VALUATION TRIBUNAL FOR ENGLAND

Non domestic rating appeal; 2017 rating list; Car Showroom and Premises; Rental evidence; Comparable properties; Tone; Appeal allowed.

Re: Lloyd BMW, Grearshill Road, Kingstown Industrial Estate, Carlisle CA3 0ET

APPEAL NO: CHG100062544

BETWEEN Lloyd Motors Ltd *(*Appellant)

and

Mr R Roberts (Respondent)

(Valuation Officer)

BEFORE: Mr K Ford (Senior member); Mrs F Higgin

REMOTE HEARING ON: Thursday 29 October 2020

APPEARANCES:

Mr I Henderson (Carigiet Cowen - Representing the Appellant);

Mr A Steel (Representing the Respondent);

Summary of decision

1. The appeal was allowed in part and the assessment was determined at £295,000 rateable value with effect from 23 May 2017.

Introduction

2. The President of the Valuation Tribunal for England (VTE) is required to make sure arrangements are in place and make such statements and Directions so as to ensure that business before the Tribunal is conducted in accordance with The Local Government Finance Act 1988, Schedule 11, Part 1, paragraph A17(1) and The Valuation Tribunal for England (Council Tax and Rating Appeals) (Procedure) Regulations 2009 and by virtue of Part 2 regulation (5) (arrangement for appeals) and regulation (6)(3)(g) (appeal management powers) the VTE may determine the form of any hearing.
3. Therefore, in pursuance of Regulation (6)(3)(g) the VTE has incorporated "remote hearings" as part of that definition and for the time being as the default option until it is safe to return to

normal working. The Tribunal's Consolidated Practice Statement has been amended to reflect this.

4. This was a 2017 rating list appeal and the property had been entered in the rating list at £307,500 rateable value with effect from 23 May 2017, with a description of Car Showroom and Premises. At the challenge stage, the Valuation Office Agency (VOA) decided that the proposal was not well-founded and confirmed the rateable value at the above figure. The appeal was made by the appellant's representative against the Valuation Officer's (VO) Decision Notice of 29 April 2020.

5. The subject property comprises a modern car showroom facility with a fully glazed frontage, incorporating significant workshop accommodation to the rear. The property is owner occupied and was originally built in 2002/3. Approximately four years ago it underwent a major refurbishment, with an extension to the workshop accommodation. The property is situated on the Kingstown Industrial Estate in Carlisle close to junction 44 of the M6. The city has a population of 108,000. The property has been assessed at a base value of £120 pm^2 and the appellant sought a revised rateable value of £295,000, adopting a base rate of £115 pm^2.

6. This document is not intended as a verbatim report of the proceedings, nor is it proposed to reproduce in full all of the parties' evidence. The absence in this decision of a reference to any statement or item of evidence placed before the panel by the parties should not be construed as an indication that that statement or item of evidence has been overlooked.

Issue

7. The issue between the parties concerned the RV of the appeal property and, specifically, the rate per m^2 that should apply.

8. All relevant factual information was not disputed by the parties.

Decision and reasons

9. In his submission to the panel, Mr Henderson referred the panel to his bundle of evidence which include details of rents passing on other car showrooms and a schedule detailing a number of comparable properties which, he argued supported his contention that the correct rate for the main space accommodation should be £115 pm^2. The panel was also referred to location plans and photographs which had been included in the original bundle and to another set of photographs which both parties had agreed should be included for the panel's assistance. In addition to various correspondence that had been exchanged in respect of the appeal property, the appellant also made reference to two decisions of the VTE in respect of the assessment entered in the 2010 rating list for the subject property and a comparable.

10. Mr Henderson explained that car showrooms are often owner occupied and thus the amount of rental evidence available is very limited. The only rent in respect of the subject property was a ground rent which provided no assistance in establishing the rateable value. He submitted a schedule which had been discussed with the VO detailing rents relating to:

    J Edgar & Son, Dunmail Park, Siddick Road, Workington which was a rent review dated January 2011 that he analysed to £61 pm^2;

    274 Fylde Road, Ashton Preston which was another rent review dating from February 2013 and devaluing to £114 pm^2 with a 5% allowance for variations of floor levels;

Bristol Street Motors, Alemouth Road, Hexham, a rent review from April 2014 devaluing to £93 pm^2 and to

350 Blackpool Road, Preston which was the only new open market letting and which was dated December 2015 and analysed to £91.20 pm^2.

