

Appeal No. VA96/5/003

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

Ulster Bank Limited

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Bank at Map Ref: 2.3.4. (pt. of)(basement, ground floor, 1st floor), Townland: O'Connell Street Lower, Ward: North City 3, County Borough of Dublin
Quantum

B E F O R E

Fred Devlin - FRICS.ACI Arb.

Deputy Chairman

Brid Mimmagh - Solicitor

Member

Rita Tynan - Solicitor

Member

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 22ND DAY OF JULY, 1997

By Notice of Appeal dated the 23rd day of September 1996 the Appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £1,160 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."

This appeal proceeded by way of an oral hearing held in Dublin on the 30th day of May 1997. Mr. Desmond Killen, FRICS, FSCS, IRRV, a Fellow of the Society of Chartered Surveyors in the Republic of Ireland and a Director of Donal O'Buachalla & Company Limited appeared on behalf of the Appellant and Mr. Bernard Stewart, a District Valuer with 26 years experience in the Valuation Office appeared on behalf of the Respondent.

The Property:

The subject property comprises the ground floor, part first floor and basement of a four storey building, reconstructed in the traditional old style in or about 1923 and located on the east side of O'Connell Street Lower in that section between Eden Quay and Abbey Street.

It would appear from Mr. Stewart's uncontested evidence that in the first instance the bank premises were located in number 3 and 4 O'Connell Street and at a later date the adjoining property, number 2, was acquired and integrated into the original premises. In the early 1970's the building was given a new dressed stone facade up to first floor level, thus giving the property a more uniform appearance.

The ground floor accommodation contains the main banking hall together with offices and stores to the rear. Additional offices are located at first floor level and the basement contains the vault, cash rooms and stores.

Access to the banking hall is through an entrance lobby which also provides access to the main staircase leading to the office accommodation overhead. The lobby protrudes into the banking hall for approximately half its overall depth. It is agreed that the premises provide modern open plan banking facilities.

The accommodation is agreed as set out below.

| | | | |
|--------------|--------------|-------------|--------------|
| Ground Floor | Banking Hall | 239.6 sq.m. | 2,579 sq.ft. |
| | Offices | 58.1 sq.m. | 625 sq.ft. |
| First Floor | Offices | 128.9 sq.m. | 1,387 sq.ft. |

| | | | |
|----------|------------------|------------|------------|
| Basement | Vault | 30.9 sq.m. | 333 sq.ft. |
| | Cash room | 22.2 sq.m. | 239 sq.ft. |
| | Stores | 73.3 sq.m. | 789 sq.ft. |
| | Stationery store | 37.6 sq.m. | 405 sq.ft. |

Oral Hearing:

Prior to the oral hearing both Valuers forwarded to the Tribunal and exchanged their written précis of evidence and valuations which were adopted by them at the hearing as being their evidence in chief given under oath. In discussion prior to the oral hearing the Valuers agreed the area and valuation of each constituent element of the property with the exception of the main banking hall. Mr. Killen and Mr. Stewart's valuation are set out below.

Mr. Killen's Valuation

| | | | |
|--------------|------------------|-------------|--|
| Ground Floor | Banking Hall | 239.6 sq.m. | 2,579 sq.ft. @ £30.00 psf = £77,370 |
| | Offices | 58.1 sq.m. | 625 sq.ft. @ £20.00 psf = £12,500 |
| First Floor | Offices | 128.9 sq.m. | 1,387 sq.ft. @ £ 8.00 psf = £11,096 |
| Basement | Vault | 30.9 sq.m. | 333 sq.ft. @ £ 8.00 psf = £ 2,664 |
| | Cash Room | 22.2 sq.m. | 239 sq.ft. @ £ 5.00 psf = £ 1,195 |
| | Stores | 73.3 sq.m. | 789 sq.ft. @ £ 1.20 psf = £ 1,184 |
| | Stationery Store | 37.6 sq.m. | 405 sq.ft. @ £ 2.00 psf = £ <u>810</u> |
| | | | NAV <u>£107,619</u> |

£107,619 @ 0.63% = £678. Say £680.

