

Appeal No. VA92/6/006

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

Horgans Delicatessan

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Factory at Lot No: 8M, Townland: Knocknamuck, E.D. Mitchelstown, Co. Cork
Quantum - Capital cost or comparative method of Valuation

B E F O R E

Henry Abbott

S.C. Chairman

Joe Carey

P.C. M.I.A.V.I.

Paddy Farry

Solicitor

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 16TH DAY OF JUNE, 1993

By Notice of Appeal dated 19th day of October, 1992 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £150 on the above described hereditament.

The grounds of appeal are that:-

- (1) The rental value in rural locations is very low.
- (2) The extension to the existing premises is a specialised refrigerated area.
- (3) The cost of the extension bears no relation to the value.

The Property:

The property comprises a modern purpose built single storey factory unit on a site of approximately 1½ acres with a concrete post and wire boundary fence and gravelled surround. The factory is constructed of steel portal frame, metal purlins, concrete block walls with an 8 foot high red facing brick to the office area and insulated metal deck cladding to the main walls and roof. The windows in the office area and new first floor areas and new extension are PVC. Internally the office area has concrete floors, plastered and painted walls and ceilings and a mixture of fluorescent lighting throughout. The factory areas have concrete floors and the original building was subdivided with a specialised cold room, insulated partitions and ceilings. The factory was extended in 1989 on the east side and is of similar construction but has been subdivided into smaller areas by concrete block and plastered walls to provide cold rooms, cutting, packing, assembly and training area together with new canteen, laboratory and separate male and female toilets.

The accommodation comprises:-

Gross external area - Original Factory: 6,500 sq.ft.

New extension: 3,444 sq.ft.

Total Gross Area: 10,004 sq.ft.

Ground Floor Office: 694 sq.ft.

First Floor Office and Stores: 918 sq.ft

1,612 sq.ft.

GROSS FACTORY AREA: 8,392 sq.ft.

MAIN SERVICES

Mains water, three phase power and telephone are available and connected to the property

Tenure:

The property is held in fee simple.

Valuation History:

The original factory was revised in 1988 at a rateable valuation of £85 and this valuation was not appealed. A new extension to the factory was valued in 1991 giving a total valuation of £150. At First Appeal no change was made to this valuation.

Written Submissions:

A written submission was received on the 31st May, 1993 from Mr. Roger Flack of Hamilton Osborne King, 11 South Mall, Cork, on behalf of the appellant. In the written submission Mr. Flack set out details of the property, its accommodation and tenure.

In relation to rateable valuation of the subject hereditament Mr. Flack said that the main contention of the appellants is that the construction cost to the factory bears no relationship to its capital value or rental value. Essentially the cost of building the factory on an industrial estate in Dublin or Cork or three miles outside Mitchelstown in a rural environment is not substantially different other than the site cost. However, should the factory be offered for sale or rental on the public market there is obviously a substantially greater level of demand on an industrial estate in Dublin or Cork than in a rural area. He set out comparative evidence to show rental values of industrial premises in rural areas is nominal and in many cases, there is substantial difficulty in obtaining tenants and properties can lie vacant for many years. He said that Horgans Delicatessan Supplies Limited had invested a substantial sum in excess of £350,000 in a rural area and gives employment to 53 people. He said that to rate the building on the same rental value basis as an industrial estate in Dublin or Cork was an unfair penalty on the appellant.

Mr. Flack offered the following comparative evidence:-

- 1) Dripsey Woollen Mills (in receivership)
Eighteen miles West of Cork - 55,000 sq.ft. of varied buildings consisting of old two storey stone built mills, single storey manufacturing built in the 1950's and modern single storey warehousing built in the 1960's. No tenancy was obtained although buildings were advertised for letting on behalf of the receiver for two years. The existing rateable valuation - £115.
- 2) Doggett Engineering, Mitchelstown, Co. Cork
10,000 sq.ft. of modern purpose built engineering works about one hundred yards off the main Fermoy/Mitchelstown Road. Let in 1990 for £10,000 per annum, short term, for the storage of milk powder. He said that the rental value on the short lease reflected £1 per square foot.
- 3) Cascade Designs Limited, Dwyer Road, Midleton, Co. Cork

