

Appeal No. VA98/3/031

**AN BINSE LUACHÁLA**  
**VALUATION TRIBUNAL**  
**AN tACHT LUACHÁLA, 1988**  
**VALUATION ACT, 1988**

**Colm O'Reilly t/a Sheelin Shamrock Hotel**

**APPELLANT**

**and**

**Commissioner of Valuation**

**RESPONDENT**

RE: Licensed hotel and small garden at Map Ref: 15B Townland: Tonagh, R.D. Castlerahan,  
E.D. Kilbride, Co. Cavan

Quantum - Hotel in niche market in difficult trading situation

**B E F O R E**

**Con Guiney - Barrister at Law**

**Deputy Chairman**

**Finian Brannigan - Solicitor**

**Member**

**Ann Hargaden - FRICS.FSCS**

**Member**

**JUDGMENT OF THE VALUATION TRIBUNAL**

**ISSUED ON THE 23RD DAY OF JULY, 1999**

By Notice of Appeal dated the 29th day of July 1998 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £120 on the above described hereditament.

The grounds of appeal as set out in the said Notice are that:-

- "1. the valuation is excessive and inequitable
2. the valuation is bad in law."

The appeal proceeded by way of an oral hearing that took place on the 24th May 1999 in the Tribunal offices in Dublin. Mr. Alan McMillan ASCS ARICS MIAVI a Valuer with Donal O’Buachalla & Company appeared on behalf of the Appellant, Mr Ray Sweeney, District Valuer appeared on behalf of the Commissioner of Valuation. Mr. Colm O’Reilly owner and operator of the Sheelin Shamrock Hotel was also in attendance. Having taken the oath both Valuers adopted as their evidence in chief their respective written submissions which previously had been exchanged and received by the Tribunal. Mr Colm O’Reilly also took the oath and tendered his evidence. From this evidence the following facts emerged as being material to this appeal.

### **Valuation History**

The valuation was first fixed at RV £38 in the 1962 revision and increased to £54 in 1980 on first appeal. In 1996/4 following extensions and refurbishment the RV was increased to £120. A first appeal was lodged against this increase. No change was made at first appeal and this rateable valuation is now the subject of this Tribunal appeal.

### **Location**

The premises are situated close to the eastern shore of Lough Sheelin in a rural location on the Cavan and Meath border, approximately 3km from the village of Mountnugent and approximately 25km southeast of Cavan Town.

The property comprises the Sheelin Shamrock Hotel, a small detached licensed hotel which was developed by adding a series of extensions to an original 1950s bungalow and these extensions mainly date from the 1960s and 1970s.

### **Description**

The premises comprise a mix of single and two storey buildings with a paved car park to the front which accommodates approximately 30/40 cars.

Accommodation includes; Hotel Bar/Lounge Dining Room, Kitchen/Function Room, 12 En-Suite Bedrooms (3 single/9 double), Stores, Yard and Forecourt.

In addition there is residential accommodation which comprises the original bungalow which is now incorporated in the two storey hotel structure. Floor areas are agreed as follows:-

Hotel	975 sq.m. (10,500 sq.ft.)
Domestic	93 sq.m. ( 1,000 sq.ft.)
<b>TOTAL</b>	<b>1,068 sq.m. (11,500 sq.ft.)</b>

### **Services**

There is a septic tank and well on site and mains electricity is connected to the building.

### **The Appellant's Case**

Mr McMillan adopted his written evidence and stated as follows:-

The Appellant purchased the property in 1991 for £200,000 and subsequently incurred expenditure on improvements of approximately £175,000. The premises was placed on the market in 1995 and failed to sell. A bid of £280,000 was received. Subsequently the property was placed again on the market in 1996 but no bid was received.

From the period 1991 to the Statutory Valuation date, the premises had not traded successfully. Mr McMillan asked that the accounts submitted were kept confidential but displayed average turnover figures and net trading losses for a substantial proportion of these years. Whilst the accounts sustain a certain rateable valuation, they did not demonstrate the existence of a viable enterprise despite the fact that substantial post purchase investment was undertaken by the proprietor in the premises.

Mr McMillan pointed out that additional lands adjoining the premises were essential to the upgrading and improved trading of the overall property in that they were necessary in creating an ambience conducive to attracting functions. Without this, the venue proved unsuited to functions such as weddings because the lack of parking was a severe restriction.

