

Appeal No. VA90/2/032

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

Roy Duggan, Cork Inns Limited

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Licensed Hotel at Lot No. 26.26a.27 Glanmire Road Middle, Co. Cork
Quantum - Contractor's method, decapitalisation rate

B E F O R E

Henry Abbott

Barrister Chairman

Padraig Connellan

Solicitor

Veronica Gates

Barrister

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 10TH DAY OF JANUARY, 1991

By notice of appeal dated the 19th day of July, 1990, the appellants appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £815.00 on the above described hereditament.

The grounds of appeal as set out in the Notice of Appeal are that the valuation determined is excessive and inequitable.

The property consists of a Grade B Star Hotel known as the Country Club Hotel. It has 36 en-suite bedrooms and 1 suite, together with 2 large and 2 small function rooms. It also has a car park. It is situated in Montenotte on the north side of Cork City.

Valuation History

Prior to 1973 revision the R.V. was £230. Following the 1973 revision the R.V. was increased to £280. On first appeal this R.V. was confirmed and the name of the property amended to "Country Club Hotel". The property was listed in 1979 for revision to "value extension" and the R.V. was increased to £455. The property was listed for revision again in 1989 to "value improvements" and the R.V. was increased to £875. At first appeal stage the Commissioner of Valuation reduced the R.V. to £815. It is against this determination that the appeal lies with the Tribunal.

Written submissions

A written submission was received on the 24th December, 1990 from Mr Michael Slattery, M.A. B.Comm., a district valuer with 22 years experience in the Valuation Office, on behalf of the Respondent.

Mr Slattery said that the property is situated on an elevated site in Montenotte and surrounded by a tarmacked car park (85 marked spaces) with well kept gardens. He said that it is a modern Grade B Star hotel with 36 guest bedrooms and 5 staff bedrooms. The foyer has been refurbished recently and the lounge bar has a panoramic view of the city. Bedrooms are fully equipped with bathroom en-suite, telephone and T.V.. There is a garden restaurant and 2 function rooms. Mr Slattery said that a large new 3 storey bedroom block was built c 1980/81 containing 30 bedrooms also connecting bridge, fire escapes and some internal work. The property is freehold.

Mr Slattery, in arriving at the rateable valuation, stated that particular regard was had to the relationship of rateable valuation to rental levels for recently revised comparative properties in the area. He outlined the method by which he arrived at the rateable valuation as follows:-

Net Annual Value:- Estimated £ 130,000

Calculated as follows:

Estimated Market Value of the Property £1,300,000

Factor 10 year purchase

Net Annual Value £1,300,000 / 10 yp = £ 130,000

R.V. = £130,000 x 0.63% = £ 819.00

Alternative Method RV (1979) £455.00

30 new bedrooms c £12 each £360.00

£815.00

He also submitted four comparisons which are attached hereto as Appendix "A".

On the 3rd January, 1991 a written submission was received from Mr Desmond M. Killen F.R.I.C.S. I.R.R.V., Director, Donal O'Buachalla & Co. Ltd, on behalf of the Appellant.

In his submission Mr Killen described the premises and gave its valuation history. He stated that the area of the hotel as agreed is 2,690 sq.m.

Mr Killen outlined four approaches to the calculation of the net annual value. The fraction of .63% in determining rateable valuation as a percentage of net annual value was agreed by both parties.

Using the rental method Mr Killen estimated the total asset value of the hotel to be £727,332 and the capital value of the rateable building at £100,000 as at November, 1988. Mr Killen applied a 7% return and said that this was indicated by the Tribunal in Appeal No. 89/149 Dromoland Castle Hotel Ltd v. Commissioner of Valuation. Thus he estimated the net annual value at £70,000 and the rateable valuation at £450. Using the profits method and the contractor's method Mr Killen calculated a rateable valuation at £450 and using the comparative method at £465.

The comparisons used by Mr Killen in the comparative method are

Hotel	Grade	Bedrooms	R.V.	N.A.V.
Jurys	A	185 @ £17.83	£3,300	£508,000
Silversprings	A	110 @ £17.25 Sports Centre	£1,900 £ 950	£301,500 £150,000
Imperial	A	101 @ £13.86	£1,400	£233,300
Metropole	B*	91 @ £19.78	£1,800	£285,700
Arbutus Lodge	B*	20 @ £12.25	£ 245	£ 38,900
Moors	B*	39 @ £10.12	£ 395	£ 62,700
Blarney Park	A	70 @ £11.07	£ 775	£123,000
Subject Country Club	B*	36 @ £22.63	£ 815	£129,365.

