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NEW DISCUSSION PAPER ON "TRADE RELATED" PROPERTIES.

PRESS ANNOUNCEMENT

1 August 2012

Hotel Valuations under Spotlight

The International Valuation Standards Council (IVSC) is undertaking an examination of the methods used for valuing hotels and other leisure properties, following concern about the different practices being used around the world.

In recent years the hotel sector has evolved considerably, particularly in the way ownerships are held and financed, and the need for consistent and reliable valuation has become ever more important.

The IVSC project is being led by Jim Eales, a member of the IVSC Standards Board and Global Head of Ernst & Young's Valuation and Business Modelling Group. Eales explains:

"There are many components that together form the value of a hotel. For example the value of land and buildings will be a major part but there can be significant challenges in distinguishing these from the value of all the other components of a hotel business, and in ensuring that there has been a consistent approach in assessment. This can lead to inconsistent practice and valuations. The IVSC aims to bring forward guidance to help valuation providers and investors alike."

An IVSC Discussion Paper on the subject highlights the main issues identified by the Standards Board and invites responses and comments from valuation professionals, hotel operators, lenders, investor groups and any others involved in the sector who may need to rely on valuations.

Although hotels represent one of the most significant asset classes covered by the project, the IVSC study extends to other "trade related" property affected by similar valuation challenges – for example, bars, restaurants, other properties in the leisure sector and specialised health care facilities.

-ENDS-

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