

Appeal No. VA00/2/045

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

Irish Dunlop Company Ltd.

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Warehouse/Warerooms at Lot No. 9A/16 Townland: Tallaght, E.D. Tallaght Tymon,
Tallaght East Co. Dublin

Quantum - Comparisons of appellant not appropriate

B E F O R E

Barry Smyth - FSCS.FRICS

Deputy Chairman

Tim Cotter - Valuer

Member

Michael Coghlan - Solicitor

Member

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 22ND DAY OF JANUARY, 2001

By Notice of Appeal dated the 2nd day of July, 2000, the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £540 on the above described hereditament.

The grounds of appeal as set out in the said Notice of Appeal are that "the valuation is excessive, equitable and bad in law"

The appeal proceeded by way of an oral hearing, which took place on the 22nd December 2000 at the Tribunal Offices, Ormond Quay, Dublin.

The appellant was represented by Mr. Alan McMillan ARICS ASCS MIAVI, a director of GVA Donal O’Buachalla, Rating Consultants. The Respondent was represented by Mr. Des Doyle ARICS ASCS, an appeal valuer with the Valuation Office.

Having taken the oath, each valuer adopted as his evidence in chief, his written submission which had previously been exchanged with the other valuer and submitted to the Tribunal.

Material facts agreed or found by the Tribunal

Situation

The property is located in the Hibernian Industrial Estate off Greenhills Road in Tallaght, Co. Dublin.

The Property

The property comprises a detached warehouse and ancillary office building constructed in 1997.

Accommodation

Warehouse	1,819 sq.m. (19,580 sq.ft.)
Head room	8.5m (28 ft)
Two storey Offices	345.6 m2 (3720 sq.ft.)

Valuation History

The property was valued in the 1998/4 revision at £540. This was appealed and the 1998/04 First appeal was issued unchanged. The matter was then appealed to this Tribunal.

Title

The premises are held on lease for a term of 25 years from the 1st January 1998 on a full repairing and insuring basis at a commencing rent of £130,000 per annum. The rent reviews are at five-yearly intervals.

The Appellant's Case

Mr. McMillan in his evidence stated that the rateable valuation should derive from an estimate of the NAV of the property as at November 1988 reduced by the agreed factor of 0.63%. The existing rateable valuation of £540 devalues at £38 per sq.m. (£3.50 per sq.ft.) on the warehouse area and £48 per sq.m. (£4.50 per sq.ft.) on the office area which rental levels well exceed contemporary 1988 values which were £20 to £25 per sq.m. (£2.00-£2.30 per sq.ft.) on warehouse areas and £36 per sq.m. (£3.35 per sq.ft.) for ancillary office accommodation).

He said that an enhancement on the above figures was appropriate in view of the extra headroom in the subject premises compared with standard 1988 type accommodation.

The average of the Jones Lang LaSalle, Lisney and the IPD industrial indices show growth of approximately 92% for the period of November 1988 to January 1998 he said.

Mr. McMillan calculated the NAV on two bases and took the average of the figure as follows:-

Method 1

Warehouse	1,819 sq.m. @ £30 per sq.m. (£2.79/sq.ft)
Offices	343 sq.m. @ £44 per sq.m (£4.09/sq.ft)
NAV	£69,662

Method 2

Indexation – Growth from November 1988 to January 1998 = 92%

Applying this to the rent passing of £130,000 equates to an NAV of £67,700.

The average of these NAV's is £68,680 and applying a fraction of .63% gives an RV of £432.

He provided comparisons of three units leased by Hibernian Insurance to Irish Biscuits at units 1, 2 and 3 Airtion Road, Tallaght. These were reviewed in May 1988 and he analysed the rents as follows:-

Unit 1

Warehouse 3,717.5 sq.m @ £23.14 per sq.m. (£2.15 per sq.ft.)

Offices 225 sq.m. @ £23.14 per sq.m. (£2.15 per sq.ft.)

Unit 2

Warehouse 2,554.8 sq.m. @ £24.22 per sq.m. (£2.25 per sq.ft.)

Unit 3

Warehouse 3,832.4 sq.m. @ £23.14 per sq.m. (£2.15 per sq.ft.)

He noted that these were further reviewed in May 2000 and the increases were approximately 130%.

Further comparisons were Unit 11 Hibernian Industrial Estate let in November 1986 at £22,000 per annum analysed at

Warehouse 1,040.5 sq.m. @ £19.22 per sq.m. (£1.95 per sq.ft.)

And Unit 13 let on 1st February 1987 at £25,000 per annum analysed at

Warehouse 1,040.5 sq.m. @ £24.03 per sq.m. (£2.23 per sq.ft.)

In cross-examination Mr. McMillan stated that he had not used modern rateable valuations as comparisons as in his view the NAV's as established did not represent market rents. He accepted that he had agreed some modern warehouses in this area with the Valuation Office but

not many and he had not done so on the tone of the list basis. He accepted that the Airton Road comparisons were late 1970's buildings and the other Hibernian Industrial Estate buildings dated from the late 1980's. He stated that group of Irish Biscuits buildings although extending to 109,000 sq.ft. in total, was in three separate lettings and was dealt with on review on that basis. The buildings had insulated corrugated asbestos roofs and were used for the storage of food products.

