

Appeal No. VA94/1/015

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

Glentworth Catering Services

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Licensed Hotel and Land "Castle Oaks Hotel" at Map Ref: 3ab, Townland: Stradbally North, E.D. Castleconnell, R.D. Limerick I, Co. Limerick
Quantum

B E F O R E
Mary Devins

Solicitor (Acting Chairman)

Paddy Farry

Solicitor

Patrick Riney

F.R.I.C.S. M.I.A.V.I.

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 14TH DAY OF FEBRUARY, 1995

By Notice of Appeal dated the 3rd day of May, 1994 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £310.00 on the above described hereditament.

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

- "(1) the valuation is excessive and inequitable.
- (2) the valuation is bad in law."

The Property

The property is located in the village of Castleconnell approximately 8 miles Northeast of Limerick off the main Limerick/Nenagh Road. The premises comprises a licensed Grade A hotel with grounds extending to approximately 24 acres bordering the River Shannon and centred around an old period house which for a time was used as a convent. The building is of traditional construction of rubble masonry walls and pitched slate roof while the extensions are of modern construction.

Accommodation - Bar, Restaurant, Function Room, Conference Room, 9 Double Bedrooms and 2 Suites, basement bar and the usual ancillary accommodation such as kitchen, stores, etc. Total gross area 23,984 square feet.

Valuation History

The more recent valuation history dates from 1987 when following the purchase of the premises from the presentation sisters and the conversion from convent to hotel the R.V. was revised and divided into two lots as follows:-

- (1) Lot 3ab - Licensed hotel. R.V. £400 reduced to £360 at 1987 First Appeal.
- (2) Lot In 3ab - Basement offices. R.V. £23 reduced to £20 at 1987 First Appeal.

Subsequent remodelling of the basement offices into a basement bar resulted in the R.V. being increased to £50.00 but was reduced to R.V. £18 at 1990 First Appeal as the bar had become disused. In the 1992 revision the two valuations were amalgamated and an R.V. assessed at £310.00 against which an appeal was lodged to the Commissioner of Valuation. No change was made at First Appeal. It is against this determination of the Commissioner of Valuation that an appeal lies to the Tribunal.

Written Submissions

A written submission was received on the 28th November, 1994 from Mr. Desmond Killen F.R.I.C.S., I.R.R.V. a Fellow of the Chartered Surveyors in the Republic of Ireland and a Director of Donal O'Buachalla & Company Limited on behalf of the appellant. In the written submission, Mr. Killen gave details of the property and its valuation history. In arriving at a rateable valuation on the subject premises Mr. Killen said that he had based his calculations on (1) Purchase Price and Expenditure and (2) Accounts. Details of these calculations are set out below:-

"Purchase Price And Expenditure:-

Purchase Price - February, 1989	£575,000
Less Fittings and Equipment	<u>£175,000</u>
	£400,000
Allow for 3 acres curtilage	
Deduct 19 acres @ £2,000 per acre	<u>£ 38,000</u>
	£362,000
<hr/>	
Add Expenditure on hotel	<u>£ 68,836</u>
	£430,836
@ 10%	£43,083 N.A.V.
@ 0.5%	£215 R.V.

Accounts Valuation:-

		<u>1992</u>
1.	Turnover	£1,129,225
2.	Gross Profit	580,768
3.	Adjusted Net Profit	123,199
4.	50% available for Rent and Rates	61,600
5.	Rate in £ - 1991	27,2324
6.	Divider	1.136
7.	N.A.V. - 1992	54,224
8.	Adjusted to 1988 less 15%	46,091
9.	Rateable Valuation	£230
	Say	£230"

In relation to the comparable basis of valuation Mr. Killen said that neither party had introduced or considered valuing comparable valuations at appeal stage.

A written submission was received on the 25th November, 1994 from Mr. Patrick Conroy, District Valuer in the Valuation Office with 20 years experience on behalf of the respondent. Mr. Conroy described the property, its valuation history and accommodation as set out above. He said that he had calculated the rateable valuation on the subject premises on the basis of:-

- (1) The Contractors Method
- (2) The Comparative Method
- (3) The Profits Test

Details of his calculations on these basis are set out below:-

(1) Contractors Method/Return on Capital:-

It is assumed that rent will represent an acceptable return on the investment. The following information was utilised:-

Year	Purchase Price	Expenditure	Deduct Fittings	Deduct Land	Building E.C.V.
1985	£200,000	£400,000	Say £60,000	19 acres @ £2,000 p.a. = £38,000	£502,000
1989	£575,000	£68,836	Say £65,000	£38,000	£540,836

$$\begin{aligned} \text{£540,836 @ 15\%} &= \text{£81,125 N.A.V.} \\ \text{@ 0.5\%} &= \text{£405.00 R.V.} \end{aligned}$$

