VALUATION TRIBUNAL FOR ENGLAND

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

APPEAL NUMBER:	CHG101132673	
RE:	Renault Showroom, Quarry Street, Blackburn BB1 5DE (the "subject property")	
BETWEEN:	Nigel Wood	Appellant
	and	
	(Valuation Officer)	Respondent
SITTING:	*remotely using Microsoft Teams*	
ON:	3 February 2025	
BEFORE:	Mr MF Hunt, Presiding Senior Member Mrs M Chaggar, Senior Member	
CLERK:	Mrs H Beresford	
APPEARANCES:	Miss J Corney of Knight Frank (Appellant's representative) Miss L Willis (Respondent's representative)	

DECISION AND STATEMENT OF REASONS

Decision

1. The appeal is allowed-in-part. The panel determined the rateable value (RV) of the subject hereditament to be £63,500 with effect from 10 May 2021.

Introduction

2. The appeal process began with a challenge made by the appellant's representative on 21 September 2023 in respect of the Valuation Officer's (VO) compiled list entry of the subject hereditament at £87,500 RV with effect from 10 May 2021. The appellant's representative proposed a revised list entry of £53,000, based on a reduced tone of value for main space to £115/m^2 and end allowances of 10% each for poor access and lack of a workshop.

3. The respondent issued a challenge case decision notice on 10 May 2024 which stated that, based on the evidence available, the existing rating list entry was unreasonable, and determined a revised entry of £70,000 with effect from 10 May 2021. The revised RV accounted for a revised tone of value for main space from £125/m^2 to £120/m^2. The appellant's representative appealed that decision to this Tribunal on 9 September 2024 on the grounds that the valuation for the subject hereditament remained unreasonable.

4. The subject is a modern, purpose built car showroom, constructed in 2021. The property comprises of a showroom and sales office with storage and a staff kitchen. The property is located fronting Quarry Street in Blackburn, adjacent to the A666 Barbara Castle Way and is adjacent to another car showroom.

5. Miss 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.

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

<u>*Background*</u>

7. Arguments and factual evidence from both the appellant's representative and the respondent were 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.

8. Miss Corney submitted that the Valuation Office Agency's (VOA) manual states that the most valuable car showrooms and premises are located on prominent, highly visible sites with good access. Prime locations are known as retail clusters. She stated that car dealerships prefer to be conglomerated in retail hubs, with high levels of passing traffic, this was known as the economics of agglomeration. The next most desirable locations are smaller clusters of showrooms, usually on busy main roads, also with high levels of passing traffic. With respect to the subject property she contended that the premises are not located within the main car showroom cluster which is at Trident Park and whilst it is a new purpose-built car showroom it does not provide a typical layout and could not be referred to as a Type 1 showroom. It is almost entirely showroom and sales office with a small amount of storage and a staff kitchen, there is no workshop facility and access to the property is from the rear up a hill and at a dead end. Based on the location and the disabilities of the subject property she argued for a reduction in the rate/m^2 and end allowances of 10% each for poor access and lack of a workshop.

9. Miss Willis argued that as this was a newly built property all of the disadvantages had been taken into consideration in setting the base rate, whilst she accepted that there was some cross over between Type 1 and Type 2 showrooms, on the whole she believed the subject property to be a Type 1 property. In the decision notice it was also argued that the car showroom situated over the road was operated by the same dealership and it would be possible for the workshop adjoining that show room to be shared.

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

main space and whether end allowances should be adopted for poor access and the lack of a showroom. All relativities were agreed between the parties.

Preliminary issue

11. A preliminary issue was raised in respect of an uplift for air conditioning which had been added to the whole assessment. Miss Willis accepted that this had been an error and the 5% increase for air conditioning should only have been added to the showroom area. Miss Willis amended the valuation to reflect this error and confirmed an amended RV of £69,000.

12. A further issue was discussed with regard to the many reports on the car showroom basis of valuation referred to in the evidence pack. Miss Corney accepted that this information would not need to be specifically referred to as since it was submitted there had been a number of settlements which could be referred to in evidence. Miss Willis was in agreement.

