to some hotels in Bauchi.

1.2 Statement of the Problem

In the field of valuation of hotel properties, the existing body of knowledge recommends the use of profit or account method in order to arrive at the value of the property. Many researchers hold the view that valuation, being an opinion of value, requires the use of appropriate methodology to arrive at the basis of value sought. The previous studies concluded that the use of profit method of valuation to value hotel properties would yield a positive result. However, the findings of the past scholars could be criticized or extended due to its failure to accommodate certain features of the particular hotel in question and in yielding goodwill value (investment value) rather than market value (Gasparini, 2011).

In an ideal situation, the profit method of valuation should be adopted in the valuation of hotel properties. This method requires that the detailed account of the hotel operations be appraised in arriving at the market value of the hotel property. Thus, the profit method reflects the income yielding ability of the hotel. Where this is not attainable, the depreciated replacement cost method is adopted. This approach supports the fact that an average purchaser, having an average level of information, will very likely buy a property at a maximum price equivalent to the cost of building a similar property that features the same level of utility. The existing literature suggest that, in an ideal situation, profit or account method of valuation is the most appropriate approach in arriving at a reliable value estimate of hotel facilities.

It is a well known fact that both potential purchaser and seller would consider cost in buying and selling of hotel respectively. The current body of knowledge which advocates the use of profit or account method in arriving at the value of hotel properties could equally be challenged as the method may likely not give the true opinion of value. Thus, this study attempt to fill the vital gap left by the previous scholars by examining whether depreciated replacement cost method of valuation can be efficiently used as an alternative in valuation of hotel properties, with particular reference to some hotels in Bauchi. The aim of the study is to examine the efficiency of the use of depreciated replacement cost method as an alternative to profit or account in valuation of hotels in Bauchi with a view to suggest and recommend the best method of valuing hotel properties. To achieve this aim, the following objectives were formulated.

i. To extensively review existing and related literature on various methods of hotel valuation
ii. To determine the value of Hotel A in Bauchi using profit or account method of valuation.
iii. To ascertain the value of Hotel A in Bauchi using depreciated replacement cost method of valuation.
iv. To suggest and proffer solutions to the identified problems observed in both methods with a view to come up with the ideal method of valuing hotel properties.

1.3 Significance of the Study

The importance and justification of this study to estate surveyors and valuers as well as other researchers and government poly makers could not be over-emphasised. This study provides the basis upon which depreciated replacement cost method can be used in valuation of hotel properties where profit or account method of valuation cannot adequately capture all the peculiarities of hotel under consideration

This research has expanded the research frontier in construction and real estate management profession by introducing new dimensions and concept in the area of methods of valuation of real estates. It is also hopeful that the findings in this research would be of great assistance to governments at various levels in the formulation and implementation of policies and measures that will effectively promote and enhance the importance of depreciated replacement cost method in valuation of hotel properties.

This research is therefore a great contribution to knowledge in this regard and it is hopeful that it would open more research in this direction. The deductions and findings from the research may be applicable to other cities in Nigeria and other countries that have similar attributes. The research arouses the interest of researchers in estate surveying and valuation particularly along the efficacy of the use of depreciated/replacement cost method as an alternative to profit/account method in valuation of hotels, an aspect that has not been explored by past researchers.

1.4 Scope/Delimitation of the Study

The study covers Hotel A which is situated in Bauchi metropolis. Hotel A is a five-star hotel, located along Maiduguri by-pass round about, off Bauchi-Ningi road. The study is as well limited to application of depreciated replacement method and profit or account method in the valuation the said hotel and thereby comparing the value arrived at.

1.5 Limitation of the Study

As a matter of fact, one of the problems encountered was that the respondents were suspicious about the purpose of the research and consequently answered some of the questions, or, at times, supplied vague or false information. To establish rapport with the respondents, a great deal of explanations had been made to clarify the motive behind the research. One other problem that was faced in the course of data collection was the way some people misinterpreted the questions asked and as a result gave unsatisfactory or wrong answers. Yet in some instances translating the contents of the interview into vernacular was necessary in order to get better response.

By virtue of the busy nature of estate surveying and valuation practitioners, there was considerable reluctance on their parts to volunteer information. Some of the respondents, especially estate surveyors and valuers, delayed in making their self available for interview and it took personal influence of the researcher's supervisor to obtain their eventual impressive responses. These limitations explained above, however, neither affected the quality of data collected nor the conclusions drawn from it. The various opinions of estate surveyors and valuers were relied upon, in some cases, to the exclusion of those of the said hotel especially in respect of questions that required a form of professional opinion.

2. REVIEW OF RELATED LITERATURE

2.1 Methods of Valuation

The methods of valuation also called valuation approaches or models refer to the techniques used to calculate the worth of a property. Kuye (2000) defined method of valuation as the various calculations, computations or assessments which an experienced estate surveyor and valuer adopts in arriving at his valuation opinion. A particular method to be adopted in a particular circumstance depends on the purpose and basis of valuation and on the nature of the property being valued. There are five main methods of valuation in United Kingdom. These five methods were equally adopted by most common wealth nations including Nigeria. These methods are:

i. Direct Capital Comparison Method
ii. Investment/Income Method
iii. Account/Profits Method
iv. Development Valuation/The Residual Method
v. The Contractors/Cost Method

In contrast, valuations are modeled into three approaches in United State and Germany. They are: the cost approach, the comparison approach and the income approach. In reality, all the above five U.K models are also used, but the residual and profit methods are grouped under the income approach (Ajayi, 2009). These five methods were briefly discussed below:

a. Investment/Income Method: This method is used on properties that produce annual income flows (Rent). This principle states that value is created in anticipation or expectation of future benefits to be derived from possession; operation and/or capital gained at re-sell. This method capitalizes the income using appropriate Year's Purchase.
b. Direct Capital Comparison Method: This method compares a property with similar properties for which transactions have already taken place (Richmond, 1994)
c. Account/Profit Method: This method is normally adopted for properties which are monopolistic in nature but where evidence of accounts is known. The method is applicable to special properties such as hotels and public houses, cinemas and the likes.
d. Development Valuation/ Residual Method: This method is used for properties that are ripe for development or redevelopment. The method depends upon making an estimate of the value of the land when developed or improved and deducing from this the cost of construction and site works, architect and quantity surveyors fees, legal fees, estate agency fees, and advertising cost, interest on borrowed capital and the likes. The residue is the value of the site (Richmond, 1994).
e. The Contractors'/Cost Method: This method involves determining the cost of replacement or substitution of property putting into consideration expenses incurred in the course of replacing the property. It is used in the case of special properties that do not usually change hand, for instance, Mosque, Church, hotels and the likes.

