Appeal No. VA12/2/001

AN BINSE LUACHÁLA

VALUATION TRIBUNAL

AN tACHT LUACHÁLA, 2001

VALUATION ACT, 2001

Hanly Group **APPELLANT**

and

Commissioner of Valuation **RESPONDENT**

RE: Property No. 2204249, Hotel at Lot No. 1E/A, Kilronan Mountain, Keadew, Boyle 1, County Roscommon.

B E F O R E

Niall O'Hanlon - BL	**Deputy Chairperson**
Patrick Riney - FSCSI, FRICS, ACI Arb	**Member**
Mairead Hughes - Hotelier	**Member**

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 3RD DAY OF DECEMBER, 2013

By Notice of Appeal received on the 3rd day of April, 2012 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of €2,155 on the above described property.

The ground of appeal consisted in the contention for an alternative rateable valuation.

This appeal against a revision proceeded by way of an oral hearing held in the offices of the Valuation Tribunal, 3rd Floor, Holbrook House, Holles Street, Dublin 2 on the 10th day of April 2013 and adjourned to conclude on the 5th day of June 2013. At the hearing the appellant was represented by Ms Siobhan Murphy, BSc (Surv), MSCSI, MRICS, of GVA Donal O Buachalla, 86 Merrion Square South, Dublin 2. Mr Ian Power, BSc Property Management & Valuations, a district valuer at the Valuation Office, represented the respondent.

The Issue

Initially, the appellant maintained that the rateable valuation (RV) on the subject property was excessive and inequitable and the issue between the parties was the 'method of calculation', Gross External Area (GEA), used by the Valuation Office in calculating the rateable area. The appellant maintained that the subject property should have been measured on the basis of Gross Internal Area (GIA). Following an adjournment of the first hearing to 5th June 2013, and the production of the GIA by both parties, the appellant conceded that the revised valuation ought to be based on the GEA of the subject building.

Valuation History

The subject property was first assessed in January 2010 and a proposed Valuation Certificate issued with an RV of €2,210. Representations were submitted by the appellant to the Commissioner of Valuation on 3rd February 2010. On 28th March 2011 a Valuation Certificate issued affirming the RV at €2,210. A First Appeal was subsequently lodged with the Commissioner of Valuation on 6th May 2011 and following consideration of this appeal the rateable valuation reduced to €2,155. A revised Valuation Certificate issued on 21st March 2012 and this was followed by an appeal to the Valuation Tribunal on 3rd April 2012.

The valuation was assessed as follows:

New Hotel	8032.86 sq. metres @ €37.58 per sq. metre	=	€301,874.87
Hotel (Castle)	3355.43 sq. metres @ €34.17 per sq. metre	=	€114,655.04
Hotel (Basement)	849.64 sq. metres @ €17.08 per sq. metre	=	€ 14,511.85
Total NAV			**€431,041.76**
	x 0.5% =	RV	€2,155.20

The Property

The subject property, Kilronan Castle, is located in a rural setting on the shores of Lough Meenagh off the R284 and is approximately 5km from Ballyfarnan village in Co. Roscommon. It is a 4 star family-run hotel managed by the Hanly Group. The old, now restored, castle part of the building was constructed *circa* 1820, with the later addition of a two-storey wing comprising bedrooms and a spa. The entire facility is located on 49 acres, and the hotel now has 84 bedrooms as well as dining rooms, bars, offices, leisure centre and spa and a large function room that caters for up to 250 guests. The property is held freehold and has ESB connected. However, water and sewerage facilities are managed by the owners.

Accommodation

The property has a total area of *circa* 12,237 sq. metres.

The Appellant's Case

Ms Siobhan Murphy, GVA Donal O Buachalla, for the appellant, took the oath and adopted her précis as her evidence-in-chief. She described the layout of the hotel to the Tribunal as set out above. She said that the hotel is in a rural location and does not have the significant benefits of public services such as lighting, sewerage and water services enjoyed by competing hotels. She described the subject as a destination hotel with no passing trade and no transport or public lighting. She said that there were significant costs associated with the upkeep and maintenance of the property, particularly so with the castle section as well as the water and sewerage systems. She described the old castle part of the building as of period construction, whilst a new wing to the hotel was a modern purpose-build. She said that the net usable space within the old castle, compared to that in the newer section, demonstrated the inequity in applying the same rate per sq. metre to a building of period construction as that to a modern purpose-build. She requested permission for a GIA calculation of the subject property as she was of the view that this measurement would reflect the thicker external walls of the castle part of the building and would result in a lowering of the RV.

