VALUATION TRIBUNAL FOR ENGLAND

Non-domestic rating appeal; 2017 Rating List; office and premises; tone of value of main space; comparable rental evidence; appeal dismissed.

APPEAL NUMBER: CHG101091688

RE: 1st Flr, Pannell House, Park Street, Guildford GU1 4XB
("the subject hereditament")

BETWEEN: Sycurio Limited — Appellant

and

Andrew Ricketts (Valuation Officer) — Respondent

SITTING: *remotely using Microsoft Teams*

ON: 4 December 2024

BEFORE: Mrs N Crawshaw (Presiding Senior Member)
Mr I Lonsdale (Senior Member)

CLERK: Mr S Fletcher

APPEARANCES: Mr B Buchkov of Altus Group (Appellant's representative)
Mr J Griggs (Respondent's representative)

DECISION and STATEMENT OF REASONS

Decision

1. Appeal dismissed. The panel confirmed the rateable value (RV) of the subject hereditament to be £81,500 with effect from 21 June 2022.

Introduction

2. The appeal process began with a proposal made by the appellant's representative on 18 July 2023 in respect of the Valuation Officer's (VO) compiled list entry of the subject hereditament at £81,500 RV with effect from 21 June 2022. The appellant's representative proposed a revised list entry of £68,000, based on a reduced tone of value for main space.

3. The respondent issued a challenge case decision notice on 14 May 2024 which stated that, based on the evidence available, the existing rating list entry was reasonable. Mr Buchkov appealed that decision to this Tribunal on 29 May 2024 on the grounds that the valuation for the subject hereditament was unreasonable and sought an RV of £73,000 based on a reduced tone of value for main space of £215 per m^2 from £240 per m^2.

4. The subject hereditament was an office and premises of $340m^2$ on the first floor of Pannell House, located in Guildford, Surrey.

5. Mr Buchkov appeared on behalf of the appellant as both advocate and expert witness. In view of the Upper Tribunal's judgment in *Gardiner & Theobald LLP v David Jackson (VO)* [2018] UKUT 0253 (LC), the representative confirmed that he was instructed under a conditional fee arrangement. He declared that he understood and accepted that his duty was to the Tribunal in giving his evidence and he would comply with this as well as the requirements of his professional body, regardless of whether or not the evidence supported the client's case.

6. The panel accepted this expert witness evidence on the above basis as the parties agreed the appeal was not complex and to do otherwise would be contrary to regulation 3 (Discharge of Valuation Tribunal for England (VTE) functions – general) of the Procedure regulations and was 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). The panel therefore considered the "expert" evidence and attached such weight to it as it saw fit.

7. This decision document is not and does not purport to be a verbatim record of proceedings.

Issue

8. The issue for the panel to determine was the correct RV to be attributed to the subject hereditament in the 2017 rating list. The dispute concerned the tone of value for main space.

Evidence and submissions

9. Arguments and factual evidence from both the appellant's representative and the respondent was provided. This comprised documentation exchanged between the parties as part of the challenge process, the appellant's representative's challenge submission, the respondent's challenge decision notice and reference to, location plans and photographs of, the subject hereditament and properties deemed comparable to it by the parties. The Lands Tribunal judgment of *Lotus & Delta Ltd v Culverwell (VO) and Leicester City Council* [1976] RA 141 was also referred to.

Discussion

10. 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.

11. 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.

12. 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 is 1 April 2017.

13. It is a well-established rating principle that the starting point in the determination of a property's RV should be the rent passing on the subject hereditament itself. The subject hereditament was let with effect from June 2022 on a five-year term. Both parties considered the letting to be too far removed from the AVD to be of any assistance, and the panel found the same.

14. Mr Griggs referred to rental evidence from offices and premises which were deemed comparable to the subject hereditament which he considered supported the respondent's value of tone for main space of £240 per m^2. Gnd Flr Lhs Hays House and Gnd Flr Rhs Hays House were $390m^2$ and $313m^2$ respectively. Both had new ten-year leases agreed on a full repairing and insurance (FRI) basis at £111,375 and £100,521 per annum respectively, both with effect from 23 March 2015. The respondent had determined a tone of value for main space of £240 per m^2 based on its rental analysis for both of those hereditaments. Mr Buchkov contended that the properties located at Hays House were unreliable comparators to the subject hereditament as it was located in a more desirable location being next to the river and benefitted from double glazed windows, factors which he argued would drive value, whereas the subject hereditament was located on a busy roundabout with Victorian windows and thus would suffer from noise. He also stated that the subject hereditament was circa 100 years older. Mr Griggs stated that it had been refurbished in 2017.