He accepted that there was no offices in either of the Hibernian Estate comparisons. He explained his adjustment of 20-25% enhancement in the rent from a standard unit to that of the subject to allow for the better construction and increased headroom. In relation to questions on the indices and indexation he felt it was safer to use contemporary rents. He accepted that there would be some differential in rental value between a 1990's building and a 1980's building.

The Respondent's Case

Mr. Doyle in his evidence stated the parties were agreed on the physical details of the premises and its location and the only difference was in the method of valuation. He had adopted a tone of the list based on three comparisons.

- 1 Profile System Ltd. R.V. £500 1998/04 First Appeal
New warehouse with 24ft. eaves located in Parkway Business Centre.
Tenure: 35 years with 5 year reviews from 6/96
Rent £114,000 (£6 per sq.ft.)
NAV at 11/88
Offices 3,749 sq.ft. @ £4.50 = £16,870
Warehouse 17,640 sq.ft. @ £3.50 = £61,340
£75,510
RV @ 0.63% = £495 Say £500

- 2 Beverly Smyth R.V. £745 Agreed 1998/04 First Appeal with
GVA Donal O' Buachalla.
New warehouse with 30 ft eaves situated just off the Belgard Road

Tenure: Freehold.

NAV at 11/88

Offices 4,055 sq.ft. @ £4.50 = £18,247

Warehouse 28,430 sq.ft. @ £3.50 = £99,505

£117,752

RV @ 0.63% = £741.83 Say £745.

- 3 Armitage Shanks RV £660 agreed 1997/04 First Appeal
Good quality warehouse with 26ft eaves
Tenure: 30 year leases with 5 year review from 8/97
Rent £161,000 (£5.93 sq.ft.)
NAV at 11/88
Offices/showrooms 6,814 sq.ft. @ £4.50 = £30,663
Warehouse 20,295 sq.ft. @ £3.50 = £71,033
Concrete yard 20,298 sq.ft. @ 20p = £4,000
£105,696
RV @ 0.63% = £660

Mr. Doyle estimated the NAV as follows:

Warehouse	19,580 sq.ft. @ £3.50 per sq.ft.	= £68,530
Offices	3,720 sq.ft. @ £4.50 per sq.ft.	= £16,740
Total		= £85,270

Applying a fraction of 0.63% give it £537.20 say £540

Under cross-examination, Mr. Doyle accepted that what the parties were endeavouring to establish was the NAV i.e. what the building would let for in 1988. He accepted that he had not provided any 1988 rent but stated that such rents would be for a different generation of building than the subject premises. He had arrived at the 1988 NAV on the basis of the tone of the list. His view was that the appropriate deduction from the passing 1998 rent to reflect 1988 was

approximately 40% although his estimate of NAV is a 50% reduction on the passing rent. He accepted the facts of the lettings in the appellant's comparisons and argued that they were of inferior premises. In relation to his own comparisons, he accepted that Profiles Systems Building was beside the M50 although with no direct access and that the Armitage Shanks Premises was a better quality building in a better location, self contained and not on an industrial estate. The Beverly Smith comparison has 28m clear floor span as opposed to 21m in the subject premises. He generally valued modern warehouses at £3.50 and £4.50 as they are all similar.

Closing Submissions

In summing up, Mr. McMillan suggested that the Commissioner was slavishly following figures of £3.50 and £4.50 for which no justification had been adduced in evidence in this case. He submitted that the Tribunal cannot ignore the rental comparisons adjusted for age, construction and height etc. No 1988 rental evidence even adjusted to reflect the better quality of the subject premises gives figures of £3.50 and £4.50.

Mr. Doyle in summing up said he had valued on the basis of the tone of the list which had been established for ten years or more. Similar type properties are valued at £3.50 and £4.50. He noted that his comparison number 2 had been agreed with GVA Donal O'Buachalla and Company. Mr. McMillan's evidence was based on older properties built in the 1970's and 1980's.

Determination

As noted by the parties themselves, the only difference between them is the appropriate rate pm^2 to apply to the premises to determine the N.A.V. This can be done either by adjusting a passing rent back to 1988 or applying rental evidence from 1988 appropriately adjusted to the subject premises while at the same time being conscience of the tone of the list established for industrial property.

In our view, the rental comparisons put forward by Mr. McMillan are for premises considerably inferior to the subject and this became clear when he produced photographs of these comparisons which had not been included in his precis. The comparisons produced by the respondent appear to be superior premises to the subject although not as significantly different from the subject premises as the appellant's comparisons.

The subject property is effectively a new building and is therefore not directly comparable with buildings constructed in 1988 or earlier and in cross examination, Mr. McMillan did concede that there would be some differential in rental values. The various indices each contain a basket of properties and no details of these properties has been provided. The indices therefore must be treated with caution and not slavishly followed.

The Tribunal determines the Rateable Valuation of these premises as follows:

Warehouse	1,819 m ² @ £35 per m ² (£3.25 per sq.ft.) = £63,665
Offices	345.6 m ² @ £45.75 per m ² (£4.25 per sq.ft.) = £15,811
Total	= £79,476
NAV	= £80,000 @ .63% = £504
RV	= £500

And the Tribunal so determines.

Parties appearing before the Tribunal are asked to note that the precis of evidence, which must be exchanged and submitted to the Tribunal in advance of the hearing, should be complete in every aspect including photographs of the subject premises and comparisons so that the members of the tribunal can be as fully informed as is possible prior to the hearing.

