

Appeal No: VA17/5/776

**AN BINSE LUACHÁLA
VALUATION TRIBUNAL**

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

ABBOTT IRELAND DIAGNOSTICS DIVISION

APPELLANT

AND

COMMISSIONER OF VALUATION

RESPONDENT

In relation to the valuation of

Property No. 2178595, Industrial Uses at Local No/Map Ref: 3A 4/a, Lisnamuck, Longford,
County Longford.

**JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 12TH DAY OF JUNE, 2019.**

BEFORE

Donal Madigan – MRICS, MSCSI

Member

1. THE APPEAL

1.1 By Notice of Appeal received on the 12th 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 € 433,000.

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) “*Levels used are excessive*”. 2) “*Both tone and rental values support lower NAV*”.

1.3 The Appellant, in the Notice of Appeal, considers that the valuation of the Property ought to have been determined in the sum of € 301,000.

2. REVALUATION HISTORY

2.1 On the 12th day of January 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 € 423,000.

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 increased to € 433,000.

2.3 A Final Valuation Certificate issued on the 7th day of September 2017, stating a valuation of € 433,000.

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

3. DOCUMENT BASED APPEAL

3.1 The Tribunal considered it appropriate that this appeal be determined on the basis of documents without the need for an oral hearing and, on the agreement of the parties, the Chairperson assigned the appeal to one member of the Tribunal for determination.

3.2 In accordance with the Tribunal's directions, the parties exchanged their respective summaries of evidence and submitted them to the Tribunal.

4. FACTS

4.1 The property is located c. 2.5 kms north east of Longford town close to the intersection of the N4 with the N63.

4.2 The property comprises a high quality medical diagnostics facility with clean rooms, warehouse, offices and ancillary space with a total floor area of 9,803.71m².

4.3 The property is owner occupied.

5. ISSUES

5.1 The only issue in dispute is the quantum of the valuation.

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. Brian Bagnall, FRICS, FSCSI, of Bagnall Doyle MacMahon, Commercial Property Consultants, put forward the case on behalf of the Appellant, Abbott Ireland Diagnostics Division. In his submission to the Tribunal he contended for a valuation of € 227,000 which he calculates as follows:

| | | € |
|--------------------|--|--------------------------------|
| Offices two floors | 4,140.59m ² @ € 20.00 | 82,811.80 |
| Cold Room | 681.50m ² @ € 30.25 | 20,615.37 |
| Clean Room | 2,425.25m ² @ € 30.00 | 73,567.50 |
| Warehouse & Store | <u>2,529.37m²</u> @ € 20.00 | <u>50,587.40</u> |
| | 9,803.71m ² | 227,582.07 say, NAV € 227,000. |

7.2 In support of his valuation he has relied on the following three comparable properties:

(a) PN 2160541

This property has an NAV of € 135,300 and is located just to the southwest of the subject property and comprises a total floor area of 4,897m² with factory, office & store components, all valued at unit rates of € 20.00 per m² and also includes a cold room (of some 839.00m²) valued at € 29.40 per m².

(b) PN 2183353

This property has an NAV of € 115,300 and is similarly located to the above and comprises a total floor area of 4,615m² with factory and two floors of offices, all valued at unit value rates of € 20.00 per m².

(c) PN 2193747

This property has an NAV of € 61,800 and is similarly located to the above and comprises a total floor area of 3,090.00m². The unit value rates are all € 20.00 per m² for factory and two storey offices.

7.3 In addition to his comparative evidence, Mr. Bagnall submits, in summary, that:

(a) The Valuation Office is obliged to value all industrial property in Longford off the same value rates as per sec. 19. (5) (b) of The Valuation (Amendment) Act 2015;

(b) It is submitted that his three comparisons are in the same location as the subject property;

(c) The subject property is 9,803.71m² whilst his comparison No. 1 (PN 2160541) is only 4,897m² and one would expect, normally, a lower unit value rate per m² on the larger property;

(d) Although he has not seen the inside of the clean rooms, he accepts the principle of valuing these at a higher level, similar to the way cold rooms are treated, but feels that € 30.00 per m² is more than adequate in this regard;

(e) He accepts the level of € 30.25 per m² applied to the cold room in the subject property but queries why it is different to the unit rate of value applied to the cold room in PN 2160541 of € 29.40 per m²;

(f) He has only internally inspected No. 1 of his comparisons (PN 2160541) but can confirm that the accommodation is as good as that in the subject property, the office section being detached from the main building and well finished. He accepts, however, that part of the offices in the subject property have raised floors but feels that this would not increase the rental value over and above a standard industrial office finish and the benefit of this is offset by the unusually high ratio of offices in the building to other space comprising 50% contrasted with that of PN 2160541 at 10%, PN 2183353 at 26% and PN 2193747 at 21%.

