

Appeal No. VA07/3/061

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

**Monart**

**APPELLANT**

**and**

**Commissioner of Valuation**

**RESPONDENT**

RE: Hotel at Lot No. 3AC, Bessmount, Killoughrim, Enniscorthy, County Wexford

**B E F O R E**

**Fred Devlin - FSCS.FRICS**

**Chairperson**

**Michael F. Lyng - Valuer**

**Member**

**Frank O'Donnell - B.Agr.Sc. FIAVI**

**Member**

**JUDGMENT OF THE VALUATION TRIBUNAL**  
**ISSUED ON THE 15TH DAY OF JANUARY, 2008**

By Notice of Appeal received on the 2nd day of August, 2007 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of €2,280.00 on the above described relevant property.

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

"That the valuation is excessive and inequitable having regard to the valuations assessed on other relevant properties"

1. This appeal proceeded by way of an oral hearing held in the offices of the Tribunal, Ormond House, Ormond Quay Upper, Dublin 7 on the 4<sup>th</sup> day of December, 2007.
2. At the hearing the appellant was represented by Mr. Desmond M. Killen, FSCS, FRICS, IRRV a Director of GVA Donal O Buachalla. Mr. Liam Griffin, the Managing Director of the appellant company, gave evidence of fact in relation to the establishment and operation of the property which is the subject of this appeal. Mr. Patrick McMorrow, ASCS, IAVI, a Valuer in the Valuation Office, appeared on behalf of the respondent, the Commissioner of Valuation.

### **The Property Concerned**

3. The property concerned in this appeal is Monart Destination Spa which is set in about 120 acres of pasture and woodlands in a rural setting about 2km west of Enniscorthy on the R702.
4. The original Monart House is a modest sized and attractive three storey over basement Georgian house which has been tastefully restored throughout, save for the basement area which is not currently in use. The ground floor which is accessed via a centrally located set of steps contains the main entrance and principal public rooms for guests. A two bedroom suite is provided at first and second floor levels.
5. At the rear of the house there is an enclosed glazed passageway giving access to the new two storey bedroom block and the spa complex which also has the benefit of separate pedestrian access from the car-park. These new sections which are contained in separate buildings on either side of the link corridor are of contemporary design and construction with mainly timber framed exteriors in stark contrast to the traditional finishes of Monart House, which is in the Georgian idiom. The entire facility is tastefully designed, built, finished and furnished to a very high standard throughout, with the aim of creating an environment where guests can relax and enjoy a sense of wellbeing in luxury surroundings with the benefit of a wide range of spa facilities and treatments. The property also affords extensive landscaped gardens for further relaxation and recreation.

### **The Accommodation**

6. At the hearing, Mr. Killen and Mr. McMorrow provided at the request of the Tribunal a revised and agreed schedule of areas calculated on a gross external area basis as follows:

Monart House	
(Excluding Basement)	632.8 sq. metres
Bedrooms & Spa Blocks	
(Ground & First Floor)	7,549.3 sq. metres
Basement Area	428.4 sq. metres
Outbuildings	780.2 sq. metres

Internally the accommodation is as follows

(a) Monart House:

Ground floor: entrance lounge, library, drawing room and conservatory

First Floor: two bedroom suite

Third Floor: two bedroom suite

Basement: unused

(b) New Buildings:

- i. Two-storey bedroom block with thirty-four en-suite rooms at each level together with main reception area, lounges, restaurants, bar and toilets at ground floor level.
- ii. Spa Leisure area with spa reception, consultation room, lounge, relaxation zone, 13 treatment rooms, gymnasium, pool, steam room, sauna, solarium, hydrotherapy room, café, laconium, hairdressing room, retail area, toilets and plant room.
- iii. At lower ground floor level there are staff rooms, cold stores, general stores and satellite kitchen.
- iv. Outside there is a small range of original out-buildings which are used as a laundry, boiler room and for miscellaneous storage purposes.

### **Rateable Valuation**

7. The rateable valuation under appeal and which appears in the valuation list is €2,280.

### **The Appellant's Evidence**

8. Mr. Liam Griffin is the Managing Director of the appellant company and in his evidence he said that his family's experience in the hotel industry extended over three generations and that he had spent his entire working life in the business and other allied activities. In

latter years, he said, he became aware of market changes resulting in a demand for better quality services and increased leisure activities. Monart, he said, was a new departure in the Irish market and provided an escape where guests could relax in quiet tranquil surroundings and avail of a wide range of spa facilities and treatments provided to uniquely high standards.

