Appeal No. VA08/5/225

AN BINSE LUACHÁLA

VALUATION TRIBUNAL

AN tACHT LUACHÁLA, 2001

VALUATION ACT, 2001

Q.E. Facilities Ltd. T/A Tower Hotel Dublin **APPELLANT**

and

Commissioner of Valuation **RESPONDENT**

RE: Property No. 2190851, Hotel at Whitestown Way, Tallaght, County Dublin

B E F O R E

Fred Devlin - FSCS.FRICS	**Deputy Chairperson**
Brian Larkin - Barrister	**Member**
Tony Taaffe - Solicitor	**Member**

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 3RD DAY OF FEBRUARY, 2009

By Notice of Appeal dated the 2nd day of September, 2008 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of €1,190,000.00 on the above described relevant property.

The grounds of Appeal as set out in the Notice of Appeal are:

"The valuation is excessive. The correct NAV has not been assessed. No regard has been had to receipts & expenditure, or profitability (actual or forecast). Precedent e.g. Yeats Country Ryan Hotel (1986 No. 603SS)."

This appeal proceeded by way of an oral hearing held in the offices of the Tribunal, Ormond House, Ormond Quay Upper, Dublin 7 on the 26th and 28th November and the 9th December, 2008.

At the oral hearing the appellant was represented by Mr. Alan McMillan, ASCS, MRICS, FIAVI, ACIArb, a Director of GVA Donal O Buachalla. Mr. Liam Cahill, a Team Leader in the Valuation Office, appeared on behalf of the respondent, the Commissioner of Valuation. Mr. Pat Higgins, Head of Business Development in the Queally Group, gave evidence of fact in relation to the development of the hotel.

The Property Concerned

The property concerned is a new hotel premises located within a large mixed-use development known as the Arena situated at the junction of Whitestown Way and the Tallaght By-pass. The Arena development which is located adjacent to The Square Shopping Centre is an integrated mixed-use development comprising the hotel, leisure centre, a LIDL supermarket, 3 retail units, 2 retail warehouses, crèche and 326 apartments together with 621 car spaces at basement level and a further 305 spaces at surface level. The hotel which now trades under the "Maldron" brand has a 3-star classification and is arranged at 7 storeys over basement level and provides the following accommodation:

- Foyer.
- 119 bedrooms including 3 suites.
- Dining-room seating 70 persons.
- Business-centre which provides 8 meeting/conference rooms/banqueting suites including the Shannon suite which can accommodate 300.
- Bar (EON).
- 100 designated car spaces at basement level.

The agreed area of the hotel measured on a gross external basis is as set out below:

Hotel (ground to 6th floor)	9,074 square metres.
Floor 7 (plant)	49 square metres.
Basement (Stores and Plant)	655 square metres.

Rating History

The property was originally valued at €1,190,000 which figure was confirmed following an appeal to the Commissioner of Valuation under Section 30 of the Valuation Act, 2001.

Following receipt of the Commissioner's decision a further appeal was lodged to this Tribunal under Section 34 of the Act.

Nature of Dispute

It is agreed that the only issue in dispute is the quantum of the valuation as determined by the Valuation Office.

The Appellant's Evidence

Mr. Pat Higgins, Head of Business Development at the Queally Group, the owners of the hotel, said that the Queally Group in conjunction with the Elliot Group were the joint developers of the Arena Development. The underlying policy of the developers was to retain ownership of the Arena and to let out the various commercial elements of the scheme, including the hotel, under standard long-term occupational leases.

During the development period the developers had spoken to a number of hotel groups with a view to obtaining a tenant under a long-term occupational lease arrangement. When this proved to be unsuccessful the developers entered into a management agreement with the Tower Hotel Group, a well-established company operating a number of other hotels in Ireland. In the event the hotel opened for business in July 2007.