He also said that competition in the area in the form of the Clover House Hotel could not be matched by the Sheelin Shamrock. He stated that this premises had a very limited site, all occupied by buildings with no mains services and that Mr O'Reilly had to maintain the septic tank within the confines of the site. He stated that there were several other hotels in competition with the Sheelin Shamrock including:-

- The Percy French Hotel, Ballyjamesduff
- The Park Hotel, Virginia
- Sharkeys Hotel, Virginia
- Ramor Lodge Hotel, Virginia
- The Pollard Arms, Castlepollard
- Naper Arms, Oldcastle
- Various hotels in Cavan Town

The trading figures of Sharkeys were submitted on a confidential basis. An analysis of these accounts, indicated a fair RV of £200 and this was agreed between the parties. This is equivalent to £1.95 psf, however, the hotel is located in the middle of Virginia. It has a function room which caters for approximately 400 people with landscaped gardens leading to the river and with turnover figures of three times the turnover of the Sheelin Shamrock.

Ramor Lodge was then submitted, which was assessed at RV £205 and devalued at £2.20 psf overall. He stated that this was approximately 17 metres from Sharkeys Hotel and was unusual

in that a Centra Supermarket was on the ground floor. It incorporates 15 en-suite bedrooms and an extensive car park.

The Clover House Hotel was then referred to. It is valued at RV180, and devalues at just less than £2psf on a floor area of approximately 18,300 sq. ft. Mr. McMillan submitted that this property was far superior to the subject and had been totally redeveloped, upgraded and extended and enjoys the benefit of a elevated site over Lough Sheelin on extensive grounds. He stated that this hotel takes all the function trade away from the Sheelin Shamrock.

Mr Sweeney then cross examined Mr McMillan and the following responses were made:-

Mr McMillan confirmed that the property was close to Lough Sheelin which is a trout fishing area, however, the lake had suffered from serious pollution from local factories, as it is a head lake with no flow directly through it. It has had some serious problems as the mayfly had disappeared in recent years and they had only recently got rid of the pollution.

He confirmed that the Sheelin Shamrock was traditionally a fisherman's hotel, run by the McCabe Family for c. 30 years who had a niche in the market. However, the demand from these type of guests was now limited as historically they required lodgings on a bed and breakfast basis, as they were out all day fishing, but that custom is gone, as there is no longer a fishing trade there. He stated that the Clover Hotel side of the lake is more fashionable and that the subject property does not run down to the lake and does not have a view unlike the competition.

Mr Sweeney then queried Mr McMillan on a number of the comparisons and asked whether he had included the domestic element. Mr McMillan confirmed that as this was not a self-contained residential unit but part of the building, he had included the residence and followed the Sharkeys analysis where there was 2,000 sq. ft. of residential included in the overall floor area.

Mr Sweeney asked whether the drop in trading figures had happened as a result of a decision to close by the Proprietor. Mr. McMillan confirmed that was only one contributory factor, but that, together with the decline in the lake and the Clover House Hotel improvement also contributed to the decline in the figures.

Mr. Sweeney asked whether the offer of £280,000 which was received reflected the potential of the hotel. Mr McMillan stated that the proprietor had in effect spent c. £400,000 on the basis of potential which had not materialised.

He then asked whether Mr McMillan agreed that the trading figures do not assist in assessing the rateable valuation. Mr McMillan stated that they do not because they do not support the Commissioners' valuation assessed on the property but he does not accept that the accounts are not relevant. They represent the economic reality for Mr O'Reilly.

Mr. McMillan then confirmed that the licensed section of the premises was attractive and that there was very good accommodation in the hotel, but that overall the hotel represented a conglomeration of buildings linked together on a confined site.

Mr Colm O'Reilly, proprietor of the Sheelin Shamrock then gave evidence and stated the following:

1. The hotel was closed between Christmas and when he bought it. He re-opened it in November 1991 after completion of improvement works totalling an amount of c.£225,000.
2. He had experience in the licensed trade for c. 30 years and when he acquired the premises no trading figures were available.
3. After he opened the hotel, the lake was polluted with the result that trade was extremely poor and little or no tourists or fishermen visited the area.
4. He attempted to buy adjoining lands but the owners would not sell and this has

had a huge impact on trade. He stated that the car parking was totally inadequate and if there were any significant functions in the hotel, customers had to park on the road outside.

