

Appeal No. VA98/3/075

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

Ambassador Hotel Ltd.

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Licensed Hotel at Map Ref: 10ka Military Road, Townland: Sundry Townlands, Ward: St. Patricks C, UD: St. Patrick's, County Borough of Cork
Quantum

B E F O R E

Con Guiney - Barrister at Law

Deputy Chairman

Michael Coghlan - Solicitor

Member

George McDonnell - F.C.A.

Member

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 13TH DAY OF OCTOBER, 1999

By notice of appeal dated 4th August 1998, the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £950 on the above described hereditament.

The grounds of appeal as set out in the notice of appeal were that; "the valuation is excessive".

The Property

The subject premises is located on an elevated site approximately one mile North East of Cork City centre, above St. Luke's. It is situated in a residential area of the city on the approach road to Collins Barracks. The premises comprises the Ambassador Hotel, a 3 star establishment, which opened in June 1997. The agreed floor areas are as follows:

Block A (front)	32,465 sq.ft.
Balconies	900 sq.ft.
Block B (rear)	9,445 sq.ft.
Conference Centre	1,795 sq.ft.
Link Corridor	<u>727 sq.ft.</u>
	<u>45,332 sq.ft.</u>

Valuation History

Prior to the 1997/4 Revision, the property was valued as St. Luke's Home and had an exempt valuation of £265. Following conversion to its present use, the RV was revised in 1997/4 to £950. No change was made to this valuation on first appeal which was issued on 6th day of July 1998.

The written submission prepared by Mr. John A Elliott M.I.A.V.I., Principal, Elliott & Company, Valuers and Property Consultants, was received by the Tribunal on 6th day of July 1999. This submission showed an area for the subject property of 45,332 sq.ft. with a suggested RV of £650. The area for the subject property shown on the submission by the appellant was in agreement with the area shown by the Valuation Office.

The written submission prepared by Mr. Tom Costello, District Valuer with thirty six years rating experience in the Valuation Office, was received by the Tribunal on 1st day of July 1999.

Hearing and Evidence

The appeal proceeded by way of an oral hearing that took place in Cork on the 16th day of July 1999. The Appellant was represented by Mr. John Elliott and the Respondent was represented by Mr. Tom Costello. Mr. William Savage, Director of Ambassador Hotel Ltd. and Mr. Pat O'Callaghan, Accountant for the same company also gave evidence to the Tribunal on behalf of the Appellant. In accordance with the rules of the Tribunal and following established practice the parties had, prior to the hearing, exchanged their written submissions. At the oral hearing both Valuers, having taken the oath, adopted their written submissions respectively as their evidence in chief.

Appellant's Case

In his submission, Mr. Elliott referred to a number of different bases for valuation purposes:

Contractor's Method

Account's Method

Comparative Method

While the Appellant calculated an RV of £480 by reference to the contractor's method, he indicated to the Tribunal that he did not adopt this basis as it is distorted by the low acquisition price for the property and does not have regard to trading or potential income arising from the redevelopment. Likewise he calculated an RV by reference to the accounts method which also showed an amount of £480 but this basis is not being relied upon either as no established trading pattern can be ascertained at this point.

Accordingly, the Appellant's preferred method of valuation is by reference to a schedule of comparisons. These consisted of three hotel properties – Hayfield Manor Hotel, Fitzpatrick's Silver Springs Hotel and Country Club Hotel. In the case of the Hayfield Manor Hotel, it is located quite some distance from the subject and in any event is of a 5-star standard. While Fitzpatrick's Silver Springs Hotel is somewhat closer to the subject property, nevertheless it is a superior property and has a 4-star rating. In cross-examination by Mr. Costello, the Appellant accepted that neither of these properties were directly comparable with the subject.

The Country Club Hotel was selected for comparison with the subject by both the Appellant and Respondent. This property is located within approximately 0.5 miles of the subject and is also categorised as 3-star.

Mr. Elliott contended that the Country Club Hotel was situated in a greatly superior position fronting the busy Middle Glanmire Rd. and had uninterrupted views over the River Lee. In addition, he suggested it had significantly better conference and function facilities than the subject and while they were not fully purpose-built, they did not suffer the same deficiencies as the subject premises. However in cross-examination from Mr. Costello, Mr. Elliott accepted that not all of the Country Club Hotel property had uninterrupted views over the River Lee while at least a portion of the subject had very fine views over part of the city and the river. The RV set by the Valuation Tribunal in the case of the Country Club Hotel was £4.18 psf (gross area of 39,500 sq.ft.).

Mr. Elliott suggested that the subject had particular deficiencies which would have a significant bearing on its rental-earning capacity. These included the remote position of the property relative to the city centre, the absence of any main road, the secondary and generally rundown nature of the surroundings, the absence of passing trade and the fact that little was happening in the immediate area in terms of commercial/office activity. In addition, he explained that as the subject property was constructed for an entirely different purpose, much of the structure and accommodation is quite unsuitable for hotel use. He explained that in converting to its existing use, the developers had to retain certain features which have a negative impact in terms of normal efficiencies and controlling day-to-day running costs. He referred to matters such as unsatisfactory room shapes and sizes and in particular the fact that some of the corridors are extremely wide and hence attract additional costs in terms of heating, insurance, etc. In particular, he mentioned that the conference room is narrow and only suitable for relatively small events.