In early to mid 2008 a number of other hotel operators expressed an interest in taking a lease but subsequent discussions were not successful following a due diligence examination of the trading accounts. However, the Maldron Group indicated that they would enter into a management agreement similar to that in place with the Tower Group and would consider changing this into a lease arrangement in 2010 subject to agreement on acceptable terms and conditions. In the circumstances the management agreement with Tower came to an amicable conclusion and the current arrangement with Maldron commenced in November 2008.

When asked if the owners would accept a rent of €1,190,000 per annum Mr. Higgins said "most certainly" and would also consider a rent of €876,000 per annum. Mr. Higgins confirmed that the turnover projections for the year 2008 to 2010 contained in Mr. McMillan's précis were prepared by the joint owners in mid 2007. The projections for the years 2007 and 2012 also contained in Mr. McMillan's précis had been prepared by the Queally Group in July 2007.

Under examination Mr Higgins confirmed that the cost of developing the hotel was in the order of €28,000,000. He also confirmed that neither of the development companies had any previous experience in operating hotels and that the Tower Group were engaged as consultants in relation to the fit-out and during the development period. Mr. Higgins said that the Tower Group were experienced hoteliers but when they closed one of their hotels in 2008 the developers were concerned particularly since the forecasts prepared by them and which were continuously being reviewed downwards in the light of prevailing market conditions, were not being achieved. In the end the management agreement with Tower ended by mutual consent and Maldron assumed control under a similar type of management arrangement in November 2008.

Mr. Higgins said that the 5-year forecast from 2008 to 2012 included in Mr. McMillan's précis was prepared by his company without any input from Maldron and indeed was subject to continual review. Up to now, he said, turnover was below projected figures which in any event Mr. Higgins said were "best guesses".

Mr. McMillan having taken the oath adopted his written précis and valuation which had previously been received by the Tribunal and the respondent as being his evidence-in-chief.

In his evidence Mr. McMillan said that in arriving at his estimate of net annual value of the property concerned a number of matters were taken into account, namely:

- The fact that the location is secondary and inferior to other hotels in the Tallaght area.
- That the hotel has little prominence or identity notwithstanding the fact that it is located on a corner location.
- That security costs are especially high.
- That the layout and configuration of the public areas such as the restaurant and bar were far from ideal from an operational point of view to the extent that they may have to be remodelled.

Mr. McMillan said that the estimated turnover of the hotel put forward by the Valuation Office at the initial valuation stage was simply unrealistic. Though the figures had now been radically revised downwards in Mr. Cahill's précis they were still well in excess of the actual

turnover being achieved and indeed in excess of the projections prepared by the appellant company right up to the year 2012.

Mr. McMillan said his preferred method of valuation was the Receipts & Expenditure (R&E) method. Mr. McMillan said that in the first instance he had examined the forecast figures for the years 2008, 2009 and 2010 and, using the R&E method of valuation, he had arrived at a net annual value of the property concerned as of the 30th September, 2005 at figures of €193,819, €317,812 and €422,817 which gave an average figure of €311,483 which he rounded down to €310,000 as at the relevant valuation date.

Mr. McMillan went on to say that whilst the R&E method of valuation was his preferred method he was not seeking *"to place complete reliance on the R&E approach"* and hence he provided *"a number of alternative estimates based on percentages (turnover to rent)"* annotated A, B and C in his précis.

In summary, Example A used the actual turnover achieved for the 10 months trading period ending the 31st May, 2008 which was then extrapolated on a straight line basis for 12 months. Using this method and applying the same percentages as those used by Mr. Cahill, Mr. McMillan arrived at a net annual value of €591,075.

Example B was based on the actual turnover achieved for the 5 months period ending the 31st May, 2008 plus forecast figures to the 31st December, 2008 prepared by the appellant company in July 2007. Once again applying the same percentages as in Example A above he arrived at an estimated net annual value of €593,680 as at 30th September, 2005.

Example C was a valuation prepared by him for use at the representations stage in October 2007 and in this instance, again using the same percentages as used in Examples A and B, resulted in a net annual value of €711,500 as at 30th September, 2005.

