

Appeal No: VA17/5/160

**AN BINSE LUACHÁLA
VALUATION TRIBUNAL**

**AN tACHTANNA LUACHÁLA, 2001 - 2015
VALUATION ACTS, 2001 - 2015**

CARTAN VETERINARY LTD

APPELLANT

AND

COMMISSIONER OF VALUATION

RESPONDENT

In relation to the valuation of
Property No. 1549127, Health at LOT 25D Tullowbeg, Tullow, County Carlow.

B E F O R E

Barry Smyth - FRICS, FSCSI, MCI Arb

Deputy Chairperson

Claire Hogan - BL

Member

Frank O'Grady - MA, FSCSI, FRICS, FIABCI

Member

**JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 22ND DAY OF JANUARY, 2019.**

1. THE APPEAL

1.1 By Notice of Appeal received on the 4th day of October, 2017, the Appellant appealed against the determination of the Respondent pursuant to which the net annual value ‘(the NAV)’ of the above relevant Property was fixed in the sum of €26,100.

1.2 The sole ground of appeal as set out in the Notice of Appeal is that the determination of the valuation of the Property is not a determination that accords with that required to be achieved by section 19 (5) of the Act because :

- “1. The valuation of the subject property is excessive and inequitable. The property’s value as applied by the Commissioner is not in line with its potential rental value.*
- 2. The subject property was purchased on the 12th February 2016 for a total of €225,000, inclusive of the previous occupiers business and stock. This breaks down as €180,000*

for the building, €35,000 for the business and €10,000 for the stock. At a typical 10% yield, this equates to an annual rent of €18,000.

3. *The subject property is a former teagasc office, constructed in the late 1950s and early 1960s. It should be noted that the areas measured as stores are actually areas which are incomplete and could as such only be used as rough stores. The level on these areas would not exceed 33% of the level applied to the front vet practice.”*

1.3 The Appellant considers that the valuation of the Property ought to have been determined in the sum of €18,000.

2. REVALUATION HISTORY

2.1 On the 22nd day of June, 2017 a copy of a valuation certificate proposed to be issued under section 24(1) of the Valuation Act 2001 (“the Act”) in relation to the Property was sent to the Appellant indicating a valuation of €30,800.

2.2 Being dissatisfied with the valuation proposed, representations were made to the valuation manager in relation to the valuation. Following consideration of those representations, the valuation of the Property was reduced to €26,100.

2.3 A Final Valuation Certificate issued on the 7th day of September, 2017 stating a valuation of €26,100.

2.4 The date by reference to which the value of the property, the subject of this appeal, was determined is the 30th day of October, 2015.

3. THE HEARING

3.1 The Appeal proceeded by way of an oral hearing held in the offices of the Valuation Tribunal at Holbrook House, Holles Street, Dublin 2, on the 23rd day of November, 2018. At the hearing the Appellant was represented by Mr David ES Halpin MSc. (Real Estate) Ba (Mod) and the Respondent was represented by Mr Terry Devlin BSc, MSCSI, MRICS of the Valuation Office.

3.2 In accordance with the Rules of the Tribunal, the parties had exchanged their respective reports and précis of evidence prior to the commencement of the hearing and submitted them

to the Tribunal. At the oral hearing, each witness, having taken the oath, adopted his précis as his evidence-in-chief in addition to giving oral evidence.

4. FACTS

4.1 The subject property is located at Bunclody Road, Tullow, Co. Carlow otherwise known as Abbey Street, Tullow.

4.2 The property comprises former Teagasc offices now utilised as a Veterinary Surgery practice including reception, offices, treatment rooms, stores and showroom/sales area with car parking to the front and rear of the property.

4.3 The floor areas are agreed as follows:

Showroom/surgery/reception area	206.64 sq. meters
Ancillary accommodation including stores	156.36 sq. meters
Total	363 sq. meters

4.4 The building dates from the late 1950's or early 1960's and the main Veterinary section has been refurbished but the Ancillary accommodation has not.

5. ISSUES

5.1 The sole issue is the Net Annual Value of the property which the Appellant calculates at €16,090 and the Respondent at €26,100. The Parties are agreed on the breakdown of the floor area of the building between the refurbished Veterinary section and the un-refurbished Ancillary/Stores section.

