

Appeal No. VA07/1/006

AN BINSE LUACHÁLA
VALUATION TRIBUNAL
AN tACHT LUACHÁLA, 2001
VALUATION ACT, 2001

The Village Nursing Care Centre

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Nursing Home at Lot No. 8/1, Lavally, Killeely, Gort, County Galway.

B E F O R E

Michael P.M. Connellan - Solicitor

Deputy Chairperson

Michael F. Lyng - Valuer

Member

Patrick Riney - FSCS FRICS FIAVI

Member

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 27TH DAY OF JUNE, 2007

By Notice of Appeal dated the 28th day of February, 2007 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of €80.00 on the above described relevant property.

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

"On the basis that the RV as assessed is inequitable and excessive based on the tone of the list for comparable property. (1) Quantum allowance should apply. (2) Location and difficult access should be allowed for as they affect hypothetical value. (3) Part of the first floor is developed attic type space and allowance needs to be made for this."

The appeal proceeded by way of an oral hearing that took place in the offices of the Valuation Tribunal, Ormond House, Ormond Quay Upper, Dublin 7 on the 18th April, 2007.

Mr. Eamonn Halpin, B.Sc. (Surveying), ASCS, ARICS, MIAVI, Chartered Valuation Surveyor and Estate Agent, represented the appellant and Mr. Ian Power, B.Sc. Property Management, MIAVI, District Valuer in the Valuation Office, represented the respondent. At the oral hearing, both parties, having taken the oath, adopted their respective précis as being their evidence-in-chief.

The Property Concerned

Location

The property is located at Ballygarriff, Craughwell, Co. Galway in a rural area about 2 to 3 miles off the N6 and 10 to 12 miles from Galway city and halfway between Craughwell and Clarinbridge.

Description

The property comprises a new, purpose-built part single, part two-storey nursing home. It is built to a good modern standard, of steel frame construction with a pitched tiled roof. The agreed total floor area of the property is 2,477.93 sq. metres, with ground floor at 2,249.24 sq. metres and first floor at 228.69 sq. metres.

Accommodation

23 single ensuite rooms, 12 twin rooms, 9 triple rooms, 1 four-bedded room, 2 dining-rooms, 4 sitting-rooms, an entrance hall, a juice bar, 2 kitchens, a laundry, a reception area, 4 offices, a therapy area, a conservatory, a coffee lounge, and an oratory. Eight of the ensuite rooms have their own private gardens. There is also staff accommodation which is not rated.

Services

All main services are connected to the premises which also has air-conditioning and a lift.

Tenure

The property is understood to be freehold.

Valuation History

The value of the property was revised in 2006 and the Valuation Certificate was issued on the 3rd July, 2006 confirming an RV of €405. On the 3rd August, 2006, Eamonn Halpin & Co. Ltd. lodged an appeal against this RV. On the 2nd February, 2007 the Commissioner of Valuation issued the result of the First Appeal with the RV reduced to €380 (without agreement). On the 28th February, 2007 Mr. Halpin lodged a formal appeal to the Valuation Tribunal.

Appellant's case

Mr. Halpin, having taken the oath, adopted his written précis and valuation which had been received by the Tribunal as being his evidence-in-chief. He stated that the NAV adopted by the Commissioner of Valuation was too high in view of the following:

- The moderate rural location of the property.
- The layout of the property (i.e. part two storey, part single storey).
- Part of the first floor is developed attic type space and allowance should be made for that.
- The very large size of the property.
- The owners should not be penalised for providing extra space.
- Account should be taken of the number of beds rather than the size of the premises.