Having carried out the various calculations as summarised above Mr. McMillan concluded as follows:

Estimate of Value

"1. A receipts and expenditure analysis as set out herein indicates their appropriate rental at 30th September 2005 to be €310,000.

2. *An analysis on the "percentage" approach using a mixture of actual and forecasts figures and employing the percentages favoured by the Respondent to produce an average estimate of €600,000.*

In the final analysis and taking a broad approach (and not one to be interpreted as abandoning or invalidating the R&E method) it is submitted that in this instance a fair valuation lies in the average of these two sums viz €455,000.

The relief sought is a reduction in the valuation to €455,000."

A copy of all Mr. McMillan's valuations are contained in Appendix 1 attached to this report.

Mr. McMillan in his précis did not refer to the valuation of other hotels in the South Dublin area.

Under cross-examination Mr. McMillan accepted that he had agreed the valuation of the Moran Bewley Hotel at Newlands Cross and the Comfort Inn City West Hotel. However, in relation to the latter Mr. McMillan was at pains to point out that whilst he had agreed the valuation he had not agreed to the breakdown of the valuation as put forward by Mr. Cahill.

When asked to comment on the Plaza Hotel in Tallaght, Mr. McMillan said that it was a 4-star property occupying a better trading location than the subject property and had the benefit of a "set-down area" at the front which the subject property did not.

The major portion of the ground floor in the Plaza Hotel, he said, was given over to a large bar and restaurant and the fact that it was trading for about 10 years was a distinct advantage. The conference facilities in both hotels were roughly the same.

When it was put to Mr. McMillan that the current occupancy levels being achieved by the subject property of around 60.7% were satisfactory for a hotel in a "start-up situation", Mr McMillan said that this may well be so but the fact of the matter was that they were below forecast figures and indeed were lower than those achieved in 2007 when the hotel first opened. Mr. McMillan further agreed that current and 2008 trading conditions for the hotel

industry generally were much more difficult than they were in 2005 and that this was reflected in the lower occupancy rates.

Mr. McMillan said that he did not necessarily agree that in arriving at his estimate of net annual value he should have applied an occupancy rate in excess of 70% as was the Dublin area norm in 2005. Mr. McMillan said that he had relied on actual and estimated levels of turnover provided by the appellant. Furthermore, he pointed out that competition in the Dublin hotel market had increased in 2006 and 2007 due to the opening of 7 new hotels leading to a significant increase in the number of available rooms to let.

The Respondent's Evidence

Mr. Cahill having taken the oath adopted his written précis and valuation which had previously been received by the Tribunal and the appellant as being his evidence-in-chief.

In his evidence Mr. Cahill contended for a net annual value of €876,000 calculated as set out below:

Valuation

"Having regard to the trading potential of the subject property, the valuation of comparable properties, and the valuation date of 30th September, 2005, I estimate as follows:

Average room rate, excluding VAT	*€75.00*
Estimated occupancy	*78%*
Revenue per available room	*€58.50*
Estimated accommodation receipts 119 rooms	*€2,540,947*

Estimate of Net Annual Value:

Accommodation receipts est	*€2,540,000*	*@*	*21%*	*€533,400*
Food	*€1,500,000*	*@*	*7%*	*€105,000*
Bar	*€1,250,000*	*@*	*11%*	*€137,500*
Conference & room hire	*€300,000*	*@*	*30%*	*€90,000*
Sundry	*€35,000*	*@*	*30%*	*€10,500*
		Total		*€876,400*

Estimate of net annual value ***Say*** ***<u>€876,000</u>***

Having regard to available evidence, the valuation date of 30th September, 2005, and the valuation of comparable properties, I value the Tower Hotel at €876,000."

It is noted that the figure put forward by Mr. Cahill to the Tribunal is substantially below the valuation of €1,190,000 previously assessed by him and which currently appears in the Valuation List.