2.2 Profit/Account Method of Valuation

Profit method of valuation is based on the assumption that the value of a property housing or business depends on primarily on the earning capacity of the business. This means that property value will be proportional to the volume of trade or business carried out. It is, therefore, possible to take a look at the book of accounts of the business and deduce, after all necessary deductions, the amount that the business can afford to pay as rent (Ogunba, 2013).

According to Richmond (1994), the calculation using profit method requires the estimation of the average annual gross earning of the property and the deduction from this figure of the working expenses (excluding rent) and an amount for the occupier's remuneration, including interest on the capital he has tied up in the business. The balance represents the amount available for annual rent, which is then capitalized by an appropriate Year's Purchase to arrive at the capital value. Profit method of valuation is often applied to properties with trading potentials. IVSC (2007) defined trade related properties as classes of real properties which are designed for a specific type of business and that are normally bought and sold in the market having regard to their trading potential.

RICS (2005) also define such properties as the property that is rarely, if ever sold in the market, except by way of sale of the business or entity of which it is part, due to uniqueness arising from its specialized nature and design its configuration, size, location and otherwise. Thus, the IVSC GN 12 propounds the used of profit method on property with trading potentials such as hotels, fuel station, restaurants and the likes. The market value might include assets other than land and building alone. These properties are commonly in the market as operating assets and with regard to their trading potentials, also called property with trading potentials.

According to Ogunba (2013), properties with trading potentials are said to exhibit the following conditions:

- Absence of rental evidence
- Evidence of factual and legal monopoly
- Where the account would provide a reasonable guide to profits and ultimately rental values.

The value of which is determined by the location attribute, accessibility, changing market circumstances, design and available trading facilities, the terms of the license and obsolescence. This method is based on the reasoning that the business premises is able to provide the tenant not only an income that will compensate him for operating the concern, but also a surplus that he would be prepared to pay for the right to occupying the property which is equated with rental value. In the opinion/words of Kuye (2000), the profit method is based on the accounting concept of "business entity" which signifies ownership to be different from business. This means that the profit made from the business should be able to take care of the rent.

2.2.1 Shortcomings or Critiques of Profit/Account Method of Valuation

The method is criticized based on the fact that it does not reflect the propensity of income to rise or fall; it is based on few yearly incomes only; it is not always rateable because some changes in the rate produce large effect on value (Gasparini, 2011). As Richmond argued that, it should be checked by other methods. Another shortcoming of the method is that valuation is done on the basis of actual level of trade under existing ownership rather than the trading potential of the property. As such, the value does not reflect the highest and best use value. Furthermore, the method relies heavily on the past record of the hotel, that is, record of turnover, profits, expenses, and the likes. The accuracy of the valuation solely depends on the availability and reliability of these records. Where such records are not available, the use of profit method of valuation could be impracticable in such circumstances.

Cases about where a significant area of land of the hotel which is not put into use also contributes to a setback in employing this method of valuation. Such area if developed could yield significant revenue to the business. Therefore, such a void results in non-realization of the potential profit of the business. Profit method of valuation does not incorporate element of future value of such voids if subsequently developed as it relies mostly on the past profit of the business obtained from the premises that are put into use. As such, the value arrived at may not be true reflection or representation of the market value of such property.

The college of estate management (2005) in their paper titled "methods of valuation" observed that the underlying principle of profit method of valuation is based on the assumption that rent is a function of profit. As such, the value of a property is based on the actual or estimated profit of an operator. Where possible, the actual accounts of the business for previous years will be used. However, where these are unavailable or unreliable, the valuer will make estimates based on the analogous business. This is, however, impracticable in many instances due to poor record keeping and lack of adequate comparable properties or data base.

The Institute in their comment on profit method of valuation asserts the following:

- It is generally agreed that this method is suitable only for: those kinds of premises with a degree of monopoly because of licensing. Secondly, it is as well suitable for those properties which in most cases could not be let or sold separately from business in which they employed.
- The need for accounts of the business restricts the scope of employing the method
- The underlying theory is well founded, but availability of data or trade information may be problematic in practice.
- Different buyers will have different overheads and profit requirements.
- The method is important for land and buildings in leisure sector, including hotels, marinas and the likes. However, motives other than the profit might be present in some cases.

From the aforementioned comments, therefore, the profit method of valuation has numerous limitations and short falls as a method of valuation. Where such limitations are not addressed, the resultant value may not be reliable.

Similarly, Johnson, Davies and Shapiri (2000) advocated for careful interpretation of account and analysis of the profits to arrive at a reliable. Rangwala (2003) also calls for extreme care in the interpretation of the available data with particular reference to the following points:

- If the business is mismanaged, the accounts may reflect low returns and it would give very low net profit.
- If the business is run by a super-efficient trader, the resulting net profit would be exceptional and in such cases, a large share of the profits will have to be allotted to the super-efficient trader for his skills and management. If this precaution is not taken, the value arrived at will not reflect the normal market value of the property
- It also sometimes happens that the accounts maintained may not give the true reflection of trade transaction either because they have been badly maintained due to inefficiency or ignorance or because the trader man has chosen not to put the items through his books of accounts.

The difficulty of adopting the profit method of valuation also lies on what portion of the divisible balance to set aside as rent, whereas, in developed countries, such portion is derived from market analysis of ratio of rental value to gross receipt; such information is usually not available in developing nations. Hence, the use of subjective judgement to derive the major variable of the valuation affect the value arrived at. This makes the valuation subjective, hence, less reliable. In this case, the profit method should be cross-checked and correlated with other methods of valuation, such as Depreciated Replacement Cost Method (Ifediora, 3009)

2.3 Depreciated Replacement Cost Method of Valuation

Depreciated replacement cost method, also called contractors' method or cost approach, is based on the principle of substitution. The principle affirms that a prudent buyer would pay no more for a property than the cost to acquire a similar site and construct improvements of equivalent desirability and utility without undue delay (Ifediora, 2009 and Ogunba, 2013). As a matter of fact, a prudent or rational buyer, according to Shilling (2002), is resumed to have the following three alternatives:

a. Buying an existing property with utility equal to the subject property;
b. Buying a site and adding improvements to produce a property with utility equal to the subject property;
c. Buying s property that produces an income stream of the same size and with the same risk as that produced by the subject property.

