

Appeal No. VA07/3/030

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

Carlow Warehousing Ltd.

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Warehouse/Warerooms at Lot No. 2K, Kilcarrig, Muinebeag Rural, Carlow, County Carlow

B E F O R E

Fred Devlin - FSCS.FRICS

Deputy Chairperson

Michael F. Lyng - Valuer

Member

Frank O'Donnell - B.Agr.Sc. FIAVI

Member

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 3RD DAY OF DECEMBER, 2007

By Notice of Appeal received on the 20th day of July, 2007 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of €2,090.00 on the above described relevant property.

The grounds of Appeal as set out in the Notice of Appeal are:

"The Valuation is excessive and inequitable in relation to comparable properties in the rating area."

1. This appeal proceeded by way of an oral hearing held in the offices of the Tribunal, Ormond House, Ormond Quay Upper, Dublin 7, on the 25th day of September, 2007. At the hearing Mr. Alan McMillan, MRICS, ASCS, MAIVI, a Director of GVA Donal O Buachalla appeared on behalf of the appellant and Ms. Orlaith Ryan, B.Sc (Surveying), Dip. in Prop. Ec., MIAVI, a Valuer in the Valuation Office appeared on behalf of the respondent, the Commissioner of Valuation. Mr. Edward Nolan, the Managing Director of the appellant company, gave factual evidence in relation to the warehousing operation in the property concerned.

The Property Concerned

2. The property concerned is a large warehouse premises occupying a site area of approximately 9 acres (3.64 hectares) situated on the east side of Bagenalstown on the Bagenalstown to Fennagh Road.

Location

3. Bagenalstown is located on the River Barrow close to the N9 at a point that is 17 kilometres from Carlow and 5 kilometres south of Leighlinbridge. The population of the town is approximately 3,000.
4. The property concerned is located on the Fennagh Road on the eastern side of the town and on the east side of Kilcarrig Bridge across the Dublin-Kilkenny-Waterford rail link. There are no other commercial properties of a similar nature in the immediate vicinity other than a veterinary clinic and motor sales outlet.
5. The property occupied by the appellant which is now used solely for warehousing purposes was formerly used for manufacturing activities. In recent times, the original building has been significantly extended and the agreed accommodation measured on a gross external area basis is as follows:

Original Building:	6,446.08 sq. metres
New additions:	<u>11,589.20 sq. metres</u>
Total Area:	18,035.28 sq. metres

6. The original buildings are of steel portal frame construction with a pitched and insulated asbestos roof incorporating translucent light panels. The internal walls are of part concrete construction with asbestos cladding to an eaves height of 7.6 metres. The floor is of mass concrete construction. At the front there is a small office section under a lean-to roof of similar construction. The original manufacturing area incorporated overhead gantry cranes carried on vertical support columns which are still in situ and which stand out from the walls by up to 1 to 1.2 metres.
7. The new warehouse accommodation comprises 4 adjoining inter-linked buildings to the north and east of the original building. The new structures are of steel portal frame construction with internal walls of part concrete block and part insulated metal deck cladding under an insulated metal decked roof incorporating translucent sheeting. The eaves height is 7.6 metres and the floor is of mass concrete construction. There are 4 dock levellers and 4 loading bays with roller shuttered doors for loading and unloading purposes.
8. Internally all floors are at a common level despite a substantial difference in external ground levels which gives rise to a number of problems in relation to vehicular access and circulation. The car parking area and circulation space is roughly paved and undrained.
9. There is a mains electricity supply to the property. The water supply is from an on-site well and drainage is by means of a septic tank located within the curtilage of the property.

Rating History

10. The property was first rated as an engineering workshop in 1985 when its rateable valuation was assessed at €850.72 (£670). A revision of the valuation was carried out in 1993 when the valuation was left unaltered. The property was again listed for revision in 1996 and its rateable valuation at that time was determined at €634.87 (£500). Following an appeal to the Commissioner of Valuation the rateable valuation was reduced to €46.00.
11. In 2006, the property was again listed for revision. On 31st October, 2006, the Revision Officer appointed by the Commissioner of Valuation pursuant to Section 28(2) of the Valuation Act, 2001 issued a valuation certificate (proposed) to the effect that the rateable

valuation of the property had been assessed at €2,100.00. Following representations by the appellant the Revision Officer on 6th December, 2006 issued a valuation certificate confirming the rateable valuation at €2,100.00. An appeal was made to the Commissioner of Valuation leading to a reduction to €2,090.00. The appellant being dissatisfied with this outcome lodged an appeal against this decision of the Commissioner to the Tribunal in accordance with Section 34 of the Valuation Act, 2001.