In support of his revised assessment Mr. Cahill introduced details of the valuations of 4 other hotels in the South Dublin area whose assessments had been agreed between the parties. Mr. Cahill pointed out that Comparison No. 1 (Moran Bewley Hotel) and Comparison No. 3 (The Comfort Hotel) had been agreed with Mr. McMillan.

Mr. Cahill said that he had been appointed as the Team Leader for the revaluation of hotels as part of the South Dublin Local Authority Revaluation programme. In this role he had carried out a study of the hotel business in the area and as a result of his research he came to a number of preliminary conclusions, including:

- That the key to turnover is the room rate.
- That financial statements should not be slavishly followed when estimating the net annual value of a hotel when using the receipts and expenditure method of valuation.
- That the valuations of all hotels in South Dublin were to be assessed with regard to market conditions prevailing at the 30th September, 2005, including those that only commenced trading after the relevant date.

In relation to the property concerned Mr. Cahill said his valuation was based on the assumption of an average room rate of €75.00 per night and an occupancy rate of 78%. These assumptions, Mr. Cahill said, reflected the market prevailing in 2005 and represented what an experienced operator would anticipate achieving in the property concerned at the relevant valuation date of the 30th September, 2005.

Mr Cahill said that in all there were 14 hotels in the South Dublin Local Authority area and the valuations of 8 had been appealed to the Valuation Tribunal. Three of these appeals have since been agreed between the parties.

Under cross-examination Mr. Cahill confirmed that he had not carried out a valuation of the property concerned using the standard R&E method of valuation. Mr. Cahill said that following his appointment as Team Leader he had written to the occupiers of all hotels in the South Dublin area seeking details of turnover and other relevant financial information in accordance with Section 45 of the Valuation Act, 2001. Despite several reminders the level of response was low and varied in quality but nonetheless was sufficient for him to arrive at an overview of the hotel business and to enable him to devise a scheme of valuation which would form the basis for the valuation of all the hotels in the area. The gathering of this information, Mr. Cahill said, was ongoing and the information obtained in respect of licensed premises was also of assistance. The percentages of receipts applied to the restaurant and bar sales in hotels were virtually the same as those which were used when valuing bars which had been accepted by most occupiers of such premises and indeed by their rating consultants.

Mr. Cahill said that in his opinion the use of the R&E method of valuation when valuing new hotels was particularly difficult in that such properties were in “start up” situations whereas he had to assume that it was up and running on an ongoing basis.

When asked by the Tribunal to provide a summary of the valuation scheme devised by him for the valuation of all hotels in the South Dublin area, Mr. Cahill provided a document which was handed into the Tribunal on the second day’s hearing on the 28th November, 2008 and which is attached to this judgment (Appendix 2 hereto).

When asked by Mr. McMillan how he had arrived at the 21% of receipts in relation to accommodation, Mr. Cahill said that this was based on his interpretation of all the market information available to him. In this regard Mr. Cahill referred the Tribunal to an extract from “The preliminary results for the year ending the 31st of December, 2004” for the Jurys Hotel Group which showed that the budget hotels within the group were achieving trading profits in excess of 40%. This, Mr. Cahill said, was the type of market information that he had regard to in preparing his valuation scheme. Mr. Cahill said his aim was to introduce a coherent scheme of valuation for hotels which could be applied across the industry and that

would be so constructed as to reflect the performance of each sector of the business under various headings such as accommodation, food and beverages etc. In fact the scheme of valuation was similar to “the shortened method” referred to in part 7 of the Guidance Notes on the R&E method of valuation.

When asked by Mr. McMillan to comment on his (Mr. McMillan’s) valuation of the property concerned prepared on the R&E method, Mr. Cahill said that he could not fault the calculations contained therein but was of the opinion that the estimates of turnover in relation to each sector of the property were very conservative and not representative of the market in 2005.

