

Appeal No. VA96/3/015

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

**Killybegs Hotel Limited**

**APPELLANT**

**and**

**Commissioner of Valuation**

**RESPONDENT**

RE: Licensed Hotel at Map Ref: 26.28.30, Main Street, Town of Killybegs, ED: Killybegs, RD:  
Glenties, Co. Donegal  
Quantum - Method of Valuation

**B E F O R E**

**Fred Devlin - FRICS.ACI Arb.**

**Deputy Chairman**

**Mary Devins - Solicitor**

**Deputy Chairman**

**Marie Connellan - Solicitor**

**Member**

**JUDGMENT OF THE VALUATION TRIBUNAL**  
**ISSUED ON THE 24TH DAY OF APRIL, 1997**

By Notice of Appeal dated the 15th day of July 1996 the Appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £575 on the above described hereditament.

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

- "1.** The valuation is excessive and inequitable;
- 2.** The valuation is bad in law;
- 3.** No account is taken of the net annual value in determining the rateable valuation assessment of this hereditament;

4. The respondent erred in law in fixing and determining the said valuation in that he failed to have any or any proper regard to the provisions of the Valuation Acts and in particular to *Section 5 of the 1986 Act*;
5. The rateable valuation is not assessed in accordance with the relevant Valuation Acts and related legislation;
6. The valuation is excessive, inequitable and bad in law having regard to the particular location of the hereditament, the subject matter of this appeal and the difficulties associated therewith".

This appeal proceeded by way of an oral hearing which took place in the Courthouse, Letterkenny on the 27th day of November, 1996. The appellant was represented by Mr. Patrick McCarroll ARICS, ASCS and the respondent by Mr. Christopher Hicks, a Valuer in the Valuation Office.

### **The Property:**

The property known as the Bay View Hotel is a four storey building completed in our about 1992. The hotel has a three star grading and is located on the north side of Main Street, Killybegs overlooking Killybegs Harbour. The hotel has no on-site car parking or service yard and all deliveries are made via a narrow laneway at the side.

### **Accommodation:**

#### ***Ground Floor:***

Entrance Foyer  
Reception Area  
Administrative Offices  
Bar  
Coffee Dock and Bar Stores  
Gymnasium  
Swimming Pool and Changing Rooms.

***First Floor:***

Fully fitted kitchen  
 Dining Room with seating for 80 people  
 Lounge Bar and Function Room.

***Second & Third Floors:***

Forty en suite bedrooms.

The hotel has a lift to all floors. The agreed gross area is 38,000 sq.ft..

**Turnover:**

Details of turnover (excluding VAT) were stated to be as follows:-

Year ending 30th September, 1994	-	£911,000
Year ending 30th September, 1995	-	£946,000
Year ending 30th September, 1996	-	£931,000

**Oral Hearing:**

Having taken the oath both valuers adopted as their evidence in chief their respective written submissions which had previously been exchanged by them and submitted to the Tribunal.

***The Appellant's Contentions:***

1. Killybegs is a busy fishing port and not a holiday resort and consequently the hotel does not benefit from the tourist trade.
2. The hotel has inherent design drawbacks including lack of on-site car parking, bad access for delivery of goods and the fact that the kitchen, dining room and function room are at first floor level.
3. The quality and finish of the hotel is in excess of the demands of the customer base and as Mr. McCarroll put it himself "... this hotel does not suit this location and the location does not suit the hotel".
4. Since it opened in 1992 the hotel has not traded successfully and despite several changes in management turnover has remained almost static. This is a fact that a

hypothetical tenant would take into account in formulating an opinion of rental value.

5. The total cost of construction and fitting out which was something in excess of £2.5m represents a very poor investment.

***Respondent's Contentions***

1. Killybegs is the busiest fishing port in the country and has a thriving industrial base, mainly linked to the fishing industry.
2. The lack of on-site car parking is not a drawback as there is ample on-street car parking in the immediate vicinity.
3. The subject property is the best in Donegal in terms of quality of finish and the range of facilities provided and in his opinion the cost of £2.5m appeared to be quite modest.
4. The actual turnover in the years ending September, 1994, 1995 and 1996 is surprisingly low and a hypothetical tenant would anticipate a turnover of about £1.5m and on this basis arrive at an opinion of rental value.

***Mr. McCarroll's Valuation:***

Mr. McCarroll arrived at his opinion of net annual value on an accounts or profits basis using the 1995 accounts and arrived at a rateable valuation of £216 calculated as set out below:-

Turnover year ended 30th September 1995		£946,287
Gross Profit		£520,558
Less		
Direct Costs	£237,605	
Operating Expenses	<u>£294,285</u>	<u>£531,890</u>
Net Operating Loss		£ 11,332
Add back		
Rates	£ 27,187	

Bank Leasing	£ 11,815	
Depreciation	<u>£ 91,687</u>	<u>£130,689</u>
Adjusted Net Profit		£119,357
Amount available for rent and rates (50%)		£ 59,678
Back date to 1988		£ 50,368
1988 Rate £32.52		
Divider = 1.163		£ 43,308
Net Annual Value	Say	£ 43,000
<b>Rateable Valuation @ 0.5%</b>		<b>£216</b>

In support of this method of valuation, Mr. McCarroll relied upon a statement contained in a recent Valuation Tribunal decision **VA95/1/025 - Ferrycarrig Castle Hotel Limited v. Commissioner of Valuation** which was valued on an accounts & profit basis *"It must be said however, 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"*.