(g) Although the subject property is an IDA supported enterprise he feels this is irrelevant as incentives must be ignored in assessing NAV. The question is what rent this would achieve if brought to the market, being a very large building on the outskirts of Longford and he considers that the Valuation Office are of the view that this would achieve twice the level per square metre of other units in the vicinity;

(h) He notes that the Valuation Office value the Store and Warehouse at € 20.00 per m² being the same as the other industrial uses in the area but that they do not accept the same rate for the offices.

7.4 Mr. Bagnall has separately queried the use/inclusion of the Respondent's Comparison No. 3 (PN 2214664) in evidence as being very different to the subject property in that it has no industrial element and is located on a retail, showroom and offices park and is assessed on a net internal basis (as opposed to gross external floor area for the subject property).

8. RESPONDENT'S CASE

8.1 Mr. Seamus Costello, B.Sc., MRICS, MSCSI, of the Valuation Office, put forward the case for the Respondent Commissioner of Valuation. In his submission to the Tribunal he contended for a valuation of € 433,000 (i.e. the figure presently entered in the Valuation List) which he calculates as follows:

€

| | | | |
|----------------------------|------------------------------|-----------|--------------------------------|
| Offices | 1,385.07m ² | @ € 40.00 | 55,402.80 |
| Cold room | 681.50m ² | @ € 30.25 | 20,615.38 |
| Clean rooms | 2,452.25m ² | @ € 80.00 | 196,180.00 |
| Warehouse | 960.00m ² | @ € 20.00 | 19,200.00 |
| Store | 1,569.37m ² | @ € 20.00 | 31,387.40 |
| Offices (1 st) | <u>2,755.52m²</u> | @ € 40.00 | <u>110,220.80</u> |
| | 9,803.71m ² | | 433,006.38 say, NAV € 433,000. |

8.2 In support of his valuation he has relied on the following three comparable properties:

(a) PN 1988895

This property has an NAV of €92,500 and is located within the same general area as the subject property and has a similar mode or category of use. It comprises a total floor area of 3,519.57m² excluding canopy. The calculations in the Respondent's submission do not match the assessment so by reference to the Valuation List this property has unit value rates for the factory of € 20.00 per m²; for the offices of € 40.00 per m² ; and for the clean room (276.00m²) of € 80.00 per m².

(b) PN 2182969

This property is located close to the Appellant's comparables in 7.2 (a) & (b) above and has an NAV of € 5,550. It comprises first floor offices of 111.00 m² which are valued at a unit value rate of € 50.00 per m², on a net internal floor area basis, as distinct from the gross external floor area basis, as in the case of the subject property.

(c) PN 2214664

This property, which is located some 4 Kms south west of the subject property, has an NAV of € 18,350 and comprises 262.20m² over ground and first floors which is valued as offices but described in the Valuation List as a Gymnasium/Fitness Centre, Office, at a unit value rate of € 70.00 per m² on a net internal floor area basis, as distinct from the gross external floor area basis, as in the case of the subject property.

8.3 In addition to his comparables, Mr. Costello makes, in summary, the following points:

(a) In regard to Appellant's comparison 2160541-this is a food based user but he considers the offices are not comparable to the subject property in that they are dated with little glazing, no attractive aesthetics, are detached from the manufacturing, and are akin to a bungalow type property. He says that there are no clean rooms in this property;

- (b) In regard to Appellant's comparison 2183353, he confirms that he has not seen the offices but believes it is a food production facility that makes pizzas and that there are no clean rooms;
- (c) In regard to the Appellant's comparison 2193747, he confirms that this is a modern facility where the company manufacture non-invasive medical devices and confirms that the offices are in good condition but he is not aware of the standard of the clean room;
- (d) He submits that the offices in the subject property are of excellent quality and deserve the unit rate of value applied of € 40.00 per m² in that this level is 50% of the rate adopted for 3rd generation offices in Longford and some 43% of the unit value rate adopted for general offices in Longford;
- (e) He further submits that his comparison PN 1988895 is a medical production facility with offices comparable with those in the subject property which are also valued at € 40.00 per m².
- (f) With regard to the clean rooms, he asserts that the clean rooms in a medical facility are of such high standard that a unit value rate of € 80.00 per m² is justified.

