

Appeal No. VA94/3/014

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

N.E.C. Semiconductors Ireland Limited

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Factory and land at Lot No. 20a, Townland: Kilballivor, E.D. Killaconnigan, R.D. Trim, Co. Meath

Quantum - Valuation of clean room and carspaces

B E F O R E

Henry Abbott

S.C. Chairman

Paddy Farry

Solicitor

Patrick Riney

F.R.I.C.S. M.I.A.V.I.

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 14TH DAY OF MARCH, 1995

By Notice of Appeal dated the 20th day of October 1994 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £1,200 on the above described hereditament.

The grounds of appeal as set out in the Notice of Appeal are that "the valuation is excessive and inequitable when rental levels are taken into consideration."

The Premises:

The premises consists of factory and land occupied by the respondents for the manufacture of semi-conductors in the computer industry. It is held in free hold.

The premises is a large high tech purpose built semi-conductor plant with ancillary offices standing on its own grounds. There is a steel frame structure with insulated walls and roof and part brick facade. The main building has approximately 16 foot eaves height with similar height ancillary detached industrial buildings to the rear.

Valuation History:

The premises was first valued in 1976 at £350. In 1980 the factory had been extended and the rateable valuation had increased to £850.

By 1992 the factory had been further extended and the rateable valuation increased to £1,200. This was appealed and following the valuers report, the Commissioner of Valuation made no change on the first appeal.

Accommodation:

Accommodation consists of:

(1)	Offices and Canteen Area	15,424 square feet
	Production area (1)	47,891 square feet
	Production area (2)	11,733 square feet
	Stores and Service Area	7,462 square feet
	Bicycle Shed	486 square feet
	Gate House	372 square feet

There is also parking space for 140 cars.

A brief description of the accommodation is as follows:

Main factory:

- **Assembly rooms** (environmentally controlled "clean rooms" with exceptionally high specification internal finish unique to semiconductor/computer plants).

- **Test rooms** (without "clean room" specification but well above the standard of normal industrial accommodation).

Detached Factory Buildings:

- **Plating rooms** (detached industrial building with high standard of internal finish, well above standard of normal industrial accommodation).
- **Warehouse** (good industrial standard).

Ancillary Stores:

- **Workshop, stores and various housings** (normal industrial standard).

Office:

- **General Office with administration areas** (providing accommodation comparable to the best industrial standard).
- **Canteen** (very modern recently refurbished facility).

The plant is located in the village of Ballivor, fronting the L4 secondary route, about 5 miles from Trim and 30 miles from Dublin, 16 miles from Mullingar. It is on a large detached site with ample room for expansion, unlike many industrial estate locations.

Services:

All the main services are connected to the factory. The condition of the premises is good commensurate with the need to provide an immaculately clean, dust free environment for computer component production.

Written Submissions:

The appellant furnished a precis of evidence to the Tribunal on the 25th January 1995 which was prepared by Mr. Tadhg Donnelly, M.I.A.V.I. of Brian Bagnall & Associates and the respondent presented a precis to the Tribunal on the 26th of January 1993 which was prepared by Patrick McMorro B.Ag.Sc(Econ), Dip.Plng.and Devmt.Economics, who is a Valuer with the Valuation Office.

The estimate of valuation on behalf of the appellant was as follows:

Valuation

Offices and Canteen Area	15,424 sq.ft.	@	2.20 p.s.f.	=	33,932
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Production Area 1	47,891 sq.ft.	@	1.20 p.s.f.	=	57,469
Production Area 2	10,733 sq.ft.	@	1.50 p.s.f.	=	16,099
Stores and Service Area	7,462 sq.ft.	@	1.50 p.s.f.	=	11,193
Bicycle Shed	486 sq.ft.	@	1.00 p.s.f.	=	486
Gale House	372 sq.ft.	@	2.00 p.s.f.	=	<u>744</u>
					119,923
		@ 0.5%		=	£599
Add agreed R.V. of Rateable Plant				=	<u>£ 45</u>
					£644
		Say			£645

The basis of valuation put forward by the respondent was as follows:

Offices/Canteen	15,424 sq.ft @ £3.25/sq.ft}	
Main Factory	47,891 sq.ft. @ £2.75/sq.ft}	
-(incl. clean room areas)	}	£231,045
Detached Factory Buildings	11,733 sq.ft @ £2.00/sq.ft}	
Ancillary Stores/Housing	7,834 sq.ft @ £1.50/sq.ft}	
Parking Spaces	<u>140</u> @ £100/spc }	
Total	82,882 sq.ft	
	N.A.V. £231,045 @ 0.5%	= R.V. £1,155

Rateable plant items. (Agreed)	Agreed R.V. £	45
(- Tanks, Pipelines, Racking Boiler.)		

