VALUATION TRIBUNAL FOR ENGLAND

Non-domestic rating appeal; 2017 Rating List; car showroom and premises; tone of value of main space; end allowances; appeal allowed in part.

APPEAL NUMBER: CHG101095563

RE:	Bristol Street Motors, Eastern Avenue, Lichfield WS13 7SA ("the subject hereditament")	
BETWEEN:	Vertu Motors Plc	Appellant
	and	
	Lucy Formela-Osbourne (Valuation Officer)	Respondent
SITTING:	*remotely using Microsoft Teams*	
ON:	18 November 2024	
BEFORE:	Mrs A Fielder (Presiding Senior Member) Ms J Hopkinson (Senior Member)	
CLERK:	Mr S Fletcher	
APPEARANCES:	Ms J Corney of Knight Frank (Appellant's representative) Mr T Simango (Respondent's representative)	

DECISION and STATEMENT OF REASONS

Decision

1. The appeal was allowed in part. the panel determined the rateable value (RV) of the subject hereditament to be £100,000 with effect from 1 April 2017.

Introduction

2. The appeal process began with a proposal made by the appellant's representative on 25 July 2023 in respect of the Valuation Officer's (VO) compiled list entry of the subject

hereditament at £136,000 RV with effect from 1 April 2017. The appellant's representative proposed a revised list entry of £109,500, based on a reduced tone of value for main space to £90 per m^2.

3. The respondent issued a challenge case decision notice on 13 February 2024 which stated that, based on the evidence available, the existing rating list entry was unreasonable, and determined a revised entry of £113,000 with effect from 1 April 2017. The revised RV accounted for a revised tone of value for main space from £115 per m^2 to £94 per m^2. The appellant's representative appealed that decision to this Tribunal on 7 June 2024 on the grounds that the valuation for the subject hereditament remained unreasonable.

4. The subject hereditament was a two-storey car showroom and premises of steel-frame construction with a glazed showroom frontage. It comprised a showroom, workshop, offices, reception, internal storage and staff toilets over lower ground, ground, mezzanine and first floors. It was located to the north of the centre of Lichfield.

5. Prior to the hearing, Ms Corney submitted a revised RV of £76,500 sought on behalf of the appellant, in light of new rental evidence of which its admission was accepted by the respondent. The revised RV accounted for a revised tone of value for main space to £68.50 per m^2 and 10% and 5% end allowances for inferior location and quality, and access/layout respectively. The respondent also submitted a revised valuation following an inspection of the subject hereditament which included air conditioning to offices and the presence of CCTV. The respondent stated it would not be sought for its determined RV to be increased as the list was closed, but a figure of £115,000 would be referred to as a starting point to demonstrate that the current RV of £113,000 was not unreasonable.

6. Ms Corney appeared on behalf of the appellant as both advocate and expert witness. She stated that neither she nor Knight Frank were instructed under a conditional fee arrangement.

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

Issues

8. The panel was required to determine the correct RV to be attributed to the subject hereditament in the 2017 rating list. The issues in dispute concerned the tone of value for the main space, and what, if any, end allowances were applicable.

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.

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.

Tone of value of main space

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. However, no such evidence was available as the property was freehold.

14. Ms Corney stated that there were only two car showrooms and premises in Lichfield, the subject hereditament and AFG Lichfield (Peugeot), Birmingham Road WS13 6HU. The rent at AFG Lichfield was open-market and agreed at £75,000 per annum for a term of 15 years with effect from 1 January 2012. A rent review was undertaken and in effect for the same rent from 1 January 2017. The RV for AFG Lichfield was originally £98,500 with effect from 1 April 2017 with a tone of value for main space of £95m^2. Following challenge, the respondent reduced the RV to £88,000 effective from the same date with a tone of value for main space of £83.50m^2. Ms Corney stated that the RV had been subsequently appealed by a different agent which was seeking a tone of main space of £68.50 per m^2 based on its rental evidence, and as such, she was seeking the same for the subject hereditament.

15. Ms Corney described the subject hereditament as a small first-generation basic showroom which was cheap to build and unlike the preferences of most car showroom operators which sought for large height showrooms. She stated it was located in an industrial area to the northern end of Eastern Avenue which circled the outskirts of Lichfield, which was isolated from retail and therefore did not benefit from retail footfall. She stated that the subject hereditament had a narrow strip of one row of show spaces to the front of it, which she argued was an undesirable retail approach. In contrast, she contended that AFG Lichfield was a high-quality double-height showroom, with 105m of showroom frontage to the road. She argued it was located in a desirable central location of Lichfield. Ms Corney acknowledged that AFG Lichfield was older but argued as it was a similar quality to the subject as it was recently refurbished, higher and in a better location, it justified the same tone of main value as sought by the agent in the appeal for that hereditament.

