

Appeal No. VA95/1/110

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

Genport Limited t/a Sachs Hotel

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Licensed hotel at Map Ref: 19/21/23/25/27/29, Townland: Morehampton Road, Ward:
Rathmines East, County Borough of Dublin
Quantum - Old hotel, competition

B E F O R E
Veronica Gates

Barrister (Acting Chairman)

Patrick Riney

FRICS.MIAVI.

Brid Mimmagh

Solicitor

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 18TH DAY OF DECEMBER, 1995

By Notice of Appeal dated the 26th day of April 1995 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £930 on the above described hereditament.

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

"The NAV adopted by the District Valuer and the Appeal Valuer is excessive and inequitable having regard to the Valuation Acts and for other reasons also."

The Property:

The property is a three star hotel with 20 en-suite bedrooms (2 singles), together with bar, dining room and a disco in the basement. There is a large car park to the rear. The building was originally comprised of six separate Victorian houses, now interconnecting, with extensive additions to the rear. It is mainly of brick/block construction with pitched slate roofs in the older front section, whereas the rear section is mainly of concrete block walls with flat asphalt roofs.

Tenure:

The property is held on a 21 year lease commencing 1/8/80.

Recent Valuation History:

In 1993 occupier requested revision. No change to the rateable valuation of £930 made at revision or at First Appeal. It is against this determination of £930 that an appeal lies to the Tribunal.

Written Submissions:

A written submission was received from Mr. Paul McGrath of Messrs. Druker Fanning & Partners on the 31st day of October 1995 on behalf of the appellant.

In his written submission, Mr. McGrath described the premises. He said that it comprised:-

Gross External Floor Area 31,200 sq.ft.

He said that the property was held under a lease dated 12th May 1981 for a term of 21 years from 1st August 1980 at rents as follows:-

From 1st August 1980 to 31st July 1981	£68,750
From 1st August 1981 to 31st July 1982	£77,500
From 1st August 1982 to 31st July 1983	£80,250
From 1st August 1983 to 31st July 1984	£88,275.

He said that there was provision thereafter that the passing rent should be increased by 10% per annum compounded annually on the 1st August each succeeding year. Under these provisions the rent from the year 1st August 1988 to the 31st July 1989 was £142,168 per

annum. Under the terms of the lease, the tenant is responsible for all rates, repairs and all outgoings.

Taking these factors into consideration, Mr. McGrath proposed a rateable valuation based on the passing rent as follows:-

Rental Value

£142,168 per annum x 0.63% = £895.65

Say £895.

Mr. McGrath proposed that the passing rent, while reviewed on an annual basis was not reviewed on the basis of market rental value. Adopting the Lisney/University College Dublin Index, a copy of which he attached to his written submission, the composite rental index stood at 455.2 in 1980 and at 700.6 in 1988. This represented a 53.9% increase in rental values. He said that using this index the net annual value as at 1988 would work out as follows:-

Initial rent with effect from the 1st August 1980	£ 68,750
Increased by 53.9% in accordance with index	<u>1.539</u>
Implied market rental value as at 1988	<u>£105,806</u>
x 0.63% = £666.58	
Say RV £667.	

Mr. McGrath also proposed a valuation based on the comparative method. For this purpose he adduced five comparisons which are summarised below:-

(1) VA90/3/032 - Royal Marine Hotel, Dun Laoghaire

RV £1,900 set by the Valuation Tribunal. The rateable valuation can be analysed as follows:-

Gross External Floor Area
99,911 sq.ft. @ £3.01
x 0.63% = £1,894.

(2) The Conrad Hotel

RV £6,000 - 1989 First Appeal
Gross External Floor Area
Hotel = 148,165 sq.ft. @ £6.00.

(3) VA90/2/022 - The Westbury Hotel

RV £3,675.
 Gross External Floor Area
 Hotel = 136,049 sq.ft. @ £3.90.

(4) The Ashling Hotel

RV £900 - November 1993 Appeal.
 33,000 sq.ft. @ £3.70 psf.

(5) Jury's Christchurch Inn

RV £2,000 - November 1994 Appeal equates as follows:-
 Gross External Floor Area
 64,000 sq.ft. @ £5 psf.

Based on these comparisons, Mr. McGrath proposed a rate per square foot of £3.75 and a rateable valuation as follows:-

Gross External Floor Area: 31,200 sq.ft. @ £3.75
 = Net Annual Value £117,000 = RV £737.

In conclusion, Mr. McGrath said that in his opinion a fair rateable valuation for the subject premises was in the sum of £667 based on the passing rent or £737 based on the comparative method.

A written submission was received on the 17th day of October 1995 from Mr. Frank O'Connor, ARICS, B.Sc. (Surveying), a Valuer with 15 years experience in the Valuation Office on behalf of the respondent.

In his written submission, Mr. O'Connor gave details of the subject premises and its tenure as set out above. Mr. O'Connor set out his calculation of rateable valuation as follows:-

Valuation

31,182 sq.ft. Gross External Area @ £4.75 psf = £148,114 NAV
 @ 0.63% = £933. RV = £930.