When asked by the Tribunal if his valuation scheme was modelled on similar schemes used in other jurisdictions, Mr. Cahill confirmed that this was so. Mr. Cahill undertook to provide copies of these documents to the Tribunal for the oral hearing held on the 9th December, 2008. At this hearing Mr. Cahill also provided, at the request of the Tribunal, an R&E method of valuation based upon estimates of turnover and using such other assumptions as he would consider to be fair and reasonable.

At the hearing held on the 9th December, Mr. Cahill provided the Tribunal with various documents in relation to the valuations of hotels in Northern Ireland, Scotland and England/Wales. He also provided the valuation of the property concerned using the R&E method, a copy of which is attached to this judgment (Appendix 3 hereto). Mr. Cahill also provided additional information in relation to Moran’s Red Cow Hotel which showed a deterioration in the market conditions from 2005 to 2007.

Under examination in relation to his R&E method of valuation for the subject property Mr. Cahill confirmed that the assumptions in relation to gross profit margin, administration costs etc. were drawn from an analysis of the accounts prepared for the Moran’s Bewleys Hotel and that he had not had regard to the forecast prepared by the appellant nor indeed had he spoken to Mr. Higgins. Mr. Cahill also confirmed that he had not carried out an R&E method of valuation in relation to the property concerned until requested by the Tribunal to do so.

Findings

The Tribunal has carefully considered all the evidence and argument adduced by the parties and finds as follows:

1. The statutory basis of valuation is set down in section 48 of the Valuation Act, 2001, wherein at section 48(3), the net annual value of a property is defined as being, *"the rent for which, one year with another, the property might, in its actual state, be reasonably expected to let from year to year, on the assumption that the probable average annual cost of repairs, insurance and other expenses (if any) that would be necessary to maintain the property in that state, and all rates and other taxes and charges (if any) payable by or under any enactment in respect of the property, are borne by the tenant"*.
2. The onus of showing that the valuation of the property concerned, appearing in the valuation list is incorrect is on the appellant.
3. The description "hotel" is a generic term and covers a wide variety of establishments ranging from modern purpose-built properties to converted country-house types. Whilst all hotels have a common purpose, each, to some degree, is unique in the range of services it provides, from the budget type of hotel offering accommodation with limited dining and bar services, to 4/5 star hotels providing a wide range of facilities and services such as bars, restaurants, conference and banqueting rooms, leisure areas and spas.
4. At present there are 14 hotels in the South Dublin local authority area, 2 of which only commenced trading after the relevant valuation date of 30th September, 2005.
5. As part of the South Dublin revaluation programme Mr. Cahill was the person delegated by the Commissioner of Valuation to value all the hotels and licensed premises in the local authority area. As part of the valuation exercise Mr. Cahill wrote to the management of all the hotels currently trading in the South Dublin area seeking details of trading accounts and other relevant financial information under section 45 of the Valuation Act, 2001. Despite follow-up letters the level of response was low. Nonetheless Mr. Cahill undertook to use such market information as was available to him in order to introduce a coherent method of valuation which could be applied across the sector and which took into account the relevant trading profile of each individual property.
6. Hotels are rarely, if ever, let and hence there is a paucity of market based rental information. In such circumstances it is necessary to use other methods of valuation and given the fact that hotels are trading entities, the Receipts and Expenditure method (R&E) is usually the one preferred by rating practitioners. The R&E method of valuation has

been defined as "*a method to ascertain the rental value of a property, for the purpose of rating, by reference to the receipts and expenditure, adjusted as necessary, of an undertaking carried out on that property*". A very succinct explanation of the method is to be found in the case **Kingston Union AC v Metropolitan Waterboard [1926]** as follows: "*from the gross receipts of an undertaking for the preceding year, deduction for work and expenses, allowing for tenants' profit and the cost of repairs and other statutory deductions and treated the balance remaining (which should presumably represent the rent which a tenant would be willing to pay for the undertaking) as the rateable valuation of the entire concern*".