6. RELEVANT STATUTORY PROVISIONS:

6.1 The net annual value of the Property has to be determined in accordance with the provisions of section 48 (1) of the Act which provides as follows:

“The value of a relevant property shall be determined under this Act by estimating the net annual value of the property and the amount so estimated to be the net annual value of the property shall, accordingly, be its value.”

6.2 Section 48(3) of the Act as amended by section 27 of the Valuation (Amendment) Act 2015 provides for the factors to be taken into account in calculating the net annual value:

“Subject to Section 50, for the purposes of this Act, “net annual value” means, in relation to a property, the rent for which, one year with another, the property might, in its actual state, be reasonably be expected to let from year to year, on the assumption that the probable annual cost of repairs, insurance and other expenses (if any) that would be necessary to maintain the property in that state, and all rates and other taxes in respect of the property, are borne by the tenant.”

7. APPELLANT’S CASE

7.1 Mr David Halpin in his written Précis of Evidence and his oral evidence described the property as a former office building which was now converted to a Veterinary Practice.

Mr Halpin provided no comparisons of rental properties but four comparisons on a NAV basis and these included:

1. Tullow Credit Union, ground floor offices 305.54 sq. meters @ €90 per sq. meters and First Floor offices at 212.45 sq. meters @ €65 per sq. meter
2. AIB Bridge Street, Tullow where he noted that the ancillary stores of 88.50 sq. meters were valued @ €20 per sq. meter.
3. Bank of Ireland, The Square, Tullow where again he noted that ancillary stores of 34.07 sq. meters were valued @ €20 per sq. meter.
4. Tullow Industrial Estate Showroom 345.87 sq. meters @ €30 per sq. meter.

7.2 He stated that the subject property was better than his comparison number 4, but poorer than his comparison number 1. In his view the subject property fell between these two figures and in his opinion towards the middle rather than the top end as proposed by the Respondent. He noted that purpose-built accommodation was at €90 per sq. meter and this could not justify €85 per sq. meter on the subject. Equally commercial stores in Tullow are valued at €17 to €20 per sq. meter, yet the Commissioner has applied €55 per sq. meter to the subject.

7.3 His comparison number 1 is the best comparison in his opinion as it is the best building in Tullow and sets a top level of €90 per square metre.

Mr. Halpin calculated the NAV as follows:

Surgery	206.64 sq. meters @ €65 per sq. meter	€13,442.00
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Rough stores	156.36 sq. meters @ €17 per sq. meter	<u>€ 2,658.00</u>
Total		€16,090.00 or
Entire	363 sq. meters @ €45 per sq. meter	€16,335.00 say €16,330

7.4 Under cross examination he noted that the accommodation was used as a Veterinary Surgery, offices, retail and stores and that there was car parking and said that part of the property was suitable for its use, but that some surplus areas were used for storage purposes only. He accepted that stores rather than rough stores might be a better description of the accommodation used for storage purposes. He confirmed his view that the tone of the list comparisons he had selected were appropriate as they were for hybrid type properties such as the subject which is hybrid in that it is both a Veterinary Surgery and storage accommodation. He accepted that surgeries tend to be valued at around €70 to €80 per sq. meter but the difficulty he finds is with the size of the subject premises which is considerably bigger than any if the comparisons. He stated that he could not find office accommodation in the locality to compare the subject with and therefore had utilised industrial properties. He accepted that the stores in his comparisons were ancillary to retail or banking hall uses and accepted that the subject has not been valued by the Commissioner as ancillary accommodation.

8. RESPONDENT'S CASE

8.1 Mr. Devlin in his written Précis and oral evidence set out the location and accommodation details of the property.

8.2 He provided 2 key rental transactions as comparisons and 6 NAV comparisons.

Key Rental Transactions:

1. Property at Market Square, Tullow – total floor area 94.94 sq. meters. 10-year Lease from the 1st September 2016.

Net effective rent at 30th October 2015 €6,906.85.

The analysis is ground floor @ €84.57 per sq. meter. NAV calculated @ €80 per sq. meter.

2. Property at Oak Park Business Park, Bagnalstown – total floor area 107.79 sq. meters – Lease 10 years from 1st April 2015.

Net effective rent at 30th October 2015 €7,044.89.