TOTAL R.V. £1,200

Oral Hearing:

The oral hearing took place in the Tribunal Offices in Dublin on the 3rd day of February 1995. Mr. Donnelly appeared for the appellant and Mr. McMorrow appeared for the respondent. Both valuers gave evidence along the lines of their precis and in addition Mr. McMorrow furnished photographs of the subject building and the comparisons including the

appellants comparisons. In relation to the appellant's comparisons no. 2 - **Tritex Core Limited** and no. 3 - **Lough Egish Co-op, Trim, Co. Meath**, the photographs showed buildings which are certainly not in the same league as the subject.

Of the comparisons of the appellant the Tribunal is influenced most by **Polyglass Limited, Ashbourne, E.G. & G. Instruments, Ballycoolen Industrial Park, Blanchardstown, Co. Dublin** and **Applied Magnetics Limited, Clonshaugh Industrial Estate**.

Mr. McMorrow argued that his comparisons were valid and that some of them while they were modern industrial premises did not have the extent of "clean rooms" of the subject. He emphasised that the subject had 10,000 square feet of "clean room" and indicated that construction costs for such premises could be as high as £100 as opposed to £24 per square foot.

Mr. Donnelly emphasised the very inferior location of Ballivor. He indicated that while it was only 30 miles from Dublin the access even to Dublin airport was very poor, traversing very inferior roads. This proposition was accepted by Mr. McMorrow, but he emphasised that the product of the subject factory was specialised having a high value to weight ratio and suitable for export by air transport and that transport costs should not be a significant factor. He indicated that the road network was adequate to provide an efficient transport system for such exports and that the location of the subject was not critical. Mr. Donnelly indicated that were it not for N.E.C. there would be absolutely no market for this type of industrial space in Ballivor by reason of its location. He urged then that the Tribunal consider the Atlantic Mills, Clondra comparison as the best guide. Mr. Donnelly also posed the question as to why the premises in **Clonshaugh Industrial Estate**, referred to in comparison no. B.2 on his side, **Applied Magnetics Limited** ought to have factory space at £2.62 pence per square foot when the Valuation Office were posing the rent of £2.75 per square foot for the subject. He emphasised that the **Applied Magnetics Limited** premises had a substantial clean air proportion in the same way as the subject premises.

Findings:

In arriving at the determination of the valuation in this case the Tribunal must have regard to the provisions of Section 5 of the Valuation Act 1986.

This Section provides as follows:

"5/(1) Notwithstanding Section 11 of the Act of 1852, in making or revising a valuation of a tenement or rateable hereditament, the amount of the valuation which apart from this section would be made may be reduced by such amount as is necessary to ensure, in so far as is reasonably practicable, that the amount of valuation bears the same relationship to the valuations of other tenements and rateable hereditaments as the net annual value of the tenement or rateable hereditament bears to the net annual values of the other tenements and rateable hereditaments.

(2) Without prejudice to the foregoing, for the purpose of ensuring such a relationship regard shall be had, in so far as it is reasonably practicable, to the valuations of tenements and rateable hereditaments which are comparable and of similar function and whose valuations have been made or revised within a recent period."

While Mr. Donnelly urged from the Tribunal a consideration of a hypothetical tenant approaching the letting of the subject without any consideration of the existence of N.E.C., the Tribunal considers that in approaching its function it ought to take into consideration the valuation of comparable premises but allow a certain discount for bad location. The Tribunal considers that the argument often put forward that if a particular user like N.E.C. were to suddenly disappear, the premises would not be lettable, is not an argument for choosing a valuation which might be reflective of the very low rent which might be expected for such an inferior location. Neither is the Tribunal entitled to exploit the fact that N.E.C. may be a type of special tenant. The Tribunal is however, obliged to consider that the subject premises is a premises in use and reflecting buoyancy by the successive additions which have been built onto it. To approach valuations on any other basis would be to depend too much on evidence or postulation of a rental market relating to premises which would always be vacated by their primary occupant in conditions of liquidation or near liquidation. The reality of many premises especially in more inferior locations, is that they are owner occupied and the N.A.V. must be established on the basis not of whatever evidence of rental values on the open market exist but on the consideration of the overall occupancy position. To rely merely on rental values of premises which are thrown up in the actual market in such situations, is to rely on a market of premises which are very often obsolescent, and marketed in liquidation or bankruptcy conditions.

Accordingly, the Tribunal has borne in mind all comparisons but has been more influenced by the respondent's more moderate comparisons. The Tribunal considers that while the clean space area warrants an N.A.V. per square foot considerably in excess of the average figure

suggested by the appellant, nevertheless the valuation of the other space ought to take the average down below that suggested by the respondent certainly for the offices and factory space generally. The Tribunal considers that when valuing factory space the provision of car parking space, unless it is a very special element of the valuation ought to be considered as a *sine qua non* in relation to obtaining commercial type rents on a square footage basis. Accordingly, the Tribunal ignores the special element of valuation brought in by car spaces. The agreed rateable plant at £45 remains the same.

Having regard to the foregoing and all the evidence and comparisons offered, the Tribunal determines that the valuation of the buildings ought to be £930. Accordingly, adding in £45 for rateable plant and setting out the valuation in the terms of the list, the list should read rateable valuation "Land £7.55, Buildings £975 Total £982.55."