

Appeal No. VA92/4/017

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

**Welcome Inn Limited**

**APPELLANT**

**and**

**Commissioner of Valuation**

**RESPONDENT**

RE: Licensed Hotel at Lot No. 14.15.16.17.18.19 New Antrim Street, Townland of Knockthomas, Urban District of Castlebar, E.D. Castlebar Urban, Co. Mayo  
Quantum

**B E F O R E**  
**Mary Devins**

**Solicitor (Acting Chairman)**

**Veronica Gates**

**Barrister**

**Brian O'Farrell**

**Valuer**

**JUDGMENT OF THE VALUATION TRIBUNAL**  
**ISSUED ON THE 3RD DAY OF FEBRUARY, 1993**

By notice of appeal dated the 3rd day of July, 1992, the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £350 on the above described hereditament.

The grounds of appeal as set out in the Notice of Appeal are that "the valuation is excessive, inequitable and bad in law".

### **The Property**

The property comprises a Grade B\* hotel situated on the fringe of the central shopping and business district of Castlebar. The surrounding area comprises a mixture of commercial and residential land use. In 1987 an area covering some 16 acres including New Antrim Street on which the subject property stands was designated under Finance and Urban Renewal Acts. As a result of designation land and buildings in the area were developed and refurbished including the construction of Castlebar Shopping Centre adjoining the subject building. The effects of designation and the opening of the by-pass in 1992 diverting much of the through traffic away from New Antrim Street has resulted in a general up grading of the area.

The principal hotel buildings are of mock tudor style and are of masonry and concrete construction of two and three storeys under part pitched and part flat roofs. Subsequent additions are of one and two storeys.

### **Accommodation**

The accommodation comprises 43 en suite bedrooms, restaurant, lounge, bar, ballroom, function room and reception. Together with ancillary kitchens, toilet and stores.

### **Tenure**

The property is held in fee.

### **Valuation History**

Following the 1989 revision the R.V. of the subject premises was appealed to the Tribunal. At Tribunal it was agreed that the R.V. should be reduced from £290 to £260. At that stage the hotel had 20 bedrooms.

As a result of the construction of an additional 23 bedrooms the valuation was increased to £350 under the 1991 revision. The appellant was aggrieved by this decision and appealed to the Commissioner of Valuation. The Commissioner made no change to the valuation at first appeal and it is against this valuation that an appeal now lies to the Tribunal.

### **Written Submissions**

A written submission was received from Mr. Patrick J. Nerney, Rateable Valuation Consultant, Valuer & Auctioneer on behalf of the appellant on the 29th January, 1993. In the written submission Mr. Nerney set out details of the premises and the valuation history. Mr. Nerney submitted that at first appeal stage the appellant had argued that the profitability of the enterprise had fallen despite the increase in the number of bedrooms. This fall off had been the result of a decline in the nightclub trade and the luncheon trade which had fallen by about half. The appellant had further stated that if the extra bedrooms had not been built the business would have ceased to be viable.

Accounts for 1988 to 1991 were attached to the written submission. The accounts show that the profitability had declined from the 1988 level. One of the main reasons for the decline in the hotel business has been the fact that the premises are no longer located on the Dublin/Castlebar national primary route but merely a link road leading to the N5.

Mr. Nerney set out three comparisons of other hotels in the Castlebar area:-

- (1) Breaffy House Hotel on the Claremorris Road. A 40 bedroom hotel on its own grounds. R.V. £370.
  
- (2) Imperial Hotel at The Green, Castlebar. A 15 bedroom hotel. R.V. £105.

- (3) Travellers Friend Hotel on the Westport Road opposite hospitals. A 15 bedroom hotel. R.V. £340

Mr. Nerney also referred to the judgment of the High Court in the **Rosses Point Hotel** appeal where it was stated that:-

"Profit earning ability is the basic element in determining the Net Annual Value. It is based not on actual profits but on what the prospective tenant would anticipate his profits would be".

