

Appeal No. VA95/1/024

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

Deercove Limited

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Hostel at Map Ref: 55, Aungier Street, Ward: Royal Exchange, County Borough of Dublin
Quantum - Relevant comparisons

B E F O R E

Liam McKechnie

S.C. Chairman

Mary Devins

Solicitor

Brid Mimmagh

Solicitor

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 9TH DAY OF FEBRUARY, 1996

By Notice of Appeal dated the 4th April 1995 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £390 on the above described hereditament.

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

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

The Property:

The premises is a hostel located at the south end of Aungier Street within walking distance of St. Stephen's Green. It provides accommodation for up to 150 persons in a variety of room types. There is also a restaurant which caters for up to 80 persons at any one sitting, a self-catering kitchen and dining facility is provided at basement level. The restaurant has a wine licence.

Valuation History:

The property was revised in the 1993/4 revision following a request from the Local Authority to revise as necessary. No change was made to the rateable valuation of £390 at revision stage nor at first appeal. It is against this determination of the Commissioner of Valuation of £390 that this appeal has come before the Tribunal.

Written Submissions:

A written submission was received on the 22nd day of December 1995 from Mr. Des Killen, FRICS ASCS IRRV, a Fellow of the Society of Chartered Surveyors in the Republic of Ireland and a Director of Donal O'Buachalla & Company Limited with 33 years experience as a Valuer, on behalf of the appellant.

In his written submission, Mr. Killen described the development and costings of the subject premises. He said that that the development which is in a designated area would have not taken place without the inducements offered. In arriving at rateable valuation, Mr. Killen said that he had regard to Section 11 of the Valuation (Ireland) Act 1852 and Section 5 of the Valuation Act 1986. Mr. Killen said that the subject is one of the first to be valued in Dublin since the respondent applied net annual value with a fraction thereof as rateable valuation to comply with Section 5 of the Valuation Act 1986. Mr. Killen said that in arriving at the correct net annual value he had regard to the following.

- 1) Availability of actual rental evidence.
- 2) Relationship between landlord and tenant.

- 3) Effect of designated area on actual rent.
- 4) Valuations assessed on Bord Failte approved accommodation which have been recently revised.

Mr. Killen said that because the actual rental evidence was not an open market transaction he had reverted to evidence of comparable valuations recently made. He said that the respondent had not offered any comparables which suggested that none of Dublin hostels have yet been assessed in recent times.

Mr. Killen set out his calculation of rateable valuation as follows:-

Hostel	14,445 sq.ft. @ £2.25 psf	=	£32,501 NAV.
<i>AT</i>			
	0.63%	=	£205 RV.

Mr. Killen gave details of two comparisons which are summarised below:-

1) Central Hotel, Exchequer Street

Devalues as:

1-5 Exchequer Street 52,379 sq.ft. @ £4.29 psf = £222,610 NAV RV £1,400
 11 South Great Georges Street - held under lease at £35,000 per annum. NAV
 agreed at £37,000. RV £135.

2) Isaac's Hostel

RV £385. NAV £61,000.

Fully operational restaurant on McCurtain Street, Cork.

Devaluation:

Hostel	28,168 @ £2	£59,566
Classrooms	1,615 @ £2	
Boiler house	495 @ £1	<u>£ 495</u>
	NAV	<u>£60,061</u>

RV £378.

A written submission was received on the 4th day of January 1996 from Mr. Patrick Deegan, Valuer with 19 years experience in the Valuation Office on behalf of the respondent.

In the written submission, Mr. Deegan set out the background to the development of the business on the subject premises. He gave a breakdown of the total development costs of £1,350,000. Mr. Deegan said that Avalon House served the upper end of the short stay independent budget accommodation, providing quality accommodation with a full range of facilities.

He said the hostel was finished to a high standard of accommodation which along with the wide range of facilities available, would establish it in future as a premier hostel in Dublin. He said that there were 154 bedrooms, many of which are twin bedded and some of which have en-suite facilities.

Mr. Deegan set out his calculation of rateable valuation, based on two methods as follows:-

- 1) 14,445 sq.ft. @ £4.50 = £65,000
 x 0.63% = £409.00
 Say = £390.00.

