

Appeal No. VA95/1/054

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

Stradfield Limited t/a Central Hotel

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Licensed hotel at Map Ref: 133.134.135ac.13bd., Main Street, Townland: Mallow, Town of Mallow, Ward: Mallow Urban, UD: Mallow, Co. Cork
Quantum - Comparisons, inspection

B E F O R E
Henry Abbott

S.C. Chairman

Paddy Farry

Solicitor

Patrick Riney

FRICS.MIAVI

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 6TH DAY OF DECEMBER, 1995

By Notice of Appeal dated the 21st day of April 1995 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £450 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 property comprises the Central Hotel which is a Grade 3* hotel in the centre of Mallow. The property was originally two three storey houses in front converted to a hotel, behind this is an extensive two storey area. At rear are the Russell Room, a function area with 300 person capacity, and a disco (licensed for 640) leading to a yard and car park approached via St. James Avenue, which itself provides off-street parking.

Accommodation comprises:-

- Ground floor:** Bar, entrance foyer and reception, coffee shop, restaurant, kitchen, function room and disco.
- First floor:** 2 meeting rooms, office, 13 en-suite bedrooms.
- Second floor:** 7 en-suite bedrooms including 2 family rooms.

Recent Valuation History:

A valuation of £300 was put on the property in 1970 and reduced to £260 on appeal. This remained until 1992 when the £260 was increased to £400. By agreement this figure was reduced to £300 on the basis that refurbishment works were in progress.

Written Submissions:

A written submission was received on the 3rd day of October 1995 from Mr. Desmond M. Killen, FRICS FSCS IRRV, a Fellow of the Society of Chartered Surveyors in the Republic of Ireland and a Director of Donal O'Buachalla & Company Limited on behalf of the appellant.

In his written submission, Mr. Killen described the subject premises. He said that the premises and contents were purchased in July 1991 for £455,000. The value of the contents were £135,000, giving a net purchase price for the premises of £320,000. A refurbishment and reconstruction project updating bedrooms, bar and restaurant and providing a large function room was carried out at a cost of approximately £380,000. All bedrooms, which are of different dimensions, are now en-suite. Mr. Killen said that in valuing the premises, he relied on the comparative and accounts methods of valuation. On the comparative method Mr. Killen gave details of three comparisons which are summarised below.

- (1) **Clonmel Arms Hotel, Sarsfield Street, Clonmel**

RV £620 (1991/4 First Appeal)
Grade 3* hotel with 31 en-suite bedrooms

Devalues:

35,166 sq.ft. @ £3.41 psf.

(2) Hotel Minella, Clonmel

RV £570 (including £50 domestic) (1992/3 First Appeal)
Grade 3* hotel with 45 en-suite bedrooms

Commercial devalues:

52,357 sq.ft. @ £1.98 psf.

(3) VA94/2/016 - Hayes Hotel, Thurles

RV £525 (1992/3)
Grade 2* hotel with 49 bedrooms (43 en-suite)

Devalues:

42,513 sq.ft. @ £2.47 psf.

Based on the above, Mr. Killen assessed the rateable valuation on the subject premises as follows:-

NAV	28,787 sq.ft. @ £2.50 psf =	£71,967
		Say = £72,000
RV	NAV @ 0.5%	= £360.

Mr. Killen also supplied an additional pressay entitled "Accounts and Accounts Valuation" to the Tribunal. In providing the accounts Mr. Killen also compared the subject premises to the comparisons cited above. On the accounts basis Mr. Killen proposed a rateable valuation of £300 on the above described hereditament.

A written submission was received on the 4th day of October 1995 from Mr. Terry Dineen, District Valuer with 20 years experience in the Valuation Office on behalf of the respondent.

In his written submission, Mr. Dineen described the property, its recent valuation history and grounds of appeal. He said that the subject premises was in a prime location in the centre of the Main (Davis) Street. He said that following purchase in 1991 for £455,110 major refurbishment had been carried out and the subject premises reopened late in 1993. He set out his calculation of the rateable valuation on the subject premises as follows:-

Valuation

27,500 sq.ft. @ £3.27 = £90,000 NAV
 £90,000 x 0.5% = £450 RV.

