

Appeal No. VA93/3/048

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

Berne Hotel Limited
t/a Killiney Court Hotel

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Licensed Hotel and Grounds at Map Reference: 11 & 13A Marino Avenue East,
Townland: Killiney, E.D.: Killiney North, Dun Laoghaire-Rathdown, Co. Dublin
Quantum

B E F O R E

Mary Devins

Solicitor (Acting Chairman)

Brian O'Farrell

Valuer

Paddy Farry

Solicitor

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 29TH DAY OF MARCH, 1994

By Notice of Appeal dated the 12th day of August, 1993 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £1,350 on the above described hereditament.

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

"The Rateable Valuation is excessive, inequitable and bad in law."

The Property:

The property is a three star hotel situated on the western side of the main coast road between Killiney and Shankill. The hotel is adjacent to the Killiney Dart Station.

The property originally contained 34 bedrooms prior to the construction of the extension in 1990. The extension provided an additional 52 bedrooms and a conference centre. The hotel now has a total of 86 bedrooms all of which have en-suite facilities.

The accommodation consists of a bar, dining room, grill room, function room, 2 small conference rooms and 86 bedrooms (all en-suite).

Valuation History:

The original property had a valuation of £600 agreed at 1985 First Appeal.

In 1991 the property was listed by Dun Laoghaire Corporation with a request to value new buildings, extensions, alterations and improvements and to value living accommodation separately. As a result of a revision at this stage the valuation was determined at £1,500. The appellant appealed to the Commissioner. At First Appeal the valuation was reduced to £1,350. It is against this figure that an appeal lies to the Valuation Tribunal.

Written Submissions:

A written submission was received on the 2nd February, 1994 from Mr. Frank O'Donnell, B.Agr. Sc., F.I.A.V.I., M.I.R.E.F., Principal of Frank O'Donnell & Company, Valuation & Rating Consultants, on behalf of the appellant.

In the written submission Mr. O'Donnell described the property and set out his calculation of the rateable valuation on 4 bases as follows:-

1) *Square Foot Basis:*

	Sq.Ft.	Rate/Sq.ft.	N.A.V.
Hotel	54,310	£3.00	£ 162,930.00
		R.V. @ 0.63%	£ 1,026.00

2) *Capital Value Basis:*

Book Value			£2,675,812.00
N.A.V. @ 7%			£ 187,306.84
Adjust to 1988 (15%)			£ 159,210.82

		R.V. @ 0.63%	£ 1,003.00
3) Profit Method:			
Net Profit			£ 226,135.00
Adjusted Net Profit			£ 531,437.00
Adjust to 1988 (15%)			£ 324,221.45
N.A.V. @ -50%			£ 162,110.72
		R.V. @ 0.63%	£ 1,021.00
4) Turnover Basis:			
1991			£2,168,823.00
Net Profit	- 18%		£ 390,388.14
N.A.V.	- 50%	£	195,194.07
Adjust to 1988	- 15%	£	165,914.96
		R.V. @ 0.63%	£ 1,045.26

Mr. O'Donnell set out a table of comparisons which is appended to this judgment as Appendix A.

A written submission was received on the 8th February, 1994 from Mr. Denis Maher, a District Valuer with 18 years experience in the Valuation Office, on behalf of the respondent.

In this written submission Mr. Maher described the property and its valuation history. He said that the hotel was rated Grade A by Bord Failte and that it was a substantial 2-storey Victorian building with modern 2-storey extension at the side developed in two stages together with some single-storey service buildings, carpark and grounds.

He said that the hotel was well laid out and appointed to a very high standard throughout. He said that the hotel had a broad based source of income ranging from bedroom lettings to conferences to functions such as weddings/parties to food in restaurant and grills and liquor in the lounge bars.

He said that the conference rooms are thoroughly modern and fitted to international standards.

Mr. Maher set out his calculation of the rateable valuation on the subject premises on four bases which yield rateable valuations as follows:-

1) Going Concern Basis:		
Estimated N.A.V.		£ 219,448.00
R.V. @ 0.63%	£	1,382.77
Say		£ 1,350.00
2) Area Basis:		
Floor Area - 54,310 sq.ft. @ £4.00 =	£	217,240.00
N.A.V. -		£217,240.00
	R.V. @ 0.63%	£ 1,368.00
3) Bedroom Basis:		
88 Bedrooms at £15.00 per bedroom	£	1,320.00
4) Accounts:		
Turnover		£2,168,823.00
Net Profit 20%	£	433,765.00
N.A.V. @ 50%	£	216,822.00
	R.V. @ 0.63%	£ 1,365.00

Mr. Maher said, in relation to his calculation of rateable valuation, that the Going Concern or Profits Method is generally recognised in valuation principal as the primary and most correct method at arriving at open market values for hotels. He said that his method as a whole reflected the true trading potential of established hotels and their ability to generate profitable income. He said that it provided a more reliable guide over other methods including comparative methods in arriving at an open market value. He said that the other methods such as the rate per square foot rental or rate per bedroom valuation are secondary methods which could be usefully used as a cross check.

Mr. Maher gave details of a number of comparisons which are appended to this judgment as Appendix B. Summarised these comparisons were:-

- (1) **Royal Marine Hotel, Dun Laoghaire**
1989 First Appeal

Mr. O'Donnell submitted that the subject hotel was disadvantaged in that it did not have a leisure centre or swimming pool, and because of its out of the way location it had virtually no passing trade. He referred to his comparison, namely; Fitzpatrick's Killiney Castle Hotel and the Royal Marine Hotel in Dun Laoghaire, and pointed out that the former had a leisure centre and night-club and was part of a chain of hotels which had the advantage of centralised marketing while the latter which was prominently located in the middle of Dun Laoghaire, had a function room with capacity for 400 people.

Mr. Maher referred to his written submission and stated that Fitzpatrick's Killiney Castle Hotel was not a suitable comparison in the subject appeal and explained that it was under appeal to the Tribunal.

In relation to Mr. O'Donnell's second comparison, namely; the Royal Marine Hotel, Dun Laoghaire, Mr. Maher pointed out that the adjusted net profits did not seem to relate directly to its large floor area and furthermore he referred to the security and parking problems due to its location.

Findings:

It seems to be accepted by both parties that the most favourable method of assessing N.A.V. and R.V. of the subject premises is by reliance on what is commonly known as the Profits Method.

The Tribunal notes that the parties are largely in agreement in relation to their overall calculation of same and differ only in their assessment of adjusted net profits and whether or not same should be adjusted to November 1988.

The Tribunal accepts Mr. Maher's submission that in view of the fact that the years 1990 and 1991 were poor trading years for hotels on account of the Gulf War, there is, therefore, no reason for adjustment back to 1988.

The Tribunal feels that Mr. O'Donnell's calculations in arriving at an adjusted net profit are more in line with common practice than those of Mr. Maher.

Accordingly, the Tribunal finds that the N.A.V. of the subject property is in the region of £180,000 and determines that the correct rateable valuation of the subject is £1,134.