9. Mr. Griffin said Monart was not a hotel and did not cater for weddings, conferences or other functions which are important elements in a conventional hotel business. Although it was increasingly common to find hotels with leisure and spa facilities, they were not of the same extent, range or quality found at Monart as it offered a service dedicated solely to providing a luxurious environment in a state of the art spa area. The provision of such a service was costly, Mr. Griffin said, and staff costs accounted for approximately 40% of turnover, which was much higher than that found in either four or five star hotels.
10. Mr. Griffin said that Monart offered a members' club facility for the use of the spa facilities at an annual fee of €1,400. Current membership is now 44 as against an anticipated membership of 150.
11. Mr. Griffin said that the current hotel grading system in Ireland did not provide a mechanism for grading spa centres such as Monart. In the circumstances, Monart was accorded a five star hotel classification, much against his wishes as Monart was not in the hotel business and did not wish to be so seen. Monart was, he said, a destination spa and did not wish to be classified as anything else. Mr. Griffin said he had spoken to Bord Fáilte about this matter and it was hoped that a separate grading system would be introduced at some time in the future. However, until such time as a proper classification system was in place, Monart was listed as a 5 star hotel which it was not and did not wish to be.
12. Under cross examination, Mr. Griffin agreed that the upper end of the hotel market was in a state of over supply and that a number of golf based hotel complexes were experiencing some trading difficulties. It was for this very reason, Mr. Griffin said, that he had decided to go for something entirely different and to develop Monart as a destination spa and not as a hotel. Mr. Griffin agreed that Monart operated under a hotel licence and said that this was the only course of action open to him in order to comply with the Licencing Acts. He also agreed that the planning application for Monart described the whole development as a hotel but said that in this instance the word was being used as a generic term and did not alter the fact that Monart was a destination spa. The total capital cost incurred, Mr. Griffin said, was in the order of €25,000,000.

13. Mr. Desmond Killen having taken the oath adopted his précis and valuation which had previously been received by the Tribunal as being his evidence-in-chief. At the hearing, Mr. Killen sought leave to amend his valuation in line with the schedule of areas agreed with Mr. McMorrow as set out hereunder.

Old House and Boot Store		
632.8 sq. metres	@ €34.85 per sq. metres	€22,053.00
Bedrooms, Restaurant & Spa Areas		
7,549.3 sq. metres	@ €36.90 per sq. metres	€278,569.00
Lower Ground Floor Area		
428.4 sq. metres	@ €36.90 per sq. metres	€15,808.00
Outbuildings		
780.2 sq. metres	@ €30.75 per sq. metres	<u>€23,991.00</u>
NAV say		€340,400.00
RV @ 0.5%		€1,702.00

14. In support of his opinion of net annual value, Mr. Killen introduced four comparisons, details of which are set out in Appendix 1 attached to this judgement.
15. In his evidence, Mr. Killen said that there was no direct comparison either in the Wexford Rating Authority area or elsewhere. The only other destination spa he knew of was Temple Spa in Westmeath which did not appear to have been valued. In relation to his comparisons, Mr. Killen said they were all four star establishments providing the full range of services and facilities which one would expect from hotels with this level of grading.
16. Monart, Mr. Killen said, was not a hotel in the accepted sense and did not cater for weddings, conferences and functions which were an important part of a hotel's business. This is something which a hypothetical tenant in the market would consider when arriving at his or her opinion of rental value.
17. Mr. Killen pointed out that there were no five star hotels in Co. Wexford and that in his experience the Valuation Office usually would value five star hotels at a higher rate per square metre than that used for four star hotels. Nonetheless, it was also his experience in some instances that the leisure and spa areas of five star hotels were valued at a lower rate per square metre than the hotel proper. Furthermore, Mr. Killen said, the area given over

to the spa and leisure facilities at Monart was 50% of the total area, which is greatly in excess of that to be found in any four star or five star hotel.

18. Under cross examination Mr. Killen agreed that Monart was built, finished and furnished to a very high standard and provided a tranquil environment for guests and visitors alike. Mr. Killen said that whilst the buildings were of a high standard, the nature of their construction was such as would give rise to a higher than normal annual maintenance cost which must be taken into account when arriving at its net annual value. The fact that Monart operated in an as yet untested market and was in a start up situation were also important factors which a hypothetical tenant would take into account in arriving at his or her opinion of rental value.
19. When asked about his reference to the **Rosses Point Hotel Co. Ltd. v Commissioner of Valuation (1987) ILRM 512** case, Mr. Killen agreed that the ability to make profit is the basic element in determining net annual value and the hypothetical tenant would, in a business development situation, have regard to future earning potential.
20. Mr. Killen also agreed with Mr. McMorrow that no objection had been raised at appeal stage to the description of the property as a hotel in the valuation list but said that this was not an appropriate description having regard to Mr. Griffin's evidence.