Oral Hearing

The oral hearing of the appeal took place on Wednesday the 9th January, 1991. The Appellant was represented by Mr Des Killen and the Respondent was represented by Mr Michael Slattery. Mr Killen outlined the evidence contained in his precis and referred to above. Additionally he produced in evidence a map of the premises consisting of site location map and the various floor

plans, together with the hotel brochure with schedule of charges relating to subject premises and Board Failte Guide on Guest accommodation.

Mr Killen placed great emphasis on the fact that the subject premises did not qualify for any tour business because 30 rooms were not sufficient to attract this business. Neither did the Hotel attract a day long trade from lunch and drinking in the same manner as city centre hotels in Cork such as the Imperial. Neither did the subject premises attract the same dining out trade as the Arbutus Lodge Hotel, which was recognised for its high reputation for cuisine. He stated that the subject premises depended overwhelmingly for its guest trade on the business guest side, giving a peak occupancy over only 3 to 4 days per week. He said that while the car parking facility catered for 300 cars, the access, (while not critical), was nevertheless hazardous. He stated that the function rooms allowed for catering from functions such as weddings, discos and meetings. Mr Slattery accepted Mr Killen's description of the premises and the trade carried on there but emphasised that the function room related trade constituted the lucrative, main part of the business.

Both valuers agreed that the subject premises had been renewed by addition of 30 bedrooms with bathroom en-suite replacing all but six of the older rooms of the hotel, and that it had been extensively repaired and modernised in the last few years. Mr Slattery did not consider that the fact that some of the hotel was of older vintage dating back to the 1800's necessarily devalued the hotel.

Both valuers argued the relevance of the comparable hotel premises and in addition to his precis information Mr Slattery produced a table of comparisons with area devaluations which is annexed hereto as Appendix "B".

Both valuers placed great emphasis on the capital depreciation cost method of valuation while referring to the other methods. Mr Killen advanced the authority of the decision of the Tribunal in the Dromoland Castle case for the proposition that a suitable return on capital to be used for hotel premises was 7% and stated that this figure had been used by the Respondents in reaching agreement in the cases referred to in his precis. Mr Slattery took serious issue with Mr Killen on the decapitalisation rate of 7% and suggested that a rate of 10% was more appropriate. He cited the Silver Springs Hotel case relating to a premises in the same Ward as being one which was settled on the basis at a 10% decapitalisation rate and stated that other premises had been valued on this basis. The decapitalisation rate which emerged on the basis of R.V. being .63 of N.A.V. from the Imperial Hotel in centre city Cork was 8% on the basis of an estimated £3m sale price in recent years.

Mr Killen claimed that the value of the hotel premises was £1m while Mr Slattery was of opinion that the subject hotel was worth £1.3m. Mr Duggan, the principal of the premises, said that while he did not wish to sell the premises he could expect to be offered somewhere between £1m and £1.3m.

Findings

While the Tribunal finds that the depreciated capital cost method is of considerable assistance in arriving at a N.A.V., the Tribunal considers that it cannot accept that the Dromoland decision is to be taken as an indication that the 7% decapitalisation rate (which apparently emerges as a mathematical ex post facto result), is to be applied. The Dromoland case was decided by the Tribunal having regard to all the particular circumstances of that case, which may not be generalised.

The Tribunal must be mindful of the provisions of Section 5 of the Valuation Act, 1986 and the interpretation thereof of Mr Justice Barron in the I.M.I. case cited by Mr Killen. Comparable values arising in the same area must be considered and in particular subsection 2 of Section 5

directs that regard shall be had to hereditaments which are comparable and of similar function and whose valuations have been made or revised within a recent period.

Both valuers have agreed that a percentage of 0.63% ought to be applied to convert N.A.V. to R.V. in this case and the Tribunal is prepared to accept this agreement in the particular case, while reserving its position not to be bound by such percentages.

Accordingly, the Tribunal finds that it is most appropriate to value the subject premises on a basis close to that used in the Silver Springs case, decided on first appeal in 1989.

The Tribunal is prepared to consider that there may be circumstances such a periodicity of trading, fewer rooms, access and grading which might tend to reduce the valuation having regard to all the factors of the case. Having regard to the foregoing, the Tribunal fixes the rateable valuation for the subject premises at £790.00.