The second alternative is the basis of the contractors' method to estimating market value. Ifediora (2009) defines the cost method as the method of determining the value of a property by making reference to the cost of replacing it or procuring an acceptable substitute. In other words, Ogunba (2013) stress the fact that the method "seeks to determine the value of property by aggregating the costs involved in its development". The value of the property is derived from the value of alternative site plus cost of building (Johnson, et.al. 2000). In this method, the highest and best use value of open land with due provision for encumbrance factor is worked out and then added to the depreciated cost of the property to derive the value of the property.

Appraisal Institute (2001) in their appraisal of real estate, defined cost approach as: "A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of, or replacement for the existing structure plus any profit or incentive; deducting depreciation from the total cost; and adding the estimated land value. Other adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. In the cost approach, a property is valued based on a comparison with the cost to build a new or substitute property. The cost estimate is adjusted for the depreciation evident in the existing property in question"

One of the justifications of the cost method is that buyers tend to judge the value of an existing structure not only by considering the prices and rents of similar buildings, but also by comparing the cost to create or construct a new building with optimal physical condition and functional utility. Moreover, buyers adjust the prices they are willing to pay by estimating the costs to bring an existing structure up to the physical condition and functional utility they desire (Appraisal Institute, 2001). The method involves estimating the cost of construction less any depreciation there from and adding the land value to arrive at the capital value. The process can be depicted in the diagram below:

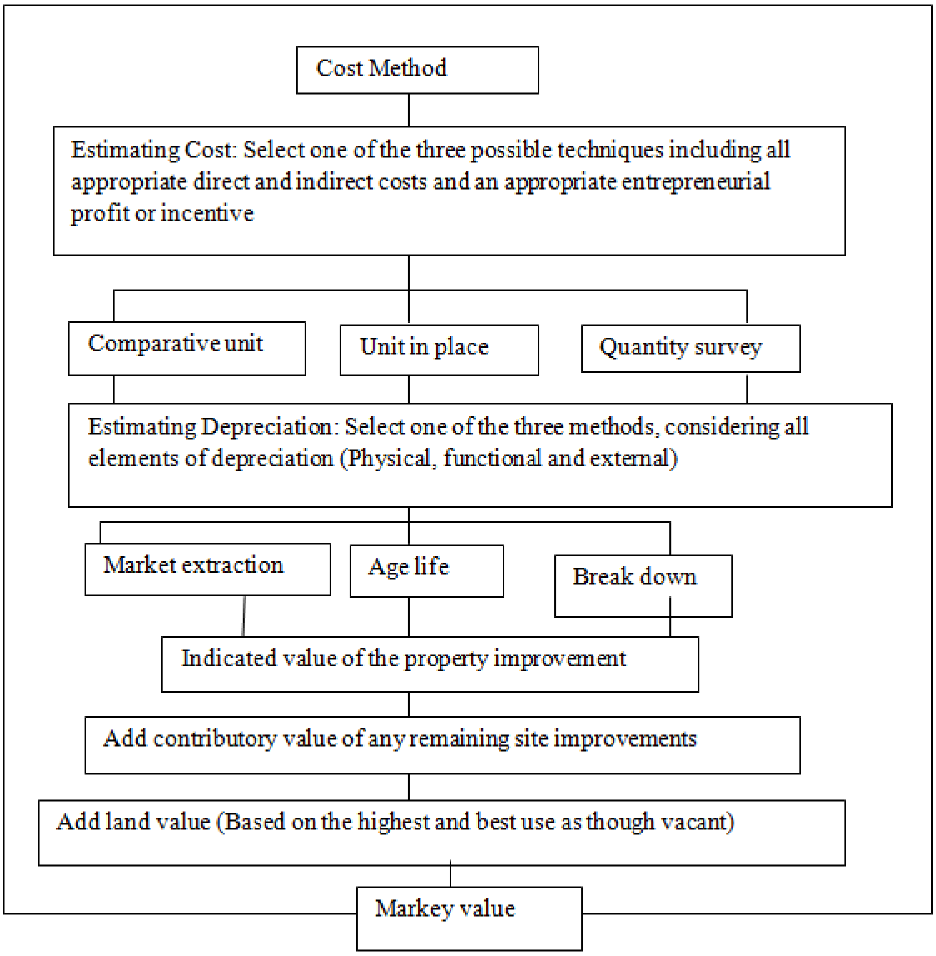

Figure 2.1: Process of Arriving at Market Value using Depreciated Replacement Cost Method
Source: Appraisal Institute (2001)

2.3.1 Justification for the use of Depreciated Replacement Cost Approach

The use of cost approach is most justified on valuing specialized properties that hardly change hand or whose characteristics cannot be captured effectively by other methods of valuation. In such cases, there are no sales in the market and, thus, no comparables on which to base a valuation. The Red Book's definition of specialized properties as quoted by Johnson et.al (2000) pose it that they are "those properties which, due to their specialized nature, are rarely, if ever, sold on the open market for single occupation for a continuance of their existing use, except as part of a sale of the business in occupation".

The cost approach is most applicable in valuing new or proposed construction when the improvements represent the highest and best use of the land and the land is well supported. It can be used to develop an opinion of market value or use value of specialized properties and properties that are not frequently exchanged in the market (Appraisal Institute, 2001). Bello and Bello (2007) stated that, in the current Nigerian situation, the depreciated replacement cost method of valuation produces estimates that are closer to market prices and is therefore a more realistic and appropriate method of valuing properties in the current economic circumstances.

Ifediora (2009) in his summary and conclusion on cost method concluded that the cost method is "a most useful tool in the appraisal process", but in the hand of informed and skilled valuer.

2.3.2 Critiques and Limitations of Depreciated Replacement Cost Method

As a matter of fact, the depreciated replacement cost method of valuation is not without limitations; and has, therefore, been criticized in many instances. The assumption that cost equals value is misleading in contemporary times. Nowadays, property value is derived from the interaction of demand and supply rather than "substitution alone". Therefore, cost method cannot account for the interrelationship of the four factors that affect value, that is, utility, scarcity, desire and purchasing power (Ogunba, 2013). In the same vein, Babcock as quoted by Ifediora (2009) argued that cost in the investment sense is not value and that there is "rarely in fact, any connection between the cost of replacement of a building and its value". However, an exception is uttered in the case of a building just completed, which represents "the highest and best use of its site".

