

Revaluation 2010

Commercial Properties Committee

Practice Note 16A Valuation of Lodge Hotels

1 Introduction

- 1.1 This Practice Note will apply to lodge hotels offering rooms only and to serviced apartments, including aparthotels. It also applies to all similar establishments that have tariffs, building characteristics, and levels of service similar to those of the major operators.
- 1.2 The 'rooms only' market has been the main growth area in the accommodation market in recent years.
- 1.3 These types of subjects cater in general for overnight trade. The properties are usually purpose built in a format that allows optimum operation; however, some town centre properties are adapted office buildings.
- 1.4 They are similar to, and are frequently operated in direct competition with, standard hotels. The rooms are often of a standard size and layout. There is generally a reception desk and regular cleaning service but limited other services on offer.
- 1.5 The emphasis is on providing reasonably priced, basic accommodation, in a standard format and can lead to the properties achieving higher occupancy levels with lower overheads than traditional hotels.
- 1.6 **Subjects Covered**
 - 1.6.1 Lodges with no integral bar and restaurant. Lodges with adjacent public house, licensed restaurant or roadside restaurant. Aparthotels with a low service provision. Blocks of serviced apartments.

2 Basis of Valuation

- 2.1 The subjects covered by this practice note should be valued by application of the Comparative Principle.
- 2.2 The recommended approach to valuation is by application of a percentage to the hypothetical achievable turnover from accommodation. The percentage to apply will vary according to the income per DBU (double bed unit).
- 2.3 /...

- 2.3 A standard lodge bedroom will be treated as one DBU.
- 2.4 For aparthotels and serviced apartments the usual factors to be adopted will be, for a one bedroomed flat with lounge/kitchen 1.5 DBU and for a two bedroomed flat 2 DBU.
- 2.5 Where the room is non-standard, and the charge is different, adjust the DBU calculation in accordance with the table shown at paragraph 3.0.

2.6 Accommodation

- 2.6.1 It is recommended that the percentage to be applied to the accommodation element of the turnover is taken from the following table:

ACCOMMODATION INCOME per DBU (£)	% TO RATEABLE VALUE
£20,000 and over	17.5 - 18.5
£19,000 to £19,999	17.0 - 18.0
£18,000 to £18,999	16.5 - 17.5
£17,000 to £17,999	16.0 - 17.0
£16,000 to £16,999	15.5 - 16.5
£15,000 to £15,999	15.0 - 16.0
£14,000 to £14,999	14.0 - 15.0
£13,000 to £13,999	13.0 - 14.0
£11,000 to £12,999	12.0 - 13.0
£9,000 to £10,999	11.5 - 12.5
£7,000 to £8,999	11.0 - 12.0
£5,000 to £6,999	10.5 - 11.5
Under £5,000	10.0 - 11.0

2.7 Adjustments

- 2.7.1 Where the property is modern, purpose built or a good quality conversion the top of the range should be adopted. A lower figure in the range may be adopted where due to design constraints the operational running or maintenance costs are excessive.
- 2.7.2 The percentage from the above table should be enhanced by 2.5% for application to a basic unmanned operation.
- 2.7.3 Minimal other income such as sales from vending machines should not be valued separately; it should be included with the accommodation income.
- 2.7.4 /....

2.7.4 On the few occasions where there is a substantial income from meeting room facilities this income should be valued at 1% below the adopted accommodation percentage.

3 Double Bed Units (DBU)

3.1 Where the room is non-standard, and the charge is different, a double bed unit will be calculated on the following basis: -

ROOM	RF En Suite	RF Without facilities
a) Double or Twin	1.00	0.75
b) Single	0.70	0.45
c) Family	1.25	1.00
d) Suite - Standard	1.50	-
e) Suite - Superior	2.00	-

4 Valuation of Adjacent Buildings

4.1 Adjacent restaurant or public house deemed to be unum quid with the Lodge Hotel should be valued with reference to Commercial Properties Committee Practice Note 17 Valuation of Licensed Premises or Practice Note 8 Valuation of Freestanding Restaurants, whichever is appropriate and the values aggregated to arrive at the NAV of the lands and heritages.