Mr. McCarroll compared his valuation on an accounts or profits basis with that of the Seaview Hotel as set out in Appendix 1 attached to this decision. He also provided alternative valuations based on his analysis of previous Valuation Tribunal decisions in regard of two other hotels in County Donegal.

**1. VA94/3/032 - Jody Gysling t/a Harvey's Point Hotel, Donegal**

Rateable valuation determined by the Tribunal £290. Rateable valuation of subject by comparison £390.

**2. VA94/3/019 - Stardale House Limited t/a Lake of Shadows**

Buncrana, Co. Donegal

Rateable valuation determined by Tribunal £350. Rateable valuation of subject by comparison £338.

In response to a question from Mr. Hicks, Mr. McCarroll stated that having regard to all circumstances the correct rateable valuation of the subject in his opinion was £216.

***Mr. Hicks' Valuation:***

Mr. Hicks valued the subject by direct comparison with other hotels in County Donegal as set out below:-

**Net Rental Value**

Area	38,000 sq.ft.	@	£3	=	£114,000
	Rateable Value	@	0.5%	=	£570
		But Say		=	£575

In support of his valuation he relied upon six comparisons as set out in the summary attached to this judgement at Appendix 2.

In addition to the above Mr. Hicks analysed the net annual value so determined on three other bases as set out below:-

(a)	Cost (1992)	£2,500,000
	Less say 10% non rateable	£2,250,000
	Backdate to 1988 (x .878)	£1,975,500
		@ 5.8%
(b)	EMV (1988)	£1,150,000
		@ 10%
(c)	Turnover (1988)	£ 920,000
	NAV @ 12½%	£ 115,000

**Findings:**

Having considered all the evidence and arguments adduced at the oral hearing including the written submissions the Tribunal makes the following preliminary findings:-

1. *Section 11 of the Valuation (Ireland) Act 1852* as amended by *Section 5 of the Valuation Act 1986* is the basis upon which all rateable hereditaments are to be valued.

While Section 11 lays down the basis of valuation i.e. net annual value it does not state how the net annual value is to be determined. Over the years a number of valuation methods have evolved which have found widespread acceptance by all concerned in the valuation process and by decisions handed down from the Courts and this Tribunal.

It is established case law that whilst all methods of valuation may be admitted the method to be preferred is that which contains the smallest margin of error. Whilst this Tribunal concurs with the principles set down in the Ferrycarrig decision the circumstances pertaining in this case are somewhat different. In Ferrycarrig both valuers were of the opinion that the actual levels of turnover and profit were those which a hypothetical tenant would expect to achieve while as in this case this is not so. Mr. Hicks in his evidence said that a hypothetical tenant would expect a turnover of £1.5m as against the average figure of £930,000 achieved in the last three years. However, Mr. Hicks produced no evidence as to how he arrived at this conclusion.

2. It is common case that the Bay View Hotel is well finished and appointed and provides a wide range of facilities which must be reflected in the net annual value.
3. Of all the comparisons cited by the valuers it would appear that the Mount Errigal Hotel in Letterkenny is the closest in terms of quality of finish and range of facilities available but it is of course more than twice the size of the subject.
4. The Abbey and Central Hotels in Donegal occupy somewhat similar on-street locations and whilst not of the same standard of finish both these establishments benefit from a strong tourist trade as can be seen from the turnover achieved in the Central Hotel.
5. The Tribunal notes that the valuation of the Abbey Hotel was agreed by Mr. McCarroll.

6. The Tribunal accepts Mr. McCarroll's evidence that the hotel has experienced trading difficulties and that despite changes in management turnover has remained static.
7. The Tribunal considers there is some merit in Mr. Hicks contention that a hypothetical tenant in arriving at an opinion of rental value may take the view that the actual turnover does not fully represent the inherent potential of the establishment having regard to locational and other factors. However the figure of £1.5m put forward by Mr. Hicks appears excessive in the light of the turnover being achieved in other hotels in County Donegal as set out in Appendix 2 to this decision.
8. The fact that the hotel has been subject to frequent change in management seems to indicate that there may be problems to be addressed before a satisfactory trading pattern is established. Nonetheless the figure of £1.5m put forward by Mr. Hicks seems high and is not supported by the evidence.
9. Having regard to the above the Tribunal has come to the conclusion that it would be unsafe in this instance to rely solely upon the accounts or profits method and hence it is proper to look at the assessments of other hotels in Donegal of a comparable size and/or nature in order to arrive at the current net annual value.
10. Mr. McCarroll and Mr. Hicks introduced in evidence the rateable valuations of other hotels in County Donegal and made no submission that any of the valuations were incorrect or unreasonable. Under the circumstances therefore the Tribunal must have regard to these assessments and arrive at a net annual value of the subject which will maintain the level established by the comparisons.
11. The Tribunal notes that whilst there was a wide measure of accord between the valuers regarding the physical characteristics of the subject this was not reflected in their respective valuations. The difference in the figure of £216 contended for by the appellant and that contended for by the respondent i.e. £575 is unusually high and causes particular problems for this Tribunal.

**Determination:**



Having regard to all the evidence and arguments adduced by the parties the Tribunal is of the opinion that the current rateable valuation of the subject property is £475.