VALUATION TRIBUNAL FOR ENGLAND

2017 Rating List Appeal: Local Government Finance Act 1988; Accuracy of the RV in the Rating List; Factory, office and premises; level of value for offices and their relativities; Whether offices should be treated as standalone offices; Comparable properties; appeal dismissed.

APPEAL NUMBER: CHG1000847902

RE: Games Workshop, Willow Road, Nottingham NG7 2WS (the "subject property")

BETWEEN:	Games Workshop Ltd	Appellant
	and	
	Ms J Moore (Valuation Officer)	Respondent

SITTING: *remotely using Microsoft Teams*

ON: Thursday 27 August 2024

BEFORE: Mr S Levy, Presiding Senior Member
Mr C Derrick, Senior Member

CLERK: Mrs S D Morgan

APPEARANCES: Mr A Simons – Appellant's representative (Altus Group)
Mr R Hichens – Valuation Officer's representative

DECISION AND STATEMENT OF REASONS

Decision

1. The appeal is dismissed. The assessment was confirmed as £487,500 Rateable Value (RV) with effect from 31 May 2017.

Introduction

2. This is a 2017 rating list appeal. The subject property had been originally entered in the 2017 Rating List as 'factory, office and premises' at a RV of £540,000 with effect from 31 May 2017.

3. The appellant had made a challenge against the accuracy of the assessment in the 2017 Rating List, by way of a proposal that he served on the Valuation Officer (VO). After considering the proposal and evidence submitted during the challenge period, the VO decided that the assessment should be reduced to £487,500 RV. A decision notice to that effect was served on the appellant and his representatives then appealed the VO's decision to the Tribunal on the grounds that the current valuation for the hereditament was still unreasonable, under Regulation 13A of the Non-Domestic Rating (Alterations of Lists and Appeals) (England) Regulations 2009.

4. Mr Simons appeared on behalf of the appellant as both advocate and expert witness and declared that he was employed on a contingency fee basis. In view of the Upper Tribunal's judgment in *Gardiner & Theobald LLP v David Jackson (VO)* [2018] UKUT 0253 (LC), Mr Simon's' declaration of truth included a statement that he understood and accepted that his duty is to the Tribunal in giving his evidence and he will comply with this as well as the requirements of his professional body regardless of whether or not the evidence supports his client's case.

5. The panel accepted this expert witness evidence on the above basis as the appeal is not complex and to do otherwise would be contrary to regulation 3 (Discharge of VTE functions – general) of the Procedure regulations and is allowable due to the Tribunal's rules on admissibility of evidence (regulation 17(2)(a) where the Tribunal can admit evidence whether or not it would be admissible in a civil trial).

6. Mr Hichens appeared as advocate and expert witness on behalf of the Valuation Officer.

7. The hearing was held remotely via Microsoft Teams.

8. This statement of reasons is not and does not purport to be a verbatim record of proceedings.

Background

9. The evidence bundle before the panel comprised of the evidence disclosed and exchanged during challenge. It included comparable assessments, location plans, photographs of the subject property and their skeleton arguments.

10. The subject property is a factory, office and premises with a total significant area (TSA) of 13,773.10 sqm. The property comprises of three buildings of different ages, ranging between 1960 and 2004. The subject property is located off the Nottingham City Ring Road and benefits from 231 car spaces. The offices within the subject property are within the same ring-fenced site and there is a single access point. The whole property benefits from heating and the office area has full air conditioning.

11. The subject property is assessed within valuation scheme 412606 which is applicable to "large industrial properties over 10,000 square metres throughout Nottinghamshire. It excludes large distribution warehouses and food processing factories". The 1960's areas have been valued at £21.00/m^2.

12. The issues in dispute concern the relatives and subsequent tone which has been applied to the specific office areas of the subject assessment.

13. The subject property is held on a freehold basis. Games Workshop Limited purchased the premises for £625,000 in November 2003.

Relevant Law

14. Rateable value is to be determined in accordance with paragraph 2(1) of Sch.6 to the Local Government Finance Act 1988, which provides:

"(1) The rateable value of a non-domestic hereditament none of which consists of domestic property and none of which is exempt from local non-domestic rating shall be taken to be an amount equal to the rent at which it is estimated the hereditament might reasonably be expected to let from year to year on these three assumptions—

(a) the first assumption is that the tenancy begins on the day by reference to which the determination is to be made;

(b) the second assumption is that immediately before the tenancy begins the hereditament is in a state of reasonable repair, but excluding from this assumption any repairs which a reasonable landlord would consider uneconomic.

