

Appeal No. VA99/3/059

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

Castle Hyde Hotel (E & H. Speekenbrink)

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Licensed hotel and grounds at Map Reference 5Bd, Castlehyde East, R.D. Castlehyde, Fermoy, Co. Cork

B E F O R E

Barry Smyth - FRICS.FSCS

Deputy Chairman

Con Guiney - Barrister at Law

Deputy Chairman

John Kerr - MIAVI

Member

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 26TH DAY OF JULY, 2000

By Notice of Appeal dated 3rd day of August 1999, the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £270 on the above described hereditament.

The Grounds of Appeal as set out in the said Notice of Appeal are that; "the valuation is excessive, inequitable and bad in law. That the quantum is excessive when compared with other similar recent appeal and Tribunal decisions for properties of similar function".

The appeal proceeded by way of an oral hearing which took place on the 7th Day of April 2000, in the Council Chamber of Cork Co. Council, Victoria Cross, Cork. The Appellant was represented by Mr. Eamon Halpin B.Sc. (Surveying) A.S.C.S., A.R.I.C.S., M.I.A.V.I., and the Respondent was represented by Mr. Terence Dineen, District Valuer in the Valuation Office. Written submissions had been exchanged by the Valuers, and submitted to the Tribunal prior to the Hearing. Both parties adopted their written submissions with noted amendments as their evidence in chief at the Hearing.

Material Facts Agreed or Found by the Tribunal

The Property

The premises comprises the Castlehyde Hotel a restored 18th century courtyard building. The premises is approached by a gravelled driveway through a mature woodland site of about one hectare. It is located close to the Blackwater river three kilometres west of Fermoy on the main N72 road to Mallow.

Valuation History

Prior to the 1998/4 revision the property was valued as a house and furniture workshop with an RV of £18. The revision issued on 9 November 1998 - RV £270. No change was made at first appeal.

Appellant's Case

Mr. Halpin commenced by noting required corrections to his précis of evidence, and in particular supplied to the Tribunal a figure for the cost of reconstruction of buildings of £1,340,000. Mr. Halpin also concurred with Mr. Dineen that his comparison No. 2, page 6, Springfort Hall, Mallow, should correctly devalue as follows:

Old Section	@	£1.67psf
New Section	@	£1.95psf
Plus Domestic	@	£17

Mr Halpin noted that his comparison No 1, Longueville House has 20 bedrooms and his comparison No. 4, Rathkeale House Hotel, Rathkeale, has 36 rooms, and not 29 as noted in the submission.

Mr. Halpin then outlined the history of the Rateable Valuation of the subject property. His client, the Appellant, saw the property was being offered for sale in an advertisement, and purchased it in 1996 for a sum of £172,500 with a view to opening a hotel. The Appellant then carried out extensive renovations and improvements to the property, fitting out to a very high standard. He stated that the main bedroom block, comprising nine bedrooms, is unconnected to the common area of the hotel. Mr. Halpin further stated that he could not employ the Profits method of valuation in this circumstance as the resultant yield would produce a negative result, even if the hotel could achieve a 100% level of occupancy on its published rates. He stated that to derive a rent from the projected £24,000 loss in the accounts would not be meaningful.

He made the following submissions in relation to the appeal:

- Seasonal Tourist Hotel in a rural location with very limited opportunity to trade profitably throughout a full calendar year.
- The Valuation Office should use comparable properties in terms of purpose, style, size, location, both regionally and nationally to establish a fair NAV.
- The Valuation Office NAV of £54,000 (on 1988 tone) was overstated by approximately 50%
- There is a very limited resident population in the immediate area of the subject property.
- Maintenance and operation costs are on-going over the full calendar year.
- The self-catering business is active primarily in July and August only.

- The hotel is in a remote rural location and the layout of the building is less than ideal, with external access doors only available to nine bedrooms.
- A hypothetical tenant taking the foregoing into account could not afford to pay the NAV established by the Valuation Office, and should be expected to pay significantly lower rent than that for a similar purpose-built new premises.

Mr. Halpin provided four comparisons namely:

- Longueville House Hotel, Mallow,
- Springfort Hall, Mallow
- Woodenbridge Hotel, Co. Wicklow
- Rathkeale House Hotel, Co. Clare.

Details of Mr. Halpin's comparisons are appended to this judgement as Appendix 1.

He stated that in his opinion both comparison No. 1 and No. 2 were superior properties and offer far better potential than the subject to earn profits on operations.

Mr. Dineen then commenced cross-examination of Mr. Halpin by first stating that the issue of external access to the nine bedrooms was trivial and capable of being corrected by closing in the corridor. He stated that the owner is an experienced manager of hotels and invested in the subject property with a view to operating the current end-product. He challenged Mr. Halpin's contention that the rural location of Castlehyde House is a disadvantage and asserted that many other old and rural hotels throughout the country are apparently trading very well, such as the K-Club, Ashford Castle, Bunratty Castle, and the Sheen Falls Lodge. Mr. Halpin responded by stating his view that the leisure facilities associated with those properties set them apart. In response to further questions, Mr. Halpin stated that the submitted accounts covering an eighteen month period reflect only six months of actual trading, that the owner and his wife had not taken a salary or wage to date, and that there may be up to ten staff employed at the property. Mr. Dineen noted that the wages and salaries costs outlined in the accounts represent in excess of

50% of total expenditure in the submitted Profit and Loss account. Mr. Dineen referred to the Judgement of the Tribunal on Longueville House which, he affirmed contained a reference that that particular property does not trade in the normal understanding of a hotel. He added that the maintenance costs of Longueville House are higher than the wages. Mr. Dineen then questioned Mr. Halpin on why he felt Springfort Hall, with its large modern additions, was superior to the subject property, and answered by stating that he could not comment on the reason why the Valuation Office applied a 15% discount on the valuation of the larger rooms as noted previously. Mr. Halpin expressed his view that the discount should have been greater in the case of the subject property given the open access issue to the bedrooms. In reply to Mr. Dineen's question, Mr. Halpin was unable to explain the computation in the accounts under the heading Management Fee.