Following agreement by the appellant and the respondent, the Tribunal adjourned the hearing to give both parties an opportunity to measure the property on a GIA basis.

June 5th, 2013

The hearing resumed on the 5th day of June 2013.

Ms Siobhan Murphy continued her evidence to the Tribunal. She said that her client, Hanly Group, had retained the services of ASE Design Consultants to measure the property on a GIA basis. Their report showed a difference of 15.3% in the net internal areas between the old and new sections of the subject property, mainly due to the thickness of the internal walls of the castle. However, she contended that she was still relying on her original submission of GEA, in order to compare like with like.

Ms Murphy argued that the layout of the building and the percentage difference in the net internal areas supported her original submission for a 16% reduction to the level applied to the old section of the subject premises. She submitted that this diminution was in line with the reduction to the level applied to the old section of her comparison 1 – The Old Abbey Hotel, Roscommon. In support of her position, Ms Murphy introduced two comparisons, details of which are attached at Appendix 1 to this judgment.

Valuation by the Appellant

The Gross External Area (GEA) of the subject property was agreed between the parties to be 12,237 sq. metres.

Ms Murphy contended for a rateable valuation of €1,540 for the subject property, calculated as follows:

Main Castle	3,355 sq. metres @ €28.70 per sq. metre =	€ 96,289
Basement	850 sq. metres @ €17.08 per sq. metre =	€ 14,518
Bedroom Block	1,629 sq. metres @ €34.14 per sq. metre =	€ 55,614
Function Room	1,017 sq. metres @ €34.14 per sq. metre =	€ 34,720
Leisure Centre	3,415 sq. metres @ €34.14 per sq. metre =	€116,588
Spa	1,971 sq. metres @ €34.14 per sq. metre =	€ 67,290
	12,237 sq. metres	€385,019
Less 20% discount		€ 77,004
		€308,015

Rateable valuation @ 0.5% €1,540

Appellant's Comparison Properties

<u>Comparison 1</u>

The Old Abbey Hotel, Roscommon Town

This property, whilst smaller than the subject property, is similar in design with an 18th century castle and extension. This property is in the town centre and benefits from all of the advantages that such a location brings with it, whereas the subject property is in a remote location and has associated disadvantages. The rate applied to the old section of this comparison is €28.70 per sq. metre and the new section has a rate per sq. metre of €34.17.

<u>Comparison 2</u>

Athlone Springs Hotel

This property is a purpose-built 4 star facility with 67 bedrooms, constructed in 2008, and is located on the Tuam Road, outside Athlone town, off the M6 motorway. The location of this comparison was argued to be far superior to that of the subject and is valued at €34.14 per sq. metre.

Ms Murphy argued that the subject property occupies an inferior trading location to these two comparisons and that, owing to this circumstance, as well as to the installation of water and sewerage facilities by the appellant, an allowance should be made in arriving at net annual value (NAV).

Under cross-examination from the respondent, Ms Murphy agreed that even though the subject is a castle it nevertheless has a unique selling point but that the practicalities of running a castle must be taken into account when assessing the NAV and that the hypothetical tenant would take this into account when assessing the property.

Ms Murphy concluded her evidence by saying that the levels applied to the subject premises were excessive, that there were many restrictions associated with the old part of the hotel, the remote location, no synergy with a town and the fact that water and sewerage services are managed by the owners.

Following on from Ms Murphy's evidence, Mr Alan Hanly, who owns the subject property, requested permission to address the Tribunal, which was granted. He told the Tribunal that the hotel has had trading losses since 2011 and has occupancy levels of about 56%. In order to satisfy a planning condition, the air-conditioning plant room is located in the basement of the hotel, whereas this unit is normally located on the roof of other hotels and therefore not rated. Mr Hanly stated that the infrastructural costs incurred, which included a water well and system, water softener system and tertiary treatment plant, exceeded €1 million. This cost was further increased by constant servicing of the sewerage system, whereas competing hotels had all of these services supplied by the local authority.

The Respondent's Case

Mr Ian Power, district valuer with the Valuation Office for the respondent, took the oath and adopted his précis as his evidence-in-chief. He described the layout of the hotel as already mentioned above and amended his précis to reflect the fact that neither water nor sewerage services were connected to the subject. The valuation contended for by the respondent is as set out at page 2 of this judgment. In support of his evidence, Mr Power introduced six comparisons, details of which are attached at Appendix 2 to this judgement.