Occupied part of the former mill premises at Dwyer Road, Midleton. The premises are part of an old textile mill and the company occupies the front section about two hundred yards off the Main Road inside the town boundary. The total rental was £31,506. In 1988 he said that the company entered a short term lease of two years and 9 months at IR £30,000 per annum in Year 1, IR£31,000 in Year 2 and IR£32,000 per annum in Year 3. However, he said that there was no long term commitment to the premises.

4) Former C.P.I. Factory, Watergrasshill, Co. Cork

Located just east of the Village of Watergrasshill on the Main Cork/Fermoy Road. The factory comprises 17,000 square foot of warehousing plus offices of 2,000 square feet on 30 acres. The warehouse area was let in 1991 for the storage of milk powder for one year and this was subsequently extended for a second year at £34,000 per annum inclusive of rates. The rates bill represented £6,000 leaving a net rent of £28,000 or £1.64 per square foot.

5) West Cork Bottling Company, Skibbereen, Co. Cork

This is a modern property constructed within the last 3 to 4 years on the edge of Skibbereen Town with 7,800 square feet warehouse, and 2,332 square feet of offices on two floors on a site of half an acre. The rateable valuation is £95. The appellants submitted that this building, which is inside the town boundary of Skibbereen and has main road frontage to the Baltimore Road, is within easy walking distance of the town centre.

6) Former Seafeld Factory, Youghal, Co. Cork

These premises have been subdivided in a variety of small industrial units which, he said, are available at around £1 per square foot.

7) Henry Good & Company, Kinsale, Co. Cork

Total revised valuation in 1988 IR£50.

Mr. Flack set out a schedule of capital values outside large towns which are attached to this judgment as Appendix A.

Finally, he submitted that the specialised cold rooms in the factory may not be of use to another occupier and may well have to be removed. They are incorporated in the factory as part of the construction and if removed will be destroyed and not have a value. He submitted to the Tribunal that the basis of the revised valuation should be the open market rental value of the factory as at November 1988 assuming a 35 year lease with 5 year reviews and tenant liable for all repairs, rates and insurance. He assessed the rental value at that date as follows:-

Warehouse/Factory	8,392 sq.ft. at IR£1.00 p.s.f. =	IR£8,392
Ground Floor Office	694 sq.ft. at IR£2.00 p.s.f. =	IR£1,388
First Floor Office & Stores	918 sq.ft. at IR£1.50 p.s.f. =	<u>IR£1,377</u>
 TOTAL RENTAL VALUE		 IR£11,157

Mr. Flack also said that the percentage which they had used was .5%, which applied to the rent as calculated above, gave a rateable valuation of IR£56.28, Say IR£56.

A written submission was received from Mr. Kevin Allman, Staff Valuer with 20 years experience in the Valuation Office, on the 11th June, 1993 on behalf of the respondent. In the written submission Mr. Allman described the property and location and set out the valuation history as described above.

Commenting on the appellants grounds of appeal Mr. Allman said that the cost of the extension was a matter of fact and this was all that could be addressed in this case. He said that in the light of the specialised nature and high standard of finish of this building it was submitted that the most reliable method of valuation was effective capital value. He said that the occupier had built the factory to his own specifications in 1986 and that it had been extended to a similar specification in 1990. He, therefore, said that it could be reliably assumed that the building was suitable for his purposes and the business viable to the extent that it can carry a building of this size and specification. A yield of 10% was taken. This may be considered low for the location

but it is the figure normally adopted by the Valuation Tribunal for this type of industrial building. He set out his calculation of the rateable valuation as follows:-

Original building 1987	£196,000
Additional 1990	£160,000
Make effective to '88 less 20%	<u>£128,000</u>
E.C.V.	£324,000
x 10% =	£ 32,000
x 0.5% =	£ 162
R.V.: as revised	£ 150