Mr. Halpin contended for a rateable valuation on the (i) NAV per sq. metre basis and on (ii) NAV per Room/Bed basis as set out below:

(i) Nursing Home Ground Floor	2,249.24 sq. metres	@ €30.75 per sq. metre	= €69,164
Nursing Home 1 st Floor	228.69 sq. metres	@ €25.00 per sq. metre	= <u>€5,717</u>
Less allowances 20%*			€4,976
Balance			€9,904
RV @ 0.5%	€299.52		
	€300		

* Allow quantum allowance of 12.5%

* Allow location allowance to include difficult access 7.5%

(ii) 12 Twin Rooms @ €1,400 each = €16,800

23 Single rooms (en suite) @ €1,100 each =	€25,300
1x four-bedded room @ €2,000 each =	€2,000
9x three-bedded rooms @ €1,700 each =	<u>€15,300</u>
NAV	€9,400
RV @ 0.5%	€97.00

Mr. Halpin stated that the property comprises a modern, purpose-built, 78-bed nursing home situated in a rural area with access via a difficult road. Following the trend of other recently constructed modern nursing homes, the property has a larger amount of ancillary space per bedroom than older buildings of similar function. This has greatly increased the physical size of the property with only a marginal increase in bedroom numbers and, as a result, in income. Mr. Halpin stated that the Commissioner's approach of basing his assessment only on the size of the building, without due reference to the number of beds, has led to an assessment that is not properly in accordance with the tone of the List, as it overstates the subject's relative value. He said that the hypothetical tenant would not pay this large premium if a smaller home with an equivalent number of beds were also available in the market. The Commissioner, he said, should have made an allowance in his valuation to reflect the number of beds, the size of the building, its actual location and the established tone of the List.

In reply to the Tribunal, Mr. Halpin agreed with the Valuation Office assessment of €30.75 per square metre for the ground floor area, but felt that an allowance should be made for the first floor area, which contains 6 bedrooms and which presented access difficulties to residents who are not able-bodied. He also felt that allowances for quantum, location and difficult access, valued at 20% in total, should be made.

Details of Mr. Halpin's Comparisons are at Appendix 1 hereto.

Cross-examination

In reply to Mr. Power for the Valuation Office, Mr. Halpin agreed that it was established practice to use the rate per square metre when valuing nursing homes. However, he felt that the fundamentals in the market should not be ignored particularly in relation to more modern nursing homes. He stated that ten years ago nursing homes in Galway were, by and large, quite small. The subject, which is very large, is at present half empty because a greater number of commercial homes are now available and the market is saturated. He also felt that

this location was chosen because of site costs and the fact that planning permission would be more favourably considered than for a site nearer Galway city, but he felt that the location was having an adverse effect on the business now.

Mr. Halpin stated that the valuations of his Comparisons No.s 1 to 3, (Lough Corrib Private Nursing Home, Mount Bellew Private Nursing Home and Green Park Nursing Home) were carried out in the early 1990's and were about €100 each. Two of his comparisons were small and one of these was located in Tuam town and the other in a rural area. His fourth comparison, Mowlam Healthcare, a common comparison, is a modern 54-bedroom nursing home. This valuation of €101.58 was agreed at first Appeal.

Mr. Halpin, in his summary, referred to the large subject property which has an unusual configuration of beds, a large number of shared rooms and bathrooms and is in a rural setting, all of which factors possibly influence the occupancy level. The trend now in nursing homes, he said, was for single ensuite rooms. These disadvantages, he felt, were not taken into account by the Valuation Office when assessing the valuation.

In reply to Mr. Power, Mr. Halpin agreed that there had been no problems in relation to design or layout of this development but he felt the development was over-ambitious. Regarding his Comparison No. 4 – Mowlam Healthcare, with an area of four times the size of his Comparison No. 1 and valued at the same rate per square metre, Mr. Halpin stated that Mowlam Healthcare was a revision figure which was not appealed and should therefore be treated with some caution.

Mr. Power pointed out that both himself and Mr. Halpin had a total of seven comparisons between them, ranging in size from 474 square metres to 2,051.2 square metres, all valued at the same rate. Mr. Halpin agreed with Mr. Power that there was no precedent for quantum allowances in nursing homes in County Galway but stated that quantum allowances had been made by the Tribunal in **VA06/3/042 - Stanford Woods Care Centre Ltd.**, **VA06/4/003 - Summerville Health Care** and **VA05/1/018 - Brindley Manor Fed. Nursing Homes Ltd.**

Respondent's case

Mr. Ian Power, having taken the oath, adopted his précis as being his evidence-in-chief.

