

Appeal No. VA97/5/001

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

Edmond & Mary Murphy

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Licensed Hotel at Lot No. (5 to 8), O'Brien's Place, Townland: Youghal Lands, Ward:
Youghal Urban, UD: Youghal, Co. Cork
Quantum

B E F O R E

Liam McKechnie - Senior Counsel

Chairman

Barry Smyth - FRICS.FSCS

Member

George McDonnell - F.C.A.

Member

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 28TH DAY OF MAY, 1998

By Notice of Appeal dated the 29th day of July 1997 the Appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £350 on the above described hereditament.

The grounds of appeal as set out in the said Notice are;

- "1. In comparison to other similar properties and having regard to the NAV we consider the RV to be excessive.
2. The tone of the list has not been maintained".

This appeal proceeded by way of an oral hearing which took place in Cork on the 28th January 1998, was adjourned to and recommenced in Dublin on the 16th February 1998. Mr. Nicholas J. McAuliffe ARICS, of Kenneally McAuliffe Rating Consultants and Mr. Gerard O'Mahony, Deloitte & Touche Chartered Accountants appeared on behalf of the Appellants with Mr. Terence Dineen, District Valuer in the Valuation Office appeared on behalf of the Commissioner. In accordance with practice and as required by the Rules of this Tribunal, the parties, prior to the commencement of the hearing had exchanged their précis of evidence and had submitted the same to us. Having taken the oath each Valuer adopted as his evidence in chief his précis. Mr. O'Mahony also having taken the oath dealt with the accounts. From the evidence so tendered the following facts either agreed or as found emerged as being material to this appeal.

1. The property is situated on the south-west side of the town on the N25 to Cork and is within the built up area of the town of Youghal. It comprises a terrace of four 4 storey and part 3 storey Victorian buildings developed over the years as a single entity hotel.

The property has been upgraded and refurbished in recent time some of which was ongoing on the date of valuation and a single storey function room has been added to the rear. There is a certain amount of onsite car parking.

2. The accommodation comprises;-

Ground Floor

| | |
|---|---------------|
| Foyer | Office |
| Reception Desk and office | Laundry |
| Lounge bar | Store |
| Restaurant | Lift & Stairs |
| Bar stores | Kitchen |
| Toilets | |
| Function room, with toilets and cloakroom | |

First Floor

Owners accommodation - sitting room, bathroom, and four bedrooms
 8/10 en-suite bedrooms
 Residents lounge
 Meeting room
 Lift and stairs

Second Floor

18 en-suite bedrooms

Third Floor

14 en-suite bedrooms (undergoing renovation at the date of valuation).

The gross floor area is 29,755 sq.ft. including 5,700 sq.ft. on the third floor. The grading is two star. There is a hotel licence only.

The present owners purchased the property in 1988 for £55,000 and over the intervening years the premises have been changed and altered in the manner aforesaid.

Work is still ongoing. To date expenditure has been in the order of £660,000/700,000.

3. The subject appeal to this Tribunal is against the result of a first appeal decision of the Commissioner of Valuation which issued on 24th July 1997 affirming the rateable valuation of £350.

4. Mr. McAuliffe on behalf of the Appellant proposed two bases for his estimation of the net annual value i.e. capital value basis and a turnover basis. In the former he utilised the book value of the property which was incorrectly stated in his précis as £475,000 and was corrected to £464,000 as at the 31st December 1996. This he decapitalised by way of a 7% yield. The resulting figure was reduced by 15% to bring it back to 1988 values and then applying the common factor of 0.5% producing a rateable valuation of £141.

On the turnover basis he took the average of the turnover for the years ended the 31st December 1994, 1995 and 1996 at £548,048 and applied a net profit to this of 18% - thus giving £105,138. He assumed that 50% was available for rent giving an NAV of £52,564 reduced by 15% to bring it back to 1988 values that is £44,678 and applied the fraction of 0.5% to produce an RV of £223. He then averaged the two figures of rateable valuation and proposed the mean of £182.

Mr. McAuliffe was of the opinion that the building was expensive to develop, renovate, maintain and alter due to the nature of its original construction as four Victorian terraced houses. As comparisons he offered four premises but made no analysis of the rateable valuations on a rate per square foot basis. He referred to:

- (i) **The Devonshire Arms Hotel, Youghal** - a two-star 25 bedroom hotel with a rateable valuation of £113 revised in 1988 but not on an NAV basis.
- (ii) **The Hilltop Hotel, Summerfield, Youghal, Co. Cork** - two star hotel with 50 bedrooms with a rateable valuation of £410 revised 1997/2.
- (iii) **The Clonea Strand Hotel, Dungarvan, Co. Waterford** - Three star hotel with 60 en-suite bedrooms and a rateable valuation of £390 revised 1990/3 1st appeal. This hotel has a leisure centre with swimming pool etc.
- (iv) **Majestic Hotel, Tramore, Co. Waterford** - Three star hotel with 57 en-suite bedrooms and a rateable valuation of £400 revised in 1997/4. Further to a request from the Tribunal, Mr. McAuliffe gave his opinion of the market value of the property at the 31st December 1996 as £550,000.