In addition, he indicated that a rent relating to Stan Palmer, Montgomery Way, Carlisle had been considered but discounted when it had been established that the rent was based on a RPI calculation and thus was not an open market rent.

11. Mr Henderson also provided further rental information in respect of these properties from previous or later agreements which were, he submitted too remote from the valuation date to be of assistance. He did, however, highlight a January 2016 rental valuation carried out by an Independent Expert in respect of J Edgar & Son, reflecting all tenant's improvements which determined a rental value of £80,000, devaluing to £62 pm^2.

12. In considering this evidence the appellant's representative referred to each property in turn and related it to the subject property in terms of its quality and location. The comparables were, he submitted, all remote from the appeal property. In respect of the Preston showrooms, he stated that the City has a population of over 140,000 and is one of the major urban centres in the North West, considered by most car dealerships to be a major territory in the region. It had been accepted that the Blackpool Road property was not a good comparable and he acknowledged that the subject property was superior to the Fylde Road showroom, although this was, he argued more than offset by the far better location. That property was entered in the 2017 rating list at a base rate of £120 pm^2 which represented an uplift from £110 pm^2 which was the corresponding figure for the 2010 rating list. The Hexham property was some 35 miles east of Carlisle and was stated to be an inferior property.

13. Overall, Mr Henderson considered that there was relatively little to take from the rental evidence but submitted that there was a degree of synergy with the Fylde Road showroom and argued that this did, at least, support his proposed rate of £115 pm^2, which reflected an uplift from the 2010 rating list figure of £110 pm^2.

14. In respect of the available rental evidence, Mr Steel responded with his comments in respect of the comparables put forward by the appellant's representative. Overall, in respect of the market for car sales, he referred the panel to the fluctuations in the registrations of new cars which showed a drop between 2007 and 2011 followed by a steady increase to a peak in 2016 with a further decline after that time. This he submitted was an indication that the rental market would have improved with correspondingly higher rental levels than those prevailing in 2013, which was the antecedent valuation date for the 2010 rating list.

15. Mr Steel supported this argument by referring to the Fylde Road, comparable which had been subject to a rent review in 2013 and had subsequently been subject to a new lease in February 2018 which, his analysis showed was at a rent equating to a 11% increase between the two dates. He submitted that the adjusted main space price of £114 pm^2 supported the £120 pm^2 that had been adopted, stating that 'the basis of tone / hierarchy in location / quality is a reflection of what was agreed in the 2010 NDR list with 274 Fylde Road being agreed at £110 pm^2, where the subject assessment was also agreed at £110 pm^2.'

16. In respect of J Edgar & Son, Mr Steel referred to the rent determination and quoted the following extract 'rental evidence of dealership property in Workington is non-existent' and stated that the property was in a 'somewhat unconventional location for a vehicle dealership with no direct road frontage or prominence'.

17. Both the Bristol Street Motors, Hexham and 353 Blackpool Road, Preston showrooms did, Mr Steel argued, provide little assistance, the former property being in a somewhat remote location well away from Newcastle Upon Tyne and without the benefits of having a workshop and the latter having changed occupation with a new lease requiring substantial adjustments.

18. Having considered the rental evidence, the panel found that it provided very limited assistance. None of the properties cited were in the vicinity of the subject property and the character and relative location of each were different. The main conclusion the panel drew from this evidence was that there had been an uplift in rental values between the 2010 and 2020 rating lists but it did not find it to provide conclusive evidence as to the appropriate level of value to be adopted for the appeal showroom.