Respondent's Comparison Properties

Comparison No. 1 – The Hodson Bay Hotel in Athlone, which trades as 4 star hotel, has 182 bedrooms and is located on the outskirts of Athlone with a rate of €47.83 per sq. metre for the hotel.

Comparison 2 – The Abbey Hotel (Roscommon) Limited is a 4 star property, without a spa. The old castle part is valued at €28.70 per sq. metre and the new wing at €34.17 per sq. metre.

Comparison 3 – Abbeyfield Hotel on the outskirts of Ballaghaderreen is a 40 bedroom purpose-built hotel with a valuation of €30.75 per sq. metre.

Comparison 4 – Athlone Springs Hotel is a purpose-built 4 star hotel with 67 bedrooms and a rate of €34.17 per sq. metre

Comparison 5 – The White House Hotel, in Ballinlough village, has 19 bedrooms as well as a restaurant and function room and has a rate of €45.10 per sq. metre.

Comparison 6 – The Oakwood Hotel is a purpose-built 30 room hotel on the outskirts of Roscommon Town and has a rate of €30.75 per sq. metre

Under cross-examination, Mr Power said that he agreed that the big disadvantage of a hotel in a rural location was lack of passing trade. He also agreed that his comparison 2 was closest in terms of physical attributes as in castle and new extension. However, he said that his comparison 1 was the most comparable in terms of size, layout and location beside a lake. When it was suggested to him by the appellant that his comparison 1 is better located and is enhanced by venues such as Athlone Golf Club and a marina, Mr Power said that the subject premises was superior in terms of bedrooms and spa and leisure centre and that this offset the location disadvantage. When asked the reason for the 16% differential between the rates applicable to the Abbey Hotel and the subject, whereas only a 9% reduction was allowed for the subject basement, Mr Power said that The Abbey was valued at the time as a 3 star hotel and that, because of its layout, guests had to pass through the restaurant in order to reach the bedrooms.

The Tribunal notes that at paragraph 2.4 of Mr Power’s précis, it is stated that all mains services are connected to the subject property. However, Mr Power accepted in the course of giving his evidence that neither water nor sewerage facilities were connected to the premises. Despite this, he argued that this disadvantage did not impact on his valuation as the level of standards at the subject property outweighed the disadvantage.

The Tribunal further notes that Mr Power accepted that the occupier had carried out significant works on the provision, upgrade and maintenance of these services at considerable cost to the appellant.

Mr Power concluded his evidence by saying that he considered his method of valuation in this case to be fair and equitable.

Findings and Conclusion

1. The Tribunal notes that the areas were agreed on a GEA basis between the parties.
2. The Tribunal prefers the comparisons advanced by the respondent and is of the view that they are of more assistance in this instance.

3. The Tribunal notes that it is common case between the parties that the subject basement ought to be valued at €17.08 per sq. metre.
4. The Tribunal notes that the appellant sought a 16% differential between the rates applied to the old and new sections of the subject property. However, the Tribunal prefers the 9% differential advanced by the respondent on the basis that no part of the comparison properties upon which the appellant relied was valued at the lower rate of €17.08 per sq. metre, whereas part of the subject property was so valued by the respondent.
5. The Tribunal notes that the appellant sought a discount, *inter alia*, on the basis that the subject property was not connected to the mains services, namely water and sewerage.
6. The Tribunal notes that the subject property was valued by the respondent on the basis that mains services were connected to it. The Tribunal further notes that it was accepted on behalf of the respondent that this was in fact not the case. The Tribunal does not accept the respondent's argument, which was advanced on the day of the second hearing, that the level of standards at the subject property outweighs this feature. Accordingly, the Tribunal is satisfied that a 20% discount ought to apply in this case. In arriving at this conclusion the Tribunal notes that there was no evidence before it that any of the comparison properties was similarly disadvantaged.

All the foregoing considered, the Tribunal determines the rateable valuation of the property concerned to be €1,724, calculated as set out below:

New Hotel	8032.86 sq. metres	x	€37.58 per sq. metre	=	€301,874.87
Hotel (castle)	3355.43 sq. metres	x	€34.17 per sq. metre	=	€114,655.04
Basement	849.64 sq. metres	x	€17.08 per sq. metre	=	€14,511.85
Total NAV					€431,041.76
			Less 20%		€86,208.35
				=	€344,833.41

Rateable valuation @ 0.50% = €1,724.17

Say, €1,724

And the Tribunal so determines.