

Appeal No. VA90/3/032

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

Royal Marine Hotel, Dun Laoghaire

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Licensed Hotel, Motor House and Land (with 1.2.3. Howards Place and 7 Haigh Terrace)
at Map Ref: 10.11.12.13 Gresham Terrace, Dunlaoghaire - East Central, Borough of
Dunlaoghaire, Co. Dublin

B E F O R E

Henry Abbott

Barrister Chairman

Padraig Connellan

Solicitor

Veronica Gates

Barrister

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 9TH DAY OF AUGUST, 1991

By notice of appeal dated 18 September, 1990, the appellant appealed against the determination of the Commissioner of Valuation in fixing a Rateable Valuation of £2,350 on the above described hereditament. The grounds of appeal as set out in the Notice of appeal are that the valuation is excessive and inequitable.

Valuation History

In 1897 the rateable valuation was revised from £450 to £500. A rateable valuation of £980 was established in the 1969 First Appeal. This was revised in 1971 to £1,800, to take account of the new flat roofed six storey (including mezzanine) over basement building. This £1,800 was reduced to £1,200 as a result of an Appeal to the Circuit Court. The property was listed for revision in 1989 and the nature of the revision required was "value total renovations, subdivide/amalgamate as appropriate". The valuation was increased to £2,350. This was appealed to the Commissioner of Valuation at First Appeal stage, no change was made. It is in respect of this sum that this present appeal now lies with the Tribunal.

Written Submissions

A written submission was received on the 5th of February 1991 from Mr Desmond M Killen F.R.I.C.S., I.R.R.V. on behalf of the Appellant. Mr Killen is a Director of Donal O'Buachalla & Co. Ltd., Valuers, Rating and Property Consultants Estate Agents and Auctioneers. Along with this submission Mr Killen supplied copies of the various Notices of appeal and copies of the plans of the hereditament. He also attached a copy extract from Bord Failte Guide 1989 and schedule of Accounts/Hotel Report as at 31st October 1989 together with the factual information as supplied by him to the Commissioner of Valuation in relation to this appeal. Mr Killen said that the Royal Marine Hotel is a Grade A Hotel, containing 104 bedrooms in both the old and newer part of the premises, together with function rooms. He said that the Hotel is located in the heart of Dun Laoghaire beside the shopping centre and that there are problems with security and illegal parking within the grounds. Mr Killen said that the Hotel was purchased in October 1985, after it had been on the market for 3 years at a price of £2m. The purchase price of £1.2m was paid for a 115 bedroom hotel, which required refurbishment. This price included the fixtures, fittings, goodwill and 4 acres of land. He said that the refurbishment of the older part of the building resulted in the reduction in the number of bedrooms to 104. He said that the present

hotel is a piecemeal development and, in spite of the expenditure of £719,955 it lacks the design and layout of a modern hotel. He said that it has failed to achieve an A Star Rating. Mr Killen said that in arriving at the N.A.V. he had regard to the following:-

- (a) the preamble to the 1852 Valuation Ireland Act
- (b) Section 11, Valuation Ireland Act, 1852
- (c) Section 5, Valuation Act, 1986
- (d) Supreme Court Judgment 1956, Kingsmill Moore J., page 262: In Re: Roadstone Ltd - V - Commissioner of Valuation
- (e) High Court Judgment 1987, Mr Justice Barron: In Re: Rosses Point Hotel Co. Ltd. - V - Commissioner of Valuation
- (f) High Court Judgment delivered 9th March 1990, Mr Justice Barron: In Re: Irish Management Institute - V Commissioner of Valuation

Mr Killen said that in arriving at a N.A.V. and the rateable valuation, the same factor of .63% is applied by both parties to translate N.A.V. to R.V. Mr Killen set out details of a number of comparisons as follows:-

- (a) Fitzparticks, Killiney Castle Hotel - R.V. £1,400
- (b) The Court Hotel, Killiney - R.V. £600.
- (c) Conrad Hotel - R.V. £6,000
- (d) Westbury Hotel - R.V. £3,675.
- (e) Tara Towers Hotel - R.V. £1,200

The details of the rateable valuation and the breakdown on a sq metre basis as supplied by Mr Killen of these comparisons is attached as Appendix A. Mr Killen then set out his estimates of the N.A.V./ R.V. by using the following methods:-

- (a) By comparison

- (b) From the Accounts
- (c) From Capital Value
- (d) Depreciated Replacement Cost.