Mr. Stewart's Valuation

| | | |
|--------------|------------------|--|
| Ground Floor | Rear Offices | 625 sq.ft. @ £20.00 psf = £ 12,500 |
| First Floor | Offices | 1,387 sq.ft. @ £ 8.00 psf = £ 11,096 |
| Basement | Vault | 333 sq.ft. @ £ 8.00 psf = £ 2,664 |
| | Cash room | 239 sq.ft. @ £ 5.00 psf = £ 1,195 |
| | Stores etc. | 789 sq.ft. @ £ 1.50 psf = £ 1,183 |
| | Stationery store | 405 sq.ft. @ £ 2.00 psf = £ <u>810</u> |
| | | (Agreed) = £ <u>29,448</u> |

Ground Floor Banking Hall 2,579 sq.ft. @ £60.00 psf = £154,740

NAV £184,188
RV £1,160.

Mr. Killen contended that since there is a paucity of evidence of open market rents for banks in city centre locations it is proper to have regard to the rateable valuations of other banks in the city centre which have been revised in recent times. Accordingly, therefore he had examined the rateable valuations of several banks in College Green and other city centre locations as set out in Appendix 1 attached to this judgment. On the basis of an analysis of this evidence he had come to the conclusion that an overall rate of £30 psf was appropriate for the banking hall in this instance and in applying this figure had arrived at his opinion of net annual value. However, at the oral hearing, Mr. Killen amended this figure to £36 psf having regard to the decision handed down by this Tribunal in relation to the Bank of Ireland premises at Tullamore (VA95/6/013). Accordingly, therefore he amended his original opinion of net annual value to £122,293 giving a rateable valuation of £770.

Mr. Killen further contended that it was not correct to value bank premises at the same level as adjoining premises in retail use.

Under examination by Mr. Stewart, Mr. Killen agreed that the A.I.B. bank premises at Capel Street was valued at £22.50 psf whilst the adjoining shops were valued £18 psf. Mr. Stewart suggested to him that this would seem to indicate that banks were valued 25% higher than retail premises in the immediate vicinity. Mr. Killen disagreed and said that on the contrary the A.I.B. bank had been valued by comparison with other banks in the city centre which in his opinion was correct and proper practice. Mr. Stewart indicated that similar differentials occurred in Grafton Street but Mr. Killen said he could not comment as he was not conversant with the facts put to him.

Mr. Stewart in supplementary oral evidence highlighted the physical characteristics of the subject property which he described as "making a statement". He described O'Connell Street as being a main arterial route with a heavy pedestrian flow and by virtue of this and its proximity to Henry Street would be particularly attractive to banks. Mr. Stewart contended

that in valuing banks in city centre locations it was proper to have regard to rents paid for adjoining premises in retail use and as far as O'Connell Street was concerned he was of the opinion that banks would pay 20% more than conventional shop occupiers.

In the course of his evidence, Mr. Stewart said that the outcome of this appeal was important in that a number of appeals in respect of other bank premises on O'Connell Street were under consideration by the Commissioner.

In support of his opinion of net annual value, Mr. Stewart introduced five comparisons all of which are located on O'Connell Street and all of which have been subject to recent revision. Mr. Stewart's comparisons are set out in Appendix 2 attached to this judgment.

Under cross-examination by Mr. Killen, Mr. Stewart expressed the view that the reason for the difference in the valuations between banks in College Green and O'Connell Street was due mainly to locational factors. College Green was an established office/bank location whereas O'Connell Street was primarily a retail location. In relation to his comparisons, Mr. Stewart agreed that two of them were occupied by building societies but contended that this type of use was akin to that of a bank. Mr. Stewart agreed that the subject could not be used as a shop without some major reconstruction.

In his closing submission, Mr. Killen contended that the rateable valuations of banks on O'Connell Street were out of line with that of banks in other city centre locations and were pitched at too high a level. He also suggested that some adjustment must be made for the intrusion of the lobby space into the main banking hall. Mr. Stewart, in closing said that no allowance was justified for the lobby and that his valuation was in accordance with the established tone for banks on O'Connell Street.

