

Appeal No. VA10/1/013

AN BINSE LUACHÁLA
VALUATION TRIBUNAL
AN tACHT LUACHÁLA, 2001
VALUATION ACT, 2001

Gweedore Court Hotel

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Property No. 1882020, Hotel at Lot No. 2Ea.2D/1, Meenderrygamph, Magheraclogher, Dunfanaghy, County Donegal

B E F O R E

John Kerr - Chartered Surveyor

Deputy Chairperson

Mairéad Hughes - Hotelier

Member

Niall O'Hanlon - BL

Member

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 4TH DAY OF AUGUST, 2010

By Notice of Appeal dated the 5th day of February, 2010 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of €1,116 on the above-described relevant property.

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

"Valuation excessive. Valuation does not reflect tone of list. Valuation does not reflect current and anticipated economic climate. NAV does not reflect 1988 values. Valuation bad in law. Not valued in accordance with Valuation Act. Quantum."

The appeal proceeded by way of an oral hearing held in the offices of the Valuation Tribunal, Ormond House, Ormond Quay Upper, Dublin 7 on the 20th day of April, 2010. At the hearing the appellant was represented by Mr. Patrick McCarroll, Chartered Valuation Surveyor, 21 Chapel Street, Carndonagh, Inishowen, Co Donegal, while Mr. Anthony Mulvey, BSc, Valuer in the Valuation Office, represented the respondent, the Commissioner of Valuation.

The Issue

The only issue between the parties was quantum, with the appellant maintaining that the rateable valuation of €1,116 was excessive.

Valuation History

The property was revised in 2000 as 1,260 sq. metres @ €30.75 per sq. metre with a rateable valuation of €97. An appeal was lodged but then withdrawn, and no change was made. The property was revised again in 2009 as follows: a total of 7,260 sq. metres @ €30.75 per sq. metre with an RV of €1,116. An appeal was lodged and, following consideration of this appeal, the Commissioner of Valuation made no change. On 9th February, 2010 a Notice of Appeal was lodged with the Valuation Tribunal.

The RV was assessed on a gross external basis as follows:

Hotel	5,240 sq. metres	@ €30.75 per sq. metre	€161,130
Leisure Centre	2,020 sq. metres	@ €30.75 per sq. metre	<u>€62,115</u>
NAV			€23,245
RV			€1,116

The Property

The subject property is a 4-star hotel with 66 bedrooms and a leisure centre, and is situated in Gweedore, a Gaeltacht area in County Donegal. The relevant property is approximately equidistant from Bunbeg and Dunlewy on the N56. The property has recently undergone extensive refurbishment works and has been extended to its present size.

Accommodation

Floor areas are agreed as follows:

7,260 sq. metres (GEA basis)

The Appellant's Case

Having taken the oath, Mr. McCarroll adopted his précis as his evidence-in-chief. He described the subject property as a modern, purpose-built 4-star hotel premises, comprising the hotel wing, leisure centre and swimming pool. The subject property is situated in a rural location and is the only commercial property in the vicinity. The current property was built in the late 1990s and was extended in 2007, and now has 66 bedrooms. Mr. McCarroll said that even though the hotel has a 4-star rating, it still achieves the equivalent of 3-star prices, whilst the clientele expect 4-star quality service.

The subject hotel currently trades throughout the year though its owners were advised to close during the off-peak season. The average occupancy level for 2009 was 30%. Mr. McCarroll also said that there was little local trade as the subject was in an area that is not yet an established tourism destination, unlike Derrybeg or Bunbeg. The subject is not near any beaches or golf courses, such matters limiting the hotel's capacity to promote the facility as a family destination. Mr. McCarroll stated that the leisure centre is a factor for consideration for patrons making a decision to visit a particular hotel, but he added that the percentage of guests who actually use this facility is relatively small.

Mr. McCarroll contended that due allowance has not been made by the Commissioner for the size of the subject property.

Comparisons

Mr. McCarroll drew the Tribunal's attention to 4 different comparison properties, being:

- (1) Ostan Gweedore, Derrybeg, Co. Donegal.
- (2) Shandon Hotel, Marble Hill, Co. Donegal.
- (3) An Chúirt, Gweedore Court Hotel, Gweedore, Co Donegal.
- (4) Caislean an Oir, (also known as Teach Jack), Annagry, Co Donegal.

Mr. McCarroll pointed out that comparisons (1) and (2) were located at or close to beaches, and were about half the size of subject, yet had a rate per sq. metre applied of €27.33. He described his third comparison property, which was the subject property, under an earlier revision, as being in a rural location, about 6 times smaller than the current relevant property

though valued at the same rate per sq. metre as the property under appeal. He also added that in his opinion, the subject hotel had virtually no local trade because of its location.

Mr. McCarroll stated that the occupancy rate of an hotel is always of paramount concern to any tenant since it reflects the potential profitability of the business. He also expressed the view that the dedicated private sewage treatment plant would represent an additional overhead which costs would have to be discharged by the tenant, which he would have to factor into the amount of rent he could afford to pay for the subject premises.