Another fallacy of the cost method is the difficulty of estimating depreciation. Rushmore and Rubbin

(1984) are of the view that as building and other forms of improvements increase in age and begin to depreciate, the resultant loss in value becomes increasingly more difficult to quantify accurately. Corroborating this, the Appraisal Institute (2001) confirms that the difficulty of estimating depreciation in older properties may diminish the reliability of the cost method of valuation. Similarly, Rangwala (2003) criticized the method on the ground that a building consists of various “materials with varying characteristics and all materials do not depreciate uniformly. The use of cost method on old building may be misleading. The severity of this case is the computation of depreciation of old buildings using convention age-life method.

Apart from depreciation, cost method is also criticized on the ground that value is not determined by cost of erecting the existing used, but by what prudent purchasers are willing to offer in an open market in relation to the price the seller is willing to accept (Ogunba, 2013). The College of Estate Management (2003) in their comment on cost method of valuation postulated the following:

- The principle is usually criticized on the basis that cost does not necessarily equal value, when using value in the sense of price in the market.
- For a commercially motivated industry, the cost of facility would need to be economically justified. So it is rational that the cost of the facility was value for money when first constructed.
- Other criticisms relate to practical problems such as

a. Arriving at land values when plants are obsolete or remote or on sites that would not be chosen in contemporary circumstances.
b. Adjusting for age and obsolescence
c. Whether age allowance affects land value as well as constructions.
d. All valuations which cannot be tested against some objective criterion such as prices realized in the market suffer from subjectivity

It might be on this strength that Bello and Bello (2007) argued that depreciated replacement cost method is of “doubtful theoretical validity and will yield erroneous result when used as a method to find open market value as distinct from a specialized purpose”. The values arrived at are mostly too high due to overreliance on simple methodology.

2.4 Hotel Valuation

Hotels are specialized properties that provide accommodation and other services for paying guests. Hotels are unique in design, peculiar in features, and different to other classes of properties. The IVSC (2007) Guidance Note 12 categorizes hotel under properties with trading potentials. The guidance note describes such properties as those whose market value include assets other than land and buildings alone. They are commonly sold in the market as operating assets and with regards to their trading potentials.

Hotels like other properties are valued for different reasons and purposes. Metcalfe (2014) identified four scenarios where market value of hotel is required. They are:

i. Investors or tenders can analyze and continue their investment and tendering decision.
ii. So owners can decide whether to hold or sell, versus various capital return scenarios.
iii. So owners can forecast holding period returns and measure annual value changes.
iv. So owners can define dogs and stars in real estate portfolios and investment fund.

In any case, hotels, like other properties, can be valued for various purposes: mortgage, sales, insurance, probate, and rating. Other purposes include: liquidation, going concern, merger and the likes. The purpose of such valuation usually determines the best approach to be adopted in such circumstances.

Three basic valuation approaches are essentially in used in valuation of hotels. They are: Income approach (including profit/account method), capital comparism and cost approach (Korobkin, 2011; Metcalfe, 2014; De Roos and Rusmare, 2007). However, all the basic hotel valuation approaches have their pros and cons. The strength and weakness of all or any method and the nature of the subject hotel must be evaluated to ascertain the most suitable method to provide reliable value estimate. Of these three techniques, the income capitalization is found to be the most suitable for hotel valuation, at least in most cases of hotel valuation (Rushmore and Baum, 2001).

The profit or account method of valuation, which is a variant of income method, carries weight in most valuation of hotel premises (Ogunba, 2013; Appraisal Institute, 2001; Ifediora, 2009; Rangwala, 2003; Johnson, et al, 2003 and the likes). This is based on the fact that hotels are properties with trading potentials whose success or otherwise is determined by the level of the profit. Since the market value encompasses not only the land and building alone but all the operating expenses, the profit provides a holistic yard stick for measuring or estimating the worth of the hotel business.

However, where the hotel is mismanaged, the level of profit cannot provide the true worth of the hotel. An alternative value must not be sought from the profit which a prudent manager can obtain from the same hotel. This is most difficult in its entire ramification. This is because determining who is a prudent manager might be subjective and eventually the value arrived at could as well be subjective. Also, where there are no proper records of the hotel transaction, the use of profit method of valuation could be impracticable. Thus, the cost approach is used as an alternative to profit method.

The use of cost method in hotel valuation could also be justified from the fact that a buyer would most likely consider the cost of building similar hotel (Metcalfe, 2014). However, this is most suitable in case of new properties. As the building and other improvements grow older and begin to deteriorate, the resultant loss in value become increasingly difficult to quantify accurately (De Roos and Rushmore, 2007). Furthermore, knowledgeable buyers of hotels generally base their purchase decision on economic factors such as forecasted net income and return on investment. Since the cost approach does not reflect any of these income-related considerations, but require instead a number of highly subjective and unsubstantial depreciation estimates, the approach is usually given very little weight in hotel valuation (Rushmore and Rubin, 1984).

Considering the pros and cons of each method, Ifediora (2009) opines that the values obtained from the distinct methods should be correlated with one another to obtain the most reliable uniform value of the hotel in question. From the review of related literature and considering the objectives of this study, the depreciated replacement cost method can be used as an alternative to profit or account method in valuation of hotel properties with particular reference to Hotel A in Bauchi metropolis in many cases.

3. RESEARCH METHODOLOGY

3.1 Research Philosophical Foundation

This research is located in a positivist epistemology, where no objective truth is accepted and truth or meaning generation comes through social engagement with the world (Crotty, 1998). In this study, the investigator or researcher and the investigated or researched *object* are assumed to be independent entities, and the researcher to be capable of studying the object without influencing it or being influenced by it.

3.2 Data Collection Instruments

This section highlights the various methods employed for generating data used in the course of carrying out the research. They include:

3.2.1 Interview

Structured interview was held with the Managing Director of Hotel A regarding the tenure of the subject property, state of repairs of the hotel, utilities, facilities and services available in the hotel and the likes. Semi-structured interview was equally held with the Managing Director of the subject property on issues related to constructional and accommodation details of the subject property. This research also adopts un-structured or open-ended interview to allow respondents to freely discuss on the broad topics of the interview undertaken. Information gotten through this means of gathering data includes: land and improvements in the subject property, plant and motor vehicles available in the hotel and the likes. The reason for adopting all the types of interview is to ensure that the data or information retrieved is valid and reliable for generalization.

