

VALUATION TRIBUNAL FOR ENGLAND



Non Domestic Rating 2010 rating List; Mezzanine area; relativities; Use of costings; warehouses; Decision: Appeal allowed.

Re: 29 Buckingham Avenue, Slough SL1 4QA

APPEAL NUMBER: 035018464949/537N10

Between Edmundson Electrical Ltd Appellant

And Valuation Officer Respondent

PANEL: Mr M Young (Chairman)
Mr A Chesters

Sitting at: Black Lion House, 45 Whitechapel Road, London E1 1DU

On: Wednesday 7 August 2013

APPEARANCES:

Mr D Perrett of Rapleys, for the appellant

Mr D Wagstaffe (Valuation Officer) for the respondent

Summary of Decision

1. Appeal Allowed: The Rateable Value of the property is £74,250 with effect from the 1 April 2010.

Introduction

2. The absence in this decision of a reference to any statement or item of evidence placed before it by the parties should not be construed as being overlooked by the Panel.

3. This appeal has been brought in respect of the following: a proposal to alter the entry made on the 1 April 2010 into the 2010 rating list for a Warehouse and Premises at 29 Buckingham Avenue, Slough SL1 4QA was received by the Valuation Officer on the 17 June 2011. The proposal had been made by Rapleys, on behalf of Edmundson Electrical Ltd, the occupier and tenant of the subject property.
4. The appellant had proposed that the rateable value entered into the list for the subject property should be altered from £85,500 to £74,250, with effect from the 1 April 2010. Agreement between the Valuation Officer and the appellant in respect of this proposal had not been possible and the matter was therefore referred to the Valuation Tribunal for England as an appeal under Regulation 13 of the Non-Domestic Rating (Alteration of Lists and Appeals) (England) Regulations 2009 SI 2268.
5. The appeal property forms part of a modern trade counter development completed in 2006 comprising six individual units. The building is of steel portal frame construction with breeze block external walls to height of approximately 2.1 m (7 ft) and is clad externally with insulated profile cladding under an insulated profile steel clad roof. Internally the property comprises a main warehouse area which is accessed via a loading door on the front elevation. The warehouse has a clear eaves height of 9.5 m (31 ft) and is unheated.
6. To the front of the unit the occupier has formed a trade counter which had a separate entrance door on the front elevation and was finished with tiled floor, extensive fittings to the walls for display purposes under a suspended acoustic tiled ceiling with recessed spotlighting. Behind the trade counter there was a general office area which was finished with carpeted solid floor, plastered walls, acoustic tiled ceiling with recessed inset lighting. The area had no natural light. W/C facilities were provided in a small amenity block to the rear of the warehouse area.
7. Within the building the appellants had also installed a mezzanine floor which was accessed via two metal staircases from the main warehouse area. The mezzanine floor was partly over the warehouse area and partly formed over the office area. There was no goods lift access.

Issues

8. The matter in dispute between the parties was the appropriate relativity / price to apply to the mezzanine storage that had been added to the property.

Evidence and Submissions

9. The respondent submitted that the Valuation Office Agency has changed their valuation approach to mezzanines and he contended that this has produced greater fairness and greater consistency in valuation. The 2010 relativities have been changed so that the mezzanine stores are valued at 50%, but the area beneath them valued at 70%. The Valuation Officer was of the opinion that costings should not be adopted; its use had been rejected in previous Case law in favour of comparable evidence. He was also of the opinion that the mezzanine areas in warehouses should not be treated the same way as they are in retail warehouses. The Valuation Officer was of the opinion that using the revised relativities added £13,000 to the basic value of £67,500 and requested the Panel to confirm his revised valuation of £80,500 with effect from 1 April 2010.