In conclusion, Mr. Nerney submitted that the decline in the profitability of the subject premises was due to the relocation of the premises as a direct consequence of changes in the towns road network and that this justified a reduction in the valuation rather than an increase. He set out his calculation of the appropriate R.V. on the premises as follows:-

N.A.V. £52,000	@	0.5%	=	£260
Area of Hotel at 1971 Appeal		1,910m <sup>2</sup>	=	<u>20,560sft</u>
Area of Hotel on 1988 V.A.		2,028m <sup>2</sup>	=	21,830
Fire Escape		22m <sup>2</sup>	=	237
Lean-to Sheds		143m <sup>2</sup>	=	<u>3,146</u>
				<hr/> <u>25,213sft</u>
Estimated present area of Hotel		2,603m <sup>2</sup>	=	28,020
Fire Escape		22m <sup>2</sup>	=	237
Sheds		120m <sup>2</sup>	=	<u>2,640</u>
				<hr/> <u>30,897sft</u>

A written submission was received from Mr. John Colfer of the Valuation Office and an associate member of the Society of Chartered Surveyors in the Republic of Ireland with 13 years in the field of property valuations on behalf of the respondent. In the written submission Mr. Colfer described the property and the valuation history attaching to it. Commenting on the grounds of appeal of the appellant, Mr. Colfer stated that in determining the current rateable valuation he had considered the subject premises both from the profits and an investment approach. He had had regard to the Tribunals determination in 1989 of £260 on the hotel with 20 bedrooms which devalued at £13 per bedroom including lounge, restaurant and function room facilities. The additional 23 bedrooms which had resulted in an increase of £90 in the rateable valuation devalued to less than £4 per bedroom. Overall the 43 bedrooms devalued to approximately £8 per bedroom which compared favourably with the comparisons outlined in his written submission.

Mr. Colfer set out details of his calculation of the rateable valuation under the profits method and the investment method as follows:-

**Profits Method of Valuation:**

Estimated annual turnover	=	£800,000
Gross profit @ 45%	=	£360,000
Nett profit @ 35%	=	£126,000
Available for rent 60%	=	£ 75,600
R.V. @ .5%	=	£ 378

**Note:** The above turnover figure is estimated. The actual turnover figures, which are listed below, were not available until after the first appeal determination of £350.

**Nett Turnover:**

1988            £1,122,741

1989	£1,264,091
1990	£1,352,568

**Investment Method:**

Estimated Capital Value November, 1988

43 Bedrooms @ £16,000/bedroom = £688,000

Say £700,000

N.A.V. @ 10% = £70,000

R.V. @ .5% = £350.00

Mr. Colfer supplied a schedule of comparisons of similar properties within the region and these are set out at Appendix 1.

**Oral Hearing**

At the oral hearing which took place in Galway on 2nd day of February, 1993 Mr. Patrick J. Nerney, Valuer, represented the appellant. Mr. John Colfer of the Valuation Office appeared on behalf of the respondent. Also present was Mr. Tony Mc Hugh, the proprietor of the Welcome Inn.

Mr. Nerney referred to his written submission and explained that alterations and improvements in 1988 resulted in a temporary loss of 10 bedrooms. These bedrooms had been replaced and a further 12 new bedrooms had been added in 1989/1990.

Mr. Nerney said that any profit generated by the new bedrooms had been more than offset by a 30% drop in the overall trade in the hotel, including that in the nightclub. This was due, he said, to a combination of factors, viz, emigration, the opening of new clubs in competition, but

particularly to the new road system in the town, which meant a considerable drop in passing trade.

Mr. Nerney stated that the subject property had virtually been relocated.

Mr. Mc Hugh said that while the number of bed-nights had increased by virtue of the additional bedrooms, the hotel's passing trade, on which it had relied heavily, had now almost disappeared, as motorists were not inclined to leave the main motorway.

He gave evidence that other businesses in the locality, including a nearby filling station were experiencing similar difficulties.

Mr. Colfer pointed out that there seemed to be agreement between the parties as to the figures for adjusted net profits. They did not agree, however, on the percentages for return and rent, with the appellant's valuer estimating the amount available for rent at 40% and the respondent at 60%.

Mr. Colfer, in evidence, said that his figures had been agreed in several instances with hoteliers in the Killarney area, but Mr. Nerney and Mr. Mc Hugh pointed out that because of the extremely keen tourism business in the Killarney area, hotels there could not be compared with those in County Mayo.

### **Findings**

The Tribunal accepts the evidence in relation to the somewhat detrimental effect the otherwise advantageous new road system around Castlebar has had on the subject hereditament.

With traffic no longer passing directly by the hotel and the consequent fall-off in bar, lunch and passing trade generally, the decrease in profits overall is accepted, in spite of the admitted increase in bed-nights and the coach tour type of business.

Taking all of the above into account, the Tribunal is of the opinion that the correct R.V. of the subject premises is £330 and so determines.