3.2.2 House Inspection

There is a need to carry out inspection of the study area so as to evaluate the physical characteristics of the area, the extent and state of repair of the subject property, land improvements therein and location of the neighbourhood. Other reasons for carrying out the house inspection was to ascertain the description of the subject property, constructional and accommodation details of the hotel, state of repairs of the property, plant and motor vehicles available in the study area and the use and availability of utilities, facilities and services present in the subject property.

The inspection also helped in complimenting, validating and confirming the responses obtained from the structured, semi-structured and unstructured interview held. Through the survey, it becomes easier to study, visit and know the environment and its features physically which is of paramount importance to the research work. Furthermore, it also helps in making useful recommendations and suggestions on how to overcome the identified problems. The inspection was as well held so as to know the likely difficulties to be encountered in carrying out the exercise. It enables easy interaction directly with the respondents in the area.

3.2.3 Document Review

Information was extracted from published materials, maps and other relevant reports relevant to the research. Numerous reports from professional estate surveyors and valuers were sought. Confidential materials from local, state and federal government were also accessed through the identified authorities but with the consent of the authorities in charge. All the reports that were gotten from the identified ministries, parastatals, syndicates, and professional firms were strictly used for the purpose of the research and were kept in high confidentiality.

Relevant textbooks on methods of valuation, basis of valuation, concept of value, worth and price as well as issues related to hotel valuation were sought and used to identify a research gap. It was also used to have an in-depth understanding of the subject matter. Bulletins, journal articles, conference papers and many more on existing studies on hotel valuations were also consulted to come up with a more balanced result.

3.3 Method of Data Analysis

In this section, the various techniques used for analyzing the data obtained were explored. To this end, the following methods were adopted to analyze the obtained data.

3.3.1 Profit or Account Method of Valuation

The profits method is an application of the income approach that is commonly used in the valuation of trade related properties. In this study, the profits method is employed to estimate the capital value of Hotel A. The book of account of Hotel A was checked and information related to how to carry out the profit or account method of valuation was extracted. In particular, the gross receipt of the business premises was estimated and deduction was made for purchase or expenditure.

3.3.2 Depreciated Replacement Cost Approach

In this study, the cost approach is used to estimate the market value developed by computing the current cost of replacing Hotel A and subtracting any depreciation resulting from one or more of the following factors: physical deterioration, functional obsolescence, and economic obsolescence. The value of land of Hotel A as if vacant and available is then added to the depreciated value of the improvements to produce a total value estimate.

3.3.3 Narrations and Discussions

Discussion and explanations were also employed in order to analyse data that are not quantifiable using mathematical approach. Eventually, all qualitative data were analysed using narrations and discussions. It is a well known fact that not all data can be analysed using statistical tools of analysis. There is a need, therefore, to resort to other means of analysis.

4. RESEARCH FINDINGS AND DISCUSSIONS

4.1 Location and Neighbourhood

The subject property of Hotel A is located at a corner piece by the rotary junction formed with Maiduguri Bye-Pass and Kano Road, Bauchi. The ‘rotary junction’ is popularly known as ‘Maiduguri Junction’. Access roads connecting this junction are tarred an in excellent condition. The main entrance into Hotel A is by Kano and Maiduguri Road.

The neighbourhood of the subject property is characterized by low density residential-commercial land use. Notable landmarks in the vicinity of the subject property include: School of Armour, Mega Station and Nigerian Television Authority. The subject property conforms to the general land use pattern in the neighbourhood. Public mains electricity and pipe-borne water are available in the subject property and in the neighbourhood as well.

4.2 Description of the Property

The subject property of Hotel A consists of an approximately 195x185= 36, 075m^2 square meter land parcel which is improved by hotel buildings and two stand-by electricity generating plants. The subject property is fenced round with sandcrete block walls and entrance is through steel sliding gate. A break down and details of development on site include the following:

a) 1 No. Administrative Building
b) 6 Nos. Super Chalet Building
c) 23 Nos. Semi-Detached Chalet Building
d) 1 No. New Extension Block
e) 1 No Laundry Building
f) 1 No. Disco Hall and Barbing Saloon
g) 1 No. Ware Houses
h) 1 No. Chairman’s Residence
i) 1 No. General Manager’s House
j) 1 No. Clock Room/Maintenance Block/Staff Canteen
k) 1 No. Generator House
l) 1 No. Kitchen, Corpers’ Lodge, Laundry Store, Security Post and Mosque
m) 1 Nos. Swimming Pool, Engine Room and Entrance
n) 2 Nos. Lawn Tennis Court
o) 1 No. 2 Nos. Bore Holes
p) 1 No. Wall Fencing
q) 1 No. Peugeot 504 Station Wagon
r) 1 No. Bedford Lorry
s) 1 No. Peugeot Pick-up Van
t) 1 No. Volks Wagen Bus

The condition and description of the study area are hereby presented in table 4.1 below

Table 4.1: Description and Condition of the Buildings in the Study Area

S/No.	Decryption of Item	Condition of Building
1.	Administrative Building	Well furnished and maintained but relatively old.
2.	Super Chalets	These are fairly maintained
3.	Semi-Detached Chalets	These are fairly maintained
4.	New Extension Block	A two storey lodge well built and maintained but relatively old in age with 80 rooms suites.
5.	Laundry Building	Relatively old and not well maintained
6.	Disco Hall and Barbing Saloon	Well furnished and maintained but relatively old.
7.	Ware Houses	Relatively old and not well maintained
8.	Chairman's Residence	The building is not well maintained
9.	3 Bedroom Bungalow	Fairly maintained
10.	Clock Room/Maintenance Block/Staff Canteen	Fairly maintained but relatively old.
11.	Generator House	Poorly Maintained
12.	Kitchen, Corpers lodge, Laundry Store, Security Post and Mosque	Relatively old and not well maintained
13.	Swimming Pool, Engine Room and Entrance	Engine room and entrance are constructed in a regular hexagon shape and is well concrete including the roof. The pool is tiled
14.	2 Nos. Bore Holes	Relatively old and not well maintained
15.	Wall Fencing	2.1m height wall, partially rendered and painted
16.	Lawn Tennis Courts,	Relatively old and not well maintained
17.	Land	There are rocks in the vicinity of the hotel and this makes it relatively not highly expensive.
TOTAL		249, 935, 000. 00

