

Appeal No. VA15/5/027

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

COOK IRELAND LTD

APPELLANT

AND

COMMISSIONER OF VALUATION

RESPONDENT

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

Property No. 1246212, Industrial Uses at Floors 0,1, 1AA National Technological Park,
Plassey Park Road, Limerick, County Limerick.

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 11TH DAY OF JULY, 2018

BEFORE:

John Stewart – FSCSI, FRICS, MCI Arb

Deputy Chairperson

Michael Connellan Jr - Solicitor

Member

Mairead Hughes - Hotelier

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 of €881,000 on the above described relevant property on the grounds as set out in the Notice of Appeal as follows:

“Valuation is incorrect based on levels applied”.

There were four grounds of appeal

- 1. The NAV applied does not take into account the market dynamics at the date of valuation.*
- 2. The NAV applied to the property is excessive and inequitable.*

3. *The NAV applied is excessive in comparison to market rents at the date of valuation.*
4. *The NAV applied is excessive when compared to other industrial properties in the area and does not have regard to the “Tone of the List”.*

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 2nd day of May, 2017 adduced before us by Ms Emma O’Meara, Power & Associates on behalf of the Appellant, who contended for a net annual value of €497,500, and Mr Ian Power, Valuation Office on behalf of the Respondent to the appeal and contended for an unchanged NAV of €881,000.

DETERMINES

That the net annual value of the subject property to be €742,000(decrease).

The reasoning being

The Subject Property:

The subject property is located on O’Halloran Road in the National Technology Park which is situated between Annacotty on the R445 and the River Shannon and it is adjacent to Castletroy and the University of Limerick. The National Technology Park comprises a 156ha business and technology park approx. 6km east of Limerick City with access to the M7.

The subject property comprises a large part single part two storey detached purpose built medical devices building completed c. 1994 and extended and refurbished in 2003 and 2007. The facility now produces medical devices for the gastroenterology, urology, obstetrics and gynaecology markets. The buildings comprise various sections which include clean room/clean manufacturing areas, factory space including offices and laboratories, offices, and stores. The parties agreed that there was a large amount of plant including chillers, gas tanks, water tanks and boilers. The property comprised a large surface car park.

Accommodation:

The agreed floor areas -on a gross external basis GEA-are set out below however there was a difference of opinion between the parties in relation to the use/descriptions of some elements.

Level	Description/use	Area M²
0	Clean Rooms/clean manufacturing areas	1,807.30
0	Factory (including offices/labs)	6,411.70
1	Clean Rooms/clean manufacturing areas	1,243.00
1	Factory	2,106.53
1	Offices	2,665.00
Mezz	Store	230.60
0	Yard	30.00
	Plant boilers	
	Plant water tanks	29,700 litres
	Plant nitrogen tanks	
	Plant 4 chillers	

Appellants evidence:

Prior to the hearing Ms. O'Meara submitted to the Tribunal a precis of evidence and valuation which she adopted as her evidence-in-chief given under oath. Ms. O'Meara contended for an NAV of €497,500 made up as follows:

Level	Use	Area M ²	NAV €/M ²	NAV €
0	Factory	5,818.90	26.00	151,213.40
0	Plant	595.80	15.00	8,937.00
0	CMA	1,807.30	80.00	144,584.00
1	Factory	1,383.53	26.00	35,971.78
1	Plant	723.00	15.00	10,845.00
1	Offices	2,665.00	26.00	69,290.00
1	CMA	1,243.00	80.00	99,440.00
Mezz	Store	230.60	8.75	2,017.78
0	Yard	30.00	10.00	300.00
	Additional items			30,108.00
			Subtotal	552,706.93
		Quantum	Discount -10%	497,436.24
			Total	497,500.00

In support of her opinion of the NAV Ms. O'Meara relied on five comparisons.

The first at McLoughlin Road NTP Plassey comprised 5,783.50m² at an overall rate of €26.00/ m². This was accepted as comprising an inferior building but it was contended that as it was 2.5 times smaller than the subject property a discount for quantum should apply.

The second at Kilmurray Business Park NTP Plassey comprised 1,660.64m² at an overall rate of €26.00/ m². This building was described as comprising a call centre but it was contended that as it was 8.79 times smaller than the subject property and a discount for quantum should apply.

The third at Pearse Road Raheen Business Park south of Limerick City comprised 4,395.62m² at an overall rate of €26.00/ m² except for a rate of €6.50 m² for a small portacabin. The main section of this building comprised an industrial facility with a two-storey office and was 3.29 times smaller than the subject property and it was contended that a discount for quantum should apply.