### **The Respondent's Evidence**

21. Mr. McMorrow having taken the oath adopted his précis and valuation which had previously been received by the Tribunal as being his evidence-in-chief.
22. In his evidence, Mr. McMorrow contended for a Rateable Valuation of €2,113.00 calculated in accordance with the revised schedule of area as set out below:

Main Building 8,610.5 sq. metres @ €46 per sq. metre	€396,083.00
Stores 780.2 sq. metres @ €34 per sq. metre	<u>€6,526.00</u>
NAV say	€22,600.00
RV @ 0.5%	€2,113.00

Mr. McMorrow said that his opinion of rateable valuation was lower than that appearing in the rateable valuation listing i.e. €2,280.00 by virtue of discussions he had with Mr. Killen, following the lodgement of the appeal to the Tribunal when improved floor plans were made available to him.

23. In support of his opinion of net annual value Mr. McMorrow introduced three comparisons, details of which are set out in Appendix 2 attached to this judgement. Mr. McMorrow drew the Tribunal's attention to the fact that with the exception of Kelly's Hotel, the three comparisons relied on by him were the same as those introduced by Mr. Killen.
24. Mr. McMorrow said that there was nothing comparable to Monart in the County Wexford area in terms of build quality and standard of finish. In the circumstances, he looked at the assessment for four star hotels within a twenty mile radius of the property and added what he considered to be an appropriate premium to reflect the uniquely high standards of finish at Monart and at the same time taking into account that it operated in a niche market, was in a start up situation and did not offer the full range of services such as functions and weddings. Under the Valuation Act, 2001, it was not possible to provide an interim valuation which could be revised at some time in the future. Hence, he had to take a long term view and had valued Monart at about 10% over and above what he considered to be the appropriate level for a four star hotel in the Wexford area. In normal circumstances, he would have valued a five star hotel at a premium of 20% over the four star level.
25. Under cross examination, Mr. McMorrow said that he accepted Mr. Griffin's evidence that Monart presented itself as a destination spa and not a hotel. He also agreed that there was currently no recognised classification system for spas which he agreed operated in a different and distinct market to hotels. In regard to five star hotels generally, Mr. McMorrow said that they appeared to be currently operating in an over supply situation. When it was put to him that five star hotels were generally valued at a premium of between 5% and 10% over four star premises, Mr. McMorrow said that in his experience the premium was in the 15-20% range and in support of this made reference to the assessment of the Druids Glen Hotel in Co. Wicklow which was, he said, valued at €52 per sq. metre.
26. When asked if the design, nature and construction of Monart could give rise to higher than normal recurring costs, Mr. McMorrow said that in the context of the definition of net annual value in the Valuation Act, 2001 this would not be a material fact.

## Findings

The Tribunal has carefully considered all the evidence and arguments adduced at the hearing and finds as follows:

1. The Tribunal accepts Mr. Griffin's evidence that Monart does not operate as a hotel in the accepted sense of the term and seeks its custom from persons seeking rest and the feeling of wellbeing brought about by the availability of luxury spa facilities and treatments.
2. It is common case that there is no recognised classification system in place which caters for destination spas and other establishments offering a similar range of activities and facilities.
3. Whilst Monart does not wish to be classified as a five star hotel such a classification, albeit accorded post the valuation date, does give a fair indication of the quality of services and facilities available at Monart. In some respects however, Monart is not dissimilar to a hotel in that it provides guests with accommodation, food and beverages regardless of whether or not they avail of the spa facilities and treatments.
4. Both valuers in arriving at their respective opinions of net annual value relied upon the assessment of four star hotels in the County Wexford area notwithstanding the fact that each acknowledged the fact that Monart operated in a niche market and did not provide the full range of services and facilities one would normally expect to be found at a hotel with a four or five star classification. The Tribunal recognises the dilemma faced by the valuers in attempting to arrive at what they consider to be an appropriate valuation in accordance with the provisions of the Valuation Act.
5. It would appear from the evidence tendered that four star hotels in County Wexford are on average valued at €41 per sq. metre. Mr. Killen valued the new parts at Monart at a discount of 10% to this figure and 15% in respect of the original house. On the other hand, Mr. McMorro applied an uplift of 12% to four star hotel levels in arriving at his assessment of net annual value.
6. The Tribunal is of the opinion that in the absence of any direct comparison, the valuers had no alternative but to look at the assessment of those properties which bear most resemblance to Monart – that is four star hotels in the County Wexford rating authority area. That said however, a number of considerations must be taken into account - some positive such as the quality of the accommodation and the extent and range of the spa facilities - and some negative such as the absence of function areas and conference facilities.

**Determination**

Having regard to the foregoing the Tribunal determines the rateable valuation of the property concerned to be €1,930.00 calculated as set out below:

Monart House & New Extensions		
8,610.5 sq. metres	@ €42.00 per sq. metre	€361,641.00
Stores		
780.2 sq. metres	@ €32.00 per sq. metre	<u>€24,966.00</u>
NAV say		€86,600.00
RV @ 0.5%		€1,930.00

And the Tribunal so determines.