Mr. Pat O'Callaghan (accountant for the appellant company) gave evidence and stated that the customer profile related mainly to corporate guests with some tourists and personal customers.

He mentioned that while the bar trade improved during the initial period of trading, it was now somewhat static. He explained that room occupancy in respect of the year to end of May 1998 was at a level of 21.6% while the equivalent figure for the year to end of May 1999 was 47%. He referred to the accepted norm in the industry as being an occupancy level of at least 60% and contended that if this level was to be achieved, it would have to be at a lower rate per head. He also mentioned that turnover for the current year has not improved significantly from that applicable in the previous period.

Mr. Savage (director of the appellant company) briefly gave evidence. He confirmed the points put forward by Mr. Elliott in relation to the unsuitable nature of the original structure in terms of hotel use and the fact that it is in a quiet area without significant passing trade.

Mr. Costello, on behalf of the Commissioner of Valuation, put forward a schedule of seven comparisons. However, in the case of six of these, they were considered not to be directly comparable either because of the standard of their accommodation (having a 4 or 5-star rating), the area occupied or their geographical distance from the subject. These properties consisted of Hayfield Manor Hotel, Morrison's Island Hotel, Jury's Inn, Fitzpatrick's Silver Springs Hotel, Fitzpatrick's Silver Springs Conference Centre and Fitzpatrick's Silver Springs Leisure Centre. The remaining comparison was in relation to the Country Club Hotel (also used by the Appellant). Mr. Costello confirmed that this was also his preferred comparison in the present context.

The Country Club Hotel has a total area of 39,500 sq.ft. which is quite close to that applicable to the subject. As mentioned earlier, the RV set by the Valuation Tribunal on this property was £4.18 psf.

Respondent's Case

In his evidence, Mr. Costello briefly gave a description of the accommodation in the subject premises. He explained that it was an impressive building of red sandstone and granite (originally completed as a nursing home in 1872). He mentioned that its unique architectural design had been retained, transforming it into a luxury hotel. Mr. Costello referred to the

brochures used for promotional purposes by the hotel which indicate the overnight rates (bed and breakfast) are in the region of £40/£60 per person and these levels are consistent with a good quality hotel. Mr. Costello further stated that the equivalent rates being promoted by the Country Club Hotel for bed and breakfast (per person) are in the order of £35/£55. However, while Mr. Elliott (on behalf of the appellant) accepted that these rates were mentioned on the brochure, nevertheless, he expressed a strong view that in practice, it would be very difficult to achieve these rates on any type of consistent basis and the average overnight rates would be significantly lower than the figures quoted. Mr. Costello also produced an extract from the Examiner of Saturday, 4 October 1997 which contained an advertising feature on the subject that had opened a short time earlier. The feature referred to it being a luxury hotel and contained a number of photographs and other references along these lines.

Mr. Costello also explained that there was a high wall surrounding the entire site which made it quite secure. While Mr. Costello accepted (on cross examination by Mr. Elliott) there was little green/garden space on the property and there was quite a steep incline coming from the city, nevertheless he pointed out that the property was on its own private grounds and had very nice views of the city and the River Lee (standing on approx. 1.3 acres).

In concluding his evidence, Mr. Costello explained the present RV on the subject devalues to an amount of £3.37 psf and in his experience, there are no other hotel properties similar to the subject at such a low level. He explained that the RV being sought by the Appellant of £650 devalues to an amount of approx. £2.35 psf and suggested that one would value good storage space at a figure equivalent or in excess of same.

Findings and Determination

The Tribunal has considered the written submissions and the evidence submitted and matters raised at the oral hearing by both the Appellant and Respondent. Both parties have relied substantially on comparative evidence as the basis for their valuations and the Tribunal has had regard to same.

With regard to the comparisons used by the Appellant, it was accepted that the most appropriate comparison was in respect of the Country Club Hotel.

With regard to the comparisons put forward by the Respondent, it was also indicated that the most appropriate comparison was the Country Club Hotel.

The Tribunal accepts that the Country Club Hotel is somewhat of a superior property in certain respects, in that it is slightly closer to the city centre and has better views. It also has a property structure more suitable for hotel use. However the Tribunal does not consider these differences to be very significant. In any event, the Tribunal is of the opinion that any such advantages which may be enjoyed by the Country Club Hotel as compared to the subject property, are reflected in the fact that the RV devalues to £4.18 psf, while the existing RV of the subject is £3.37 psf.

The Tribunal therefore affirms the decision of the Commissioner of Valuation in placing an RV of £950 on the subject hereditament, calculated as follows:

Block A (front)	32,465 sq.ft. @ £3.50 psf	£113,627
Balconies	900 sq.ft. @ £1.00 psf	£900
Block B (rear)	9,445 sq.ft. @ £3.00 psf	£28,335
Conference Centre	1,795 sq.ft. @ £3.00 psf	£5,385
Link Corridor	727 sq.ft. @ £2.00 psf	<u>£1,454</u>
		<u>£149,701</u>

NAV £149,701 @ 0.63 % = £943

Say RV £950