16. Ms Corney also referred to Honda/Kia 1, Northbrook Street, Bradford BD3 0PB, where she had agreed a reduced tone of main space from £130 per m^2 to £100m^2 on the basis of rental evidence at Volvo 355 Canal Road, Bradford. She argued that the circumstances were similar which justified a reduction to the tone of main space at Honda/Kia 1 between the subject hereditament and AFG Lichfield, and demonstrated the importance of comparable rental evidence in determining RV. She also referred to other comparable hereditaments where she had secured reductions in RV, examples of such were in Gloucester and Peterborough.

17. In the absence of a passing rent at the subject hereditament, the respondent referred to comparable assessments to support its determined tone of value for main space of £94 per m^2. The respondent contended that 495 Chester Road, Walsall and Monarch Cars Warwich Ltd, Tamworth had respective uplifts between the 2010 rating list and 2017 rating list for tone of values of main space for 10% and 20%. The respondent also commented that uplifts between comparable assessments in the same lists referred to by the appellant at challenge stage were between 4.3% and 21.4%. It was therefore contended that the uplift for the subject hereditament between the 2010 and 2017 rating lists of 4.4% was not unreasonable.

18. The respondent contended that AFG Lichfield was not a double storey showroom and had a similar height to the subject hereditament of 2 metres. He stated that the subject was measured at an inspection on 4 October 2024. It was disagreed that AFG Lichfield was superior quality to the subject hereditament as it was built between 1940-1954 compared to 1990 for the subject. It was argued that the refurbishment at AFG Lichfield was mostly redecoration works to meet dealership standard requirements. In terms of the passing rent at AFG Lichfield, Mr Simango argued that an uplift of £15 per m^2 tone of value for main space was applicable to the analysis of £68.50 per m^2 when accounting for tenant's improvements at the property, which justified the respondent's revised tone of value for main space of £83.50 per m^2. He argued that, nonetheless, little weight should be attached to that passing rent when determining the RV at the subject hereditament, as it was agreed three years prior to the AVD.

19. The respondent contended that the best evidence was 495 Chester Road, Walsall. Mr Simango stated it was nine miles from the subject hereditament, built in 1988 and of a similar type. Its tone of value for main space was £95 per m^2.

20. The panel considered the basket of evidence and determined that a tone of value for main space at the subject hereditament of £83.50 per m^2 was both fair and reasonable. The best evidence which gave rise to that determination was the comparable assessment of AFG Lichfield. The panel attached little weight to the arguments relying on rental evidence by the appellant which she contended supported a tone of value of £68.50 per m^2 as the open market passing rent agreed in 2012 was three years prior to the AVD, and the rent review in 2017 was a review and two years post the AVD, which the panel considered both to be too remote to be of assistance, and a review less reliable, in determining value at that time. The vast majority of the comparable assessments were at least several miles from the subject hereditament, and AFG Lichfield was located in Lichfield which the panel determined shared the same locality. The panel found that RVs of showrooms provided which were in different locations to the appeal property were of little assistance as they would have been determined using evidence unique to each of those different areas.

21. The panel accepted that the subject hereditament was a far newer property than AFG Lichfield which it considered would attract comparable value, however, it was satisfied that the appellant had demonstrated it was in a less desirable area of Lichfield which was on an industrial estate rather than one of retail, and it was located on the outskirts of the town rather than in the centre. AFG Lichfield also benefitted from a considerably larger frontage display. The panel found it was reasonable to consider that the comparable advantages and disadvantages of the two hereditaments offset, and the tone of value of main space in the 2017 rating list for AFG Lichfield supported the same at the subject hereditament. The panel attached little weight to the arguments pertaining to differences in uplifts at various other comparable assessments between the 2010 and 2017 rating lists as each list is compiled using evidence unique and specific to those comparable assessments at the respective times.

End allowances

22. Ms Corney sought for the end allowance for access/layout to the subject hereditament to be increased to 5%, and an allowance of 10% to be applied to account for its quality and location. She stated that an allowance of 5% for access/layout was given in the subject hereditament's 2010 rating list assessment and argued that nothing had changed in terms of that, yet the respondent had reduced the allowance to 2.5%. She contended that the site was disadvantaged by its split level where the workshop and yard were at a lower level to the showroom, and there was shared access. She cited several comparable assessments where allowances had been given in Stoke-on-Trent, Peterborough, Nottingham and Sunderland between 5% to 10% for reasons such as a split-level, sloping or poor retail approach.