The fourth at Loughmore Avenue Raheen Business Park south of Limerick City comprised 8,468.94m² at an overall rate of €26.00/ m² except for a rate of €10.40/ m² and €5.20/ m² for a small mezzanine office-364 m² and a mezzanine store – of 1,580.80 m² respectively. This building comprised an industrial facility with a two-storey office and was 1.70 times smaller than the subject property and it was contended that a discount for quantum should apply.

The fifth at Pearse Road Raheen Business Park south of Limerick City comprised 2,383.26m² at an overall rate of €26.00/ m² for the offices and warehouse with a higher rate of €35.00/ m² for a cold store of 865.45 m² and a rate of €3.90 m² for a canopy of 171 m². This building comprised a warehouse/cold room facility with a two-storey office and was 6.07 times smaller than the subject property and it was contended that a discount for quantum should apply.

Ms. O'Meara also stated that the subject property was particularly specialised for use by Cook Ireland Limited and would not be readily usable by a hypothetical tenant. She argued that a unit of 14,464.13m² laid out over two floors comprised very extensive premises and would have had a discount for quantum if offered to let on the open market and furthermore the integrated configuration did not allow for any realistic opportunity to sublet parts of the over-all property.

Ms. O'Meara also contended that there was a significant lack of demand at the valuation date for large industrial holdings in Limerick and referenced a letting of a warehouse property in Raheen Business Park from November 2013 at €34.98/ m² for a unit of 1,347 m². While acknowledging the date was post the valuation date she noted the term of five years with tenant breaks at years 1 and 3 and the much smaller size she contended supported her claim for a quantum discount.

She also referred to a letting in Newbridge, Kildare Braun Oral B for a unit of 6,747.32 m² at €37.88/ m² from June 2009 for a term of 20 years with tenant breaks at years 7 and 12.

Ms. O'Meara also argued that the large amount of plant room accommodation particularly at mezzanine and first floor levels should be valued at a lower rate of €15.00/ m². Her evidence included a breakdown of the plant rooms and stated that the ground floor plant rooms extended to 595.80 m² and the first-floor plant room comprised 723.00 m². Ms. O'Meara compared the Limerick approach adopted by the Commissioner to the determined cases for similar properties in Waterford and made specific reference to Property no. 865856 Genzyme Ireland Ltd and 821897 Bausch Lomb (IRE) Ltd where plant rooms of 1,256.80 m² and 367.86 m² were valued at €15.00 m² respectively.

Ms. O'Meara maintained that clean room facilities were typically classified from ISO Class 1-highest standard to ISO Class 8-lowest standard. She stated that the subject property was Class 8 and argued that this classification was also referred to in the industry as Clean Manufacturing Areas CMA and consequently a rate of €80.00/m² should apply.

Under cross examination Ms. O'Meara did not agree that the subject property comprised a pharmaceutical specified premise. In her opinion, a lower rate of €80.00m² should apply to the subject Class 8/CMA areas, but no additional or supporting evidence was provided to support this position.

She stated that the NAV was excessive as there were no other units as large as 14,000m². When queried about the 10% quantum discount sought she confirmed that in her professional opinion such a discount would apply to a letting in the open market and maintained that the five comparisons provided supported this contention. She confirmed that she accepted the approach adopted in Waterford in relation to the valuation of the plant rooms but the five comparisons she relied upon did not show a lower rate for plant rooms.

Respondents evidence:

Prior to the hearing Mr. Power submitted to the Tribunal a precis of his evidence and valuation which he adopted as his evidence-in-chief given under oath. Mr. Power contended for an NAV of €881,000 made up as follows:

Level	Use	Area M ²	NAV €/M ²	NAV €
0	Factory (incl. offices labs	6,411.70	50.00	320,585.00
0	Clean rooms	1,807.30	95.00	171,693.50
1	Clean rooms	1,243.00	95.00	118,085.00
1	Factory	2,106.53	50.00	105,326.50
1	Offices	2,665.00	50.00	133,250.00
Mezz	Store	230.60	8.75	2,017.78
0	Yard	30.00	10.00	300.00
	Plant boilers			19,250.00
	Plant water tanks	29,700litres		404.00
	Plant nitrogen tanks			5,878.00
	Plant 4 chillers			4,576.00
				881,365.75
			Say	881,000.00

Mr Power referred to the methodology of valuation and stated the rating hypothesis that the subject property is assumed to be vacant and available to let on the valuation date of 1st March 2012 for the Limerick rating authority. As this was a specialised property it could fall to be valued under the contractor's method as had been adopted in Fingal, but following consideration by the Commissioner it had been decided that this approach would have resulted in an unfair and unduly high level of value. Taking account of the requirement for individual correctness, equity, and uniformity a stand back approach was adopted like that utilised in Waterford City and County.