5. Mr. O'Mahony from Deloitte and Touche, Chartered Accountants spoke to the accounts as included in Mr. McAuliffe's précis. When asked by Mr. Dineen how he instructed Valuers to value hotels he responded that whilst he often gave instructions to value hotels he never gave any instructions on the method to be applied as that was the business of the Valuer. He commented that Valuers always sought the accounts.

6. Mr. Dineen based his NAV on the comparative method applying a rate of £2.35 psf to the gross area of the hotel of 29,755 sq.ft. giving an NAV of £69,924.25 with the agreed fraction of 0.5% giving £349.63. Say RV £350.

He argued that the accounts method was not totally appropriate in this case as the turnover figures particularly when averaged did not reflect the premises as improved but rather covered the years prior to or during which improvements were being carried out.

Mr. Dineen provided five comparisons which he analysed on a rate per square foot deriving the same from the rateable valuation.

(i) **Central Hotel Mallow - VA95/1/054**

3 star, 20 bedrooms

RV £400 devalues at £2.90 psf

27,500 sq.ft.

(ii) **Hibernian Hotel, Mallow**

3 star, 40 bedrooms

Town centre Hotel
 RV £480
 29,243 sq.ft. at £3.28 psf

(iii) Hazel Hotel, Thurles
 2 star, 49 bedrooms
 RV £525
 40,812 sq.ft. at £2.57 psf

(iv) Middleton Park, Hotel
 3 star, 40 bedrooms
 Large function room
 RV £890
 46,058 sq.ft. at £3.80 psf

(v) Bay View Hotel, Ballycotton
 3 star, 35 bedrooms
 RV £375
 Devalues 25,472 sq.ft. @ £3 psf

7. Determination

In the view of this Tribunal the following factors can be relevant in the determination of net annual value and rateable valuation in any case.

1. Any rent reserved
2. Location
3. The nature and style of the premises and their condition
4. Capital value
5. Turnover
6. Comparisons

In light of the evidence adduced it is clear that Youghal, while perhaps at the moment enjoying some resurgence, has suffered serious decline in recent years particularly in the tourist industry. The premises comprise old Victorian buildings

adapted as a hotel and while extensively renovated in recent years by the present owner nevertheless because of the nature of the construction of the buildings the hereditament will be expensive to maintain, adapt and develop on an ongoing basis. There is no rent reserved in this case. Mr. Dineen has estimated an NAV based on comparisons drawn from the analysis of rateable valuations of other hotels. The majority of the hotels used as comparisons however are in busy market towns with all year round business other than the Bay View Hotel in Ballycotton which is a modern hotel but closed in the winter. The turnover of the subject premises has been provided but it must be acknowledged that it reflects periods either prior to or during the course of the renovations and probably does not fully reflect as yet, the business that can be generated by the improved premises.

Mr. McAuliffe's use of the book value of the premises as a base to derive an NAV is in our opinion seriously flawed as it represents only the purchase price of the property and additions over the years. The property has never been revalued for the accounts and therefore the net book value may or may not equate to the market value of the property. However in fairness Mr. McAuliffe when asked did provide an opinion of the market value at the 31st December 1996 in the sum of £550,000. Mr. McAuliffe's decapitalisation of the capital value at 7% appears low in light of the risk of such an undertaking and the nature of the building. Having regard to the foregoing and the evidence adduced by the parties the Tribunal determines the rateable valuation at £290 calculated using the methods as follows;

| | |
|-------------------------------------|----------|
| Turnover to the year ended 31/12/96 | £739,436 |
| Net profit of 18% | £133,098 |
| NAV @ 50% | £ 66,549 |
| less 15% to reflect 1988 values NAV | £ 56,567 |
| @ 0.5% | £ 282.83 |
| Say | £ 280 |

Alternatively:-

29,755 sq.ft. @ £2.25 psf = £66,948.75 - to reflect Victorian nature of the premises and its location

£66,948.75 @ 0.5% = £334

Alternatively:-

| | | |
|---|------------|----------|
| Capital value as estimated by Mr. McAuliffe | = | £550,000 |
| NAV @ 12% | = | £ 66,000 |
| reduced by 15% to 1988 levels | = | £ 56,100 |
| £56,100 @ 0.5% = £280.50 | Say | £ 280. |

Say £290.