Respondent's Case

Mr. Dineen stated that the property is in an excellent location with no parking problems, no noise problems, and a destination arrived at by a pleasant rural drive.

He stated that as both parties had agreed on the Springfort Hall comparison, the 15% discount which applied to same should have been properly added back onto the calculation of the NAV of the subject property. Referring to the room rates summarised in Page 7 of his submission, Mr. Dineen suggested that valid yardsticks to measure hotels are as follows:

- Rating by Tourist Board
- Standard of Rooms

He expressed his view that if the physical building of a hotel is not presented to a high standard, then high room rates cannot be achieved. He referred to case law as being relevant:

- K Shoe Shops Ltd. V Hardy (Valuation Officer) and Westminster CC (1983). It was held by this court that if a hereditament is correctly assessed, it is no ground for reducing that assessment to show that other similar hereditament are assessed at lower values”

- Jafton Properties Ltd. V Prisk (Valuation Officer). Mr J H Emyln Jones, Tribunal member reviewed the authorities and formulated six propositions for dealing with valuation evidence as set out below:
 - (i) Where the hereditament, which is the subject of consideration is actually let that rent should be taken as a starting point.
 - (ii) The more closely the circumstances under which the rent is agreed both as to time, subject matter and conditions relate to statutory requirements the more weight should be attached to it;
 - (iii) Where rents of similar properties are available they too are properly to be looked at through the eye of the Valuer in order to confirm or otherwise the level of value indicated by the actual rent of the subject hereditament;
 - (iv) Assessments of other comparable properties are also relevant. When a valuation list is prepared these assessments are to be taken as indicating comparative values as estimated by the valuation officer. In subsequent proceedings on that list therefore they can properly be referred to as giving some indication of that opinion;
 - (v) In the light of all the evidence an opinion can then be formed of the value of the appeal hereditament, the weight to be attributed to different types of evidence depending on the one hand on the nature of the actual rent and, on the other hand, on the degree of comparability found in other properties and
 - (vi) In those cases where there are no rents available of comparable properties a review of other assessments may be helpful but in such circumstances it would clearly be more difficult to reject the evidence of the actual rent.

Mr. Halpin then cross-examined Mr. Dineen who responded to questions relating to the five comparisons provided for in his submission, namely

- Blackwater Lodge Hotel, Ballyduff.
- Springfort Hall, Mallow.
- Ibis Hotel, Dunkettle, Cork.
- Dairygold Co-op, Mitchelstown.
- Cork Airport Hotel, Cork.

Details of these comparisons are set out in Appendix 2 to this judgement.

The Tribunal indicated at the hearing that comparison No. 4 was an unsuitable comparison and would not be further considered by them. Mr. Dineen was unable to advise the Tribunal of the staffing and/or services provided for at the Cork Airport Hotel under the terms of the Lease, referred to in his submission.

In response to a proposition from Mr. Halpin that the older section of Springfort Hall is comparable and similar to Castlehyde Hotel, and as such that an R.V. of £235 might be appropriate, Mr. Dineen stated that Springfort Hall, with its huge rooms and high ceilings, might accordingly justify a 15% reduction in valuation.

Determination

The common comparisons in the two submissions were Longueville House and Springfort Hall. The Tribunal are of the opinion that Longueville House is the most relevant comparable in terms of remote location, age of building, similar target market, and is in reasonable proximity to the area of the subject property. With a broadly similar number of rooms, and a domestic element, both are rated as Four Star properties by Bord Failte. The differences in the scope and characteristics of each of the properties are also noted by the Tribunal. Springfort Hall, though a useful comparison, bears a number of significant differences, most notably the substantial recent modern-style extension and its design features to cater for large groups and functions. The other comparisons in the submissions, may not be considered quite as suitable in terms of location, specific purpose, target clientele, scale and/or design. The case law provided by Mr. Dineen was carefully considered by the Tribunal as were previous Tribunal judgements, and in particular VA 95/4/013, VA96/4/011, the latter appeal agreed before hearing. The Tribunal notes that there were some differences in areas in the submissions and once again requests parties to take greater care and vigilance to ensure accuracy and agreement on the facts submitted in evidence. Following debate between Mr. Halpin and Mr. Dineen, the gross external areas of the subject premises were agreed in accordance with those set out in Mr. Dineen's submission and have been adopted by the Tribunal in their determination as set out below.

Having regard to the above, and all of the evidence and arguments adduced, the Tribunal determines the NAV of the subject hereditament to be £48,000, giving a Rateable Valuation of £240 as set out herein.

- Gross External Area	2,055 sq. m. @ £22.60 per sq. m.	=	£46,443
- Add for Swimming Pool			£ 2,000
			£48,443
	N.A.V. Say	=	£48,000
	Rateable Valuation @ 0.5%	=	£240