IN THE VALUATION TRIBUNAL FOR ENGLAND
IN THE MATTER OF A 2017 RATING LIST APPEAL

Case No: CHG101151419

Sitting remotely using Microsoft Teams

Date: 9 July 2025

SCHEDULE 11 TO THE LOCAL GOVERNMENT FINANCE ACT 1988

Non-Domestic Rating Appeal; Offices and premises; Material change of circumstances; oversupply; proposed effective date for any reduction disputed; appeal dismissed.

Before:
GARY GARLAND
(PRESIDENT)

Between:

LUBBOCK FINE (UK) LIMITED — **Appellant**

- and -

NICOLA JOHNSON
(VALUATION OFFICER) — **Respondent**

Regarding:
3RD FLOOR, PATERNOSTER HOUSE, 65, ST PAULS CHURCHYARD, LONDON EC4M 8AB
(the "subject property")

Mr Stewart Carter of Ryan Property Tax Services UK Limited for **the Appellant**
Miss Diane Reddihough of the Valuation Office Agency for **the Respondent**

Hearing date: Wednesday 2 July 2025

DECISION AND STATEMENT OF REASONS

Decision

1. The appeal was dismissed.

2. No substantive evidence was submitted before the tribunal to persuade me that the appeal property's hypothetical rental value had been affected by oversupply in the City of London office market.

Introduction

3. This case was one of a large number of appeals which were made on the grounds that a significant and ongoing increase in office construction within the City of London had led to an oversupply in the market. The instant appeal had been selected by the parties as a test case and the remaining appeals were stayed, pending the outcome of my decision on the matter.

4. Oversupply was accepted to be a material change of circumstances under paragraph 2 (7) (d) and (e) of Schedule 6 to the Local Government Finance Act 1988, as there had been a number of office developments within the City of London post April 2017, this being a 2017 Rating List appeal. The proposal in this case was served on the Valuation Officer on 2 November 2023 and was made in accordance with Regulation 4 (1) (b) of the Non-Domestic Rating (Alteration of Lists and Appeals) (England) Regulations 2009 (NDR Regulations).

5. In its proposal, the Appellant sought a reduction of 10% with effect from 10 May 2019 to reflect the material change of circumstances. The existing entry was £545,000 Rateable Value with effect from 1 April 2017. The appeal property was described as lower grade A office accommodation. It was situated near to St Pauls Cathedral and Paternoster Square.

6. The Appellant occupied the appeal property on a ten years' lease that commenced in 2014. The rent passing, as recorded on the proposal, was £605,800 per annum with effect from 20 September 2019, following the five yearly rent review. Mr Carter informed me that the rent review did not result in any change in the level of rent passing under the lease.

7. After considering the merits of the proposal, the Valuation Officer determined that it was not well founded and issued a decision notice to that effect on 29 July 2024. The Appellant then filed an appeal against the Valuation Officer's decision, under Regulation 13A of the NDR Regulations on 19 November 2024. The appeal was made on the grounds that the valuation for the hereditament is not reasonable.

8. The material day in this appeal was 16 February 2023, which was the date when the Valuation Officer received the ratepayer's check confirmation under Regulation 4C of the NDR Regulations.

9. Both Mr Carter and Miss Reddihough acted in a dual capacity as Advocate and Expert Witness. Mr Carter assured me that he was not instructed under any conditional or success related fee arrangement. Ms Jane Canney of the Valuation Office Agency also appeared for the Respondent, to assist Miss Reddihough if required, but was not called upon.

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

Issues in dispute

11. There were two issues that the parties wanted me to decide;

    (1) the level of allowance, if any, to reflect the material change of circumstances; and

    (2) the effective date, if applicable, when any allowance should apply.

