

Appeal No. VA15/5/032

**AN BINSE LUACHÁLA
VALUATION TRIBUNAL
AN tACHT LUACHÁLA, 2001
VALUATION ACT, 2001**

Analog Devices

APPELLANT

And

Commissioner of Valuation

RESPONDENT

In Relation to the Issue of Quantum of Valuation in Respect of:

Property No. 1240603, Industrial Uses, Floors -1,0,1 8A/B. 1 Lurragh Road, Raheen
Business Park, St. Nessans Road, Limerick

**JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 18th DAY OF SEPTEMBER, 2017**

BEFORE:

Barry Smyth - FSCSI, FRICS, MCI Arb

Deputy Chairperson

Michael Connellan Jr - Solicitor

Member

Eoin McDermott – FSCSI, FRICS, ACI Arb

Member

By Notice of Appeal received on the 10th day of September, 2015 the Appellant appealed against the determination of the Commissioner of Valuation in fixing a Net Annual Value (NAV) of €2,031,000 on the above described relevant property on the grounds as set out in the Notice of Appeal as follows:

"The valuation is excessive and inequitable."

The Tribunal, having examined the particulars of the property the subject of this appeal; having confirmed its valuation history; having examined and considered the written evidence and having heard the oral evidence on the 3rd day of May 2017 adduced before us by Mr. Martin O'Donnell on behalf of the Appellant, who contended for a NAV of €870,000 (in the notice of appeal) €1,155,000 (in précis of evidence), and Mr. Ian Power on behalf of the Respondent to

the appeal, who contended at the hearing for an amended NAV of €1,954,000 to reflect the class of clean room in the subject property

Determines the NAV at €1,572,000 (Decrease)

The reasoning being

The Property:

The property is located at Lurragh Road, in Raheen Business Park on the outskirts of Limerick City.

The property comprises a purpose built complex of industrial buildings, part two storeys with basement and part single storey dating originally from the late 1970's and extended in a number of phases. The property is used as a manufacturing plant for the production of signal processing integrated circuits used in electronic equipment.

The accommodation includes clean rooms of 4 different standards, office buildings and stores, plant rooms, plant facilities, and porta cabins totalling 35,420.31 sq. metres and a yard of 5,040 sq. metres.

In addition there is an element of plant.

The floor areas and descriptions are agreed between the parties.

The Evidence:

For the Appellant Mr. Martin O'Donnell adopted his précis as his evidence in chief and also adduced oral evidence. He confirmed that in view of the lack of market rental evidence at the valuation date, 1st March 2012, he was relying on the basic tone of the list for industrial properties in that locality and that this is €26 per sq. metre. He increased that level where appropriate to reflect areas of better than standard accommodation in the subject premises. In his view the offices were no different to other offices tied to industrial premises. In relation to clean rooms, he proposed different levels depending on the standard of the clean room running from €80 to €95 per sq. metre. He stated that buildings 2 and 6 which are part of the complex are no different to other industrial units in the area and therefore should be at €26 per sq. metre. He argued for a quantum reduction because of the overall size of the property and gave two examples where quantum had been allowed, both being offices in Dublin City Council area.

He was also of the view that there should be a rates impact factor but accepted that that was not a matter for the Tribunal to deal with. He proposed that the basic clean rooms should be at €80 per sq. metre and then rising by €5 per sq. metre as one goes up the scale. Offices should be €30 per sq. metre and plant rooms at €15 per sq. metre.

He confirmed that the valuation on the plant was agreed at €133,928.60.

This gave rise to a valuation of €1,280,742.36 from which he deducted 10% for quantum, giving a rounded figure of NAV €1,155,000.

In cross examination he acknowledged that the main building was 18,000 sq. metres and of that only 3,500 sq. metres were stores and plant. In his view, however, the entire must be treated as a complex.

In relation to clean rooms he said the basis of his figures was derived from similar properties in Waterford where the rate was €80 - €100 per sq. metre. He accepted that this was not the biggest factory in Limerick and said that he had put forward the two office complexes in Dublin as being cases where the Commissioner had allowed for quantum. In response to a question from the Tribunal he stated that quantum should be an issue at anything over 250,000 sq. feet and particularly so in Limerick.

Mr. Ian Power on behalf of the Commissioner adopted his précis as his evidence in chief and also adduced oral evidence.

He stated that the clean rooms are better than others on the list and he applied rates of €100 - €160 per sq. metre. He treated the offices at €50 per sq. metre, stores and plant rooms at €15 per sq. metre and other plant offices and stores at €45 per sq. metre.

Adding the agreed amount for plant his valuation totalled €1,954,000.