Relevant Law

13. The term 'rateable value' is defined in Schedule 6 to the Local Government Finance Act 1988 (as amended):

"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

14. In accordance with the Rating Lists (Valuation Date) (England) Order 2014 (SI:2014 No.2841), the panel had to determine the rateable value for the appeal property, which represented a rent that a hypothetical landlord and tenant would agree, as at the AVD, 1 April 2015. The common date was used to ensure that every property was treated in a consistent way.

15. The Lands Tribunal judgment in *Lotus and Delta* v *Culverwell (VO) and Leicester City Council* [1976] RA 141 provided authoritative guidance on the weight to be attached to rental and assessment evidence. The rent on the subject property was considered to be the correct starting point but, where available, rents on similar properties were also to be considered. The assessments on other comparable properties may also be relevant. All of the evidence could then be weighted.

16. The panel noted that there was no rent passing on the subject property as it was held on a freehold basis. Both parties were in agreement that it is very difficult to find reliable rental evidence for car show rooms.

17. The panel turned to the evidence referred to by Miss Corney in respect of the issue of the rate/m^2 this evidence was of comparable properties situated in the Blackburn area. She argued that base rates in the prime location, known as Trident Park, were for high specification Type 1 showrooms which typically had double height, good access and all had a workshop. They ranged in value from £130/m^2 to £135/m^2 and included Audi, BMW, and VW. Miss Corney then referred to the Ford showroom Evans Halshaw, Whitebirk Drive, Blackburn, BB1 3HT, situated just to the side of Trident Park, she stated that this was a type 2 property which was more similar to the subject property but adjacent to the main cluster of showrooms. Miss Corney submitted that the base rate of the subject property at £120/m^2 was based on this property having a base rate of £130/m^2 due to its location and it having no disabilities regarding access or lack of workshop. However, it had since been agreed by Consent Order to reduce the base rate of this property from £130/m^2 to £125/m^2 on 4 October 2024, and Miss Corney argued that on this basis the subject property should have been reduced to £115/m^2.

18. Miss Corney went on to discuss the Vauxhall showroom on Quarry Street, Blackburn, this property was situated opposite the subject property. Both parties accepted that this was a lower quality showroom than the subject property, however it had no problems with access and had the benefit of a workshop, this property had a base rate of £105/m^2. Both of these properties were some distance from the main cluster and Miss Corney submitted that the rate applied to this property supported £115/m^2 for the subject property.

19. Miss Corney went on to give details of evidence of other properties in the same valuation scheme but outside of the Blackburn area to demonstrate that high specification Type 1 showrooms had a rate of £130/m^2. The panel found that these properties, whilst in the same scheme were much further from the subject property and it therefore could attach only moderate weight to this evidence.

20. Miss Corney went on to discuss the issue of poor access to the subject property, she referred to a previous decision of the Valuation Tribunal (appeal numbers CHG101058711 and CHG101066592) in which it was allowed to refer to evidence outside of the area in which the appeal property is situated when giving evidence regarding end allowances. She submitted that vehicle access to the subject property was significantly poor, it was to the very rear of the property, and a narrow street shared with a health centre. She submitted that this was a split level site, car delivery was difficult, and the entrance was only 3.5m, as compared to the range of 5.5m to 8.7m for the comparable properties.

- Honda/Kia 1 Northbrook Street Bradford BD3 0PB – 5% end allowance for a rear access (entrance 5.5m).
- Porsche JCT600 The Silverlink Newcastle NE28 9ND - 5% end allowance for a rear access (entrance 6m).
- Bentley, Elliot House, The Silverlink, Kittiwake Close, Silverlink Business Park, Wallsend, NE28 9ND - 5% end allowance for a rear access (entrance 7m).
- Renault, 3 Ramsdale Road, Gloucester GL2 5FE - 5% end allowance for a rear access (entrance 7.5m).
- Mercedes, Cygnet Way, Peterborough, PE7 8JA - Valuation Tribunal Decision 23 August 2024 - 5% end allowance for a rear access (entrance 8.7m).

- Mercedes Cobridge Road Stoke on Trent ST1 5JP - 5% end allowance for split level with a ramp like the subject property (entrance 7.5m).

21. The panel found this to be useful evidence, and it noted that in comparison access at the subject property was significantly impaired. However, it also noted that this property would have less than average usage due to the lack of a workshop, i.e., there would be no custom for car repairs.