- 2) Capital cost £1.3 million @ 4.7% = £61,000
 Capital cost £1.3 million @ 5% = £65,000.

Mr. Deegan gave details of nine comparisons which are appended to this judgment as Appendix A.

Oral Hearing:

The oral hearing took place in Dublin on the 15th day of January 1996. Mr. Des Killen of Donal O'Buachalla & Company Limited appeared for the appellant and Mr. Patrick Deegan appeared for the respondent. Mr. Killen introduced Mr. Tom Kennedy Snr. and Mr. Thomas Kennedy Jnr., both directors of the appellant company to the Tribunal. He indicated that Mr. Thomas Kennedy Jnr. was Manager of the subject premises. He further introduced Mr. Richard Byrne, Chartered Accountant of O'Hare & Associates.

Mr. Killen briefly outlined the evidence as set out in his précis of evidence, indicating that this premises was used as a hostel and was Bord Failte approved and had up to 150 bed spaces. He indicated that it provided low cost accommodation and was in a good location. The premises had been recently purchased by the company and was renovated at a total cost of £1.198m. Finance was attracted through a BES scheme. Mr. Killen indicated that Deercove Limited owned the premises and that they were occupied and run by Rivenhall Limited, but both had common directors. He further indicated that this premises was in a designated area, but did not qualify for rates exemption or relief as the rates were not extinguished on the purchase or during the renovation of the premises. He further confirmed that the valuation is the same now as when it was in its former occupancy of offices.

Mr. Killen offered only two comparable valuations, because he indicated, that the subject is one of the first premises of its kind to be valued. The first comparison, Central Hotel, is, as indicated to the Tribunal, a three star hotel in a good area. However, this premises attracted a rateable valuation of £1,400 which was devalued in Mr. Killen's submissions at £4.29 per square foot.

In his direct evidence Mr. Killen suggested that his second comparison, Isaac's Hostel at McCurtain Street, Cork which is a hostel with a fully operational restaurant, is a better comparison.

Mr. Deegan in his submission on behalf of the Valuation Office, indicated that accommodation of this type presented some problem for the Valuation Office as the quality of self-catering accommodation differs greatly - for example, between the subject premises

and the Ivy Hostel. He further argued that valuation on the basis of rent or on a rate per square foot, can achieve different results, depending on several factors, including the size of the premises. In his view, the valuation of the comparison of Isaac's Hostel was based on the rent passing, rather than as devalued by the appellant, taking the rate per square foot.

In the case of the subject premises, he submitted that it was a small area and as such it should be valued on the basis of capital cost. In reference to same, Mr. Deegan further submitted that his valuation on this basis represented 4.7% to 5% of the capital cost which he considered to be extremely reasonable since, in the Intel case (VA94/3/025) the capital cost valuation was calculated at a 7% rate.

In cross-examination of Mr. Deegan by Mr. Killen, Mr. Killen submitted that Mr. Deegan's reference to the method of valuation in the Isaac's Hostel case, was from an internal document and thus had no standing. He further queried him on his comparisons and suggested that in the valuations of hotels, the capital cost figure was represented as low as 3%, for example in the Sheen Falls Hotel case (VA92/6/119).

Mr. Deegan confirmed that his opinion of the valuation of the subject property coincided with the opinion of the Commissioner and it was based on the expertise in the Valuation Office together with the comparisons.

On cross-examination, Mr. Deegan further confirmed that he did not inspect his comparisons but used information available in the office for same.

In conclusion, Mr. Killen submitted that the comparisons on all sides supported a lower valuation of £2.25 per square foot for the subject premises.

The Tribunal in its determination has considered the written submissions and the evidence offered under oath by the valuer from the Valuation Office, Mr. Deegan and by Mr. Killen, representing the appellant. In doing same, they have noted that information has been exchanged between the parties and take this opportunity to encourage as much information as

possible to be exchanged between the parties prior to hearings in general. Having regard to all of the evidence offered, the Tribunal considers the proper valuation of the subject premises to be £273 and so determines.