He gave his valuation assessment of the subject property as:

Nursing Home 2,477.93 sq. metres @ €30.75 per sq. metre

Net Annual Value €76,196

RV @ 0.5% €380

Mr. Power confirmed the location, description and accommodation of the subject property as set out heretofore.

He would not agree with Mr. Halpin that the entrance road was restricted because he felt that quite a lot of development had taken place along the road and this would not have been allowed if the road was restricted. He stated that the nursing home was of the highest standard and ideally located.

In regard to his six comparisons, which were located in different areas of Galway and varied from 400 square metres to 2,000 square metres, he felt they gave a fair reflection of the tone of the List in the Galway area. Regarding his Comparison No. 1 (Mowlam Healthcare Ltd., a common comparison) located in Moycullen, Mr. Power felt that the subject was better located and had a much bigger population around it. His Comparison No.2 (Owen Riff Nursing Home) was two storey and located in an inferior location to the subject. Comparison No.3 (also Mowlam Healthcare Ltd.) was a new nursing home catering for 50 people and located close to the subject on a secondary road near Kilcolgan. His Comparisons No. 4 (Patrick Fahy), No. 5 (Phil & Kathy Murphy) and No. 6 (Bernadette Sweeney) are relatively small and are all valued at the same rate per square metre as the subject.

Details of Mr. Power's Comparisons are at Appendix 2 hereto.

Cross-examination

In reply to Mr. Halpin, Mr. Power agreed that the Commissioner was required to adopt a uniform approach in line with the tone of the List.

Referring to the Tribunal decisions cited earlier by Mr. Halpin in relation to quantum allowances Mr. Power stated that allowances were made by the Tribunal for reasons other than quantum namely:

- **VA05/1/018 - Brindley Manor Fed. Nursing Homes Ltd.** was very specialised in that it catered for people with dementia and was not regarded as a standard nursing home;
- **VA06/3/042 - Stanford Woods Care Centre Ltd.** was located in an area where the tone of the List was not very strong, unlike the subject which is located in an area where the tone of the List is well established;
- **VA06/4/003 - Summerville Health Care** - the Tribunal had allowed for costs related to the type of roof on the property.

Mr. Power also stated that a quantum allowance for large units as suggested by Mr. Halpin was not always allowed, as could be seen from his six comparisons which varied in size from 474 sq. metres to 2,051 sq. metres and were all valued at €30.75 per sq. metre.

Findings

The Tribunal, having carefully considered all the evidence and arguments adduced by the parties, makes the following findings:

1. The proper valuation methodology to be applied to nursing homes is the rate per square metre method. We base this approach on previous Tribunal determinations under the Valuation Act, 2001 including **VA06/4/003 - Summerville Health Care**, **VA06/3/042 - Stanford Woods Care Centre Ltd.**, **VA05/1/018 - Brindley Manor Fed. Nursing Homes Ltd.** and **VA04/2/051 - Craddock House Nursing Home**.
2. The subject property is a modern, purpose-built nursing home built to a high standard;
3. Twenty-two of the forty-five rooms in the subject are shared with shared bathroom facilities;
4. The location is relatively remote and difficult of access and allowance should be made for this;
5. The first floor should be valued lower than the ground floor.

Determination

Having regard to the foregoing the Tribunal determines the rateable valuation of the property concerned to be as follows:

Ground Floor	2,249.24 sq. metres @ €29.21 per sq. metre =	€65,700.30
First Floor	228.69 sq. metres @ €7.00 per sq. metre =	<u>€1,74.63</u>

NAV

€1,874.93

RV @ 0.5% = €359.37

Say €360

And the Tribunal so determines.