(A) Comparison

Mr Killen said that of the five comparisons supplied, The Fitzpatrick's Killiney Castle is considered most appropriate for the following reasons:-

- (i) Size
- (ii) Location
- (iii) Grading
- (iv) Age, Layout and facilities
- (v) Open Market Value.

By using this comparison and applying it to the subject property Mr Killen says that the present rateable valuation of £2,350 devalues as follows:-

Rateable Valuation

Hotel)	7650m ² @ 28p =	£2142
Basement)	434m ² @ 15p =	£ 65
)	1116m ² @ 12p =	£ 134
Misc.		82m ² @ 10p =	<u>£ 8</u>
			£2349

say £2350

and that the rental valuation of £373,000 could be assessed as follows:-

Rental Valuation

Hotel	82314 ft ² @ £4.10 sq. ft.	337487
Basement	4670 ft ² @ £2.20 sq. ft.	10274
	12008 ft ² @ £1.75 sq. ft.	21014
Misc.	882 ft ² @ £1.50 sq. ft.	<u>1323</u>
		370098

say 370100 **N.A.V.**

Mr Killen said that it is his submission that the **appropriate valuation is:-**

Rateable Valuation

Hotel	7650m ² @ 16p	= £1,224
Basement	434m ² @ 8p	= £ 35
	1116m ² @ 7p	= £ 78
Misc.	82m ² @ 6p	= <u>£ 5</u>
		£1,342

say £1,340 **R.V.**

N.A.V.

Hotel	82314 ft ² @ £2.35	= 193,438)
Basement	4670 ft ² @ £1.20	= 5,604)
	12008 ft ² @ £1.05	= 12,608)
Misc.	882 ft ² @ £0.80p	= <u>706)</u>
		212,355

say **£212,500 N.A.V.**

R.V. @ 0.63% = £1,338

say **£ 1,340 R.V.**

(b) Accounts

Mr Killen outlined the "Hotel contribution to group" which represents the profit as follows:

1989	£629,292
1988	£378,558

He said that these are the operating profits and are a guide to the rent the hypothetical tenant would be able to offer and the landlord obtain. He said that the disparity in operating profit in the two years is because 104 bedrooms were not available during 1988. He said that it would not be unreasonable to assume that a fully functional hotel in 1988 would have provided an operating profit of some 25% less than in 1989 - say £472,000. Thus the average operating profit

for the two years is £550,500. Mr Killen made an allowance of 50% to deduct the tenants share leaving a remainder of £275,250. Using .63% to calculate rateable valuation from N.A.V. Mr Killen arrived at a rateable valuation of £1,495 in respect of the subject property. He said that this represents the complete property and includes the car park which has a rateable valuation of £50 and is separately valued. He therefore submitted that the correct rateable valuation for the hereditament is £1,445.

(c) **Capital Value**

Mr Killen submitted two estimates using this approach:-

1. Where he took a 7% return on capital
2. Where he took a 6% return on capital

Estimates Capital Value £4,000,000 @ 7% =
 N.A.V. £ 280,000
 R.V. £ 1,764
 Deduct Car Park £ 50
 R.V. £ 1,714
 say **£ 1,700**

If a figure of 6% is applied then:

N.A.V. £240,000
 R.V. £ 1,512
 Deduct Car Park £ 50
 R.V. £ 1,462
 say **£ 1,450**

(d) **The Depreciated Replacement Cost**

Mr Killen said that using this method one would arrive at a rateable valuation of less than any of the other two estimates.