Relevant Law

12. As the proposal was made on the grounds of a material change in their locality, regard had to be made to paragraphs 2(6) and 2(7) of Schedule 6 to the 1988 Act;

> (6) Where the rateable value is determined with a view to making an alteration to a list which has been compiled (whether or not it is still in force) the matters mentioned in sub-paragraph (7) below shall be taken to be as they are assumed to be on the material day.
>
> (7) The matters are—
>
> …
>
> (d) matters affecting the physical state of the locality in which the hereditament is situated or which, though not affecting the physical state of the locality, are nonetheless physically manifest there, and
>
> (e) the use or occupation of other premises situated in the locality of the hereditament,

13. If the appeal was successful, there was a dispute regarding the effective date when a reduction in assessment would apply. I was therefore referred to Regulation 14 of the NDR Regulations;

> **14 Time from which alteration is to have effect: 2005 and subsequent lists**
>
> (1) This regulation has effect in relation to alterations made on or after 1st October 2009 to a list compiled on or after 1st April 2005.
>
> (1A) Paragraphs (2), (2A), (2B) and (6) do not apply in relation to a list compiled on or after 1st April 2017.
>
> (1B) Subject to paragraphs (3) to (7), for a list compiled on or after 1st April 2017, where an alteration is made to correct any inaccuracy in the list on or after the day on which it is compiled, the alteration shall have effect from the day on which the circumstances giving rise to the alteration first occurred.

Discussion

14. The proposed effective date for any reduced assessment coincided with the date when the construction of 22 Bishopsgate, London EC2 4BQ was topped out. 22 Bishopsgate, at the time of its construction was the largest office building in Europe. The following table (Appendix 1) drawn from the Valuation Officer’s Challenge decision document shows the

major office developments that have been completed in the City of London between 2018 and 2023 and was a useful place to start.

Appendix 1

City of London – Major office development completions between 2018 and 2023

Building	Street	Built date	NIA (sq m)	Yearly Total (sq m)
MANSION COURT 45	CANNON STREET	2018	7,865	
20	FARRINGDON STREET	2018	8,250	
10	FENCHURCH AVENUE	2018	39,430	
90	FETTER LANE	2018	5,650	
55	GRESHAM STREET	2018	11,300	
52-54	LIME STREET	2018	35,890	
30-32	LOMBARD STREET	2018	5,455	
1	LONDON WALL PLACE	2018	28,630	
1-3	NEW STREET SQUARE	2018	48,480	
		2018		**190,950**
1	BARTHOLOMEW CLOSE	2019	19,920	
4	CANNON STREET	2019	9,545	
25	SHOE LANE	2019	68,760	
70	ST MARY AXE	2019	27,900	
		2019		**126,125**
22	BISHOPSGATE	2020	118,500	
100	BISHOPSGATE	2020	81,750	
77	COLEMAN STREET	2020	6,385	
80	FENCHURCH STREET	2020	21,980	
10	LINDSEY STREET	2020	8,250	
100	LIVERPOOL STREET	2020	48,600	
60	LONDON WALL	2020	30,500	
		2020		**315,965**
40-45	GRESHAM STREET	2021	15,375	
35	VINE STREET	2021	4,580	
		2021		**19,955**
8	BISHOPSGATE	2022	52,000	
61-65	HOLBORN VIADUCT	2022	3,720	
21	MOORFIELDS	2022	52,450	
		2022		**108,170**
130	FENCHURCH STREET	2023	26,000	
40	LEADENHALL STREET	2023	82,775	
1	STONECUTTER STREET	2023	21,800	
		2023		**130,575**
TOTAL DEVELOPMENT BETWEEN 2014-2023 (excluding developments outside CoL but in the City Fringe)				**891,740**

15. As a frequent visitor to London, I fully accepted Mr Carter's point that there had been a significant change to the City of London's skyline over recent years. This was clearly observable on the ground. It was agreed by both parties that the new developments, recorded in the preceding table, were higher in quality than the appeal property and its contemporaries. As a result, Mr Carter contended that the appeal property was no longer top of the range Grade A office space but rather secondary Grade A office space.

16. Mr Carter referred to Costar statistics which showed that the total supply of Grade A office space, within the City of London and its fringe, had increased by 8.61% between 2017 and 2022. By the material day, it was not disputed that the City of London office market consisted of an additional 25 office developments providing approximately 8.18 million m² of new office space, in comparison with that which existed as at 1 April 2017.

17. It was accepted that any changes to office supply that could have been attributed to economic factors or as a result of the coronavirus pandemic fell to be disregarded, as these matters could only be addressed at the revaluation for the 2023 Rating List.