At Revision the valuation was based on:

24,243 sq.ft. @ £3.75 = £90,000 NAV
 £90,000 x 0.5% = £450 RV.

At appeal the area was found to be 27,500 sq.ft. rather than 24,243 sq.ft. i.e. larger by 3,257 sq.ft. or 13%. The valuation was not changed.

He said that the basis of the valuation is a comparison with the Hibernian Hotel, the other 3* hotel in the centre of Mallow. He said that the two hotels were quite close together on opposite sides of the street. He said that there was intensive competition between the two. He compared the B&B rates (1994) for the two hotels:-

Overnight per person sharing: Min/Max	£20/£40	Central Hotel
	Min/Max	£17.50/£25 Hibernian Hotel.

He said that the overall basis of the valuation of the Hibernian Hotel was as follows:-

29,243 sq.ft. @ £3.28 = £95,917 NAV
 £96,000 x 0.5% = £480 RV.

Mr. Dineen said that he did not favour the profits method of valuation for hotels. He said that the property value of a company's assets can be quite different from the value as a trading entity. Accounts if accurate are useful in showing whether a company is getting a reasonable return from its assets i.e. its profits/turnover are in touch with the value of the underlying asset. Mr. Dineen relied on the comparative method and said that the Hibernian Hotel was a first class conclusive comparison for the subject property.

Oral Hearing:

The oral hearing took place in Cork on the 22nd day of November 1995. Mr. Des Killen appeared for the appellant and Mr. Terry Dineen appeared for the respondent. Mr. Killen was accompanied by Mr. Mulcahy who was Managing Director of the appellant. Mr. Killen stated that while he was not ignoring the value of the Hibernian Hotel as a comparison, he based his case both on the accounts valuation method and he also relied on the Clonmel Arms Hotel, Hotel Minella and Hayes Hotel comparisons. He adverted to the profit experience of the subject and compared it with the Hibernian on almost the opposite side of the street. Mr. Dineen took issue with this approach and insisted that the Hibernian was the best comparison.

The hearing was adjourned to enable matters to be clarified in relation to accounts of a holding company and a trading company in the premises and also at the request of the parties to facilitate inspection of the subject and the Hibernian Hotel by the Tribunal.

The Tribunal thanks to the courtesy of the appellant and the management of the Hibernian Hotel inspected both premises later in the afternoon of the first hearing.

The hearing resumed in Dublin on the 4th day of December 1995. In addition to the persons above named Mr. Michael Piggott, Accountant with the appellant company was present. There followed further evidence in relation to intercompany transactions and expenditure on the subject in recent years. Mr. Killen asserted again that the turnover of the subject related to the percentage turnover of the Hibernian in the ratio of 1 : 1.75. He indicated that most of the profits came from the bar and restaurant together with rooms rather than from the disco in the subject. The Tribunal indicated that inspection revealed that the Hibernian had 40 bedrooms and also that the front portion, bar, foyer and restaurant of the Hibernian were more imposing and conducive to trade than the front portion of the subject. While inspection by the Tribunal impressed them in relation to the modern open aspect of the disco in the subject there was some contention that the more intricate and compartmentalised disco space in the Hibernian was more attractive to persons seeking such entertainment and was more suitable for providing a convivial atmosphere for smaller outings and thereby provided flexibility to the disco space which was not present in the subject.

Conclusions:

The Tribunal holds that having considered the evidence of both parties and having inspected both premises, the Hibernian Hotel has more bedrooms and a larger dining and reception area than the subject premises and impresses as an hotel which has reached its peak, whereas the subject has still a fair distance to go to match it. The Tribunal finds its view corroborated by

Mr. Killen's comments on the inferior trading figures of the subject. However, the Tribunal is not inclined to follow trading figures slavishly in this case even if the accounts were clearer. The Hibernian Hotel must be a prime comparison to be used in the valuation of the subject with the comparisons of Mr. Killen from further afield being less influential but nevertheless being useful as a checking mechanism. Having regard to the foregoing and all of the evidence, the Tribunal fixes a rateable valuation on the subject of £400.