In addition to the above described improvements, there are 3 No. identical warehouse situated in a nearly location. Details of development on the Hotel A premises are as follows:

4.3 Constructional Details

- **Roof:** The buildings have mainly corrugated asbestos sheets on timber trusses.
- **Ceiling:** These are mainly asbestos flat sheets. The administrative block has acoustic ceiling tiles, while the new extension has soft fit of reinforced concrete decking covered with fine prefab components.
- **Walls:** Sandcrete block walls, rendered, plastered and painted on all faces. The new extension has fine prefabs wall lining in all the rooms. Toilet walls have ceramic wall tiles to roofing level.
- **Windows:** These are mainly of glazed aluminum sliding frames.
- **Doors:** These are a combination of flush doors. Cryptal hope casement and glazed aluminum sliding doors.
- **Floor:** Concrete slab finished in a combination of cement/sand screed covered with soft carpet, ceramic floor tiles and P.V.C. floor tiles.

4.4 Accommodation Details

The accommodation details of the subject property are hereby presented below:

- **Administrative Building:** This comprises a Reception, Gift Shop, Bar, Restaurant, Open Courtyard, Offices, Kitchen and Store.
- **Semi-Detached Chalets:** These are 23 (twenty three) in number and each one consist of 1 (one) Room with 1 (one) Toilet and Bathroom.
- **Super Chalets:** These are 6 (six) in number and each one comprises 1 (one) Living Room, I (one) Bedroom and 1 (one) Toilet/Bathroom.
- **New Extension Block:** This consists of 80 (Eighty) Rooms each having a Toilet and Bathroom.
- **Disco Hall Building:** 1 (one) Disco Hall, I (one) Security Office, 1 (one) Gift Shop and 1 (one) Salon.
- **Warehouses:** These are 3 (three) in number.
- **Chairman's Residence:** 1 (one) Sitting Room, 4 (four) Bedrooms, 1 (one) Kitchen/Pantry, 3 (three) Toilets/Bathrooms.
- **General Manager's Residence:** 1 (one) Sitting Room, 1 (one) Kitchen/Pantry, 2 (two) Toilets/Bathrooms and 3 (three) Bedrooms.
- **Clock Room/Maintenance Block:** 6 (Six) Rooms, I (one) Toilet/Bathroom and 1 (one) Kitchen
- **Staff Canteen:** 1 (one) Kitchen, 1 (one) Room and 1 (one) Restaurant.

4.5 Methods of Valuation Adopted

The study employed two methods of valuation, that is depreciated replacement cost method and profit or account method of valuation with a view to determine which of the two methods is the best for valuation of the subject property.

4.5.1 Depreciated Replacement Cost Method

In conducting this valuation exercise, the study adopted the contractor's or depreciated replacement cost method, also known as the cost equivalent reinstatement method. As a matter of fact, this method is adopted when market activity is insufficient to provide meaningful comparable or where the uniqueness of the assets or their special nature afford little or no dependable comparable evidence.

The cost approach supports the fact that cost is related to value. It is based on the assumption that a hypothetical purchaser of the property will not be willing to pay more than it will cost him to put up the exact replica or its functional equivalent. This method is the summation of the cost of improvement adjusted to reflect physical condition, age and obsolescence. As pointed by Kuye (2000), the method tries to equate depreciated cost to market value.

The breakdown on how the capital value of the subject property was arrived at is as explained below:

a. **Land:** The capital value of land has been assessed by market approach based on Open Market evidence of land value in the locality. From the market evidence, a Unit Capital Value is derived and adopted as approximate and applied to the areas of the premises.
b. **Improvements:** The current replacement cost of improvement is assessed by the contractor's test, based on current building/construction cost indices. From this, unit construction cost is derived and further refined to reflect material differences in quality and materials of construction and finishes as well as details of accommodation.
   The derived and adjusted unit cost is applied to the gross floor area of each building. Computed replacement cost or present value factor is applied to the reproduction cost new to obtain the current replacement/capital value.
c. **Electricity Generating Plant/Motor Vehicles:** The subject plant and motor vehicles were similarly assessed in this study using depreciated replacement cost method. The current prices of assets were determined by market survey and adjusted to reflect their physical condition, effective age and the estimated remaining functional life.

Table 4.2: A Break Down of Value of Land and Improvements

S/No.	Description of Item	Value Arrived at (₦)	
1.	Administrative Building	Administrative Block	2, 664.6m^2
		Cost of Construction/m^2	42,000
		Cost of Building	111, 913, 200
		Less Depreciation @ 28%	31, 335, 696
		Value arrived at=	**80, 577, 504**
2.	Super Chalets	Super Chalets	6x38.5m^2=231m^2
		Cost of Construction/m^2	15,000
		Cost of Building	3, 465, 000
		Less Depreciation @ 30%	1, 039, 500
		Value arrived at=	**2, 425, 500**
3.	Semi-Detached Chalets	Semi-Detached Chalets	23x53.2m^2=1, 223.6m^2
		Cost of Construction/m^2	12,500
		Cost of Building	15, 295, 000
		Less Depreciation @ 30%	4, 588, 500
		Value arrived at=	10, 706, 500
4.	New Extension Block	New Extension Block	3x1,323.4m^2=3, 970.2m^2
		Cost of Construction/m^2	45,000
		Cost of Building	166, 748, 400
		Less Depreciation @ 30%	50, 024, 520
		Value arrived at=	116, 723, 880
5.	Laundry Building	Laundry Building	431.5m^2
		Cost of Construction/m^2	17,000
		Cost of Building	7, 335, 500
		Less Depreciation @ 35%	2, 567, 425
		Value arrived at=	4, 768, 075
6.	Disco Hall and Barbing Saloon	Disco Hall and Barbing Saloon	474.44m^2
		Cost of Construction/m^2	17,500
		Cost of Building	8, 302, 700
		Less Depreciation @ 28%	2, 324, 756
		Value arrived at=	5, 977, 944
7.	Ware Houses	Three Ware Houses	1,479.58m^2
		Cost of Construction/m^2	18,500
		Cost of Building	27, 372, 230
		Less Depreciation @ 22%	6, 021, 890
		Value arrived at=	21, 350, 339

