



Revaluation 2017

Commercial Properties Committee

Practice Note 24 Valuation of Guest Houses

1.0 Introduction

- 1.1 This Practice Note provides guidance for the valuation of guest houses, or parts thereof.

2.0 Basis of Valuation

- 2.1 Guest Houses should be valued by application of the comparative principle of valuation.

It is recommended that a double bed unit (DBU) rate is applied to the guest accommodation. The DBU rate should be derived from an analysis of rents of guest houses. Rents should be analysed in accordance with SAA Basic Principles Practice Note 1 (Adjustment of Rents).

Where no rental evidence exists in a particular area, it is recommended that the percentage to be applied to total turnover, to arrive at a DBU rate, is in the range 12.5% to 14%

Care should be taken to ensure that subjects being valued, using this Practice Note, are traditional Guest Houses.

Where meals and bar services are provided to non-residents, as well as guests, the subject should be valued using The Commercial Properties Committee Practice Note 20 - The Valuation of Hotels and Accommodation Subjects. Consideration of the operation and of its competing market should be fully considered to arrive at the correct valuation approach to ensure that the valuation is not out of line with other, similar lands and heritages.

- 2.2 The amount of double bed units should be calculated, using the table below, having regard to the facilities available, the quality of the accommodation, the number of places on offer and the general and particular location of the premises.

Room	Reduction Factor (En suite)	Reduction Factor (without facilities)	Size Guide
a) Double or twin	1.0	0.75	10 – 20 m ²
b) Single	0.70	0.45	Up to 10m ²
c) Family	1.25	1	20 – 30m ²
d) Suite - Standard	1.50	-	2 rooms or over 30m ²
e) Suite - Superior	2.0	-	2 rooms or over 30m ²

- 2.3 Seasonal Guest Houses should be compared to other similar Guest Houses in the locality that are open for the full year, if that is the norm for the location, on a DBU rate basis. Turnover may then require adjustment if the valuer is satisfied that the actual turnover is below the hypothetical achievable turnover.

3.0 The Residential Accommodation

- 3.1 For the purposes of providing an apportionment in terms of the Local Government Finance Act 1992, the value added to the domestic element for accommodation occupied by family, resident staff and permanently resident guests should reflect the extent, situation and quality of the rooms occupied.

It is recommended, therefore, that a notional number of double bed units for the accommodation occupied by family, resident staff and permanently resident guests be determined – based upon the size and occupancy capacity of all the rooms that they occupy (including bedrooms) – weighted if necessary to reflect any physical differences in the accommodation.

The residential value will be set at the product of the DBU rate times the number of DBUs determined above.