9. SUBMISSIONS

9.1 There were no legal submissions in this case.

10. FINDINGS AND CONCLUSIONS

10.1 On this appeal the Tribunal has to determine the value of the Property so as to achieve, insofar as is reasonably practical, a valuation that is correct and equitable so that the valuation of the Property as determined by the Tribunal is relative to the value of other comparable properties on the valuation list in the rating authority of Longford County Council.

10.2 This is a large medical diagnostics facility at 9,803.71m² on the outskirts of Longford town. It is significantly larger than any of the comparable properties put forward by either the Surveyor for the Appellant or by the Surveyor for the Respondent.

10.3 The statutory framework for the determination of net annual value envisages an estimate of the rental value of the property, as at 30th October, 2015, as the basis for the assessment. Neither party's Surveyors submitted rental evidence (and it is readily acknowledged that such rental evidence might be very difficult to find for such a property with this mode or category of use and scale) and accordingly, the evidence is restricted, on this occasion, to a consideration

of Net Annual Value by reference to what each Surveyor believes are comparable assessments in this location, upon which to base their estimates.

10.4 From a review of each valuation, it will be apparent that Mr. Bagnall and Mr. Costello are agreed on the unit value rates per square metre attributable to the Cold Room, Warehouse and Store, in the subject property, at € 30.25, € 20.00 & € 20.00 per m² respectively. The areas of difference lie in the treatment of the Clean Rooms 2,452.25m² (Mr. Bagnall at € 30.00 per m² versus Mr. Costello at € 80.00 per m²) and the Offices-both floor levels grouped together-4,140.59m² (Mr. Bagnall at € 20.00 per m² contrasted to Mr. Costello at € 40.00 per m²). The resultant difference in the overall opinions of total NAVs is substantial at € 206,000 (€ 433,000 less € 227,000.)

10.5 The clean rooms have been valued at a unit value rate of € 80.00 per m² and the supporting assessment for this is in Mr. Costello's comparable PN 1988895, albeit the clean rooms are only 276.00m² in size in that property, contrasted to those in the subject property at 2,452.25m². In the absence of any further information (including on standard and classification) this is the only available guide to NAV.

10.6 The offices in the subject property comprise a total of 4,140.59m² and are valued at a unit value rate of € 40.00 per m². They comprise some 42.23% of the total floor area (4,140.59/9803.71 X 100) on the Tribunal's calculation and whilst noting the Respondent has cited the offices in PN 1988895 as comparable, the size of the offices in that comparable are only some 201.00m² i.e. less than 5% the size of the office component in the subject property. Mr. Bagnall has cited three comparables where offices are part of industrial properties and the Tribunal regards these as a preferable guide to value than the two (PN 2182969 & PN 2214664) put forward by Mr. Costello, the latter being in a completely different scale to the subject property and for which the market would be significantly dissimilar. Mr. Costello's comparable PN 1988895 is helpful and shares some similarities with the subject property and therefore, taking account of this and the factor of quantum, the Tribunal considers that, on the evidence before it, the correct unit value rate per m² lies in between the rate adopted for PN 1988895 and those adopted for PN 2160541, PN 2183353 and PN 2193747. This indicates a unit value rate for the offices of € 30.00 per m².

DETERMINATION:

Accordingly, for the above reasons, the Tribunal allows the appeal and decreases the valuation of the Property to € 391,600 which is calculated as follows:

| | | € |
|----------------------------|--|----------------------------|
| Offices | 1,385.07m ² @ € 30.00 | 41,552.10 |
| Cold room | 681.50m ² @ € 30.25 | 20,615.38 |
| Clean rooms | 2,452.25m ² @ € 80.00 | 196,180.00 |
| Warehouse | 960.00m ² @ € 20.00 | 19,200.00 |
| Store | 1,569.37m ² @ € 20.00 | 31,387.40 |
| Offices (1 st) | <u>2,755.52m²</u> @ € 30.00 | <u>82,665.60</u> |
| | 9,803.71m ² | 391,600.48 say, € 391,600. |

And the Tribunal so determines.