8.	Chairman's Residence	Chairman's Residence 329.92m^2 Cost of Construction/m^2 17,500 Cost of Building 5, 773, 600 Less Depreciation @ 35% 2, 020, 760 Value arrived at= 3, 752, 840
9.	General Manager's House	General Manager's House 140.94m^2 Cost of Construction/m^2 17,500 Cost of Building 2, 466, 450 Less Depreciation @ 35% 863, 257 Value arrived at= 1, 603, 192
10.	Clock Room/Maintenance Block/Staff Canteen	Clock Room and others 347.29m^2 Cost of Construction/m^2 17,500 Cost of Building 6, 077, 575 Less Depreciation @ 28% 1, 701, 721 Value arrived at= 4, 375, 854
11.	Generator's House	Generator's House 140.8m^2 Cost of Construction/m^2 15,500 Cost of Building 2, 182, 400 Less Depreciation @ 40% 872, 960 Value arrived at= 1, 309, 440
12.	Kitchen, Corpers' Lodge, Laundry Store, Security Post and Mosque	Kitchen 197.6m2 Corpers' Lodge 453.3m^2 Laundry Store 21.2m^2 Security Post 14.4m^2 Mosque 73.6m^2 760.1m^2 Cost of Construction/m^2 15, 000 Cost of Buildings 11, 401, 500 Less Depreciation @ 35 3, 990, 525 Value arrived at= **7, 410, 975**
13.	Swimming Pool, Engine Room and Entrance	Swimming Pool and others 166.24m^2 Cost of Construction/m^2 25,000 Cost of Building 4, 156, 000 Less Depreciation @ 20% 831, 200 Value arrived at= 3, 324, 800
14.	2 Nos. Bore Holes	2 Nos. Bore Holes 2x15.5m^2= 31m^2 Cost of Construction/m^2 15,000 Cost of Building 465, 000 Less Depreciation @ 25% 116, 250 Value arrived at= 348, 750
15.	Wall Fencing	Wall Fencing 756.1m^2 Cost of Construction/m^2 7,500 Cost of Fencing 5, 670, 750 Less Depreciation @ 40% 2, 268, 300 Value arrived at= 3, 402, 450
16.	Land	Add auxiliary cost of land sapping etc 21, 000, 000 Add Land Value Plot size 195x185= 36, 075m^2 2 nos Lawn Tennis Courts 135, 000. 00 4 nos Water Reservoir 320, 000. 00 Land Value/m^2 2, 362
TOTAL		₦ 249, 935, 000. 00

Table 4.3: A Break Down of Value of Land and Improvements

S/No.	Decryption of Item	Value Arrived at (₦)
1.	Administrative Building	80, 577, 504. 00
2.	Super Chalets	2, 425, 500. 00
3.	Semi-Detached Chalets	10, 706, 500. 00
4.	New Extension Block	116, 723, 880. 00
5.	Laundry Building	4, 768, 075. 00
6.	Disco Hall and Barbing Saloon	5, 977, 944. 00
7.	Ware Houses	21, 350, 339. 00
8.	Chairman's Residence	3, 752, 840. 00
9.	General Manager's House	1, 603, 192. 00
10.	Clock Room/Maintenance Block/Staff Canteen	4, 375, 854. 00
11.	Generator House	1, 309, 440. 00
12.	Kitchen, Corpers Lodge, Laundry Store, Security Post and Mosque	7, 410, 975. 00
13.	Swimming Pool, Engine Room and Entrance	3, 324, 800. 00
14.	2 Nos. Bore Holes	348, 750. 00
15.	Lawn Tennis Court	257, 879. 00
16.	Water Reservoir	463, 468. 00
17.	Wall Fencing	3, 402, 450. 00
18..	Land	6, 000. 000. 00
	TOTAL	**249, 935, 000. 00**

Table 4.4: Break Down of Value of Plant and Motor Vehicles

S/NO	Description of Item	Quantity	State of Repairs	Value
1.	Electricity Generating Plant Door Man 587. 50 KVA each	2	Fair	16, 200, 000. 00
2.	Peugeot 504 Station Wagon	1	Good	200, 000. 00
3.	Bedford Lorry	1	Fair	350, 000. 00
4.	Peugeot Pick up Van,	1	Good	250, 000. 00
5.	Volkswagen Kumbi Bus,	1	Fair	160, 000. 00
	TOTAL			N 17, 160. 000. 00

4.5.1.1 Opinion of Value

The study is of the considered professional opinion that the asset of Hotel A, appraised and valued as at16th April, 2014 is in the sum of **₦267, 095, 00 (Two Hundred and Sixty Seven Million, Ninety Five Thousand Naira Only).** This is made up as follows:

- **Land and Improvements on Land: ₦249, 935. 00 (Two Hundred and Fourty Nine Million, Nine Hundred and Thirty Five Thousand Naira Only).**
- **Plant and Motor Vehicles: N 17, 160, 000. 00 (Seventeen Million, One Hundred and Sixty Thousand Naira Only).**

It is worthy to note that no allowance has been given for expenses of realization in the event of a lease or sale. In carrying out this valuation exercise, the study complied with the requirements of Estate Surveyors and Valuers Registration Board of Nigeria and the Nigerian Institution of Estate Surveyors and Valuers both of which the researcher is a member.

4.5.2 Profit or Account Method of Valuation

In this aspect of property valuation as highlighted by Kuye (2000), the level of sale is what will determine the level of profit, and the profit will in turn be used to determine the price someone (an investor) will pay for the property as rent or purchase. As earlier mentioned, the book of account of Hotel A was checked and information related to how to carry out the profit or account method of valuation was extracted. In particular, the gross receipt of the business premises was estimated and deduction was made for purchase or expenditure. The reason why profit or account method of valuation was adopted in this study was because of the uniqueness and monopoly nature as well as public utility undertakings of the hotel in question (Kuye, 2000). Another reason why the profit method was employed is due to absence of rental evidence from the subject property.

