Due to the decline in international tourism activities hotels in Kenya are experiencing a decline in the generation of their revenue which means that their performance is likely to be affected. The objectives of this study were: To determine the payback period taken by hotels to recover their investment cost; To determine the average rate of return generated by hotel investment projects; To determine the average discount rate used by hotels by hotels in evaluating their investment projects; To determine the cost of capital incurred by hotels in Kenya; To determine the number of hotels that carry out evaluation of their investment projects. Data was collected using questionnaires and analysed using descriptive statistics. The Statistical Package for Social Sciences (SPSS) was applied. The study revealed that most of the hotels interviewed carry out investment evaluation on their investment projects. However, some techniques were highly used compared to others especially the payback period and net present value methods. The study found that there was a relationship between financial performance and the number of rooms that a hotel has that is, number of rooms determine the revenue the hotel would generate. On the basis on these findings, a number of recommendations are advanced. First, the research recommends that hotels use the same evaluation technique because they have a lot in common in terms of their market and their business environment. Secondly, hotels should consider investing in other sectors of the economy. This will cushion them against the industry setbacks that are experienced from time to time. Thirdly, the researcher recommends that hotel managers engage experts to assist them in evaluating their investment proposals. Lastly it recommended that similar studies be carried out on a larger scale, involving more respondents. It also recommended that a study be carried out to evaluate the extent to which training of hotel managers in Kenya equips them with knowledge and expertise to help them undertake investment evaluation with confidence. This should include investment evaluation techniques.