22. With respect to the lack of a workshop Miss Corney submitted that this was very rare indeed and for a car dealership the lack of a workshop would be a significant disadvantage as a large part of the profitability of a car showroom site is linked to repairs and after sales. In her opinion a showroom with no ability to offer this would be at a competitive disadvantage to the hypothetical tenant and would be reflected in their rental bid. Miss Corney accepted that both the subject property and the Vauxhall showroom opposite on Quarry Street, were both operated by her client Stoneacre, however she found the Valuation Officer's comment in the decision notice that "*There is a Stoneacre adjacent that offers workshop services/facilities which can be used for any Stoneacre site",* was against rating principles as the subject property was a separate rating assessment and had to be valued as such. She referred to the following evidence of end allowances for lack of a workshop.

    - Audi 174 Great North Road Hatfield AL9 5JN – 10% end allowance for lack of a workshop.
    - Volkswagen Van Centre, 367 Princes Road, Dartford, DA1 1JT – 10% end allowance for lack of a workshop.
    - Manchester Audi, Chester Road, Manchester, M16 9UA - 10% end allowance to reflect 'size or quantity allowance'.

23. The panel turned to Miss Willis's submission, she referred to the same evidence and argued that the subject property was a new property built in 2021 and was of a superior quality to the Vauxhall showroom on Quarry Street, Blackburn. In Miss Willis's opinion the Vauxhall showroom and the properties in the cluster on Trident Park supported £120/m^2 for the subject property because it was newer and of a high quality, she also argued that the disabilities associated with the subject property had been taken into consideration when the £/m^2 had been agreed and as such no further end allowances should be adopted. She also referred to the fact that the neighbouring Stoneacre site had a workshop that could be shared.

24. The panel was aware that the subject property was a separate hereditament and had to be valued as it stood, it could not be assumed that the workshop in a neighbouring hereditament would or could be shared. As it stood the subject property was a car showroom with no workshop.

25. With regard to the age of the property the panel noted that car showrooms are regularly refurbished, and the photographs provided in evidence for the showrooms in the primary location appeared on the whole to be of a superior standard to the subject property having double height and a superior fitout. The panel determined that taking into consideration the photographic evidence the subject property was more akin to a Type 2 property than Type 1, although they were aware that, as agreed by the parties, the two types can cross over.

26. With respect to the rate/m^2 and the lack of a workshop the panel noted that the rate had originally been agreed at £120/m^2, and Miss Willis had stated that this rate reflected the location, the access and the lack of a workshop. However, taking into consideration Evans

Halshaw, Whitebirk Drive, which was similar to the subject property but in a better location and with the benefit of a workshop and better access and recently reduced to a rate of £125/m², the panel found that £120/m² was unreasonable for the subject property and it determined that a rate of £115/m² should be adopted. This assessment would also be more consistent with that of the only comparable property in the same location, the Vauxhall showroom, which albeit of inferior quality still provided a useful basis for comparison.

27. With respect to access, whilst it had been argued that this was reflected in the rate/m² the panel found that the access to the subject property was significantly poor in relation to the comparators, and it therefore determined that a further 5% allowance should be adopted for poor access. With respect to the lack of a workshop the panel was satisfied that this was reflected fairly in the £/m², and therefore no further reduction was warranted. The appeal was therefore allowed in part with a revised valuation as follows.

Line	Floor	Description	Area m²	£/m²	Value £
1	Ground	Showroom	391.80	120.75	47,310
2	Ground	Vehicle Display Spaces	50.00	201.25	10,063
3	Ground	Vehicle Display Spaces	12.00	201.25	2,415
4	Ground	Office	44.44	120.75	5,366
5	Ground	Kitchen	7.67	72.45	556
6	Ground	Store	11.81	56.25	664
7	Ground	Store	9.16	56.25	515
		Total area	526.88		
		Subtotal			66,889
		Adjustment			
		Access	-5%		-3,344
					63,545
		Adopted RV			63,500

Wef 10 May 2021

Disposal

28. 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 £63,500 with effect from 10 May 2021. The respondent must comply with this order within two weeks of its making.

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

Date issued to parties: 20 February 2025

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.