Net effective rent on the ground floor €72.95 per sq. meter. NAV calculated @ €70 per sq. meter.

8.3 The 8 NAV comparisons are as set out below:

1. Mill Street, Carlow	
Offices/surgery, ground floor	69.08 sq. meters @ €85 per sq. meter
Offices/surgery, first floor	86.90 sq. meters @ €55 per sq. meter
2. ESB, Tullow Hill Offices	
	121 sq. meters @ €85 per sq. meter
Store	40 sq. meters @ €85 per sq. metre
Car spaces	15 @ €350 each
3. Surgery at Tullow Hill	
	122.8 sq. meters @ €80 per sq. meter
Store	1.8 Sq. meters @ €80 per sq. meter
4. Surgery, Barrack Street, Tullow	
	56.3 sq. meters @ €80 per sq. meter
Stores	56.80 sq. meters @ €80 per sq. meter
5. Surgery at Abbey Street	
	86.17 sq. metres @ €80 per sq. metre
6. Physiotherapy at Mill Street Surgery	
	25.74 sq. meters @ €80 per sq. meter
Store	22.62 sq. meters @ €80 per sq. mete
First Floor Surgery	13.5 sq. meters @ €80 per sq. meter
Surgery	10.95 sq. meters @ €55 per sq. meter

Based on the above he assessed the Valuation as the following;

Clinic	206.64 sq. meters @ €85 per sq. meter
Store	156.36 sq. meters @ €55 per sq. meter
Total	€26,164.20 say €26,100

8.4 Under cross examination Mr Devlin stated that €85/sq.m is the tone of the list €55/sq.m reflects the nature of that part of the property based on industrial property being in the range of €85 to €35 and first floor offices at €55. He acknowledged that he had not inspected internally

any of his NAV comparisons but that they are similar type buildings and uses in the area albeit smaller. To the suggestion that industrial showrooms were valued at €30/sq.m he said that the subject was the original Teagasc offices and not comparable with industrial buildings.

9. SUMMATION

9.1 In summing up Mr. Halpin said that he had nothing further to add and that his Précis and oral evidence had covered all points.

9.2 Mr. Devlin stated that the property had been valued in line with other similar properties. He noted the car parking available with the property which he considered a benefit and he requested affirmation of the Commissioner's figure.

10. FINDINGS

10.1 The Tribunal finds that while this is a mixed-use property comprising primarily a veterinary surgery with ancillary accommodation and some showroom or retail space, it appears well suited to its use albeit that it may be too large for the current occupier in that areas are utilised for storage which might otherwise be in office or more beneficial use. However, that hybrid nature is related to the use of the property by the current occupier and indeed might be used differently by the Hypothetical Tenant.

10.2 We note that the Veterinary Clinic area has been refurbished but the Ancillary area of stores has not and we note also that both the Appellant and the Respondent have valued the two areas on differing basis acknowledging this difference in these elements of the property.

10.3 We can find no support for the level of €85.00 per sq. metre applied to the main Veterinary area but equally there is no support for the €65.00 proposed by the Appellant. Having considered the evidence and in particular the comparisons the Tribunal has formed the view that a rate of €75 per sq. meter should be applied to this area to reflect its size versus that of the comparisons and also that it has a large storage area attaching.

10.4 The Tribunal notes that it is accepted that the stores are not rough stores but rather stores that maybe used roughly and that there is nothing inherently wrong with them except that they have not been refurbished. Based on the evidence of ancillary stores attached to the two Bank comparisons plus the rate applicable to the offices in the Bank and other comparisons and in

the knowledge that this section although used as stores is in fact better accommodation than might be understood from that and might be suitable for other uses in this case the Tribunal determines the appropriate rate to be €35.00 per sq. meter to reflect the size of the property, the nature of the accommodation and the fact that the stores are not in themselves standalone but linked to the Veterinary area.

11. DETERMINATION

The Tribunal therefore determines the NAV at €21,000 and allows the Appeal. This figure is calculated as follows:

Clinic area:	206.64 sq. meters @ €75.00 per sq. meter	€15,498.00
Stores area:	156.36 sq. meters @ €35.00 per sq. meters	€ 5,472.60
Total:		€20,970.60
		SAY €21,000.00

And the Tribunal so determines.