Determination:

As a matter of law this hereditament is to be valued as being vacant and to let in its existing physical state at the relevant date. It is common case that the subject has been occupied as a bank since it was reconstructed in or about 1923 and that it could not be used for retail

purposes without substantial reconstruction. Hence it follows that the hereditament is to be valued in its actual physical state for its actual use or some other use of a similar nature.

In *IMI v. Commissioner of Valuation*, Mr. Justice Barron made the following observation:

- "... what must be considered are valuations which
- (a) are comparable
 - (b) relate to tenements or hereditaments of similar function
 - (c) have been made or revised within a recent period...."

Using the above criteria, it is clear that the evidence in relation to other bank premises where valuations have recently been revised must be considered highly relevant and greater weight must be attached to those in close proximity to the subject property. Accordingly, therefore the Tribunal considers the evidence in relation to number 1 O'Connell Street and 12/13 O'Connell Street to be particularly relevant and the fact that both valuations were agreed at first appeal stage adds further weight.

Number 12/13 O'Connell Street is an imposing building in the traditional style occupying a prominent corner location much favoured by financial institutions. It has a frontage of 38 ft. to O'Connell Street and a return frontage of 85 ft. to Abbey Street Lower. The ground floor banking hall has a total area of 2,983 sq.ft. which is slightly larger than the subject and has been valued at two different square foot rates, giving an overall average rate of £50.52 psf.

Number 1 O'Connell Street also occupies a corner location and is occupied by the Irish Nationwide Building Society. The ground floor area of 648 sq.ft. is approximately a quarter of the area of the subject property and is valued at £69 psf which presumably reflects its corner location and size.

Having regard to Mr. Justice Barron's observations, the Tribunal attaches lesser weight to Mr. Killen's comparisons (none of which are located in O'Connell Street) than to Mr. Stewart's

comparisons. The Tribunal also considers that as a matter of principle the valuation of bank premises must bear some relationship to other properties in the immediate area.

This appeal raises an issue of some importance regarding the valuation of bank premises in city centre locations which are predominantly given over to retail and other associated uses. The Tribunal notes Mr. Stewart's statement to the effect that the banks would pay 20% more for premises on O'Connell Street than conventional retailers and indeed this premise would seem to be borne out by his comparisons, several of which have been agreed at various stages in the annual revision process. To that extent a tone has been established for bank premises and those of a similar mode or category on O'Connell Street. No evidence other than Mr. Stewart's expert opinion was submitted to show how the differential between premises in banking and retail use has emerged. Nonetheless the Tribunal accepts that there are occasions where if a property was available to let it would be reasonable to expect offers from a special category of tenants, desirous of obtaining the premises for the purpose of carrying on a business.

Having carefully considered all the evidence in this appeal, the Tribunal considers the valuation of 12/13 O'Connell Street to be the most relevant in that it is of a somewhat similar size and use to the subject property. Whilst the subject has almost double the street frontage it does not have the benefit of a corner location and return frontage and the advantages that flow therefrom. The Tribunal notes that the overall rate applied to the accommodation at ground floor level in number 12/13 O'Connell Street is £50 psf as against £60 psf in the subject. Making the best judgment it can of the respective merits of these two properties the Tribunal has come to its conclusion that the square foot rate applied to the subject is somewhat on the high side. The Tribunal also notes that £44 psf has been applied to the adjoining premises in retail use i.e. Hamilton Long's Chemist and Mr. Stewart's opinion that banks would pay a premium of 20%.

In relation to this particular property the Tribunal finds merit in Mr. Killen's argument that some allowance should be made for the intrusion of the lobby into the banking hall area.

Having regard to all the arguments and evidence adduced at this appeal the Tribunal determines the net annual value of the subject premises to be £158,000, giving a rateable valuation of £995 as set out below.

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|----------------------------|---------------------------|-----------------|
| Ground Floor Banking Hall | 2,579 sq.ft. @ £52.50 psf | £135,398 |
| Less 5% for lobby | | £128,628 |
| Add for agreed areas | | <u>£ 29,448</u> |
| Net annual value | | <u>£158,075</u> |
| Rateable valuation @ 0.63% | | £ 995 |