In cross examination he stated that the contractor's method had not been used in this instance and he had only included it in his précis to show what the valuation might have been. He noted that it is approved by the RICS and was used in South Dublin and Fingal but he acknowledged that it can produce excessive NAV's and did not need to be utilised in this instance. He stated that it was suitable for specialised premises.

He acknowledged that his first three comparisons are under appeal to the Tribunal and therefore at best represent an emerging tone of the list but he stated that they were not necessarily incorrect and were similar to Waterford. He stated that the clean rooms in the subject property are to a very high standard.

He noted that clean rooms for medical/pharmaceutical plants are actually at a lower level per sq. metre than for computer equipment plants. Waterford clean rooms were done at €100 per sq. metre and all are class A.

On matters arising in response to Mr. Power's evidence, Mr. O'Donnell said that he was not disputing different rates per sq. metre on different classes of clean room, but was disputing the amounts and in his view plant rooms at €15 per sq. metre are part of the clean room equipment.

In summing up Mr. O'Donnell said that he would let the evidence stand in relation to his case and Mr. Power stated that in his view the Appellant had not shown that the figures are wrong and the onus is on the Appellant. In his view the valuation was fair.

The Tribunal raised two questions. The first in relation to the classification of clean rooms which was responded to in writing and secondly in relation to the value of plant and machinery which was also responded to in writing and confirmed as agreed at €133,928.60.

Tribunal Findings:

It is agreed that this is a large industrial complex and in a specialised business, but in the view of the Tribunal based on the evidence certain areas of the complex are basic factory/warehouse style premises and should therefore be dealt with on the basis of the established tone of the list. Consequently on these areas the Tribunal will fix a rate of €26 per sq. metre.

The porta cabins are agreed at €15 per mtr². Plant rooms are obviously fairly basic accommodation and should be valued at €15 per sq. metre. The original office or main building is clearly to a better standard than other industrial buildings and its current uses are relevant only to the current occupier and not necessarily to the hypothetical tenant. We therefore fix a rate of €40 per sq. metre on Building 1 with stores and plant and basement level at €15 per sq. metre. The plant rooms in Building 2 we assess at €26 per sq. metre as we do the offices and stores in that building.

The clean rooms presented a problem to the Tribunal and probably in fairness also to both the Appellant and the Respondent. There was considerable confusion in the grading of clean rooms from C10 – C10,000, various classes and then ISO standards. It was also not terribly clear to what degree the actual construction and finish of the clean rooms varied between the different grades as opposed to the amount and efficacy of the plant attached thereto which could be accounted for in the valuation of the plant rooms and the plant itself. To some degree this was clarified in the agreed note submitted by Mr. Power and Mr. O'Donnell in reply to the Tribunal's written request of the 4th May 2017. The Tribunal was anxious to ensure that there was not a double count situation by fixing higher rates per sq. metre on the clean rooms while also valuing the plant rooms and indeed the plant. In any event it was acknowledged by the Appellant that there should be different rates per sq. metre on the different grade of plant room although he was in dispute with the Commissioner on the rate per sq. metre to be applied. There was no convincing evidence to indicate why the different grades of clean rooms should have significantly different rates per sq. metre. Based on the rates applied to clean rooms in the Waterford cases which are €80 per sq. metre on two, €95 per sq. metre on three and €100 per sq. metre on one the Tribunal determines that clean rooms of C10,000 standard be assessed at €95 per sq. metre rising by €5 per sq. metre for each successive superior grade.

The Tribunal is not persuaded that there should be an allowance for quantum in this instance.

VALUATION

Description & Use	Area m ²	€ m ²	NAV
Clean Room C10,000	1,936	€95	€183,920
Clean Room C1000	985	€100	€98,500
Clean Room C100	2,667.07	€105	€280,042.35
Clean Room C10	539	€110	€59,290
Building 1 Office	8,388.42	€40	€335,536.80
Building 1 Stores	94.08	€40	€3,763.20
Building 1 Plant	3,468.34	€40	€138,733.60
Building 1 FF Office	736.08	€40	€29,443.20
Building 1 FF Stores/Plant	6,058.69	€15	€90,880.35
Building 1 Bsmnt Plant	2,944.55	€15	€44,168.25
Building 2 Plant	261.93	€26	€6,810.18
Building 2 Offices	3,050.75	€26	€79,319.50
Building 6 Stores	993.52	€26	€25,831.52
Building 6 Offices	706.88	€26	€18,378.88
Building G2 Plant (open)	547.20	€3	€1,641.60
Building G2 Plant	1,722.04	€15	€25,830.60
Building G2 Plant Facilities	99.36	€26	€2,583.36
Portacabins	221.4	€15	€3,321
Sub Total	35,420.31		
Yard	5,040	€2	€10,080
Plant (agreed)			€133,928.60
Total			€1,572,002.99 Say €1,572,000

And the Tribunal so determines.