

Appeal No. VA91/4/029

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

Peter Mark

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Shop at Lot No. 87/101 Unit 10, Merrion Centre, Merrion Road, Pembroke East Ward,
County Borough of Dublin
Quantum - Unit in Merrion S.C.

B E F O R E

Padraig Connellan

Solicitor (Acting Chairman)

Brian O'Farrell

Valuer

Veronica Gates

Barrister

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 4TH DAY OF SEPTEMBER, 1992

By notice of appeal dated 17th day of December, 1991, the appellants appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £70 on the above described hereditament.

The grounds of appeal as set out in the Notice of Appeal are that the valuation is excessive in view of open market rental value and in comparison with similar properties valued by the Commissioner of Valuation in recent years. In addition the link between service charges and the Rateable Valuation affects the Net Annual Value of the property.

The Property

The property, Unit 10 of the Merrion Shopping Centre and rated as Lot No. 4a by the Commissioner of Valuation consists of a 330 square foot unit used as portion of a hairdressing salon. It is an extension to the Appellant's hairdressing salon which was built in the first phase of the development. Merrion Shopping Centre is located at the junction of Nutley Lane and Merrion Road with frontage onto both. It is across the road from St. Vincents Hospital. Stage one of the development was built as a supermarket and seven units, in 1987, all of which were purchased. Stage two was developed in 1989/90, consisting of an extension to the shopping mall on the ground floor and two 4- storey office blocks over. The subject property is one of the units built in the second phase. The anchor tenant in the centre is Quinnsworth. The unit is held on 35/5 FRI lease at £13,000 per annum from 1st April, 1990. The lease provides for the payment by lessee of a proportion of the service charge equal to that which the R.V. of the unit compared to the total R.V. of all the Merrion retail units.

Valuation History

The Rateable valuation was initially assessed at £75 in November, 1990 but the Commissioner on appeal reduced this to £70 in December, 1991.

Written Submissions

A written submission dated the 21st February, 1992 was received from Mr. Patrick Gannon for O'Kennedy & Company, Valuations & Rating Consultants on behalf of the Appellant. In this submission Mr. Gannon outlined the description of the property and the valuation history. He said the main services laid on are water, electricity and telephone. Mr. Gannon outlined the current rental levels at the Merrion Centre and said that the second phase retail units were first put on the market for letting towards the end of 1989. He said that demand for retail units was relatively keen and the asking rent was pitched at £40 per square foot. He said that 9 of the 23 units were taken up at the asking rent and that 3 of these units (units 7/8, 9 & 10) were in a

special situation in that they were units which were back to back with units developed in phase 1. He said that these 3 units were taken up by the owners of the first phase units and that they had extended their existing premises into the new units. He said that of the remaining six lessees who took up leases at the asking rent, two have since surrendered their leases. Mr. Gannon said that one of these two units, Unit 24 has recently been re-let at a rental of £25 per square foot and that the other was still vacant. He said that at present there are a total of 5 of the 23 second phase units still vacant and unlet. Mr. Gannon said that it was clear from the pattern that taking one year with another, the initial asking rent was pitched at too high level. He said that the Merrion Centre was located in an affluent part of the city but the area is not densely populated. He said that retail demand is already adequately catered for by shopping centres in the city, at Blackrock and at Stillorgan. Mr. Gannon said that there was relatively little pedestrian traffic in the vicinity of the Merrion Centre and that the centre is too small to attract peripheral suburban shoppers in the same way as larger complexes at Blackrock and Stillorgan do. Mr. Gannon said a factor that was causing deep concern to the Appellant was the high level of service charge cost. He said that normally these costs are based on a square footage basis but that in the Merrion Centre the lease provides that the service charge be apportioned in proportion to the Rateable Valuation on the units at the centre. Mr. Gannon said that the leases were drawn up at a time when the Rateable Valuations were still based mainly on the square metre comparative method and that on this basis the differential per square foot between the Rateable Valuation on the anchor tenants unit and those of the smaller tenants was not significant and that an apportionment of service charges in proportion to the R.V.'s on the units was consequently relatively equitable. He said that more recently with greater emphasis on Net Annual Value as the basis for Rateable Valuation there has been a widening of the differential per square foot in the Rateable Valuation on the anchor tenant unit as against the Rateable Valuation on the smaller units. He said that a consequence of this was a greatly increased service charge on the tenants for the smaller units and a corresponding relief in the proportion borne by the anchor tenant. Mr. Gannon said that on a square footage basis the service charge would have averaged about £4 per square foot on all