23. Ms Corney also provided comparable assessments were allowances had been given for first-generation showrooms of a lesser quality then their contemporaries and made particular reference to the fact that the subject hereditament was not of double height. They were located in Sheffield, Rochdale, Nottingham and Sunderland.

24. Mr Simango argued that Ms Corney was content with a 2.5% allowance for access/layout as that was the level of allowance sought at challenge. He contended that it was an adequate allowance for the extent of the disadvantage. He referred to Sutton Park Ltd, Lichfield Road which was 7 miles from the appeal property and an allowance had been given for 2.5% for its shared access. He argued that assessment demonstrated the normal level of allowance given for access in the area. He contended that no allowance should be given for quality or location and the comparables where such allowances had been given referred to by the Ms Corney were unreliable as they were located in different localities.

25. The panel found that the comparable assessments relied on by Ms Corney to demonstrate allowances for access/layout and quality and location were of little assistance in determining the same at the subject hereditament as they were located in different localities. Each different locality and subject hereditament is unique to itself, and what may be applicable in one area equally may not be applicable in another. However, the panel determined that an allowance for 5% for access/layout was applicable in this instance. Sutton Park Ltd was located in Lichfield and the respondent had awarded an allowance of 2.5% for shared access. The panel found that to be insufficient at the subject hereditament given it was also disadvantaged by its split site. The panel did not consider that any end allowance was applicable for quality or location, as those factors were already sufficiently reflected in its determined tone of value for main space.

26. The panel noted that the respondent had identified the presence of air conditioning in some of the offices and CCTV at the subject hereditament following its inspection on 4 October 2024. The panel considered that the presence of such should have been confirmed at check. Ms Corney had advised Mr Simango of the Valuation Office Agency's practice in relation to providing an uplift for air conditioning offices, which he had reflected in his valuation. As they were present, the panel determined they were required to be valued and included them in its valuation as stated by the respondent.

27. The panel determined that the tone of value for main space was £83.50 per m^2, and an end allowance of 5% was given for access/layout. The revised assessment for the subject hereditament's compiled 2017 rating list entry with effect from 1 April 2017 as determined by the panel was as follows:

COMPONENT PARTS OF PROPERTY				
Floor	**Description**	**Area m^2/unit**	**£ per m^2/unit**	**Value (£)**
Ground	Showroom	350.80	83.50	29,292
Ground	Office	9.00	83.50	752
Ground	Internal Storage	2.40	37.60	90
First	Office (No AC)	38.11	50.30	1,917
First	Office (AC)	86.29	52.82	4,558
First	Canteen	56.20	50.30	2,827
First	Office	128.30	52.82	6,777
First	Staff Toilets	0.00	0	0
First	Staff Toilets	0.00	0	0
Mezzanine	Internal Storage	103.70	18.81	1,951
Lower Ground	Works Reception	51.80	41.75	2,163
Lower Ground	Staff Toilets	0.00	0	0
Lower Ground	Works Office	9.80	41.75	409
Lower Ground	Workshop	387.80	37.60	14,481
Lower Ground	Internal Storage	15.60	37.60	587
Lower Ground	Staff Toilets	0.00	0	0
Lower Ground	Internal Storage	115.40	37.60	4,339
Lower Ground	Loading	99.40	37.60	3,737
First	Internal Storage	24.60	25.01	615
Ground	Workshop	373.40	37.60	14,040
Ground	Workshop	72.10	37.60	2,711
Total		**1924.70**		**91246**
ADDITIONAL FEATURES OF THE PROPERTY INCLUDED IN THE VALUATION				
	Vehicle Display Spaces	20	300.00	6,000
	Vehicle Display Spaces	8	200.00	1,600
	Vehicle Spaces	1200	2.50	3,000
	Vehicle Spaces	1600	2.50	4,000
	Plant and Machinery			64
			Sub-total	**105,846**
ADJUSTMENTS MADE TO THE SUB TOTAL				
	Access		- 5%	
				-5293
			Valuation sub-total	**100,553**
			Say RV	**100,000**

28. The panel therefore allowed this appeal in part as it considered the respondent's valuation of the subject hereditament was unreasonable, but not to the extent as sought by Ms Corney.

Disposal

29. In view of the foregoing, the appeal was allowed in part.

30. In accordance with Regulation 38(4) and (9) of the Valuation Tribunal for England (Council Tax and Rating Appeals) (Procedure) Regulations 2009, the respondent is ordered to alter

the subject hereditament's entry in the rating list to £100,000 with effect from 1 April 2017. The respondent must comply with this order within two weeks of its making.

31. Any fee paid will be refunded in full in accordance with regulation 13E of the above Regulations.

Date: 11 December 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.