7. As part of the evidence produced at the oral hearing both parties introduced a publication titled *"The Receipts and Expenditure Method of Valuation for Non-Domestic Rating – A Guidance Note"* published by the Joint Professional Institutions Rating Valuation Forum dated July, 1997. This document sets out in some detail the evolution and development of the R&E method of valuation and the general conditions to be borne in mind when preparing a valuation for rating purposes using this method.

8. Paragraph 7 of the Guidance Note deals with the "shortened method" and in this regard the following paragraphs are particularly relevant:

   "*7.1 It is sometimes suggested that valuations based on a percentage of gross receipts amount to a so-called 'shortened profits method'. However, in the view of the Rating Forum, the method described below is not a profits or R & E method of valuation. It is a comparative method of valuation utilising either market transactions or comparable assessments (which may themselves have been derived from a 'full' R & E method of valuation), interpreted or analysed to represent a proportion of gross receipts.*

   7.2 Although this is not a profits or R & E method, or a 'shortened' version of such a method, it is clear that, for some kinds of properties, rents are determined between the parties using this approach. In some markets – for example, in licensed property – this method of fixing rents now predominates.

   7.3 The method is based upon the determination of fair maintainable annual receipts which are able to be derived by occupying the property and conducting the undertaking with the skill and expertise which should reasonably be expected from a hypothetical tenant of those premises."

9. In evidence Mr. Cahill said that his research for valuing hotels in the South Dublin area included:

   i. A review of information contained in existing valuation files.

ii. A review of the approach adopted in England and Wales, Scotland and Northern Ireland in assessing valuations of hotels.

iii. A review of Tribunal decisions in relation to the Ferrycarrig Hotel and Kelly's Hotel in Co. Wexford.

iv. A review of the Rosses Point Hotel High Court case.

v. A review of the R & E method of valuation and the Guidance Notes above referred to.

10. Having regard to the information obtained under section 45, and the documentation as listed above, he prepared a scheme of valuation which he described as being "a shortened profits method", whereas in reality it is a modified version of the valuation models used by the Valuation Offices in England, Wales, Scotland and Northern Ireland, suitably adjusted to reflect local trading patterns.
11. It is clear that Mr. Cahill has carried out a considerable amount of research and that he has a good understanding of how the hotel industry operates and that each aspect of the business, be it accommodation, food, beverage, or whatever is treated as a separate profit centre with substantially different levels of profitability. Accordingly therefore there is considerable merit in introducing a scheme of valuation that takes cognisance of the fact that individual hotels are aimed at different sectors of the market and offer a variety of services and facilities. The only reservation with Mr. Cahill's methodology is that whilst the model may be appropriate the actual percentages attributable to each of the profit centres is based upon limited hard information. Nonetheless it would appear to have been accepted by a number of affected rate payers and their advisors including, it would appear, Mr. McMillan.
12. Mr. Cahill said that of the 14 hotels valued, 2 assessments had not been challenged at representations stage, nor appealed, whilst the assessment of 4 others had been agreed at representations stage. The valuations of the remaining 8 were under appeal to this Tribunal, but 5 of these have since been agreed. In all instances the hotels were valued using the valuation scheme devised by the Valuation Office.
13. Mr. Cahill introduced 4 comparisons, 2 of which have been agreed with GVA Donal O Buachalla. However Mr. McMillan was at pains to point out that whilst he had agreed the rate of valuation for the Comfort Inn, he had not agreed the breakdown of the valuation put forward by Mr. Cahill. Mr. McMillan did not produce an alternative valuation but said he had agreed the valuation on the basis that it appeared to be fair and was acceptable to his client.