10. The appellant contended that the revised method for valuing mezzanine floors proposed by the Valuation Officer was fatally flawed and produced an unsupportable result in situations where the base price is high. Mr Perrett informed the panel that in the 2005 list the Valuation Officer adopted a relativity of 0.2 of the base rate on mezzanines with no reduction for the areas beneath the mezzanine. However he now proposed on the 2010 list relativities of 0.5 on the mezzanine area and 0.7 on the areas beneath the mezzanine.²
11. The appellant stated that the mezzanine floor was a tenant's improvement and in the absence of rental evidence it was acceptable practice to value tenant's improvements by amortising the cost of the improvements over the length of the lease or alternatively the likely useful economic life of the improvement. This produces a 'virtual rent'
12. Mr Perrett contended that his valuation was on the basis of an additional value of £6,750 per annum. This was considerably in excess of the virtual rent derived from the actual costs Mr Perrett did not adopt the virtual rent as the basis of an addition of 20% for mezzanine floors had been a long established principle since the 1990 rating revaluation accepted by both the Valuation Office, private practice and the Courts.
13. The appellant stated that the rental value of the mezzanine floor cannot logically be nearly half its capital value and he requested the panel to determine a revised rateable value of £74,250 with effect from 1 April 2010.

Decision and Reasons

14. The Panel having considered the evidence and arguments presented by both parties arrives at the following conclusions.
15. The Panel concurred that retail warehouses were in their own class and should not be followed when valuing the mezzanine area in warehouses. However, it was noted that the "formula" in this case was a national one which disregarded local rental values.
16. The Panel noted that the basic rateable value of the warehouse was agreed at £67,500. However, the issue in dispute is the value attributable to the mezzanine floor.
17. The Panel had to consider whether the extra value of mezzanine area increased the rateable value to £74,250 as proposed by the appellant or £80,500 as contended by the Valuation Officer.
18. The difference in values arose as the Valuation Officer argued that the relativities under the 2010 rating list for mezzanine floors in warehouses should be at 50% of the flat rate and the area beneath them should be valued at 70%. It was agreed that this "formula" had no basis in rental evidence but appeared, to the VO, to produce a fairer result.
19. The appellant contended in this case in respect of these premises that the valuation of the mezzanine floor should be 20% of the base value with no reduction for the area under the mezzanine floor.
20. The panel was of the opinion that, whilst it accepted that formulas were a useful tool to aid valuation, they had to produce a result that reflected some sense of reality and this might not be achievable in every case. The Panel consider the appellant's approach in this particular case for this property is correct.

21. On considering the three points made by the Valuation Officer the Panel found as follows;
22. Point 1 – The mezzanine floor at these premises are not the same as a 1st floor permanent structure. In this case it was a temporary structure as seen in the photographs presented as evidence. In the opinion of the Panel the mezzanine floor adds value but not as much as 65% in the case of a 1st floor permanent structure. The Panel do not consider this mezzanine floor to be as convenient or valuable as a 1st floor permanent structure.
23. Point 2 – The Panel were not persuaded that it was necessary to set the value of the mezzanine above 20% of the base rate just because a hypothetical office may be valued at 120% under the scheme proposed by the Valuation Officer.
24. Point 3 – It was accepted by the appellant that there would be no reduction in value for any of the areas under the mezzanine. However, the application of this would vary from case to case.
25. The appellant had tested his case by referring to costings and used the Valuation office Agency's own online tool (tenant's improvement calculator) to calculate a virtual rent for the addition of the mezzanine.
26. The Panel accepted that using the online tool produces a low virtual rent for the mezzanine. However the Panel were impressed by the representative only using this tool as a checking mechanism against his proposed additional value of £6,750.
27. The Panel were of the opinion that then additional value proposed by the appellant of £6,750 fairly reflects the additional value the mezzanine adds to the appeal property, whereas the additional value for the mezzanine proposed by the Valuation Officer of £13,000 seemed excessive in comparison with the overall rateable value of the whole appeal property.
28. In conclusion the Panel allows the appeal and confirms that the rateable value of the appeal property should be £74,250 with effect from 1 April 2010. This revised rateable value incorporates the relativity of 20% of the base rate for the mezzanine area but is not meant to establish a "norm" for the treatment of mezzanines generally.

Order:

29. Under the provisions of Regulation 38 (4) and (9) of The Valuation Tribunal for England (Council Tax and Rating Appeals) (Procedure) Regulations 2009, the VTE orders the Valuation Officer to alter the 2010 Rating List entry in respect of 29 Buckingham Avenue, Slough SL1 4QA within two weeks of the date of this order to Rateable Value £74,250 with effect from 1 April 2010.

Date: 11 September 2013

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