Mr. Power relied on six comparisons which he maintained shared similar characteristics to the subject property and are in Limerick City and County rating areas.

The first comparison referred to PN 1240603 Analog Devices BV Raheen Industrial Estate which is under appeal to the Tribunal VA: 15/5/032. It comprised approx. 40,136.63m² and was made up of manufacturing clean rooms, offices, stores, and plant rooms. The clean rooms were valued at €140.00/m², the offices variously at €40.00-50.00/m² and the plant rooms at €15.00/m² with a mezzanine plant room at €3.00m².

The second comparison referred to PN 1240613 Howmedica International Limited Raheen Business Park which is also under appeal to the Tribunal VA: 15/5/030. It comprised approx. 14,180.80m² and was made up of manufacturing clean rooms, offices, stores, and plant rooms. It manufactures medical devices. The clean rooms were valued at €95.00/m², the offices and factory at €45.00/m² and the plant room and stores at €15.00/m².

The third comparison referred to PN 1246482 Vistakon Ireland Limited National Technology Park Castletroy which is also under appeal to the Tribunal VA: 15/5/029. It comprised approx. 50,687.90m² and was made up of factory, stores, and yard. It manufactures contact lenses and does not have any specific clean rooms. The factory areas were valued at €50.00/m², the stores at €15.00/m² and the yard at €10.00/m².

The fourth comparison referred to PN 12111599 Ophtecs (Euro) Limited National Technology Park Castletroy which was not subject to representations, first appeal or appeal to the Tribunal. It comprised a similar but smaller factory approx. 5,460.47m² and was made up of clean rooms,

warehouse, and offices. The clean rooms were valued at €100.00/m², the offices at €80.00/m² and the warehouse at €35.00/m².

The fifth comparison referred to PN 2111599 Dell Products Raheen Business Park which was not subject to representations, first appeal or appeal to the Tribunal. It comprised a similar but subdivided factory approx. 35,110.25m² and was made up of factory, offices, and a plant room. The factory was valued at €50.00/m², the offices at €50.00/m² and the plant room at €15.00m². This property had no specific clean rooms.

The sixth comparison referred to PN 1240546 also Dell Products at Raheen Business Park which was not subject to representations, first appeal or appeal to the Tribunal. It comprised a similar but subdivided factory approx. 28,665.28m² and was made up of factory, offices, canopy, a pump house, and a plant room. The factory and offices were valued at €45.00/m², the pump house at €15.00/m² and a mezzanine plant room at €3.00m². This property had no specific clean rooms.

Mr. Power maintained that the NAV of €881,000 was based on the comparisons provided.

Under cross examination Mr. Power was queried as to his description of the subject property as a pharmaceutical factory and agreed that it comprised a medical devices factory. He agreed that his comparison 1A Analog Devices, which was subject to appeal at the Tribunal had a higher specification of clean room which was why it was valued at €140.00m². He also agreed that 2A and 3A were subject to Valuation Tribunal appeals. He also maintained that 2A Howmedica had a similar Class 8 specification for its clean room. He confirmed that 3A Vistakon Ireland was a very large property at 50,687m² but did not include a specific clean room. He agreed that the Dell comparisons referred to two units which were vacant but did not accept that this was the rationale for no appeals being undertaken. He disputed that the two units had class 7/8 clean rooms. He confirmed that he did not consider the sales of the two Dell units with reference to his written evidence. Where he referred to the subject property as being Class 7/8 he agreed that it was Class 8 which was the low end of the scale and he agreed that a higher rent would be attributed to the Classes 1-4.

Referring to the ground floor and first floor coloured plans in his written evidence he agreed that the plant rooms were not specifically highlighted. In relation to his comparisons Mr. Power confirmed that the floor areas varied considerably and confirmed that no allowance for quantum had been shown in any of the Waterford cases.

In relation to the Waterford NAV's which were provided by Mr. Power he referred to them as comprising similar type factories occupied by Genzyme 838856, Bausch & Lomb 821897, Glaxo Pharmaceuticals (two units) 821985, TEVA Pharmaceuticals 821941,884744 and 821985 which included plant rooms at €15.00/m² in Genzyme, Bausch & Lomb and a utility building and pump house in two TEVA units with a first-floor plant room in the third TEVA unit valued at €10.00m².

