

Hotels

Definition A *hotel* is a premises that is used for the provision of overnight accommodation to paying customers, and is registered with Fáilte Ireland under the Tourist Traffic Acts 1935-1979.

Basis for valuation The valuation of a hotel is based on its annual rental value at the valuation date. This is determined by analysing the actual annual rent of that property (if applicable) and that of comparable properties.

Profit-earning ability is a key element in determining the annual rental value of a hotel. It is not the actual profits, but rather the profits that would be anticipated by a hypothetical prospective tenant which have to be considered.

The Valuation Office analyses information on rents and trading patterns of hotels, and applies this information in assessing the hypothetical rental value of a hotel. Details of the hotel’s sales mix and profit margin are collected to ensure appropriate comparisons.

Valuing multi-use premises If the premises being valued incorporates additional elements, such as shops, these elements are generally valued using the method appropriate to their use, having regard to rental evidence available in the locality.

Confidentiality Some of the information in the valuation report is confidential. Subject to the requirements of the Freedom of Information Act, such information will be provided only on receipt of written instructions from the occupier.

Information needed for valuation The following information is needed in order to arrive at the valuation of a hotel:

- Measurements
- Licence details
- Trading details
- Other factors affecting the annual rental value of the property
- Lease or purchase details

During the valuation survey and inspection, information is collected on each of these items, as detailed below.

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Measurements Hotels are measured to Gross External Area (GEA), as described in the Valuation Office *Rating Code of Measuring Practice*.

In addition areas used by the public (other than overnight guests), such as bars, restaurants, function areas, disco/nightclubs, conference areas, and meeting rooms, are measured to Net Internal Area (NIA), as described in the Valuation Office *Rating Code of Measuring Practice*.

Typical bedroom/suite sizes are measured to Net Internal Area (NIA), as described in the Valuation Office *Rating Code of Measuring Practice*.

A copy of the floor plan (or if this is not available, a sketch plan) is attached to the report.

Licence details Details of all licences and special exemptions attaching to the premises are recorded.

Trading details Details of the various trading activities are recorded during the inspection, including details of accommodation trade, food trade, on-trade, disco, nightclub, conference, meeting room hire, leisure, etc.

The following information is recorded:

- Pricing structure
- Admission charges, opening hours, etc
- All franchise, licence and other arrangements
- Turnover and expenditure figures for each of the various trading activities
- Gross profit margins

Occupiers of hotels are requested to supply audited accounts covering the most recent three-year period for which accounts have been prepared.

In the case of new, redeveloped or recently acquired properties, and in cases where three years' audited accounts are not available, the following information is requested:

- Copies of any available accounts
 - A certified letter from the accountant setting out details of turnover and expenditure, net of value added tax, as stated in management accounts, to cover the period for which accounts have not yet been prepared
 - A breakdown of the turnover figures and gross profit margins for each of the various trading activities
 - Number of rooms, average annual room rate, average annual room occupancy, revenue per available room (RevPAR) and total revenue per room for the periods covered in the accounts, and from the last accounts up to date.
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Other factors affecting value

Information is also recorded regarding:

- Registration and classification details, including registration number, name of premises, classification and number of rooms
 - Car parking arrangements
 - Accessibility by public transport
 - The number of tables and chairs placed on the public footpath
 - Competition in the area
 - Details of operational expenses over and above the normal – for example, high security costs, entertainment expenses, etc.
 - Any additional information necessary for an assessment of annual rental value of the property
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VAT

All figures used in the assessment of the annual rental value are stated net of value added tax.

Details of lease

For **leasehold** properties, details of the lease are recorded, as follows:

- Commencement date
- Length of lease
- Rent review interval
- Date of last rent review
- Current annual rent (net of VAT)
- Details of stepped rent
- Who is liable for rates, internal/external repairs and building insurance
- Break clauses in lease
- Rent free periods
- Date of purchase and price paid for leasehold interest (key money)
- Premiums paid in lieu of rent
- Whether let in shell form or fitted
- Any clause in the lease that restricts the use of the premises

Details (including dates) of expenditure incurred on the construction, alteration, improvement or redevelopment of the property are also recorded, and the contribution to fit out made by the landlord and by the tenant.

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Details of purchase

For **freehold** properties, details are recorded, as follows:

- Date of construction
 - Purchase Price (net of VAT)
 - Date of purchase
 - Condition of property at date of purchase
 - Details (including dates) of expenditure incurred on the construction, alteration, redevelopment, improvement and fit out of the property
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