Appeal No. VA92/2/052

AN BINSE LUACHÁLA

VALUATION TRIBUNAL

AN tACHT LUACHÁLA, 1988

VALUATION ACT, 1988

Molloy Brothers Limited **APPELLANT**

and

Commissioner of Valuation **RESPONDENT**

RE: Licensed shop bakery, stores and Yard at Lot No. 15.16., Townland of Adrnamagh (part of), Roscommon Urban, Co. Roscommon
Quantum

B E F O R E

Henry Abbott	**S.C. Chairman**
Paul Butler	**Solicitor**
Joe Carey	**P.C. M.I.A.V.I.**

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 9TH DAY OF SEPTEMBER, 1992

By notice of appeal dated the 27th day of March, 1992, the appellants appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation on the above described hereditament of £200.

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

The Property:

The property consists of a supermarket with a bakery in buildings at the rear. The property was originally a public house with a separate grocery. The two parts were converted into a supermarket and the bar was discontinued around 1965, but the license retained in respect of off-license sales in the shop. The main front building is 3-storey of masonary walls and slated roof. Return buildings mainly comprise former stabling and stores which have been renovated in recent times for use as food preparation areas and stores. The bakery and food preparation area and the stores are also used to service the Appellant's other supermarket on Abbey Street. The buildings are mainly between 50 and 100 years old. A small area of rear yard is tarmac surfaced for use as a carpark.

Valuation History:

The valuation on the property stood at £65 for a number of years prior to 1990. It was increased to £150 on 1990/3 Revision. The valuation was further increased from £150 to £200 on 1st Appeal. It is against this valuation that the appeal now lies with the Tribunal

Written Submissions:

A written submission was received on the 1st September, 1992 from Mr. Patrick J. Nerney, Rateable Valuation Consultant, Valuer and Auctioneer, of on behalf of the Appellant. In this submission Mr. Nerney stated that the premises comprised a self-service general grocery shop and a small bakery in buildings at rear. He stated that expenditure on improvements in recent years was in the region of £25,000. The work involved was more in the nature of deferred maintenance than improvements. Mr. Nerney stated that he was not informed of the reason for the increase in rateable valuation on 1st Appeal. In his view the increase resulted from an application of the .63% R.V./N.A.V. relationship which the Commissioner has adopted in the very recent past and prior to that a ratio of .5% was applied. Alternatively, he suggested that the increase on appeal in this case may have resulted from the Commissioner increasing the N.A.V. adopted by the revising valuer and applying .5% to that.

Evidence as to turnover was produced, as a result of an application by the Commissioner in this case, for the years 1989, 1990 and 1991 broken down between the Main Street shop, the bakery and the Abbey Street shop. Mr. Nerney included in his submission an estimate of Net Annual Value and rateable valuation as follows:-

Net Annual Value		£
Shop	3153 sft. @ £3.50	11,036
Bakery	2000 sft. @ £1.00	2,000
Food preparation area	963 sft. @ £1.25	1,204
Stores - Ground Floor	3000 sft. @ £1.00	3,000
Storage lofts -		
Return Buildings	5000 sft. @ £0.40	2,000
Storage loftt - 1st Floor front building	1500 sft. @ £0.25	375
2nd Floor front building	1500 sft. no value	
		19,650
Net Annual Value (including for small yard and ovens)	say	20,000

<u>R.V.</u>

Net Annual Value £20,000 @ 0.4% = £80

Mr. Nerney suggested a number of reasons for arriving at his proposed N.A.V. and therefore R.V.. In particular he said that there is an over abundance of supermarkets and grocery shops in the town. There has been no growth in recent years but rather a decline whilst at the same time the amount of shopping space has increased. Filling stations on the fringes of the town almost without exception incorporate shops. The net effect is that there is increased competition for a static or declining volume of trade. In the circumstances the more modern premises which are strategically located or offering better value are likely to capture the greater share of the available market. In conclusion he suggested that to maintain uniformity of valuation R.V./N.A.V ratio of .4% applied to current rents would be more apropriate than the 0.3% which obtained previously or the 0.63% currently being applied by the Commissioner.