19. Given the limited rental evidence available and in accordance with the hierarchy detailed in *Lotus and Delta v Culverwell (VO) & Leicester City Council* [1976] RA 141, Mr Henderson submitted that it was necessary to then consider the evidence provided by other car showrooms. He referred the panel to an extensive schedule detailing the assessments of 19 car showrooms located in Carlisle and considered that there was a clear hierarchy that had been established over time within the area and submitted that there was settlement evidence to support his opinion of value. It was submitted that there has been a two-tiered hierarchy of car showrooms in Carlisle which has been underpinned by the two valuation tribunal decisions on modern car showrooms. He considered that a distinction had been established between the more modern conventional car showrooms on the one hand and the slightly superior modern car showrooms which have the benefit of a fully glazed frontage on the other. This, he argued was quantified in the 2010 rating list with an agreed base rate of £105 pm^2 for the modern, conventional car showroom and £110 pm^2 for those with a fully glazed frontage and he provided details of the showrooms which fell into each category.

20. For the 2017 list, Mr Henderson provided details of five of the ‘superior modern’ showrooms, including the subject property, that had been assessed at, what he argued was too high a base rate of £120 pm^2. Three of these showrooms were currently being challenged. In respect of the ‘conventional modern car showrooms’, the majority had been valued at a base rate of £110 pm^2. In respect of two properties however, Lloyd Volvo, Site 11 Chandler Way, Parkhouse and Lloyd Honda, Site 20 Grearshill Road, Kingstown, a higher base figure had been adopted and, following discussions with the VO, Mr Henderson had agreed reductions with both assessments now being based on a rate of £110 pm^2. He argued that the tone for the conventional showrooms was now becoming settled at this level and, in accordance with the established hierarchy of car showrooms values in Carlisle, he submitted that his proposed rate of £115 pm^2 for the subject property was fully supported.

21. This, it was argued, was further supported by comparison with Lookers VW car showroom at Rosehill in Carlisle which also has a fully glazed frontage and which has been assessed at a base rate of £115 pm^2 and which, for previous lists has been directly compared to Lloyd BMW.

22. In respect of the comparable properties, Mr Steel did not accept that there should be a direct correlation between rating lists and stated that values change over time and that the revaluation is the opportunity to reflect the changes in market values. He highlighted this by referring to a Mercedes dealership which has been entered into the list at a higher rate still.

23. Mr Steel argued that the rents demonstrated that there had been a steady increase in value between the two lists and considered that the differing values that had been adopted had been challenged and that an agreed level of value was becoming established detailing five showrooms that were now settled at £110 pm^2.

24. It was submitted that £120 pm^2 reflected the prominent and busy location for the appeal property and did not consider that the appellant's representative had demonstrated that the figure was unreasonable.

25. Having found little assistance from the rental evidence, the panel had regard to the comparable properties that were submitted by the parties and accepted the contention of the appellant regarding the hierarchy that existed. Although it appreciated that there should not necessarily be a correlation between rating lists, the evidence demonstrated to the panel that there was a distinction to be made between modern 'conventional' and modern 'superior' showrooms, with the significant difference apparently being the fully glazed frontage.

26. This distinction was not challenged and, whilst the 'conventional' showrooms were seemingly being resolved with an agreed base rate of £110 pm^2, this was the first challenge on a 'superior' showroom to come before the tribunal.

27. Overall, the panel found that the rate of £115 pm^2 adopted by the appellant's representative was fair and reasonable. This was shown not to be unreasonable having regard to the rental evidence from the Fylde Road, Preston comparable and giving weight to the evidence from the Lookers VW dealership. In addition, when the panel noted the settlements made in respect of the 'conventional' showrooms, it found that the proposed uplift fairly reflected the market uplift.

28. On this basis the panel found that the rateable value should be determined at the proposed assessment of £295,000 with effect from 23 May 2017.

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 List within two weeks of the date of this order to show Lloyd BMW, Grearshill Road, Kingstown Industrial Estate, Carlisle CA3 0ET at a Rateable Value of £295,000 with effect from 23 May 2017.

30. Any fee paid will be refunded in full in accordance with regulation 13E.

Date: 25 November 2020

Appeal number: CHG100062544