

Appeal No. VA94/3/032

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

**Jody Gysling t/a Harvey's Point Hotel**

**APPELLANT**

**and**

**Commissioner of Valuation**

**RESPONDENT**

RE: Licensed hotel and land at Map Ref: 24a.25a, Townland: Friary, E.D. Lough Eask, R.D. Donegal, Co. Donegal  
Quantum - Method of Valuation for hotels

**B E F O R E**

**Veronica Gates**

**Barrister (Acting Chairman)**

**Patrick Riney**

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

**Fred Devlin**

**F.R.I.C.S. A.C.I. Arb.**

**JUDGMENT OF THE VALUATION TRIBUNAL**  
**ISSUED ON THE 3RD DAY OF JULY, 1995**

By Notice of Appeal dated the 27th day of October 1994, 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 inter alia:

- 1) The valuation is excessive and inequitable
- 2) The valuation is bad in law.

**The Property:**

The property comprises a newly constructed three star hotel known as Harvey's Point Hotel. The property is situated on a 19 acre site on the shores of Lough Eask, four miles from Donegal town.

The premises was constructed in two phases in 1992 and 1993.

**Accommodation:**

The areas agreed between the parties are as follows:

|                         |                          |
|-------------------------|--------------------------|
| Hotel building          | 16,056 square feet       |
| Bedroom block           | 5,680 square feet        |
| Lodge (ground floor)    | 2,855 square feet        |
| Lodge (first floor)     | 1,696 square feet        |
| Miscellaneous buildings | <u>3,674 square feet</u> |
| Total                   | 29,961 square feet       |

Plus covered walkways 5,557 square feet

Number of guest bedrooms 32 of which 12 are in the 'Lodge'

Number of staff bedrooms 8 of which 6 are in the 'Lodge'

**Valuation History:**

The hotel was first valued in 1992 as "new development, holiday complex, bar/lounge/stables etc." The valuation was fixed at £350 and no change was made at first appeal. It is against this determination that an appeal lies to the Tribunal.

**Written submissions:**

A written submission was received on the 21st day of March 1995 from Mr. Patrick McCarroll, Chartered Surveyor, Auctioneer and Rating Consultant on behalf of the appellant.

In the written submission, Mr. McCarroll described the hotel and its location. He said that the buildings were of modern construction with concrete walls and pitched slated roof. He said the wall finish comprised of smooth cement external finish and plastered internal finish. Windows are double glazed PVC, and doors are hardwood. Overall the quality of workmanship and material used is good.

Mr. McCarroll said that the design of the property with a detached bedroom block with access by an open walkway is not suitable for the Irish climate. He said that substantial discount

would be needed to reflect the cost of greater integration of the bedroom accommodation. He further added there was no entrance foyer to the building, as the entrance is directly into the reception area. He also said that the bar and lounge were small by Irish standards.

Mr. McCarroll said that the hotel had only three star grading and was off the beaten track. He said the fact that this property had no leisure centre limits the market and customer base of the hotel. Mr. McCarroll emphasised the problems of access to the hotel with the inadequate county road network making coach traffic virtually out of the question.

Mr. McCarroll assessed the rateable valuation on the subject premises on the market value, square foot and bedroom basis as follows:

**Valuation No. 1:-**

Mr. McCarroll assessed the market value on the basis of turnover for the years ending 31st March 1991 and 1992. On this basis, backdating to November 1988 he suggested that the market value would be in the region of £400,000. The rateable valuation then is calculated as follows:

|                 |          |             |          |                |
|-----------------|----------|-------------|----------|----------------|
| <b>£400,000</b> | <b>@</b> | <b>7%</b>   | <b>=</b> | <b>£28,000</b> |
| <b>£ 28,000</b> | <b>@</b> | <b>0.5%</b> | <b>=</b> | <b>£140.00</b> |

**Valuation No. 2 (Square foot basis):-**

|                     |  |                |
|---------------------|--|----------------|
| Hotel               | 21,736 square feet @ £1.75 per square foot | £38,038        |
| Lodge               | 4,551 square feet @ £1.00 per square foot  | £ 4,551        |
| Ancillary buildings | 2,002 square feet @ £0.50 per square foot  | <u>£ 1,001</u> |
|                     |  | <b>£43,590</b> |