A written submission was received on the 6th of February 1991 from Mr John Smiley, a Business Studies Degree graduate and a Valuer in the Valuation Office on behalf of the respondent. In this submission Mr Smiley said that the Royal Marine Hotel is situated off Royal Marine Road, approximately twenty minutes by Dart from Dublin city centre, and a two minute walk from the Dun Laoghaire car ferry. He said that to the front there is an attractive well maintained two acre garden in grass and flowers, and a tarmac car park for 250 cars. He said that part of this car park with a capacity for 100 cars, is valued separately and is not the subject of this appeal. Mr Smiley said that the main building has been used as a Hotel for over 100 years and that there has been extensive additions and improvements since then. He said that the last building to be erected was a flat roofed one around 1970. He said that the buildings vary from one storey to six storey over basement and that one of the storeys in the six storey building comprises a mezzanine between the ground floor and the first floor. He said that the accommodation is all to a very high standard required to maintain its Grade A rating. He said that it comprises 104 bedrooms (all with private bath/shower, colour T.V., direct dial telephone, trouser press and hairdryers), restaurant, 2 bars, ballroom and 9 function/banqueting rooms. Mr Smiley said that he understood that the premises were purchased in October 1985 for £1.4m, to include site, fixtures and fittings and liabilities. He said that an expenditure of £2.7m was incurred between 1986 and 1989 on extensive refurbishment, which resulted in an increase in the number of bedrooms in 1989 from 90 to 104. He said that no additional buildings were erected.

Mr Smiley outlined how the rateable valuation was calculated by two methods :-

- (1) The estimated Market Value decapitalised
- (2) Pence per square metre

Estimated Market Value decapitalised

The property was revalued by the Appellant as at 31st October, 1989 as a going concern (buildings, plant, fixtures, fittings, goodwill) at £7.5m.

Using this valuation, and deducting 10% to backdate it to November 1988, this gives a valuation of £6.75m. Further deducting £0.75m for tenants fittings gives a valuation of £6.0m, resulting in an N.A.V. £420,000.

He said that the Commissioner's valuation is as follows:-

Estimated Market Value at November 1988 = £5.5m
(Net of Tenant's fittings, and of carpark)
(Valued separately)

N.A.V. = Estimated Market Value X 7%
= £5.5m X 7% = £385,000

Rateable Valuation = N.A.V. X 0.63%
= £385,000 X 0.63% = £2,425.00

Note: He said that this Rateable Valuation of £2350.00 was unchanged at First Appeal.

(2) **Pence per Square Metre:**

Ground - 4th Floors	7650m ²)	
Basement	1550m ²)	9282m ² @ 25p = £2,320
Roof	82m ²)	

Note: 25p per square metre is inclusive of valuation for 150 "marked" car parking spaces.

R.V. £2,350

Mr Smiley attached five comparisons as follows:- Tara Towers Hotel Merrion Road, Montrose Hotel Stillorgan Road, The Court Hotel Killiney, Marine Hotel Sutton, and Killiney Castle Hotel. The details as set out by Mr Smiley of the rateable valuation, the Grade, bedrooms, and his observations are set out in Appendix B of this judgment.

Oral Hearing

At the oral hearing which took place on the 1st March, 1991 Mr Liam Reidy, Barrister, instructed by Ms Emer Gilvarry, Solicitor represented the appellants. Mr Aindrias O'Caomh B.L. instructed by the Chief State Solicitor represented the respondents. Also present were Mr Desmond Killen, Mr John Power, Director and Secretary of the Ryan Group, on behalf of the appellants and Mr John Smiley on behalf of the respondent.