The Appellant's Evidence

12. Mr. McMillan, having taken the oath, adopted as his evidence-in-chief the précis and valuation which had previously been received by the Tribunal. In his evidence Mr. McMillan contended for a rateable valuation of €1,430.00 calculated as set out below:

Old Warehouse:	6,446.08 sq. metres @ €13.66 per sq. metre	€88,053.00
New Warehouse:	11,589.52 sq. metres @ €7.08 per sq. metre	<u>€97,949.00</u>
NAV		€286,002.00
Rateable Valuation @ 0.5%		€1,430.00

In support of his opinion of net annual value Mr. McMillan introduced 3 comparisons, details of which are set out in Appendix 1 attached to this judgment.

13. Mr. McMillan said that in arriving at his valuation of the property concerned he had regard to the following factors:

- (a) That the Fennagh Road location is inferior to Royal Oak where comprehensive industrial and commercial development has taken place over the past several years. Furthermore, the Fennagh Road location is unsuitable for warehouse/distribution purposes due to the difficulties associated with access from and to the N9.
- (b) That all traffic from and to the subject property using the N9 has to go through the town of Bagenalstown where the roads are narrow and often congested. The Kilcarrig Bridge which crosses the railway line immediately west of the property concerned gives rise to additional traffic hazards and can be approached by large vehicles on a one-way system basis only. Moreover, it is unlikely that the Fennagh Road location will benefit from any proposals to upgrade and improve the road network in and around Bagenalstown.

- (c) That the older buildings are not purpose-built for warehousing operations and are inefficient in use due to their layout and configuration. This inefficiency is exacerbated by the presence of the structural elements of the disused gantry cranes. The eaves height in both the old and new buildings is low for warehousing use and very much below modern industry norms which leaves the appellant in a disadvantaged position in commercial terms. Additionally, the more recent extensions are a number of interlinked buildings and this too leads to inefficiency in use.
- (d) That due to their age and nature of construction the older buildings are expensive to maintain.
- (e) That there would be a limited demand for a property of the size of the subject property in the Bagenalstown area which has not experienced any significant benefit from improved economic expansion in the south eastern region.

14. Mr. McMillan said that having regard to the age, size, nature and inherent shortcomings of the property concerned, it was inappropriate for the respondent to rely on comparisons which were modern, smaller buildings in superior locations.

15. Under examination by Ms. Ryan, Mr. McMillan confirmed that he had been party to the agreement at the 1996 revision first appeal stage when the rateable valuation of what are now the older buildings was agreed at €546.00. He also agreed that this valuation devalued at €17.11 per sq. metre. Mr. McMillan said that in 1996 the property was being used for manufacturing purposes whilst it now formed part of a much larger complex of buildings used for warehousing and distribution purposes. When questioned further about the 1996 negotiations, Mr. McMillan agreed that at that time the Tanco premises (Mr. McMillan's comparison No. 2) was the main comparator and that the valuation of €546.00 contained a quantum allowance.

16. Mr. Edward Nolan, the Managing Director of the appellant company, said he acquired the property in 1992 at a purchase price in the order of IR£445,000. Before being used by Carlow Warehousing Limited the premises were leased as a workshop to Tullow Machinery Products Limited.

17. Mr. Nolan in his evidence outlined that the older buildings were inefficient for warehousing purposes due to their layout, configuration, headroom and additional difficulties caused by the former gantry crane and its vertical support columns. As a consequence, storage capacity in the older buildings operated at about 75% of the levels achieved within the more recently built additions.

The Respondent's Evidence

18. Ms. Orraith Ryan, having taken the oath, adopted as her evidence-in-chief the précis of evidence which had been previously received by the Tribunal. In her evidence, Ms. Ryan contended for a rateable valuation of €2,090.00 calculated as set out below:

Blocks 1 – 4: as agreed at 1996 1 st Appeal:		
Offices/Warehousing	6,446.08 sq. metres @ €7.11 per sq. metre	€10,292.43
New Additions - Blocks 5 – 7:		
Warehousing	11,589.20 sq. metres @ €7.33 per sq. metre	€16,732.84
Less Quantum Allowance @ 3% in relation to Blocks 5-7 only:		<u>€502.00</u>
Net Annual Value	Say	€17,523.28
Rateable Valuation @ 0.5%		€2,088.00
Say	€2,090.00	

19. In support of her opinion of net annual value Ms. Ryan introduced three comparisons details of which are set out in Appendix 2 attached to this judgment.