In support of this rateable valuation, Mr. O'Connor adduced three comparisons which are set out below:-

(1) VA94/3/086 - Blooms Hotel, Cope Street

RV £1,950
 3 star. 86 bedrooms
 49,894 sq.ft. @ £6.20 psf = £309,343 @ 0.63% = £1,950 RV

9,662 sq.ft. @ £4.60 psf = £ 44,445 @ 0.63% = £ 280 RV.

The rateable valuation on Blooms Hotel is in two parts; one of which was appealed to the Valuation Tribunal.

(2) Buswells Hotel, Molesworth Street

1993 Revision

3 star. 67 bedrooms

33,109 sq.ft. @ £5.08 psf = £168,194 @ 0.63% = £1,060 RV.

(3) Grafton Plaza Hotel, Stephen Street

1993 Revision

3 star. 75 bedrooms

62,182 sq.ft. @ £6.38 psf = £396,721 @ 0.63% = £2,500 RV.

This hotel was valued relative to other 3 star hotels in Dublin on a price per square foot to arrive at net annual value.

Oral Hearing:

The oral hearing took place on the 6th day of November 1995. Mr. Paul McGrath of Messrs. Druker Fanning & Partners appeared on behalf of the appellant and Mr. Frank O'Connor, Valuer appeared on behalf of the respondent. Mr. Denis O'Hare, Financial Controller of the appellant company also appeared to give evidence. Both parties relied on their written submissions.

Mr. McGrath said that the subject premises is situate in a high value, residential area between two busy trading areas of Donnybrook and Leeson Street. He said that access to the hotel poses problems for potential customers in that the hotel is situate on one of the main access roads to the city from the Stillorgan dual carriageway and this road carries a high volume of traffic. He further said that relatively low levels of pedestrian traffic passed the subject premises and because the volume of traffic is so heavy the hotel misses out on the 5.30pm to 6.30pm drink trade because customers have difficulty in accessing the hotel. Mr. McGrath said that the subject is disadvantaged in so far as it is not a purpose built modern hotel but formerly comprised six terraced Georgian houses. As a result the layout of the subject internally is not ideal with poor utilisation of space as a result of long corridors necessary to access bedrooms. He said that a purpose built hotel has on average a bedroom of 400 - 800sq.ft., whereas in the subject premises the average bedroom space is 1,500sq.ft..

Mr. McGrath further contended that there is ever increasing competition for the subject premises with a number of new hotel developments in Dublin city catering for the medium priced customer, such as Jury's Christchurch Inn, The Mespil Hotel, The Temple Bar Hotel. In addition to these a number of hotels are newly opened or under construction or are currently being planned for Dublin. The effect of such competition is that the subject hotel is competing in an increasingly keenly contested sector of the market with the result that room rates must be reduced in order to attract business.

Mr. McGrath said that the subject premises is held on a 21 year lease from 1980 which was agreed and signed by the occupier in 1981. Mr. McGrath stressed that although the lease was signed as an arms length transaction it was signed during an inflationary period. Whilst the rent passing is reviewed on an annual basis it is not in fact reviewed on the basis of market rental value. It is rather increased by reference to a fixed percentage which was established in an inflationary period. He suggested that it would be more appropriate to take the initial rent set at the commencement of the lease in 1980 and apply a property related index such as the Lisney/University College Dublin Index to same. By applying this index to the net annual value as of 1988 a rateable valuation of £667 would be achieved.

There followed a discussion of the comparisons put forward by both parties. Mr. McGrath said that it must be taken into consideration that the subject property is in a somewhat peripheral location and is an older hotel with a somewhat dated layout. He said that while the subject is in a slightly better location than the Royal Marine Hotel, Dun Laoghaire it is more comparable to the Ashling Hotel and to Jury's Christchurch Inn rather than the Westbury or Conrad Hotels. He suggested that a rate of £3.75 per square foot would be appropriate.

Mr. O'Hare gave evidence in relation to the fall off in trade experienced by the night club in the subject premises which is affected by competition from discos in other hotels and the opening of a number of late night bars in the city. He said that as a result of intense competition in the hotel trade the average room rate in the subject premises is falling every year. He said that the subject relied to a great extent on tour operations and it was necessary to provide this end of the business with discounted room rates. Mr. O'Hare said that repair and renewal charges are very high on the subject premises because it is an old premises.

Mr. O'Connor gave evidence in line with his written submission. He said that the subject is located in a prime residential and business location between the city centre and Donnybrook village. In his opinion there was no restriction on the car parking as there is a large car park

to the rear of the premises. In relation to the evidence of passing rent, Mr. O'Connor said that the tenant had freely entered into the lease and that the 1988 rent is not excessive for a hotel with a good disco and bar trade. He said that the terms of the lease obviously suited the tenant at the time and remains to the tenants advantage in so far as the appellant still occupies the premises. In reply Mr. McGrath said that at present there is on going litigation with the landlord in relation to a possible surrender of the lease or a re-negotiation of the terms.

Determination:

The Tribunal has had regard to the evidence adduced by both parties in their written and oral submissions. The Tribunal accepts the evidence of the appellant that the subject premises is disadvantaged in that it is an older hotel faced with increasing competition from the growing number of modern, purpose built hotels in the city, and that there has been a corresponding decrease in trade even in the disco/bar area of its business. The Tribunal has also had regard to the comparative evidence adduced by both parties and taking these factors and all other relevant factors into consideration is of the opinion that the correct rateable valuation for the subject premises is £800 and so determines.