Appeal No. VA04/2/003

AN BINSE LUACHÁLA

VALUATION TRIBUNAL

AN tACHT LUACHÁLA, 2001

VALUATION ACT, 2001

Hanratty Holdings Ltd. **APPELLANT**

and

Commissioner of Valuation **RESPONDENT**

RE: Hotel & Land at Lot No. 6a, Reemmeen West, Bantry/Kilcaskan, County Cork

B E F O R E

Frank Malone	**Deputy Chairperson**
Maurice Ahern - Valuer	**Member**
Michael F. Lyng - Valuer	**Member**

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 28TH DAY OF SEPTEMBER, 2004

By Notice of Appeal dated the 1st day of April, 2004, the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of €754.00 on the above described relevant property.

The Grounds of Appeal as set out in the Notice of Appeal are:
"Valuation excessive & inequitable, no regard had to size, layout or location of premises."

The appeal proceeded by way of an oral hearing that took place in the Tribunal Offices, Ormond House, Ormond Quay Upper, Dublin, 7 on the 28th June, 2004. Mr Owen Hickey, BL, Ms. Sheelagh O Buachalla, B.A. ASCS, and Mr Carl Hanratty and Mr Gerard Hanratty, directors of Hanratty Holdings Ltd. represented the Appellant, Mr James Devlin, BL, Mr Terry Fahey, District Valuer in the Valuation Office and Mr Tom Sweeney, CSSO, represented the respondent. At the oral hearing, both parties, having taken the oath, adopted their précis as being their evidence-in-chief.

Description:

The subject property is located in the townland of Renmeen West in the village of Glengarrif, Co. Cork overlooking Bantry Bay. It is a sixty-three bedroom three-star hotel run as a family business with a bar and lounge, restaurant and a new function room, which has a capacity for 300 people. The original building was built in 1745 and there have been a number of extensions and alterations to the premises since. It was purchased by the present owners in 1999 for approximately €2.5 million and it is estimated that they spent about €5.3 million upgrading it.

Valuation History

The valuation on the property was issued on the 7th August 2003 when it was increased from €324.10 to €754. At First Appeal stage, submissions were made to the Revision Officer following which the valuation issued unchanged.

Tenure:

The property is held freehold.

Gross External Area 4410 m.sq

Services

All main services are connected to the premises . It is also serviced by a lift.

Appellant's case:

Mr. Owen Hickey called Mr Gerard Hanratty, director, to outline the background to the purchase and development of the hotel. Mr. Hanratty stated that they purchased the property in 1999 and took it over in January 2000. After seeing the premises, he formed an attachment to the building. He also saw it as a run-down business that could be developed to its full potential. His brother reorganised and managed the business for the first year and a half. The building was in a very bad state of repair and extremely run down. In order to start trading, the bedrooms in the West side had to be re-slabbed, plastered and decorated and new bathrooms, heating, plumbing systems and fire alarms installed. The reception area had to be redecorated and a lift installed. This was essential because of the design and layout of the building which is on many levels and has many stairways which can make access difficult. This part of the refurbishment cost €3.3 million. In 2002, a new function room and kitchen were added at a cost of €2 million. All this refurbishment was needed in order to satisfy the statutory requirements for a three-star hotel.

In spite of the fact that a lot of effort was made to try and extend the trading season it did not work because of the location and the fact that no Leisure Centre was attached to the hotel. At this point in time losses are incurred of about €150,000 to €160,000 because they hold their key staff during the closed season. This year in order to try and bring down costs they looked at every aspect of the business and as a result they negotiated a reduction in their insurance cost of €17,000. However, the proposed rates increase cancelled that out completely. Because of the age of the building it is very hard to heat even in the summer. It is also in constant need of maintenance due to its age and this adds substantially to the running costs. The fact that the hotel is far away from the centres of population and has no leisure centre makes the business seasonal in spite of all their promotion efforts to extend it. This promotion involves attending world travel markets, travel shows, supermarkets, visiting tour operators in England and wedding shows. The owners are members of the Irish Hotels Federation, advertise in the Hotel and Leisure Guide and distribute brochures extensively. The main problems for the development of the business are the remoteness of the location and the lack of a leisure centre. They are unable to add this centre because of the €2 million cost.

Under cross-examination by Mr Devlin, for the respondent, Mr Hanratty stated that there are very few weddings held in the hotel and that it will take some time to bring back the business again. Mr Hanratty also stated that the business had suffered from lack of visitors due to the outbreak of foot and mouth disease. It takes a few years to recover from every problem and because their hotel is off the beaten track, it has taken longer to recover than other hotels which are nearer to centres of population. In reply to the Chairman Mr Hanratty stated that the rate of charges for B&B is €45 to €55 pps, dinner, bed and breakfast is between €55 and €65 pps with one special room at €100 pps. There are special rates for weddings.

Ms Sheelagh O Buachalla stated that as Mr Hanratty had gone through the age and the type of building before the Tribunal she would concentrate on photographs to outline her case. She described the hotel as a long narrow building with different levels and pieces added on at various times over the years and this in turn has led to the number of stairs, steps and corridors as well as rooms of different sizes. She disagreed with the theory put forward by the Valuation Office that whether a hotel has a leisure centre or not has no effect on the business potential of the property. In her experience it is much easier to get clients if you have a leisure centre and it is a very important marketing factor in the hotel business. With regard to the car park, Ms O Buachalla stated that it was on a separate valuation and therefore the hotel must be valued as a hotel without a car park.