14. Mr. McMillan in his evidence put forward a number of alternative valuations – the one using the R&E and three others using Mr. Cahill's model but using different assumptions in relation to turnover. Not surprisingly Mr. McMillan arrived at substantially different estimates of net annual value, ranging from a low of €310,000 to a high of €711,500. In the end he contended for a net annual value of €455,000 based upon an average of all four estimates.
15. The fact that a property, whose valuation is being determined by reference to its turnover, was not actually trading at the relevant valuation date presents the valuer with some difficulties. In such circumstances it will be necessary to treat trading accounts post the valuation date with some caution as indeed should forecasts for future years. The task is made all the harder when market conditions are changing and are not the same as at the relevant date. The property concerned in this appeal did not commence trading until July, 2007 at a time when the hotel industry was coming under severe pressure.
16. The only actual trading accounts available to the valuers in this appeal is for the ten month period ending 31st May, 2008. These showed a turnover of €3,259,903 or an annualised figure of €3,911,883 compared to the estimated turnover of €5,625,000 as at September, 2005 put forward by Mr. Cahill in arriving at his opinion of net annual value. The actual turnover is representative of a hotel in a "start-up" situation, whereas Mr. Cahill has based his estimates on the likely turnover a hypothetical tenant would have anticipated achieving on a year on year basis as at 30th September, 2005 in accordance with Section 48(3).
17. The whole purpose of a revaluation is to produce a valuation where the assessments of all properties within each category and between the various categories are fair and consistent. In normal situations where there is a body of rental evidence available the task is relatively easy. However in those instances where properties are valued using the R&E method, or indeed the contractors basis it is much more difficult to achieve a consistency of assessment. This difficulty is, of course, compounded when using the R&E method in a situation where the property concerned was not actually trading at the relevant valuation date. In such circumstances it is left to the valuer to use such information he/she has in relation to the subject property and other comparable properties in order to arrive at an estimate of the likely turnover that a hypothetical tenant might consider to be achievable, at or about the relevant valuation date.
18. The Tribunal has carefully considered all the valuation evidence adduced and the various forecasts of turnover included in Mr. McMillan's précis. In the absence of actual trading

accounts at or about the relevant valuation date of September, 2005 the question to be answered is – whose estimate of turnover is the most reliable? Mr. Cahill has undoubtedly put a lot of effort and thought into arriving at his estimates of turnover in relation to each sector of its business at the relevant date. However, having examined all the evidence before us the Tribunal has come to the decision that Mr. Cahill took an over-optimistic view in assuming an average room rate of €75 per night and an occupancy rate of 78% giving a REVPAR of €58.50 having regard to the location of the property concerned and the competition from other hotels in the immediate vicinity which operate in the same market sector. Similarly we believe his assumptions in relation to food and beverage sales were also on the optimistic side.

Conclusion

In principle the Tribunal accepts Mr. Cahill's valuation model which appears to have been accepted by a number of ratepayers and other advisors including Mr. McMillan when agreeing the valuations of Mr. Cahill's comparisons Nos. 1 & 3 and when preparing his valuations annotated A, B and C. However, in our opinion Mr. Cahill's estimates of turnover in each of the four business centres are optimistic, and making the best judgment we can on the evidence adduced to us we propose to value the property concerned in accordance with Section 48 of the Valuation Act, 2001 as follows:

Valuation		
119 rooms @ REVPAR of €52.50 =	€2,280,337 @ 21%	= €478,870
Food, say	€1,300,000 @ 7%	= €91,000
Beverage sales, say	€1,100,000 @11%	= €121,000
Conference and sundry receipts, say	€275,000 @ 30%	= €82,500
Total		€773,370
Net annual value, Say		€775,000

And the Tribunal so determines

Rider

In the interests of transparency the Tribunal would recommend that the Valuation Office publish notes in relation to the valuation of the various classes of property and in particular of those which are rarely if ever let on the open market and whose net annual value is fixed,

wholly or partly, by reference to its turnover, throughput or output. Such practise notes should be readily available to ratepayers and their advisers.

It is further suggested that in the preparation of these practice notes the Valuation Office liaise with their colleagues in private practise. By so doing the Valuation Office would be tapping into market knowledge that those in private practise possess and which, combined with the information assembled by the Valuation Office, would lead to more accurate assessments and a greater understanding of how net annual value is determined.