(2) Comparative Method:-

Witness is unaware of any hotel premises which are rented or occupied under lease. The Valuation Lists which contain evidence of hotel valuations were used. Details of comparisons are at Appendix A from which the following valuation was deduced:-

$$\begin{aligned} 23,984 \text{ sq.ft. @ } \text{£2.60 p.s.f.} &= \text{£62,358} \\ \text{@ } 0.5\% &= \text{£311.79} \\ \text{Say} &= \text{£310.00 R.V.} \end{aligned}$$

(3) Profits Test:-

Profits and Loss Account for the years ended February, 1990, 1991 and 1992 were provided. Taking the 1992 figures as the most representative of the potential of the hotel (improvements ongoing) the following valuation was carried out:-

Turnover	£1,129,225
Gross Profit	£ 580,768
Adjusted Net Profit:	£ 184,131
Allow 50% for Rent & Rates =	£ 92,065
Net Rent =	£ 81,032
R.V. =	£405.00

In conclusion, Mr. Conroy said that the old valuation of £278.00 had been based on a building in very poor repair with a disused cellar bar. He said that while the cellar bar remains unused the hotel itself was in good repair and in his opinion the increase from

£278.00 to the present rateable valuation of £310.00 was a conservative and perhaps an underestimation of the extra value added to the hotel since last appeal.

Oral Hearing

At the oral hearing which took place in Limerick on the 7th day of December, 1994 the appellant was represented by Mr. Des Killen of Messrs. Donal O'Buachalla & Company Limited. Also present were Ms. Susan Goggan of Messrs. Deloitte and Touche and Mr. Michael Fagan, Managing Director of the appellant Company. Mr. Patrick Conroy of the Valuation Office appeared on behalf of the respondent.

At the outset Mr. Killen referred to his supplementary précis which is appended hereto as Appendix A and Mr. Conroy, while pointing out that he had had no preliminary notice of this supplementary précis and obviously had not had the opportunity for any detailed study of its contents, nevertheless graciously agreed to its consideration by the Tribunal.

Mr. Killen explained that the turnover for the year 1992 as shown in his earlier précis dated 26th of November, 1994 was incorrect as that turnover in fact was from 3 sources, two of which viz. catering and holiday homes development, did not represent income generated in the subject hotel. As a result of this additional information therefore Mr. Killen submitted that the Profits Valuation should be substantially readjusted and his estimate of rateable valuation based on the Profits method was now £100.00.

Referring to his analysis based on the Contractor's Method Mr. Killen said that his estimate of rateable valuation at £215.00 was arrived at by calculating a 10% return on Capital Expenditure. He said that it was difficult to assess R.V. on the Contractor's Method other than subjectively and that if verified accounts were available, as in this case, they were a more reliable basis for assessment.

Mr. Fagan gave evidence that since purchasing the hotel the main area of expenditure was the development of the cellar bar which had not proved commercially successful. He said that until now with the advent of the Holiday Village and the Leisure Centre the profits generated by the hotel had not been great. Mr. Fagan stated that profits were expected to increase in the foreseeable future.

Mr. Conroy submitted, in relation to the appellants analysis of the profit's method, that the figure attributed to fixtures and fittings was unusually high, in spite of the evidence given by Mr. Fagan as to their value.

Mr. Conroy also referred to the amount attributed to repairs and renewals in the accounts and submitted that it was difficult to reconcile that figure with the evidence given by the appellant in relation to the excellent condition of the hotel when purchased.

Mr. Conroy further submitted that there was no reason for a downward adjustment of Net Profit to 1988 as there was no evidence that the subject hotel would have suffered commercially from world events which had affected a different type of hotel.

Referring to the Contractor's Method Mr. Conroy said that return has to represent risk and in his opinion a 15% return in the subject case was appropriate.

Mr. Conroy while seeming to accept the subjectivity of the Contractor's Method, nevertheless said that the comparisons adduced by him in his written précis showed clearly that the respondents estimate of rateable valuation was moderate, particularly if one considered the overall improvement in the condition of the hotel since 1987.

Determination

The Tribunal is obliged to Messrs. Deloitte and Touche for the provision of financial statements and in accordance with customary practice these are not appended hereto.

Comparable rental evidence is rarely available when assessing Net Annual Values of hotels. If however as in the instant case accounts over a sufficient number of years are available, the rent that might be expected from a hypothetical tenant may be reasonably estimated. Potential profitability "taking one year with another" would of course be a reasonable criterion in assessing Net Annual Value.

Evidence has been given of the commercial buoyancy of the subject premises and of the apparently steady increase in turnover. The Tribunal accepts the appellant's evidence that the hotel is well managed and being used to obtain maximum income.

Taking all of the above into consideration and taking into account the comparative evidence adduced by the respondent, the Tribunal is of the opinion that the correct rateable valuation of the subject hereditament is £250.00 and so determines.