Mr. Nerney attached a number of comparisons of recently revised premises:-

1) 27.28/1 Main Street, shop unit c.400 sq.ft., R.V. £42.
2) 27.28/2 Main Street, shop unit similar to 1, R.V. £42.
3) 7B/1 Main Street, R.V. £45.
4) 21.22/3 Main Street, shop unit - 550 sq.ft., R.V. £30.
5) 33.34/2 Abbey Street, shop unit - 280 sq.ft., R.V. £22.
6) 9 Main Street, Drapery/fashion shop, estimated shop area in excess of 5,000 sq.ft. R.V. £100 - 1984.
7) 16.17.18/5 Castle Street, supermarket and store, c.6,400 sq.ft., R.V. £90
8) Lot 45Ac Abbey Street, shop and stores adjoining Molloys in Abbey Street, R.V. £135 in the 1992/3 Revision. Shop includes off-licence.

A written submission was also received from Mr. Christopher Hicks, Valuer with the Valuation Office on the 14th August, 1992. In this written submission Mr. Hicks outlined details of the property and stated that the site has a total area of 23,000 sq.ft. all of which is covered by buildings or tarmac and a frontage to Main Street of 60 feet. He set out details of the calculations of the rateable valuation as follows:-

Shop, office, cold rooms:	3153ft² @ £5 =	£15,765

1st floor stores:	3000ft²	
Bakery:	2000ft²	
Food preparation area:	963ft²	
	5963ft² @ £1.50 =	£ 8,945
General stores	8000ft² @ 75p =	£ 6,000
Estimated cost of ovens £10,000 @ 6.5% =		£ 650
Yard with narrow entrance worth say		£ 500
N.A.V.		= £31,860
@ .63%		= R.V. £200

OR

Capital value	say £380,000
9% return	N.A.V. £34,000
	@ .63% = R.V. £214

The capital value £380,000 is calculated as double the value of number 17 (adjoining) which sold as a derelict state for £190,000 in October 1991. This building has since been demolished and rebuilt.

In his written submission Mr. Hicks offered the following comparisons:-

D.H. Burke, Castle Street,

Shop	5294ft² @ £2.50 =	£13,235
Stores	1098ft² @ £1.25 =	£ 1,372
	£14,600 @ .63% =	£91.98

R.V. £90 agreed 1989 1st Appeal.

The agreement in this case was based on an estimated rent of £3.00 per ft² and R.V./N.A.V. ratio = .5%.

However it is shown here devalued at .63% ratio.

In relation to the above Mr. Hicks stated that this part of Castle Street is located well away from the Main retail area of the town. The supermarket itself is set back 60 yards from the street behind other buildings and is virtually out of sight of passing traffic. There is an adjoining public carpark which is used by customers but there is no direct access into the supermarket from this carpark.

Comparison A:

Scotts bakery on Main Street four doors from Molloy's let on a 2 year 9 month lease from August 1990 at £5,200 per annum for 283ft² ie. £18.37 per ft².

Valued on 1991 Revision as follows:-

283 ft² £14ft² = N.A.V. £4,000 @ .63% = R.V. £25.

Comparison B:

This is a 688/ft² shop unit adjoining Burkes supermarket. It first came on the market in 1990 at an asking rent of £100 per week (£7.56/ft²). It has since failed to let and is currently (August 1992) on offer at £80 per week (6.05/ft²).

The R.V. £20 fixed at 1989 first appeal devalues as follows:

688ft² @ £4.61 = N.A.V. £3,200 @ .63% = R.V. £20.00.

A map is also attached as Appendix "A" indicating the location of the comparisons relative to the subject property.

