

Appeal No. VA00/3/007

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

E. Rosenkranz, t/a The Old Railway Hotel

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Licensed Hotel at Map Reference: 4 5A 6a North Mall, Townland Carrowbeg, UD:
Westport, Co. Mayo
Quantum - Valuation method

B E F O R E

Fred Devlin - FSCS.FRICS

Deputy Chairman

Michael Coghlan - Solicitor

Member

Finian Brannigan - Solicitor

Member

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 10TH DAY OF APRIL, 2001

By Notice of Appeal dated the 25th day of September, 2000, the appellant appealed against the determination of the Commissioner of Valuation in fixing a Rateable Valuation of £250 on the above described hereditament.

The Grounds of Appeal as set out in the Notice of Appeal are that "the valuation is excessive in comparison to similar properties."

1. The Appeal proceeded by way of an oral hearing, which took place on 14th day of March 2001 in the offices of the Tribunal, Ormond House, Ormond Quay, Dublin. The Appellant was represented by Mr. Nicholas McAuliffe A.S.C.S. A.R.I.C.S. and the Respondent by Mr. Colman Forkin A.S.C.S. A.R.I.C.S, a District Valuer in the Valuation Office.
2. Prior to the hearing written submissions and valuations were received from both valuers which were adopted by them at the oral hearing as being their evidence in chief given under oath.
3. The property comprises a long established three-star hotel occupying a town centre location overlooking the Carrowbeg River. The building is two-storey dating from the end of the eighteenth century, which has been renovated and extended by the Appellant on a continuing basis since it was purchased in 1984. The building is now in good overall condition and provides the following accommodation:

Ground Floor: Reception, residents lounge, bar, dinning room, kitchen, two en-suite bedrooms together with ladies and gents toilets
accommodation, laundry, stores and staff accommodation

First Floor: 24 en-suite bedrooms

Enclosed car parking at rear for 12 cars.

4. At the 1986 revision the then current rateable valuation of £65 was increased to £115 and at the 1999/4 revision this valuation was increased to £250. No change was made at first appeal stage and it was against this decision that the appeal to this Tribunal lies.
5. In his evidence in chief and further oral evidence given at the hearing Mr. McAuliffe made the following contentions:

- (a) The subject property suffers from a number of drawbacks which must be reflected in the Net Annual Value, namely:-

- (i) The building is located mid-terrace and is listed for preservation under the local development plan. These factors impose restrictions on further development and expansion and give rise to maintenance's costs in excess of the norm.
- (ii) The Hotel lacks a function room and the bedroom accommodation is not sufficient to cater for tourist coach business. The lack of these facilities means that the Hotel cannot cater for weddings or conferences and hence is over reliant upon traditional hotel activities. This is something a hypothetical tenant would take into account.

- (b) The Net Annual Value of a Hotel should be determined having regard to its profit earning ability and not by comparison with the assessment of other Hotels in the vicinity.

6. Having regard to the above Mr. McAuliffe put forward the following valuation:-

Average Turnover	=	£639,142
Net Profit @ 17%	=	£108,654
Available for rent 50%	=	£54,327
1988 (reduced by 25%)	=	£40,745
Rateable Valuation @ 0.5%	=	£203

In support of his valuation Mr. McAuliffe gave details of one comparison but provided no information with regard to its turnover or area.

Mr. Forkin in his evidence contended: -

- a) That the subject property should be valued by comparison with other Hotels of a similar size and nature situated in Westport and whose Rateable Valuations have been recently revised.
- b) That the property occupied a good location convenient to the town-centre and the fact that it was old and small is part of its unique charm.

Having regard to the above Mr. Forkin put forward his opinion of net annual value as set out below:

	M ²			
Blocks A-Q	1791.23	@	£26.91	= £48,202
Blocks R- S Stores	214.08	@	£10.76	= £ 2,304
Est NAV £50,000 x 0.5%				= £250.00

In support of the above valuation Mr. Forkin put forward details of two comparisons as set out in the Appendix attached to this determination.

Findings:

1. The valuers in this appeal adopted fundamentally different valuation approaches. Mr. McAuliffe depended upon what can be best described as a shortened version of the receipts and expenditure method which is also known as profits/accounts method while Mr. Forkin relied solely upon the comparative method.
2. In the appeal the Ferrycarrig Castle Hotel Limited v The Commissioner of Valuation VA95/1/025, this Tribunal considered at some length the valuation of Hotels and the various valuation methods and came to the conclusion

“that since the nature of the operation of a hotel is to achieve profit, it follows that the rent will be based upon this assumption and hence the most appropriate method of valuation will be the accounts or profits method.”

The Tribunal went on further to say

“In the absence of rental evidence the accounts or profits method is frequently used by valuers in assessing Net Annual Value. Mr. Colgan rightly said in this appeal that the accounts of a particular property would only show how that property is trading under the present management. It is to be remembered that under rating law it is to be assumed that the property is vacant and to let and that the occupation is that of a hypothetical tenant generally willing to occupy it for its present purpose. The task of the valuer

therefore is to take the accounts as evidence and to assess the level of trade that could reasonably be expected to be achieved by a hypothetical occupier taking into account all intrinsic and extrinsic factors upon which he would be likely to base his opinion of rental value. In arriving at his valuation, the valuer should examine the accounts for the present and previous years and before finalizing his valuation should if possible look at the trading accounts of comparable properties. The Tribunal attaches considerable weight to this type of evidence.

The comparative method of valuation based solely on the size of the Hotel may not be helpful due to the differences in design and range of facilities that may be provided. If valuers use this method, it is essential that the comparisons relied upon are relevant having regard to all the physical characteristics, location and trading circumstances. There is a danger that without knowledge of trading any comparison by reference to the physical characteristics solely could be misleading and unreliable. Under the circumstances therefore the Tribunal considers such evidence very carefully and will apply only such weight to it, as it considers appropriate in the circumstances.”

3. In the absence of reliable rental evidence the receipts and expenditure method is probably the most appropriate method of valuation to adopt but this is not to say that the comparative method or contractors method is not appropriate in some instances. Indeed all methods of valuation may be introduced but the preferred method is that which will contain the smallest margin of error.
4. In regard to this appeal neither valuer considered using the receipts and expenditure methods notwithstanding the fact that the trading accounts were available to both valuers. On examination Mr. McAuliffe indicated that the net profit figure of 17% used by him in arriving at his opinion of Net Annual Value was lower than the actual figure appearing in the accounts but did not say by how much. In the circumstances the Tribunal attaches little weight to this evidence particularly since the relevant financial statements were not included in the evidence.
5. Mr. Forkin in arriving at his opinion of Net Annual Value relied solely on the assessment of two other small hotels in Westport and did not refer to the accounts of either the subject or the comparables. Nonetheless the exercise he carried out is on the face of it in compliance with Section 5(2) of the Valuation Act 1986 which states “Regard should be had in so far as

is reasonably practical to the valuations of tenements and rateable hereditaments which are comparable and of similar function and whose valuations have been made or revised within a recent period.”

Determination

Having carefully considered all the evidence adduced and the comparisons introduced, the Tribunal in the circumstances of this appeal prefers Mr. Forkin’s valuation method and accordingly affirms the rateable valuation of £250.