

Appeal No. VA97/6/065 &
VA97/6/066

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

Hotel Hillgrove

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Licensed Hotel (pt. of) and grounds at Map Ref: 3, Townland: Lathlorcan, and Map Ref:
2, Townland: Turkeenan (pt. of), Ward: Monaghan, UD: Monaghan Co. Monaghan
Quantum - Method of Valuation

B E F O R E

Con Guiney - Barrister at Law

Deputy Chairman

Michael Coghlan - Solicitor

Member

Rita Tynan - Solicitor

Member

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 2ND DAY OF JULY, 1998

By Notices of Appeal dated the 20th day of October 1997 the Appellant Company appealed against the determination of the Commissioner of Valuation in fixing rateable valuations of £850 and £250 respectively on the above described hereditaments.

The grounds of appeal as set out in the said Notices are:

"The rateable valuation is excessive, inequitable and bad in law".

The relevant valuation history is that at the 1994/4 revision a rateable valuation was fixed at RV £200 and £675 (Total £875). At first appeal the Commissioner of Valuation issued a decision increasing the RV to £250 and £850 (Total £1,100).

A written submission on behalf of the Appellant prepared by Mr. Frank O'Donnell, B.Agr.Sc., FIAVI, MIREF, Principal of Frank O'Donnell & Company with over 30 years experience in the practice of valuation was received by the Tribunal on the 12 June 1998. Mr. O'Donnell stated in his opinion that a fair rateable valuation of the subject premises would be £800. Mr. O'Donnell's submission contained a schedule of three comparisons. Mr. O'Donnell used the turnover method as his basis of valuation and estimated the NAV as follows:-

Turnover for year ending 31/5/96	£2,102,120
Adjust to 1988 - 15%	<u>£1,786,802</u>
NAV @ 9%	<u>£ 160,812</u>
RV @ 5%	£ 804.00
Say RV £800.	

A written submission prepared by Mr. Pat McMorrow, B.Ag.Sc. (Econ), G. Dip. P & D Economics, a Valuer in the Valuation Office was received by the Tribunal on 15 June 1998. Mr. McMorrow used a comparative basis of valuation and supported this with three comparisons, namely The Slieve Russell Hotel, Hotel Nuremore (VA95/1/047) and Four Seasons Hotel (VA97/6/035).

A letter from Mr. McMorrow dated 24 June 1998 was received by the Tribunal on 25 June 1998. The letter confirmed that the Respondent and Appellant were agreed as to the total gross area of the subject premises namely 87,434 sq.ft. A document received by the Tribunal on 25 June 1998 from Mr. O'Donnell confirmed the agreement between the parties as to the area. The Tribunal also received on the same date from Mr. O'Donnell accounting documents which included *inter*

alia the sales and operating profit for the subject hotel in the period 12 May 1995 to 31 May 1996 with comparatives for the preceding trading period.

The subject property is located c. a half mile south of Monaghan town centre. The premises is a 4* luxury hotel with 44 en suite double bedrooms, lounge and bar, two restaurants, five function rooms, extensive conference facilities and night club/disco. It also has 380 parking spaces.

The appeal proceeded by way of an oral hearing which took place in the District Court Office, Monaghan on the 26th day of June 1998. The Appellant was represented by Mr. Frank O'Donnell. The Respondent was represented by Mr. Pat McMorrow. Mr. Kieran McGovern, Financial Controller of Quinn Group appeared for the Appellant and gave evidence. Having taken the oath both Valuers and Mr. McGovern gave sworn testimony and in respect of the Valuers, they adopted as their evidence in chief their respective written submissions which in accordance with the procedures of the Tribunal had been submitted to the Tribunal and exchanged between them in advance of hearing.

In his evidence, Mr. O'Donnell elaborated on his turnover method of arriving at a valuation. He stated that he had taken a 9% yield to reflect the capacity for improved business at the subject property.

In his evidence, Mr. O'Donnell adverted to the absence of a leisure centre in the subject premises and its detrimental effect on the business of the hotel. He further pointed out that its local competitors had leisure centres. Mr. O'Donnell stated that the Nuremore Hotel was his preferred comparison.

Under cross examination by Mr. McMorrow, it was put to Mr. O'Donnell that the turnover for the business in its first two years of business showed that the level for the second year was three times greater than that for the first year. Furthermore, Mr. McMorrow pointed out that the loss shown in the accounts could not be sustained in any viable business.

Mr. McGovern, in his evidence gave further details of the accounts in connection with the business carried out in the subject premises.

In his evidence, Mr. McMorrow stated that the most reliable method for arriving at a valuation in this case was an NAV per square foot using the comparative method. He considered the turnover method unreliable here. He further stated that the subject premises was very similar to the Slieve Russell Hotel. This hotel and the Four Seasons Hotel were his principal comparisons.

In arriving at a decision in this case, the first issue the Tribunal has to decide is what is the correct method of valuation to be used. Should it be the turnover method as suggested by Mr. O'Donnell or the comparative method using the square footage as advanced by Mr. McMorrow. The Tribunal, having considered the written submissions and all the evidence provided by the parties has decided the turnover method is not a reliable method in arriving at a valuation in this case. The subject premises is in the early stage of its business and the accounts provided were for two years only. The accounts showed a discontinuous and large increase between the first year and the second year of trading and the Tribunal considers that this sort of evidence is unreliable in arriving at a valuation.

Therefore, the Tribunal is constrained to adopt the comparative method using comparisons based on square footage. Furthermore the Tribunal considers that the evidence of Mr. McMorrow is to be preferred in arriving at a valuation in the sense that a gross area for the hotel should be used as a breakdown for fixing a valuation. The Tribunal has looked at comparisons and notes that in fact the rate per square foot which is advanced by Mr. McMorrow is lower than all comparisons with the exception of the Nuremore Hotel. The Nuremore is described in Mr. McMorrow's written submission as a Victorian house extended piecemeal in the 1960's, 1970's, 1980's and 1990's. This was not contradicted by the Appellant. The subject premises is newly constructed. The Tribunal considers that the basis of the valuation in the subject premises used by Mr. McMorrow is reasonable and therefore the Tribunal affirms the decision of the Commissioner of Valuation and determines the rateable valuation on the subject premises to be £1,100.

Finally, the Tribunal notes that whereas the subject premises in this appeal comprised two lot numbers being spread over two townlands the parties have agreed that the two appeals be dealt with as one unit and the parties have further agreed among themselves as to the basis of the apportionment between the two townlands of the valuation determined by this Tribunal.