tenants including the anchor tenant while under the Rateable Valuation as determined by the Net Annual Value the actual cost to the smaller tenants is closer to £8 per square foot while the actual cost for the anchor tenant is less than £2 per square foot. The service charges in other centres are, Rathfarnham - nil, Nutgrove and Stillorgan - £4 and Blackrock - less than £5. Mr. Gannon then commented on the Commissioner's estimate of Net Annual Value at the Merrion Centre and made a comparison with the Rateable Valuation's on standard units at other shopping centres. Mr. Gannon then set out his calculation of the Rateable Valuation of the subject premises as follows:

Valuations:

Actual Rent	£13,200
Current fair Market Rent	
330 sq.ft. @ £33 per sq.ft.	£10,890
Adjustment to November 1988 levels as allowed by the Commissioner at Rathfarnham (16%), Nutgrove (22%), Stillorgan (15%) Blackrock (24%)	
Average (19%)	<u>£ 2,069</u>
	£ 8,821
Allow for higher rate of Service Charge at Merrion Centre	
330 sq.ft. @ £4.00	£ 1,320
N.A.V.	£ 7,501
R.V. at .63% £47.00	
OR	

330 sq.ft. @ 14.5p per sq.ft.

(taking into account the high rate of
Service Charge)

Say £47.00

A written submission was received on the 26th February, 1992 from Mr. Terence Dineen B.Agr.Sc, a District Valuer with seventeen years experience in the Valuation Office on behalf of the Respondent. In this Mr. Dineen again outlined the property and commented on the valuation history. In relation to the first appeals Mr. Dineen said factors that had an impact on the first appeal were an allowance for the Rates Impact Factor and for the time adjustment. He said that, because the impact of the Rateable Valuation on the service charge was not appreciated at that time, only passing reference was made to it. With regard to the service charge Mr. Dineen said that from the tenant's point of view, if he had known the service charge was going to be at the level of, say £8 per square foot when negotiating his rent he would have negotiated a lower rent. He said that the tenant could have taken a view from the evidence of Rateable Valuations of stage one of the development before they were revised upwards of what his service charge might be and that these might have been considerably lower. Mr. Dineen said that it is not unfair to speculate that the tenants did service charges calculations based on the old valuations. However, he said the .63% fraction had been operative since October 1989 and this would have been well known amongst rating valuers in the private sector from then on. He said that a diligent consideration of the relevant term of the lease could have set off "alarm bells". Mr. Dineen said that the Rateable Valuations on the hereditaments in the Merrion Centre were fixed as fairly as possible by the Commissioner on the best evidence available at the time, primarily that of passing rents.

Oral Hearing:

The oral hearing took place on the 28th February, 1992 at which Mr. Patrick Gannon acting on behalf of Mr. Eamonn O'Kennedy represented the appellant and Mr. Terence Dineen represented the respondent. The main grounds put forward by Mr. Gannon are as follows:

- (a) That the rent agreed and in operation at the appropriate date was excessive and did not reflect the true value of the hereditament given the subsequent poor performance of the Shopping Centre, and,
- (b) The fact that the service charge fee which is linked to the rateable valuation of the hereditaments had led to a revaluation of the entire premises due to a totally disproportionate level of service charge being paid on the subject property.

Mr. Gannon said that because of these factors the appropriate rateable valuation for the subject property should be £47.

Mr. Dineen strongly contended that while the performance of the Shopping Centre did not live up to the high standard expected of it, the rent nevertheless was entered into voluntarily and that the possible future problems of linking the service charge with the rateable valuation of the unit could have been foreseen by an astute valuer at that time.

Findings

The Tribunal accepts that the Centre did not perform as expected at the time that the rents were agreed. It realises that the valuer at the time could not have been expected to anticipate the performance but the Tribunal itself has the benefit of hindsight and must use this hindsight to reach its conclusion. While the Tribunal has sympathy with the tenants for the severe impact which the revision of the total Centre including the anchor tenants premises has had on the service charge, it is loath to make any allowances for an impact that an increase in rateable

valuation may have on other aspects of a tenancy. Taking into consideration the written submissions and the oral evidence and the above considerations the Tribunal has decided that an appropriate rateable valuation on the subject premises is £61.00.