5. He came to the decision that the business was not viable after the tourist trade declined and when costs exceeded profit.
6. He stated that the area was very rural and that the premises could close during the day as there was little or no trade.
7. When Clover House Hotel upgraded their premises, there was a serious impact on his trade as it is now a far superior premises.

### **The Respondents Case**

Mr Sweeney adopted his written submission and made the following points:-

1. The Sheelin Shamrock is a niche market hotel. It had traded successful for 30 years and did not have the capacity to become a country house hotel as Mr O'Reilly had hoped.
2. The hotel had been on the market twice. The bid received of £280,000 was probably close to the market value and he believes that for a hotel to be publicly placed on the market for sale, does not help its value.
3. Mr O'Reilly made a conscious decision to sell out of the premises and this is reflected in the trading accounts. Therefore the accounts method is not appropriate.
4. Mr Sweeney disagrees with Mr McMillan on the residential element and submits that an RV of £15.00 is appropriate.
5. Mr Sweeney made the following comments on his comparisons:-

The Percy French Hotel sold for £200,000 in 1997. This was the same size only 7 miles from the subject premises.

Ramor Lodge - the RV was reduced from £215 to £205 which analyses at £2.25 rather than £2psf and he sees this as a standing valuation of a premises of this type.

Clover House Hotel was assessed at £2psf as the accounts were not available. The owners decided not to appeal and accepted the RV of £118. The premises was still a 2 star hotel when assessed.

The Bailey Hotel - this is a 2 star hotel and was assessed at £2psf. It is a similar type of hotel to the subject.

On the basis of these comparisons he believes that £2psf or £105 RV is fair and reasonable for the subject premises.

Mr McMillan cross-examined and asked whether Mr Sweeney had asked for accounts. Mr Sweeney said that he understood that there was a difficulty in supplying accounts and the revising Valuer had only turnover figures but had not adopted these figures as the basis of his valuation and had reverted to a square footage basis.

Mr McMillan then asked whether the Bailey Hotel was a better hotel and Mr Sweeney stated that it was a two storey hotel without a separate residence. He confirmed that the Percy French Hotel is a 1 star hotel situated in the middle of the town, with a town business and bar trade. This valuation had not been appealed and it had been listed in 1998 for revision by the owners but negotiations led to the RV been assessed at the same level. No accounts were supplied and no turnover figures. Mr McMillan asked whether the RV might have been more if accounts had been supplied and Mr. Sweeney stated that it might have been. Mr McMillan then asked if the niche market for budget conscious tourists was still in existence and Mr Sweeney claimed that it was and that the owner had tried to develop the hotel in a way which was not going to work.

Mr Sweeney did not accept that function trade was as important in this hotel. He accepted the evidence regarding the Ramor Lodge and confirmed that he knew the Clover House Hotel and this was situated on an elevated site with good business in a parkland setting which was an advantage over the Sheelin Shamrock.



Mr. Sweeney finally commented that the accounts were unreliable for the purposes of arriving at an NAV and felt that they reflected a situation where the owner had decided to get out of the business. Mr. McMillan then stated that the residential valuation should be similar to Sharkeys as it is a rural location with no huge local population. Mr McMillan submitted that the comparisons are town hotels or hotels with parking and gardens and facilities with the capacity to “scoop up” business in the area.

### **Determination**

The Tribunal finds that the Sheelin Shamrock has some shortcomings when compared with the comparisons. The latter are situated in the heart of local towns or on better grounds with the ability to attract considerably more function trade. The subject premises was run as a family based business for many years and trade declined as a result of pollution in Lough Sheelin and increased competition, as well as a confined site and lack of car parking surrounding the premises.

The trading figures are of little assistance in arriving at the RV and in the view of the Tribunal the rate per square foot in this instance is more appropriate. The residential unit is no longer self contained and forms part of the property and therefore we find as follows:-

Hotel	10,500 sq.ft.
Domestic	<u>1,000 sq.ft.</u>
	11,500 sq.ft. @ £1.75 p.s.f. = £20,125
	R.V. x 0.5% = £100.63
	R.V. Say = £100

The Valuation Tribunal determines the rateable valuation on the subject premises to be £100.