

Appeal No. VA88/0/104

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

Thomas Keane

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: The Ringside Rest Hotel, Caherciveen, Co. Kerry

B E F O R E
Henry Abbott

S.C. Chairman

Paul Butler

Barrister

Brian O'Farrell

Valuer

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 16TH DAY OF MARCH, 1989

By notice of appeal dated the 18th day of August 1988, the appellant appealed against the determination of the respondent fixing the rateable valuation of the above described hereditaments at £250.

Mr Frank O'Connor, A.R.I.C.S., B.Sc (Surveying), a valuer in the Valuation Office presented a written submission on the 18th January, 1989. He inspected the subject property in March 1985,

March 1987 and February 1988 as a result of first appeals arising out of the 1984, 1986 and 1987 revision of valuations.

He said the property is located on the southern edge of Caherciveen town on the Waterville Road. It consists of a Grade B licensed hotel with 26 bedrooms, all ensuite. The hotel was originally built by Mr Keane himself, in 1969 and extended and improved over the years. A sum of £70,000 was granted by Bord Failte towards improvements in 1983. It is constructed of concrete walls with either slate or felt roofing. The property is mainly two storey with single storey sections at rear and is in good condition both decoratively and structurally. There is an enclosed rear yard and tarmac car parking to both front and rear. Road frontage is circa 145 feet.

There is a shop and restaurant at first floor level to cater for tourist coach tours, and a function room at rear for weddings, G.A.A. functions and weekly dances on Sunday night. All necessary services are available. Heating is by oil fired central heating. The hotel is open for business all year round.

This is a mainly a function style hotel concentrating on bar and dance hall trade, with tour bus groups who use the restaurant and craft shop forming a significant proportion of the turnover as well.

The property is held in fee simple.

He also gave the valuation history as follows:

<u>Year</u>	<u>R.V.</u>	<u>Comment</u>
1970	£ 95.00	Property first valued
1974	£140.00	Extensions to hotel

1984	£200.00	Extensions to hotel
1986	£250.00	Extensions to hotel
1987	£250.00	No change to buildings since 1986

The occupier appealed against the R.V. of £250.00 in both 1986 and 1987 and Mr O'Connor was appointed as appeal valuer by the Commissioner. Having considered his report the Commissioner made no change to the R.V. Subsequently the occupier lodged an appeal to the Tribunal.

Mr O'Connor submitted that in arriving at a rateable valuation regard must be had to section 11 of the Valuation (Ireland) Act, 1852 and section 5 of the Valuation Act, 1986.

Rental value is the best evidence of net annual value. However, he said, that as hotel premises are not normally leased he relied on the capital value and made reference to the sale of certain hotels in Kerry viz. Listowel Arms Hotel; Waterville Beach Hotel and Manhattan Hotel, Killarney Road, Tralee. He set out a list of comparisons and these are reproduced as Appendix A to this judgement.

Mr Desmond M Killen F.R.I.C.S., A.R.V.A., is a Fellow of the Chartered Surveyors in Ireland and a Director of Donal O'Buachalla & Co Ltd., 86 Merrion Square, Dublin 2. He presented a written submission in March 1989 on behalf of the appellant. He stated that his company is retained and has acted on behalf of numerous hotel owners and set out a number of points for the consideration of the Tribunal.

The hotel market includes many varied types of hotels as a quick glance at the Bord Failte Guide will show and when one moves away from cities and large towns, a different type of trade emerges.

Hotels offer a wide range of facilities from bed and breakfast, banqueting, bar facilities and function room and even a number offering sporting and leisure facilities.

At all times hotels endeavour to offer value for money and cater for any type of trade available.

In his submission Mr Killen gives certain factors which have a direct effect on the value of the property as follows:-

1. Location
2. Suitability for the purpose in which regard must be given to room size, quality of service and of accommodation and overall size viz. number of bedrooms, dining room, function rooms and bars.
3. Efficiency and layout.
4. Prestige and reputation.
5. General condition of all buildings.

He put emphasis on the location in that there is no beach available and the situation is not attractive to the businessman who prefers either Tralee or Killarney. Location is also a clear indicator of the market which the appellant is trying to capture and the opposition he faces in the number of hotels both on the Ring of Kerry Tour and in Tralee and Killarney.

A clear indicator of the success or otherwise of attracting tourists can be gauged by the bed occupancy figures. The design and layout of the hotel are not in keeping with a planned development and have evolved in a piecemeal fashion. There is little doubt that it could cater for an extended market of functions, weekend conferences for a limited number but its level of trading is indicated by a restricted summer season, competition from unregistered bed and breakfast guest houses (who do not have to carry such overheads as rates and staff wages), a decreasing local population and competition for this latter market by the development of disco and music lounges in licensed premises.

Mr Killen agreed that in arriving at the R.V. regard must be had to section 5 of the Valuation Act, 1986 and section 11 of the Valuation (Ireland) Act, 1852.