The procedure adopted in carrying out valuation of Hotel A using profit or account method as stated by Kuye (2000) is as follows:

a. Determine all receipts (that is, income being generated by the business). This can be determined from the hotel's book of account or sales record.

b. Determine the cost of purchase
c. Determine the gross profit, that is, receipts less purchase.
d. Determine the net profit by deducting all other expenses from gross profit, that is, gross profit less working expenses.
e. Divide the net profit between the proprietor of the business for his entrepreneurship, and -rent.
f. Then capitalize the rent to get the capital value. However, it must be borne in mind that all elements of outgoings need to be considered before the capitalization.

Below is the breakdown of the valuation using Profit or Account method:

RECEIPT			
Restaurant			10, 865, 750
Halls			8, 870, 000
Rooms			16, 627, 000
Swimming Pool		7, 343, 000	
Barbing Saloon and Laundry			350, 000
Total Receipts		**44, 055, 750**	
LESS TRADE EXPENSES			
Purchases			23, 041, 157
Gross Profit			**21, 014, 593**
LESS WORKING EXPENSES			
Wages and Salaries			9, 604, 153
Electricity and Fuel			3, 500, 000
Laundry Advertisement		500, 000	
Stationery			250, 000
Repairs and Maintenance		1, 850, 000	
Divisible Balance= Net Profit		**5, 310, 440**	
Less Interest on Operators Capital @ 10% of 6, 000, 000	600, 000		
Divisible Balance			**4, 710, 440**
Take 50% of Divisible Balance as Operators Remuneration			
and 50% as Rent			**2, 355, 220**
Rental Value			**2, 355, 220**
YP Perpetuity @ 5%			**20**
Capital Value			**₦47, 104, 400**

From the calculation above it could be seen that profit method could not yield positive result when valuing the Awalah Hotel

5. SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 Summary of Findings

In this section, the major findings of the present study are discussed according to the research questions. In addition, the results of the present study are discussed in relation to the results of previous studies reviewed in the literature review section. In other words, this section is devoted to discussing the connection of the results of this study to the results and findings of previous studies

Most of the previous studies advocated for the use of profit or account method in the valuation of hotels. The results of the present study was in consistence with some of the findings of the previous studies as the results obtained confirmed that profit or account method of valuation is applicable to such kind of properties in some circumstances. For instance, the findings of the study validate the work of Kuye (2000) and Richmond (1994) that profit or account method of valuation offers a more reliable value in hotel valuation.

Most studies in the field of hotel valuation adopted the depreciated replacement cost method of valuation in arriving at the capital value of hotel property. Such studies showed that the depreciated replacement cost method is useful and effective in determining the value of a hotel property. Similarly, the current study revealed that depreciated replacement cost method is also an effective and valid approach to be used in research related to hotel valuation and its dimensions and factors.

Based on the findings of the study, the cost approach may provide a reliable estimate of value in the case of new hotel properties, but as buildings and other improvements grow older and begin to deteriorate, the resultant loss in value becomes increasingly difficult to quantify accurately. Most knowledgeable, hotel buyers base their purchase decisions on economic factors such as projected net income and return on investment.

Because the cost approach does not reflect these income-related considerations and requires a number of highly subjective depredation estimates, this approach is given minimal weight in the hotel valuation process.

However, it is useful in establishing a benchmark for buy versus build decisions and for relative pricing over time. The results revealed in this study related to the effects of the profit or account method are not in agreement with the results of precious findings because they confirmed the importance of profit or account method of valuation as the most effective and efficient method of valuing hotels.

5.2 Recommendations

Studies on techniques and approaches to hotel valuation are still very few. Based on the findings of the current study, the research proposed the following recommendations in order to arrive at the most reliable value when valuing hotel properties.

i. The study recommends the use of profit method of valuation as a check because the cost approach may sometimes provide a reliable estimate of value for newly constructed properties; however, as buildings and other forms of improvements increase in age and begin to depreciate, the resultant loss in value becomes increasingly more difficult to quantify accurately.

ii. The study recommends that before cost approach could be used in valuation of hotel properties, income-related consideration must be difficult to ascertain. Since the cost approach does not reflect any of these income-related considerations, but requires instead a number of highly subjective and un-substantial depreciation estimates, this approach is usually given very little weight in the hotel valuation process.

iii. The study recommends the use of profit method in hotels that are newly developed as it produces the most supportable value estimate and is generally given the greatest weight in the hotel valuation process.

iv. It is recommended that future research can focus only on the suitability of other methods of valuation on hotel properties so as to investigate its effect on the capital value arrived at. Of all the valuation approaches available to the appraiser, the profit or account method generally provides the most persuasive and supportable conclusions when valuing a lodging facility.

v. The present study suggests that future research can combine both qualitative and quantitative research for investigating the efficacy of the use of cost approach and profit method of valuation on other special properties like filling station, cinemas, stadium, restaurant and the likes. This is because data in the present study were collected through employing an interview with the managing director of the hotel and house inspection.

vi. The study recommends that other studies can investigate other types of hotel because this study focused only on a five star hotel.

vii. Studies on the efficacy of the use of depreciated replacement cost method and profit or account method of valuation in valuation of hotel properties are also recommended in other parts of the country as this could confirm and validate the findings of the present study. In other words, similar research of this kind may be replicated in other towns within the country and in other locations in other part of the world.

viii. Other studies could be conducted across some cultures in order to compare the differences of value arrived at.

ix. The study recommends the use of a variety of methods in valuation of hotel. This is highly encouraged as market participants can select the most appropriate models for their own use. For instance, a potential seller would not only wish to know market value, but also buyer-specific valuations, such as the value to a specific public company or to partnerships.

x. Finally, future studies can focus on conducting a replication study using a larger sample size and encompassing different cities in Nigeria to strengthen generalizability of findings about the adoption of cost approach as an alternative to profit method in valuation of hotel properties.

5.3 Conclusion

This study examined the possibility and efficiency of adopting depreciated replacement cost method as an alternative to profit or account method in valuation of Hotel A in Bauchi. There are some practical implications of this study. The present study shows that the profit and cost approach are both suitable for valuing Hotel A. Moreover, the constructional details, accommodation details, utilities, facilities and services, tenure of the property and improvements amongst others have great role to play in choosing the best method of valuation. The estate surveyors and valuers should take this into cognizance in order to arrive at the most dependable and reliable value when valuing hotel properties as this would determine the magnitude of professional fees charged by them. Therefore, the owners and managers of hotels should as well pay attention for this issue as it may determine the accurate value of their hotel property when valuing.

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