20. Ms. Ryan said that in arriving at her opinion of net annual value she had valued the older buildings at the same figure as agreed with Mr. McMillan at the 1996 first appeal stage and the new buildings at the levels prevailing for modern industrial buildings in the Bagenalstown area. However, having regard to the size of the property, she had made a 3% allowance for quantum in respect of the new space but not for the old as the square metre rate of €7.11 agreed at the 1996 appeal reflected quantum and this was accepted by Mr. McMillan in his evidence to this Tribunal. Ms. Ryan said that a valuation of €2,090.00 fairly reflected the location and size of the property concerned.

21. When asked about the access difficulties and the problems associated with Kilcarrig Bridge, Ms. Ryan said that she had taken these into account and in any event the situation

was the same in 1996 when the valuation of the original buildings had been agreed. Ms. Ryan agreed that whilst Royal Oak was a better location than Fennagh Road it did not necessarily follow that this would lead to a significant difference in valuation terms.

22. Ms. Ryan agreed with Mr. McMillan that an eaves height of 7.6 metres in both the old and new sections of the subject property was relatively low for modern warehousing purposes but said that she had had regard to this in arriving at her opinion of net annual value. Modern light industrial/warehousing buildings in the Bagenalstown area, she said, are valued at €27.33 per sq. metre. As a general rule there was no allowance for differences in area but it was the practice to apply a premium to reflect higher than average eaves height.
23. In relation to her comparison No. 3, (Autolaunch Ltd.), Ms. Ryan agreed that it was superior to the subject property and that it was a new purpose-built facility.

Findings

The Tribunal has carefully considered all the evidence and arguments adduced by the parties and finds as follows:

- (1) Section 49(1) of the Valuation Act, 2001 requires that the value of a relevant property *“shall be made by reference to the values, as appearing on the valuation list relating to the same rating authority area as that property is situate in, of other properties comparable to that property.”*
- (2) The property concerned in this appeal is a large warehouse complex comprising a number of interconnected buildings with a total area of 18,035 sq. metres. The original building having an area of 6,446 sq. metres was constructed in or about 1982 and was until recent times used for manufacturing purposes. It is common case that the new buildings which have an area of 11,589 sq. metres are built and finished to a higher standard and specification.
- (3) The Tribunal accepts Mr. McMillan’s contention that the Royal Oak Business Park is a better location than Fennagh Road by virtue of its proximity to and ease of access from the N9. Under cross-examination, Ms. Ryan indicated that while she was of a similar view any difference in value would not in her opinion be significant.
- (4) The Tribunal accepts Mr. Nolan’s evidence that the layout of the buildings is such as to adversely affect the efficient use of the space and that is particularly so in relation to the

older section of the property where the situation is exacerbated by the intrusion of the support structures for the now disused gantry cranes. These are factors which a hypothetical tenant would take into account when formulating an opinion of rental value.

- (5) It is common case that the older section of the property be valued at a lower rate per sq. metre than the new buildings. Mr. McMillan applied a differential of 20% whilst Ms. Ryan's valuation represents a discount of about 35% in respect of the original building.
- (6) The Tribunal accepts Ms. Ryan's evidence that modern light industrial/warehousing buildings in the Royal Oak Business Park location are valued at the uniform level of €7.33 and that this represents the established tone for similar buildings in the Bagenalstown area. There are, however, no buildings of a size similar to the subject property in Royal Oak and accordingly Ms. Ryan applied a 3% quantum allowance when valuing the new buildings.
- (7) In our opinion the valuation of the property concerned should be determined having regard to the location, difficulties associated with access, scale, age of the original building, nature of construction and inherent problems which give rise to inefficiency in use. Accordingly, therefore, we are of the opinion that the newer section should be valued by reference to the levels prevailing at Royal Oak and the Bagenalstown area generally but discounted by an appropriate amount to reflect the above relevant factors. In common with both expert valuers we are of the opinion that the older buildings should attract a further reduction to represent their age and the greater inefficiency in use of this section of the property.

Determination

Having regard to the above the Tribunal determines the rateable valuation of the property concerned to be €1,790.00 which figure may be devalued as follows:

Older Section: 6,446.08 sq. metres @ €16.50 per sq. metre	€106,360.32
New Buildings: 11,589.20 sq. metres @ €1.75 per sq. metre	<u>€202,065.10</u>
Net Annual Value Say	€308,425.42
Rateable Valuation @ 0.5%	€1,542,127.10

And the Tribunal so determines.