**£43,590 @ 0.5% = £218.00**

**Say = £220.00 (to include domestic content of £30.00).**

**Valuation No. 3 (bedroom basis):-**

|       |                      |   |       |            |                |
|-------|----------------------|---|-------|------------|----------------|
| Hotel | 16 bedrooms          | @ | £7.00 | =          | £112.00        |
|       | 4 bedrooms           | @ | £5.00 | =          | £ 20.00        |
| Lodge | 12 bedrooms          | @ | £2.50 | =          | <u>£ 30.00</u> |
|       |                      |   |       |            | £162.00        |
|       | Add domestic content |   |       |            | <u>£ 30.00</u> |
|       |                      |   |       |            | <b>£192.00</b> |
|       |                      |   |       | <b>Say</b> | <b>£190.00</b> |

Mr. McCarroll gave details of four comparisons to the Tribunal which are summarised below:

- Sligo Park Hotel, Sligo, Co. Sligo.**  
R.V. £1,000. 1990 First Appeal.

Grade A (3 Star)      89 Bedrooms

Capital Value £2.0 million  
 Turnover ('91) £2.21 million  
 Floor area      60,122 square feet  
 N.A.V.          £200,000

On this basis he said that the rateable valuation of Harvey's Point should be in the region of £250.00.

**2      Ballincar House, Sligo**  
 R.V. £265

Grade 3 Star   -      25 Bedrooms  
 N.A.V.          £53,000  
 Floor Area      25,258 square feet

Mr. McCarroll said that on this basis the rateable valuation of Harvey's Point should be in the region of £230.

**3      Sand House Hotel, Rossnowlagh, Co. Donegal**  
 R.V. £275  
 N.A.V. £55,000  
 39 Bedrooms

**4      VA93/1/069 - Donegal Hotels Limited t/a Mount Errigal Hotel**  
 R.V. £875  
 N.A.V. £175,000

A written submission was received on the 20th day of March 1995 from Mr. Paschal Conboy, Chartered Surveyor and Valuer with 14 years experience in the Valuation Office on behalf of the respondent.

In the written submission, Mr. Conboy described the property, accommodation and valuation history as set out above.

He said that the valuation was assessed at 0.5% in line with the basis adopted for the determination of recently revised properties in County Donegal. Mr. Conboy said that there

was no useful comparative rental information for the purpose of this appeal and that in the absence of same other valuation methodologies were considered. These are set out below:

**Valuation basis No.1:-**

|                        |   |          |
|------------------------|---|----------|
| Estimated market value | = | £700,000 |
| N.A.V. @ 10%           | = | £ 70,000 |
| R.V. 0.5% of N.A.V. =  | £ | 350.00   |

Mr. Conboy said that the Tribunal in the valuation of Mount Errigal Hotel, Letterkenny, VA93/1/069, noted that both parties seemed to agree that N.A.V. would best be arrived at by calculating 10% of market value.

**Valuation basis No.2:-**

Rateable valuation on a Contractor's Method

Mr. Conboy said that it had been indicated to him that an expenditure of £1.5 million was incurred in the development of the hotel. Deducting for 'tenants' fittings, motor vehicles, power driven machinery, plant and equipment and adding for the value of the site, a net cost of £1,350,000 was reasonable in his opinion. A net annual value of £70,000 was arrived at, implying a rate of return of 5.2% on the investment. **This yielded a rateable valuation of £350.**

**Valuation basis No.3 (Square foot basis):-**

|               |                            |   |             |
|---------------|----------------------------|---|-------------|
| Total area    | 29,961 square feet @ £2.35 | = | £70,408     |
|               | (excluding walkways)       |   |             |
|               | Say                        |   | £70,000     |
| <b>R.V. =</b> | <b>0.5% of N.A.V. =</b>    |   | <b>£350</b> |

Mr. Conboy gave comparisons of hotels calculated on a square footage basis as follows:

**Mount Errigal Hotel, Letterkenny VA93/1/069**

R.V. £875

N.A.V. devalues 75,800 square feet @ £2.30

**Benner's Hotel, Dingle VA93/1/083**

R.V. £210

N.A.V. devalues 16,835 square feet @ £2.50

**Ballincar House Hotel, Sligo**

R.V. £265

N.A.V. devalues 20,258 square feet @ £2.62

**Valuation basis No 4:-**

Valuation by reference to turnover/profit.