Regarding her comparisons (set out at Appendix 1 to this judgment), Ms O Buachalla stated that the Baltimore Harbour Hotel, Baltimore with a leisure centre had been valued in 1998. However, on the 8th October 2003, the property was valued again because they had apartments which had been exempt under the previous legislation. At the time of this revision when she lodged this appeal on behalf of Eccles Hotel, the valuation she has in her précis was in the list and therefore she felt entitled to rely on it. She also stated that both hotels were similar in many respects e.g. number of rooms, seasonal, rural location.

In reply to Mr Hickey with regard to the comparisons from the Valuation Office put forward by Mr Fahey, she stated that his comparison, Seaview Hotel, was a four-star hotel so it would be a higher grade hotel than the subject premises even though it has only twenty-four bedrooms. Seaview Hotel would be competing in a different market and therefore was not a suitable comparison. She also noted that two different valuations were used in the Seaview Hotel, one for the new extension and another for the original hotel. Regarding Casey's Hotel, she stated that it was much smaller (1180sq m) than the subject, has only 14 bedrooms and could be classified as a pub with bedrooms rather than a hotel. The West Lodge Hotel, built in 1970, is much larger with 96 bedrooms and 11 self-catering cottages with a similar grade but a more modern hotel with a large leisure centre. The Celtic Ross Hotel, which is similar with 67 bedrooms, is a new purpose-built hotel with leisure centre and again is valued the same as the subject. The 2-star Barleycove Hotel with 11 bedrooms, Ms O Buachalla felt, was not a suitable comparison due to its size. Having taken all the comparisons into consideration she felt that a fair valuation for the subject property would be:

Old Hotel 4010 sq. metres @ €22.55 = €90,425
Function Room 400 sq. metres @ €24.60 = €9,840
Total NAV €100,265 @ 5% = RV €501.32

Under cross examination by Mr. Devlin, Ms O Buachalla agreed that Glengarriff was a beautiful place but she emphasised that because of the out-of-the-way location of the hotel and lack of a leisure centre, it never benefits to the same extent from passing trade as some of its competitors. Mr. Devlin suggested to Ms O Buachalla that the valuation of €34.17 per sq. metre for the Celtic Ross Hotel was the going rate for a hotel such as the subject property. Ms O Buachalla would not agree and contended that this was the rate for a modern purpose-built hotel with a leisure centre. In reply to the Tribunal Chairman, both parties agreed the Valuation date to be the 7th August 2003. Ms O Buachalla also stated that she was relying on section 49(1) of the 2001 Act for this valuation.

Respondent’s case

Mr Terry Fahey appeared on behalf of the respondent. Mr Devlin asked him to outline to the Tribunal his analysis of the subject property. He stated that the Eccles Hotel was one of the longest established hotels in Ireland. It has been fully restored and is in excellent condition. It comprises 66 en suite bedrooms as well as mini suites, restaurant and a very large function room. It is also located in a very scenic part of Cork. He also stated that the amount of money spent on the hotel to date was €7.8 million, inclusive of purchase price, which would indicate that the hotel is in excellent condition.

Mr Devlin then asked Mr Fahey to review his comparisons (set out at Appendix 2 to this judgment) for the Tribunal. He stated that the Seaview Hotel was the nearest and even though it was a 4-star Hotel it was similar in construction and age to the subject property. While the Seaview Hotel has the new extension valued at €34.17 per sq. metre the original part was left at €23.03 per sq. metre. The appeal valuer at the time did not deem the original part to merit an increase in valuation. In Mr Fahey's opinion the difference between the Seaview Hotel and the Eccles Hotel is that the Eccles Hotel has been refurbished in its entirety and has qualified as a three-star hotel which he treated as one entity while the Seaview Hotel has not the same standard of renovation and has an old wing and a new wing. With regard to Casey's Hotel he stated that it was a similar hotel but much smaller and is valued at €34.17per sq. metre. The West Lodge Hotel, he stated, was a purpose-built hotel with leisure centre. The latest revision on this property in 1999, at €33.08 per sq. metre, carried on the levels determined by the Tribunal at earlier appeals. The Celtic Ross Hotel is a modern building having being built in 1997, with a leisure centre. The Barleycove Beach Hotel is a two-star hotel valued at €28.70 per sq. metre. This sets the tone for the RV of a two-star hotel and the rate applied to the subject sets the tone for the RV of a three-star hotel.

In reply to Mr Hickey, Mr Fahey agreed that hotels should be compared with other hotels of similar size. Mr Fahey would not agree that any one of his comparisons should be given a weighting above the others because they all had special features. If, however, he had to pick out any one of them, he would pick the three 3-star hotels, that is Casey's, West Lodge and Celtic Ross. Mr Fahey would not agree with Mr Hickey that a hotel would need a leisure centre to succeed in business. He felt that the location, Glengarriff, was the selling point for the subject property and the fact that it had been totally upgraded to a three-star rating.

Mr Fahey contended for a valuation of €754 calculated as set out below:

Gross External Area - 4410 sq. m @ €34.17 per sq.m = €150,711.65

Net Annual Value - €150,711.65 @ 0.5% - €753.56, say €754 **RV**

Determination: -

The Tribunal, having carefully considered all the evidence, including that in relation to comparisons, both in the written submissions and given orally at the hearing, makes the following findings:

The Tribunal concludes that because the subject property is an old building, has extensions added over the years leaving different levels and many steps and stairways, is located in a very rural area removed from the centres of population and has no leisure Centre, it is at a disadvantage in comparison to other hotels of the same grade.

The Tribunal therefore, having regard to these factors, determines the rateable valuation on the subject property as follows:

Gross External Area 4410 sq.m. @ €30 per sq. m. = €132,300

Net Annual Value = €132,300

Rateable Valuation @ 0.5% €661.50

Say €660

Accordingly the Tribunal determines the RV of the subject property to be €660. The appeal is allowed to this extent and the determination of the Commissioner of Valuation is varied accordingly.

And the Tribunal so determines.