15. Mr Buchkov referred to rental evidence of comparable hereditaments in the locality of the subject hereditament. Pt 2nd Flr & 3rd Flr Wey House had a rent review on a ten-year term agreed at £266,101 per annum with effect from 3 March 2015. The tone of value for main space determined by the respondent was also £240 per m^2. The size of the property recorded in the rating list was $899m^2$, which comprised $641m^2$ on the second floor and $258m^2$ on the third floor. The respondent did state that the property was significantly larger in terms of main space than those figures. Mr Buchkov stated that the property was only 20 metres away from the subject hereditament and argued it was of a far superior construction which warranted a lower tone of value at the subject. 1st Flr Rhs 1 London Square was $505m^2$ and had a new lease on a five-year term of £141,984 agreed with effect from 3 June 2015. Mr Buchkov had analysed the rent to £222.01. Gnd Flr Rhs, London Square was $484m^2$ and had an open market letting for a ten-year term agreed with effect from 24 April 2014. Mr Buchkov had analysed that rent to £163.52. He argued that the properties were similar to the subject hereditament as they were all in close proximity to a train station and as such should attract similar values. Mr Griggs argued that the subject hereditament was in a more desirable location than those properties at London Square as it was close to Guildford train station rather than London Road train station. He stated that the former benefitted from access to multiple lines whereas the latter had more limited service and access to just a south-west line.

16. Mr Buchkov also referred to Gnd Flr Rhs, 31 Chertsey Street, which was $469m^2$ and had an open market letting for a ten-year term agreed at £266,101 with effect from 3 March 2015. He had analysed its rent to £204.22. Mr Griggs argued that there were extensive adjustments required to be made to this rent for the purposes of analysis which were based on rent-free periods and tenant fit-outs which therefore made it unreliable.

17. Based on the basket of evidence provided, the panel upheld the determination of the respondent for the tone of value for main space at £240 per m^2 for the subject

hereditament. It found the most compelling evidence to be Gnd Flr Lhs Hays House and Gnd Flr Rhs Hays House. Those properties were similar in size to and located in the direct locality of the subject hereditament and also benefitted from being in close proximity to Guildford train station. The properties had new lettings on an FRI basis agreed in close proximity to the AVD which the respondent had analysed and determined a tone of value for main space of £240 per m^2. It also found the assessment of Pt 2^{nd} Flr & 3^{rd} Flr Wey House supported the same. It too was located in the direct locality of the subject hereditament, and the third floor was not too dissimilar in terms of size to it. Considering the aesthetics of the exteriors of Hays House and Wey House, it was clear that the subject hereditament was of a lesser attractive standard than some of the comparable properties which were built more recently, however, it had been refurbished in 2017. The panel found no evidence was presented to substantiate that the interiors of the properties were not to the same or a similar standard considering it had been refurbished. Given the significant weight the panel attached to the driver of value of offices and premises in the direct locality of Guildford station, it was satisfied that a tone of value for main space of £240 per m^2 for the subject hereditament was fair and reasonable.

18. The panel attached little weight to the comparable assessments referred to at London Square and Chertsey Street. The hereditaments at London Square were located next to a train station with far less services and accessibility than the subject hereditament which was in the direct locality of Guildford Station. That station benefitted from multiple lines which the panel considered would clearly be more desirable to any hypothetical tenant due to its ability to service a larger number of commuters from different areas. As such, the panel found that the location of the subject hereditament would be a significant driver of comparable value. Chertsey Street was located between the two stations, and therefore the panel found it differed from the locality of the subject hereditament.

Disposal

19. Having regard to the evidence, the panel determined that the tone of value for the main space at the subject hereditament was fair and reasonable at £240 per m^2. The subject's RV at £81,500 with effect from 21 June 2022 was confirmed.

20. In view of the foregoing, the appeal was therefore dismissed.

Date: 2 January 2024

Right of 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.