(c) the third assumption is that the tenant undertakes to pay all usual tenant's rates and taxes and to bear the cost of the repairs and insurance and the other expenses (if any) necessary to maintain the hereditament in a state to command the rent mentioned above.

Discussion

15. The subject hereditament must be valued for the purpose of non-domestic rating on the basis of the rent at which it might reasonably be expected to be let from year to year on a number of assumptions. Those assumptions are listed in paragraph 2(1) of Schedule 6 to the Local Government Finance Act 1988.

16. In accordance with the Rating Lists (Valuation Date) (England) Order 2014 (SI:2014 No.2841), the date of the hypothetical rent was 1 April 2015, the antecedent valuation date (AVD). This common date was used to ensure that every property was treated in a consistent way.

17. Matters that affected the physical state or enjoyment of the property or the locality were to be taken at the material day, as outlined by the Non-Domestic Rating (Material Day for List Alterations) Regulations 1992 (SI 1992 No. 556) as amended. In respect of the subject hereditament, the material day was 1 April 2017.

18. In the case under consideration, the panel had analysed the competing evidence having regard to the authoritative guidance in *Lotus & Delta v Culverwell (VO) and Leicester City Council* [1976] RA141. The rent on the subject property is considered to be the correct starting point but, where available, rents on similar properties are also to be taken into account. The assessments on other comparable properties may also be relevant. All of the evidence can then be weighted.

19. In this case the property was held freehold, so there was no rent passing. The next stage to be considered were the rents on comparable properties.

20. The appellant's representative began by referring to the agreed 2010 rating list entry with the 1960s-built offices of ground floor 1,320.88m^2 and first floor of 1,233.80m^2 valued at the standard tone of £20.90/m^2 with the correct uplift of 20% for offices and an additional 10% for air conditioning.

21. In the 2017 rating list these offices were valued at a 340% uplift from the base tone of £21.00/m^2 tone to £71.50/m^2. This included a 10% uplift for air conditioning based on a tone of £65.00/m^2. At £65.00/m^2 this is a 309% uplift. Even at the subject property's current valuation the office areas are valued using approximately a 325% uplift which the appellant's representative believed was excessive.

22. In support of his case, the appellant's representative referred to numerous industrial assessments where offices were valued at a 20% uplift. These included Halfords Ltd, Icknield Street Drive, Redditch, Worcester, Z F Gears (Great Britain) ltd, Abbeyfield Road, Nottingham and 5, Lenton Lane, Nottingham where the unadjusted rate ranged from £20.50/m^2 to £30.00/m^2. The latter two properties were in the same scheme and locality as the subject property. All the office space within these assessments were valued at the standard 20% uplift based on the industrial tone.

23. In addition, he gave details of three agreements on comparable assessments which were assessed as factory and premises where the offices were valued based on the standard relativities and adjustments for offices forming part of an industrial assessment. The revised price per m^2 ranged from £26/m^2 to £30/m^2. He also included a recent Challenge agreement on another building of a comparable age that of J Howitt & Son Ltd, Sutton Parkway, Oddicroft Lane, Sutton-in-Ashfield, Nottingham. This assessment had been agreed at a revised tone of £30.00/m^2. This comparable was built in 2002 and extends to 13,600m^2. The offices were agreed at the standard office uplift of 20%. This unit is of comparable size to the subject property and was built at the same time as the three storey offices at Games Workshop.

24. The appellant's representative also made reference to a summary of rental evidence on three units, one of which was provided by him on Cerealto, Claylands Avenue, Worksop, Nottingham where a 2015 lease where an unadjusted rate of £26/m^2 was applied.

25. The appellant's representative contended that the offices should be re-valued at the correct tone for offices forming part of an industrial assessment of this age and size of £21.00/m^2 with the standard office uplift of 20% with a 10% additional uplift for air conditioning. This would give £21.00 x 1.32 = £27.72/m^2. The 1960s-built offices should therefore be re-valued at £27.72/m^2 and the three storey 2004-built offices at £36.00/m^2. He sought a revised valuation of £347,500 RV with effect from 31 May 2017.

26. The valuation officer's representative described the subject property as a specialist site that had been altered, refurbished and extended based on the occupiers needs. The site was the result of vast investment into the premises to fit their specific needs as its global headquarters. The photographic evidence shows that the subject property includes three distinctly different buildings. He contended that they were not ancillary to one another and were built to the specification required for the occupier's business needs. The valuation officer's representative contended that this was a hybrid site that should be valued as such, neither industrial nor office parts were ancillary to one another.