The oral hearing took place on the 13th March, 1989.

Mr Michael O'Shea Barrister (instructed by Ahearn, Bradley, Lynch & Rogan, solicitors) on behalf of the appellant stated that the subject hereditament consisted of a Grade B 24 bedroomed hotel (not 26 as stated in Mr O'Connor's submission) in Caherciveen. The population of Caherciveen is 1,300 people. He stated that the tourist season existed for a total of 16 weeks per year.

Mr Thomas Keane in evidence said that he purchased the land in 1965 and originally intended to build two residential properties. On the advice of his architect in 1968 he built a 12 bedroomed hotel with the benefit of a grant from Bord Failte in the sum of £7,500. In 1971 he received a further grant of £70,000 and he extended the hotel to a 24 bedroomed with function room, restaurant, television room and kitchen. Mr Keane also stated the population of Caherciveen and its environs is decreasing due to emigration. He stated his hotel was running at a loss and only remained open with the help of his wife and children. He felt that August was the only good

tourist month when bedroom occupancy rate would reach a high 50%. He regretted having built extra bedrooms as even with the original 12 he had a low occupancy rate. He mentioned the fact that some factories in the locality had closed; that his hotel was under intense pressure from other bars and discos; that he had only six weddings receptions in the past year and in the phrase of a fellow townsman of his Caherciveen was like a "cemetery with lights". Mr Keane when asked by Mr O'Connor what capital value he would place on the property replied that he would have an asking price of £200,000 but would only expect offers between £100,000 -£120,000.

Mr Killen in evidence elaborated on his written submissions and he thought the most helpful comparison was the Butler Arms Hotel. His comparisons are reproduced in Appendix B to this judgement.

Mr Kelleher of Kelleher, O'Sullivan & Company, Auditors & Accountants of 16 Sunday's Well Road, Cork said that a 10% return on capital value was as good as an investor could expect with today's low interest rates. He also produced accounts in relation to the property. Mr O'Connor put it to him that 20% return on capital value would be a more realistic but he did not agree.

Mr O'Connor, in his evidence, reiterated that he thought that the valuation of £250 placed on the premises was fair having regard to the valuation of other hotel premises. He also placed emphasis on the fact that the south/southwest area had a high bed occupancy rate.

The respective positions of the parties maybe stated as follows. For the respondent, it is stated that this is structurally a very fine building; it is agreed, the Tribunal thinks, by the respondent that Mr Keane would be engaged in a "passing" trade rather than that he could depend too much on guests who would stay over night.

On behalf of Mr Keane it is urged that this hotel cannot really be compared with one in Tralee, Killarney or Listowel which is, itself, a substantial market town. Nor can it be compared properly with hotels right long side the sea such as those at Waterville and Derrynane.

The Tribunal would repeat what the Supreme Court said in the Roadstone Case (1961) I.R. 239 where, at p. 260 Mr Justice Kingsmill Moore reiterated that in arriving at estimate of the hypothetical rent one is not bound to use any particular method but may arrive at a determination in whatever way is most suitable to produce the required result.

The true criteria the Tribunal brings into play in this case is the fact that the actual rateable valuation at £250 is, in global terms, and leaving aside any devaluation per metre square very high having regard to most of the comparables produced by the respective parties. The Tribunal accepts as, indeed, is common case, that Mr Keane is dependent on a passing trade and that his bed occupancy is very low. It is 50% at peak season, namely, in the month of August. This is corroborated, if corroboration were needed, by the low rate that he charges. Mr Keane stated in evidence that he charged, at the relevant time, £11 bed and breakfast. The Tribunal considers that this is indeed a very low rate.

The Tribunal in the past (cf Appeal No. 88/164; John Carey t/a Whitegates Hotel v. Commissioner of Valuation; judgement delivered 20th January, 1989) had regard to the proportions applicable to the respective rateable valuations vis-a-vis the rate charged per room for bed and breakfast and, indeed, would refer to the rates set forth for bed and breakfast in Killarney hotels at p. 8 of that judgment. Taking the lowest figure there, admittedly for 1988, the figure is £19.75 and that is 79.5% above Mr Keane's. Of course the highest in that list is six times what Mr Keane is charging but it is accepted that it would provide no valid comparison at all.

It is clear, therefore, that the bedrooms in these premises seem to be more of a liability than an advantage; the Tribunal feels that the very highest valuation that could be put on these premises would be £200. However, the Tribunal bears in mind the case that has been made out for the effects of emigration; the removal of industry from the town; the intense competition that these premises are under from premises that are not subject to rates. The Tribunal, too, thinks it is significant that a town like Killorglin which is about 20 miles from Caherciveen and is comparable in size, location and population, has no hotel. Although Killorglin does have certain industries in the town and in its vicinity.

In all the circumstances, the Tribunal has come to the conclusion that a just and equitable R.V. in this case would be £175.