Mr. Allman compared the subject premises to Mitchelstown Creameries as follows:

Subject Property

Store	939.5 m.sq. @ 14p =	£131.53
Plantroom	20.9 m.sq. @ 10p =	£ 2.09
First Floor Office	36 m.sq. @ 15p =	£ 5.40
First Floor Store	69.9 m.sq. @ 5p =	£ 3.15
Marshalling Yard	1,352 m.sq. @ ½p =	£ 6.76
Oil Tank	1,500 gallons	<u>£ 1.50</u>
		£150.43

Comparison Mitchelstown Creameries

Store	1,403 m.sq. @ 14p =	£196.42
Ancillary buildings	231 m.sq. @ 12p =	£ 27.72
Ancillary buildings	968 m.sq. @ 10p =	£ 96.80
Ancillary buildings	112 m.sq. @ 5p =	£ 5.60
Ancillary buildings	127 m.sq. @ 9p =	£ 11.43
Yard		= <u>£ 40.00</u>
		£377.97

R.V.: £375.00

1979(First Appeal)

Agreed with agent Donal O'Buachalla & Company

Oral Hearing:

The oral hearing took place herein at City Hall, Cork on the 15th June, 1993. Mr. Roger Flack, F.R.I.C.S., Chartered Surveyor and Director of Hamilton Osborne King, appeared for the appellant and Mr. Kevin Allman, a Staff Valuer with 20 years experience in the Valuation Office, appeared for the respondent.

From the outset, the Tribunal referred to the summaries of evidence submitted by both parties and indicated that it was conscious that the subject premises were new premises and would have complied with a high standard of construction with reference to E.C. and Health Board hygiene requirements and would not necessarily be comparable to many of the rougher industrial constructions mentioned in the precis. Mr. Flack agreed that in relation to cold rooms and other features that this may have been so, but many of the special features relating to hygiene standards would not necessarily be of interest to the average potential tenant.

The basic thrust of Mr. Allman's argument was that in recent times a significant sum was invested by the appellants in the construction and adaptation of the premises and that his capital cost method of valuation was the most appropriate approach to valuation given that there were no premises in the vicinity.

Mr. Flack argued that in the market there was a massive discount on capital cost when premises of an industrial nature were sold and cited the premises constructed for Sawafuji Ireland in Carrigaline at a cost of £630,000 receiving a bid from Whitaker Chickens of £130,000 only. He also cited the case of a premises owned by Mallow Foods where the sum of £350,000 was the asking price or £5 per square foot when offered for sale. The £5 per square foot capital cost bore no relationship to actual current construction costs. Mr. Flack cited the Doggett Factory as being a relevant comparison and stated that it had been let for £1 per square foot. Mr. Allman had some doubts as to whether the rent went as low as £1 per square foot and stated that in any event the Doggett Factory was of rougher construction with very poor access by the side of a cottage or small house.

The Tribunal having considered the approach of Mr. Allman to the case finds that his evidence of capital cost converted on a rule of thumb basis to N.A.V. has been a very useful yard stick to determine the parameters within which the property should be valued.

However, the Tribunal considers that this approach probably indicates the upper reach of these parameters and may not reflect the average run of market rents for the letting of reasonably

constructed industrial premises. Similarly, the Tribunal considers that Mr. Flack has not allowed sufficient consideration for the fact that the subject premises, although situated in a rural area, is a modern premises built to facilitate the receipt of approval by the Health Inspector and applying the most vigorous standards and accordingly has valued the premises using a base grounded upon more inferior premises generally.

The Tribunal is moved to ascertain the valuation of the premises based on main stream industrial rents and in so doing so is allowing a discount for its rural location but motivated to remain at main stream rents nevertheless by reason of the high technical suitability of the premises. Mention was made that the appellants themselves represented a very successful company with a high profile in the retail/food processing area and the Tribunal, while conscious of this high reputation, has not taken this into account when determining the valuation.

Accordingly having regard all the evidence offered and the comparisons available, the Tribunal determines that the valuation of the subject premises is £110.