Oral Hearing:

The oral hearing herein took place in Galway on the 8th of September, 1992. Mr. Patrick J. Nerney appeared for the Appellant and Mr. Christopher Hicks appeared for the Respondent. A short time prior to the hearing Mr. Hicks submitted an analysis of rateable valuations in the

County of Roscommon and this is annexed hereto as Appendix "B". The list is a comprehensive one from the 1988 1st Appeals stage. Mr. Nerney took issue with the general proposition of Mr. Hicks that the appropriate R.V./N.A.V. ratio was 0.63% for the County of Roscommon. He also took issue with the fact that not all of the N.A.V. figures set out were based on actual passing rents and alleged they were predominantly estimated. He instanced the estimated N.A.V. for the Spring Grove premises on page 5 of the analysis as having been estimated at £2,000 whereas a short few months later the actual rent achieved by him in respect of the premises was £3,220. Mr. Nerney also submitted an analysis of the effect on rates liability of occupiers of premises in Roscommon resulting from the application of R.V./N.A.V. ratio of 0.63% by comparison with neighbouring counties where the 0.5% applies in respect of the counties Westmeath, Offaly, Galway, Sligo, Leitrim, Longford, Mayo and Roscommoon. This analysis is annexed as Appendix 2 hereof. The results of Mr. Nerney's survey on the effects of rates liability does indicate in dramatic fashion that liability in Roscommon is highest of the group by reason of the application of the 0.63% ratio when in fact it would be in the middle range if the ratio of 0.5% were applied.

While the Tribunal has never undertaken to find a precise ratio of R.V./N.A.V., and while uniformity of any theoretical ratio between county and county is not absolutely necessary for the proper implementation of the rating code, the Tribunal does consider that the postulation of a higher ratio of 0.63% for Roscommon amidst other counties estimated at 0.5% carries with it risks and anomalies which might be best avoided by seeking as much as possible to have uniformity within this group of counties. This is especially so having regard to the small rateable base in County Roscommon and the diversification of small urban centres constituting this base. Mr. Hicks relied in the oral hearing on the comparison of D.H. Burke premises by saying that generally D.H. Burke premises had substantially less turnover and was in an inferior position. He conceded that the subject had less car parking than Burke's but indicated that Burke's did not have the advantage of the schools or the Main Street location. He stated that the number of premises for rental around Burke's indicated that there was no buoyancy in the rental market in that area. He used the Scotts Bakery comparison to indicate the gulf between the Main Street & locations four doors down from Molloy's, the unit adjoining Burke's which was on offer at substantially smaller rent.

Mr. Nerney and his witness Mr. Molloy countered that the car parking around the subject was not good, and that the construction of carparks and the drift of customers away from the subject through the availability of better car parking space, meant that the N.A.V. of the subject was in decline. Mr. Nerney emphasised the antiquated structure of the subject premises, and the fact that its size was between the shop and the supermarket, and did not serve either role fully. There was considerable difference between Mr. Hicks and the Appellants in relation to the general buoyancy of trade in Roscommon town, with Mr. Hicks alleging that the retail survey recently published indicated that Roscommon had been doing quite well, relative to towns of its size. Mr. Hicks instanced the recent sale of a nearby premises for £190,000, to be followed by demolition and rebuilding as indicative of a certain buoyancy. Mr. Molloy said that most of his customers were farmers, and that farming had taken a knock over the last few years resulting in his farmer customers having less purchasing power. He also instanced the closing down of the stainless steel factory as a factor giving rise to less activity in the town.

While the Tribunal is of the view that Roscommon town had shown a certain resilience in the face of economic adversity, it does find that the subject premises probably has not been able to stay ahead of the competition in the town, by reason of the greater importance of car parking. The Tribunal is prepared to accept too that although farming may have been assisted in the area with reasonably generous headage payments, the overall disposable income from the farming sector available for expenditure in the subject premises would have decreased in real terms in recent years. The recent trading figures disclosed by the Appellants would tend to reinforce this view.

Having regard to the foregoing and having regard to the comparisons offered and all the circumstances of the case the Tribunal finds that an appropriate rateable valuation for the subject premises is £175.