27. The valuation officer's representative confirmed that a 7.5% split site allowance had been agreed during the challenge stage. This was to reflect the layout of the site with 3 separate

buildings present. He had applied an unadjusted price of £65.00/m^2 for both purpose-built office buildings at the subject site. He was satisfied that the quality of both buildings was comparable and on the open market they would achieve very similar rental values, with both being refurbished to the same standard of fit out. The offices were measured to NIA and were assessed at £65.00/m^2 tone based on the rental evidence of other local purpose-built offices, which had also been measured to NIA.

28. The valuation officer's representative referred to the other offices in the locality where the analysed rent for Cardinal House, Abbeyfield Road, Nottingham and Parexel House, Canal Street, Nottingham ranged from £76.05/m^2 to 138.66/m^2. These comparable properties were standalone offices. Their adopted prices ranged between £90/m^2 to £125/m^2, which supported the proposed unadjusted value of £65.00/m^2 as being reasonable for the offices at the subject property.

29. Since the challenge, the valuation office agency (VOA) had reviewed a number of other industrial properties and increased assessments where it thought necessary. These included W&J Linney, Adamsway, Mansfield, Notts, NG18 4FW. With the revised measurements of this building being in line with NIA, a tone of £72.50/m^2 (for the 2023 Rating List) was adopted. In relation to 40, Lower Oakham Way, Mansfield, Notts, NG18 5BY given its standalone nature and high-quality office space in place this had also been measured to NIA adopting a tone of £57.50/m^2 (for the 2023 Rating List). In addition, Golden Lady UK, Nunn Brook Road, Huthwaite, Sutton-in-Ashfield, Nottinghamshire, NG17 2HU was also of a standalone nature and high-quality office space. Measurements for this property was to NIA with an adopted tone of £62.50/m^2 (for the 2023 Rating List).

30. In addition, the valuation officer's representative provided case law and settlement evidence again supporting the use of a hybrid approach. He referred to AKD Engineering Ltd. Horn Hill, Lowestoft, Suffolk, NR33 0PX. This property had industrial and office elements to it. The Valuation Tribunal decision on the 2010 Rating List valued the offices linked to the industrial part with a 20% uplift. However, offices located in an adjacent modern building were valued at a higher level of £100/m^2 in that case. In the Lands Tribunal judgment of *Kodak Limited v Triptree (VO)* LT [1980] RA 357, both the office and warehouse were valued alongside values for their own individual markets, based on their characteristics.

31. The valuation officer's representative was of the opinion that the subject property with its reduced RV of £487,500 with effect from 31 May 2017 was reasonable. This included an end allowance of 7.5% for the split site and the revised value of the plant and machinery and floor areas following the December 2022 inspection.

32. The panel noted that the VOA was currently reviewing a large number of properties on a hybrid approach where standalone offices were measured to NIA and then assessed to an adopted tone. This included many of the comparable properties put forward by the appellant's representative where their assessments had been increased or were in the process of being reviewed for the 2023 Rating List.

33. Having considered all the evidence presented at the hearing, the panel accepted that the subject property was a specialised site that should not be valued as a typical industrial unit with ancillary office accommodation. The subject property was said to be the global headquarters for Games Workshop which, over time, had been altered, refurbished and extended based on the occupier's needs. The large amount of office space formed over 28% of the accommodation when measured to NIA and, in the panel's opinion, these offices could

be considered as standalone office buildings capable of achieving a standalone office rent and valued accordingly.

34. Having been persuaded by the valuation officers' approach for the subject property, the panel considered that £65.00/m^2 was in line with other standalone office space such as Cardinal House and Parexel House which ranged between £76.05/m^2 and £138.66/m^2. The lower value for the subject offices allowed for any limitations of the site being of a hybrid nature, along with any differences in quality compared to those comparable offices.

Disposal

35. In view of the above findings and conclusions, the panel was satisfied that £487,500 with effect from 31 May 2017 was reasonable. Consequently, the appeal was dismissed.

Date issued to parties: 26 September 2024

Right of further appeal

Any party who is aggrieved by the Tribunal's decision, and who appeared or was represented at the hearing, has the right of appeal to the Upper Tribunal (Lands Chamber). Any such appeal should be made within four weeks of the date of this decision notice.
