

**COMMERCIAL REAL ESTATE VALUATION WITH DIRECT CAPITALIZATION METHOD AND DISCOUNTED CASH FLOW METHOD**

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**ABSTRACT**

This paper presents concepts related to the valuation of commercial real estate. The main objective was to determine the value of this real estate through the application of two methods: the first one Direct Capitalization and the second one Discounted Cash Flows, for both methods it was necessary to estimate the Net Operating Income for the lease perceived by the owner of the property. An important aspect in the investigation was the determination of the capitalization rate which was calculated from primary information collected on the lease per square meter and the market value of comparable properties in the city of La Paz. The results obtained by both valuation methods presented differences that are mainly explained by the fact that different growth rates were used in the expected profits.

**Keywords:** Commercial Real Estate Valuation, Direct Capitalization Method, Discounted Cash Flow Method, Capitalization Rate.

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