Mr. Conboy said that to carry out accurately a profits method of valuation it is important to examine accounts over a number of years to establish a clear trading pattern. As Harvey's Point Hotel is a new development, he said it could be misleading to pay too much attention to the accounts in the initial years of operation. He said that accounts had been supplied for 1992 and 1993 and on this basis he had assessed an R.V. at £350.

Mr. Conboy compared the subject to the **VA93/1/069 - Mount Errigal Hotel, Letterkenny** which had also been assessed on a turnover basis. He said such a comparison indicated that the valuation on the subject premises was reasonable.

**Valuation basis No 5:-**

Assessment of rateable valuation on a bedroom basis.

He said that the rateable valuation devalued at 32 guest bedrooms @ £10.16 (£25 domestic ignored).

He said that this compared with a devaluation in the **Mount Errigal Hotel, Letterkenny** of £10.67 per bedroom. He also compared the subject to **The Clonmel Arms Hotel** R.V. £620 where the devaluation was £18.24 per bedroom for 34 bedrooms.

**Oral Hearing:**

The oral hearing took place at the Courthouse, Letterkenny, Co. Donegal on the 4th day of April, 1995.

Mr. Patrick McCarroll, Chartered Surveyor appeared on behalf of the appellant, Mr. Jody Gysling also gave evidence on his own behalf. Mr. Paschal Conboy, Valuer appeared on behalf of the respondent.

Harvey's Point Country Hotel is a recently constructed hotel occupying a nineteen acre site on the shores of Lough Eask about four miles from Donegal town. At the hearing evidence was adduced to the effect that it was designed and built to meet the perceived requirements of a European market which despite an extensive and costly advertising campaign has not yet achieved anticipated trading levels. In Mr. McCarroll's opinion the layout of the hotel was

not suitable for the Irish market and its somewhat remote location attracted little passing trade or coach business which is an important aspect of the Irish Tourist Industry. As a consequence the hotel operated on a seasonal basis only i.e. from 1st April to 31st October with one week during the Christmas period.

Whilst the procurement cost of the hotel was stated to be in the region of £1.3 million Mr. McCarroll and Mr. Conboy were of the opinion that the present open market value of the property was £400,000 and £700,000 respectively. Both valuers provided the Tribunal with well prepared précis of evidence and opinions of NAV prepared on a number of different bases together with supporting evidence. Nonetheless there was a substantial difference between the valuations contended for by the parties.

### **Findings:**

Having reviewed all the evidence the Tribunal finds that the accounts method and the contractors method are inappropriate in this instance and that valuing hotels by reference to the number of bedrooms is not reliable in that it can throw up quite widely different figures depending upon the nature of the hotels. In regard to valuing hotels by reference to capital value this method has an inherent weakness in that a hypothetical purchaser and a hypothetical tenant may apply different criteria in formulating their respective bids. Accordingly therefore the Tribunal considers that where there is available a body of evidence the comparative method of valuation is to be preferred. It is the skill of the valuer to assess this evidence and make what adjustments it is considered necessary or appropriate to reflect the specific attributes and/or drawbacks of the hereditament being valued in order to ascertain the Net Annual Value in accordance with the Statutory Provisions.

In this instance the comparative rate per square foot of the various hotels cited as comparable varied from a high of £3.33p for the Sligo Park Hotel to £2.09 in respect of the Ballincar House although this last figure was disputed by Mr. Conboy. Mr. McCarroll in arriving at his opinion of NAV applied different rates per square foot to the main hotel buildings and the lodge whilst Mr. Conboy applied a uniform figure. The Tribunal prefers Mr. McCarroll's approach but considers the various rates applied by him to be low and not supported by the evidence.

Having regard therefore to all the evidence adduced and having regard to the nature of the subject premises, its location, level of turnover and all other relevant factors, the Tribunal determines that the rateable valuation of the premises is £290.00.

The above figure is derived from the NAV calculated as follows:-

|  |               |   |           |   |                |
|--|---------------|---|-----------|---|----------------|
| Main Hotel Building and Bedroom Block: | 21,736 sq.ft. | @ | £2.30     | = | £47,819        |
| The Lodge:                             | 4,551 sq.ft.  | @ | £1.50     | = | £ 6,827        |
| Ancillary Buildings:                   | 3,674 sq.ft.  | @ | £1.00     | = | <u>£ 3,674</u> |
|  |               |   | Total     | = | £58,320        |
|  |               |   | NAV Say   | = | £58,000        |
|  |               |   | RV @ 0.5% | = | £290.00        |