Mr John Power gave evidence that the Ryan Group has 10 hotels, eight of which are in Ireland, one in Brussels and one in Amsterdam. He said that the Royal Marine Hotel was for sale for a period of two years before the Ryan Group bought it. He said that in refurbishing the hotel they spent £10,000 per bedroom. He said that £1.5m was spent on fittings. Mr Power said that the profits for 1988 were £378,000 but that construction work ongoing during that year affected profits. He said that profits in 1988 would be 25% less than those in 1989 because of improved tourism, conferences etc. in the latter year. He said that the Royal Marine Hotel would depend for the creation of new business on the resources of the Ryan Group. He said that the hotel was not a cohesive unit, that it was located off the town centre and that it was added to in an unplanned way. He said that there were a number of different levels in the hotel and customers had to go up steps. He said that there were large insurance claims for damages by customers and that security was not great as there were three separate entrances and the area going towards the sea front was a haven for undesirables. In response to cross-examination by Mr O'Caomh regarding the purchase of the hotel, Mr Power said that the purchase price was £1,125,000 plus 200,000 shares in Ryan Hotels plc. He said that the actual total cost to the Ryan Group was

£1,191,000 which included taking over current assets and current liabilities. He said that there were no tax implications in the liabilities taken over. Mr Power said that Killiney Castle Hotel had achieved a Grade A* rating whereas the Royal Marine Hotel is Grade A. He said that purpose built hotels can arrange to have the kitchen located so that it is accessible to where all food is needed, that there would be a smaller floor area, that it would be more profitable with less insurance and less maintenance and heating. He said that a purpose built hotel with the same area as the Royal Marine would probably have 150 bedrooms. Regarding business from the car ferry he said that the Royal Marine Hotel does no business from cross channel except when a ship is held over by fog. He said that the valuation of the hotel as set out in the 1989 accounts of £7.5m was arrived at by an English firm of valuers on an existing use basis.

Mr Des Killen gave evidence as set out in his precis of evidence already summarised above. He said that Killiney Castle was the best comparison as it is in the same league of business with excellent facilities, top class conference, 94 bedrooms, indoor swimming pool, nightclub, bar, excellent car parking and as good a location if not better than the subject. He said that Killiney Castle was revised in 1987 and that a percentage of .63 was agreed as a ratio between net annual value and rateable valuation. He said that the basement area in Killiney Castle is fully utilised by the hotel. He said that size wise the subject was very comparable to Killiney Castle.

Mr John Smiley said that the subject hotel is of a much higher standard than the Killiney Castle Hotel. He said that the location of the subject was much superior to Killiney Castle. In response to Mr Reidy he said that the star grading was refused as much on the grounds of service as on the physical property of the Royal Marine Hotel and that service has nothing to do with the valuing of the property. He said that in the physical sense Killiney Castle is the closest to the subject but he wouldn't accept that it is the same standard as the Royal Marine Hotel. He said that the Royal Marine is much more easily found than Killiney Castle.

Mr Reidy submitted that the subject is exactly similar to Killiney Castle Hotel with the one essential difference that Killiney Castle is a higher grade. He said that both are vying for the same conference market and that Killiney was revised in 1987 at 17p per square metre whereas the subject is revised at 28p per square metre. He said that the subject is slightly bigger than Killiney Castle in terms of the overall square footage but that if one takes into account the basement area which is under utilised in the subject and cannot be utilised the actual usable area of the hotels is probably exactly the same. He said that the subject was formerly a naval officers mess quarters and not a custom built hotel. He said that the basement area is a maze of small rooms and dark unlit rooms which are not utilised at all. He said that only about one fifth is required, the rest is not used. He said that in the 1989 accounts the hotel as a whole was valued at £7.5m. He said that a 10% reduction should be made for 1988 and that a reduction of £1.5m should be made for the fittings. He said that a reduction of 33% should be made for the goodwill of the Ryan Group bringing the actual value of the hotel to £4m.

Determination

The Tribunal has had regard to the totality of the evidence, written submissions, comparisons and in particular the Fitzpatrick Killiney Castle Hotel which compares with the subject premises in size (excluding the basement of the subject property) and type of business carried on and sought. Although only about one fifth of the basement space is utilised the appellant hotel has been refurbished to a very high standard and it enjoys a prime location. The Tribunal concludes that an appropriate Net Annual Valuation for this premises is £300,000 and that the proper Rateable Valuation is £1,900.00.