He also confirmed that the values for the clean rooms varied from €80.00-€85.00-€95.00-€100.00/m². He accepted that the rate of €100.00m² in Genzyme was a class D clean room and could be described as class 7/8. He also confirmed that in relation to the Bausch & Lomb unit which had a clean room at €80.00/m² that this was a Class 8 clean room but comprised an older premises. He confirmed that the plant room in Glaxo was valued at €20.00 m².

In conclusion both valuers on behalf of the appellant's and respondents reiterated their confidence in the approaches adopted by them and the supporting arguments and asked the Tribunal to confirm its agreement with their respective submissions at €497,500 and €881,000.

Prior to conclusion of the hearing the Tribunal requested the parties to consult with each other and to forward an agreed statement which confirmed the floor areas attributable to the plant rooms on the two floors of the subject property. The Tribunal also requested confirmation of the Clean room classification for the subject property.

Following consultations, the parties confirmed that the ground floor plant room comprised 595.80m² and the first-floor plant room comprised 723m². The parties also confirmed that the Clean room classification for the subject property was ISO Class 8.

The Tribunal conclusions and reasons are as follows:

Having regard to the foregoing and the evidence adduced as well as subsequent confirmation of the areas the Tribunal has accepted Ms O'Meara's evidence in relation to the apportionment of the ground floor factory 5,818.90m² and a plant room of 595.80 m² and in relation to the first floor a factory area of 1,383.53 m² and a plant room of 723 m².

However, the appellant put forward limited information to support her contention that the rate of €15.00m² should be adopted except by reference to several similar properties in Waterford which had been put forward by the respondent where €15.00M² to €20.00M² were adopted. The Tribunal has accepted the principal that there should be a difference in values between the Clean Room rate and the Plant Room rate and consequently has relied on the rate of €26.00m² referred to in the appellant's comparisons 2, 3 and 5.

The Tribunal has accepted that the clean rooms are ISO Class 8 and a rate per square metre of €95.00 should apply. This follows from the Waterford evidence which showed various rates of €80.00/ m² for TEVA, €85.00/m² for Glaxo 1, and €95.00/m² for Glaxo 2 and Bausch & Lomb-all ISO Class 8 and €100.00/ m² for Genzyme which was categorised at ISO Class 7.

The Tribunal noted that the first three comparisons provided by the Commissioners PN 1240603 Analog Devices BV Raheen Industrial Estate, PN 1240613 Howmedica International Limited and PN 1246482 Vistakon Ireland Limited were the subject of appeals to the Tribunal and were not considered to be evidentially significant.

However, the 4th comparison PN 12111599 Ophtecs (Euro) Limited provided a rate of €35.00/ m² for the warehouse and this uncontested level was supported by evidence from Ms O'Meara based on an open market letting in November 2013 at €34.98 m² at Raheen. The Tribunal has not been provided with definitive evidence as to the specification of these areas and has determined that the value for the factory should be €35.00/m² with €26.00/m² for the plant rooms. We were not provided with any relevant comparable evidence in support of a reduction in the rate applied to the offices and accordingly the rate of €50.00m² is confirmed.

The rates for the mezzanine stores, yard, plant boilers, plant water tanks, plant nitrogen tanks and plant 4 chillers were not challenged and remain as originally published.

Finally, the Tribunal addressed the Appellants assertion that a reduction for quantum should apply due to the large size of the subject property and that it would be likely to achieve such a

reduction if offered to let on the open market. The Tribunal is satisfied that no supporting evidence was adduced in this instance and consequently it finds that it cannot accept the case for any reduction for quantum. There was a minor variation on the floor area for CMA ground floor of 0.30m² but nothing turns on this difference.

The Tribunal Determines:

Level	Use	Area M²	NAV €/M²	NAV €
0	Factory	5,818.90	35.00	203,661.50
0	Plant	595.80	26.00	15,490.80
0	CMA ISO Class 8	1,807.30	95.00	171,693.50
1	Factory	1,383.53	35.00	48,423.55
1	Plant	723.00	26.00	18,790
1	Offices	2,665.00	50.00	133,250
1	CMA ISO Class 8	1,243.00	95.00	118,085
Mezz	Store	230.60	8.75	2,017.75
0	Yard	30.00	10.00	300.00
	Additional items			
	Plant boilers			19,250.00
	Plant water tanks	29,700litres		404.00
	Plant nitrogen tanks			5,878.00
	Plant 4 chillers			4,576.00
				741,820.10
			Say	€742,000

And the Tribunal so determines.