Mr. McCarroll contended that a comparison used by the Valuation Office (Seaview) included a pub that was valued on turnover, whereas, in this case, the size of the premises in his opinion was a very important issue to be taken into consideration.

Respondent's Evidence

Mr. Anthony Mulvey having taken the oath adopted his written précis as his evidence-in-chief. In his evidence Mr. Mulvey, on behalf of the respondent, contended for an RV of €1,116 calculated as set out below:

Hotel	5,240 sq. metres	@ €30.75 per sq. metre =	€61,130
Leisure centre	2,020 sq. metres	@ €30.75 per sq. metre =	<u>€62,115</u>
NAV			€23,245
RV			€1,116

Mr. Mulvey outlined the valuation history of the subject as already summarised above.

In support of his opinion of net annual value, Mr. Mulvey introduced 5 comparison properties, being:

Property	Grading	Area	Rate per sq. metre
(1) Boyle Entertainments Ltd, Seaview Hotel, Bunbeg	3-star	3,690.76 sq. metres	€38.95
(2) Ostan Gweedore, Bunbeg	3-star	3,489 sq. metres	€27.34
(3) Loch Altan Hotel, Gortahork	3-star	3,278 sq. metres	€34.16
(4) Downings Bay Hotel, Downings	3-star	3,187.8 sq. metres	€34.16
(5) Shandon Hotel, Dunfanaghy	3-star	3,205 sq. metres	€27.34

All the above comparison properties were valued on a rate per sq. metre basis. Comparison (1) was initially revised in 2000 based on turnover, and it was revised again in 2006. This comparison incorporates a nightclub and has a higher rate per sq. metre valuation than the subject. Comparisons (4) and (5) are beside the beach, are graded 3-star, and are smaller than subject, but again are valued at a higher rate per sq. metre than the subject property. Mr. Mulvey acknowledged that the subject property was in a rural area, but was graded as a 4-star hotel.

Mr. Mulvey also pointed out that the subject property is close to Glenveigh National Park and Mount Errigal, has a passing trade and offers facilities superior to that of the comparison properties cited in his précis. He said that the Gweedore Gaeltacht is a tourist attraction and that this was advantageous to the subject property located there. He acknowledged that the hotel is about 7 km from the nearest beach, but because the number of bedrooms had increased from 19 to 66, this was of significant benefit to the management of the business, as the subject hotel could now take larger groups.

In his view, the rateable valuation of €1,116 was fair and reasonable. Mr. Mulvey did not consider that the subject property was disadvantaged by its location. He also agreed with the appellant's consultant that the property was somewhat further from the sea than the other comparisons he had referred to in his précis and direct evidence.

Cross-Examination

Under cross-examination Mr. Mulvey accepted that his comparison (1) was valued on the basis of turnover and that it had achieved a high level of turnover which was primarily attributable to beverage sales and its disco activity, neither of which applied to the subject property. Mr. McCarroll claimed that all 4 of Mr. Mulvey's comparison properties were located in urban areas, but the latter disagreed.

Both Mr. McCarroll and Mr. Mulvey made brief closing statements. Mr. McCarroll stated that a focus by the Valuation Office on 3-star and 4-star ratings had been shown to have little relevance to the tariffs commanded by the subject property.

Findings

1. It appears to the Tribunal that the subject property is in a location which is significantly different to the locations of the comparison properties put forward by the respondent. The respondent's comparisons are located at seaside locations and are undoubtedly more likely to attract holiday makers than the subject property.
2. The subject property is some distance from the nearest towns and is therefore likely to have less local and night-time trade than properties in urban locations.
3. The Tribunal notes that the subject property is served with its own sewerage treatment plant. It is our view that the cost of maintaining this plant is likely one which would have to be borne in mind by a prospective or hypothetical tenant and also likely to be regarded by him as an operational burden.
4. Based on the evidence submitted and adduced at hearing, the subject property is in a rural and somewhat isolated location. The Tribunal believes that its "local trade" is likely to be limited when compared to properties located at or very near a town or village. The subject property does not appear to the Tribunal to be comparable with any of the cited comparison hotel properties located on the coast.
5. However, two of the comparisons properties, namely Ostan Gweedore and the Shandon Hotel, offer leisure centre facilities, and both hotels were common comparisons between the parties.
6. The Tribunal is of the view that a rate per sq. metre of €30.75 is fair and reasonable for the subject 4 star graded property when viewed against "tone of the list", whereas the 3-star hotels listed as comparisons by both parties, are rated at between €27.33 and €34.16 per sq. metre, and are also a little less than half the size of the subject.
7. The subject is a newer property, is close to Mount Errigal, Glenveigh and trout and salmon fishing, and appears to benefit from the N56 passing traffic.

Determination

Having regard to all of the foregoing, the Tribunal affirms the rateable valuation calculated by the Commissioner of Valuation on the subject relevant property of €1,116.

And the Tribunal so determines.