18. Mr Carter conceded that the Appellant's case could be undermined by the lack of rental evidence to support its claim for a reduction. When similar appeals were allowed, for instance in *Canary Wharf Ltd v Dunlevey (VO)* [2014] VTE 590016555047/058 (NV05), there was rental evidence to show that rents had fallen because of the oversupply. That was also the case when the Leeds oversupply appeals were successful. However, that was not the case in this appeal and Mr Carter stated that if rental evidence was required in support, the Appellant's appeal would fail. Whilst the lack of rental evidence in support of its case was a significant impairment to its appeal succeeding, this did not automatically mean that the appeal fell to be rejected. However, in the absence of clear and compelling rental evidence, Mr Carter had his work cut out and had to source other evidence, in order to support his arguments that the alleged oversupply had had an adverse impact upon the appeal property's hypothetical rental value.

19. Although there was no rental evidence for Mr Carter to illustrate his case, a significant increase in vacancy rates would have been a helpful indication that supply exceeded demand. Mr Carter was unaware of any changes in the occupation of the subject building Paternoster House nor any increase in vacancy numbers within similar office buildings to the appeal property. Information derived from a Savills City Office Market Watch report showed that 6.7% of available Grade A office space was vacant on the antecedent valuation date of 1 April 2015. Office supply increased from 6.5mft² to 13.24mft² between April 2015 and December 2022, shortly before the material day, but the vacancy rate only rose to 9.5%. As a corollary, there was no evidence that oversupply was a factor when looking at vacancy numbers.

20. The City of London was described by Miss Reddihough as a destination location. In order to attract new businesses and retain existing ones, the quality of Grade A accommodation was being increased all of the time. This increase in quality was reflected in new office developments or when existing office buildings were vacated and then refurbished for re-letting; in fact there was a constant churn within this sector to maintain the attractiveness to the market.

21. When the appeal property was first occupied by the Appellant it formed prime Grade A office space. Over the years, especially following the pandemic, the Grade A office market had evolved beyond the traditional office set up to what Miss Reddihough described as a more

collaborative approach to working. This manifested itself in more open areas and shared space to encourage a more team-based approach and hybrid working pattern, as opposed to an individually assigned desk space environment. As superior Grade A office space came onto the market, what was once prime space became secondary Grade A or sub-prime accommodation. When office tenants traded up, it was referred to as a flight to quality.

22. Mr Carter referred me to the following table which showed the office values for secondary Grade A office space was showing a significant decrease between the 2017 and 2023 Lists.

Development / Building	2017 £/m2	2023 £/m2	Change 2017-23
WHITTINGTON HOUSE 1-7 WHITTINGTON AVENUE, LONDON, EC3V 1LE	£475	£350	-26%
1 PATERNOSTER SQUARE, LONDON, EC4M 7DX	£500	£375	-25%
2 PATERNOSTER SQUARE, LONDON, EC4M 7DX	£500	£375	-25%
ST MARTINS COURT 10 PATERNOSTER ROW, LONDON, EC4M 7HP	£490	£375	-23%
KING EDWARD COURT 10 PATERNOSTER SQUARE, LONDON, EC4M 7LS	£490	£375	-23%
JUXON HOUSE 100 ST PAULS CHURCHYARD, LONDON, EC4M 8BU	£490	£375	-23%
PATERNOSTER HOUSE 65 ST PAULS CHURCHYARD, LONDON, EC4M 8BU	£490	£375	-23%
KNOLLYS HOUSE 9-13 BYWARD STREET, LONDON, EC3R 5AS	£420	£325	-23%
47 MARK LANE, LONDON, EC3R 7QQ	£420	£325	-23%
175 BISHOPSGATE, LONDON, EC2M 3YD	£450	£350	-22%
55 BISHOPSGATE, LONDON, EC2N 3AS	£475	£375	-21%
GILTSPUR HOUSE 6 GILTSPUR STREET, LONDON, EC1A 9DE	£475	£375	-21%
56 LEADENHALL STREET, LONDON, EC3M 5HN	£475	£375	-21%
THE HALLMARK BUILDING 52-54 LEADENHALL STREET, LONDON, EC3M 7DQ	£475	£375	-21%
ST PAULS HOUSE 8-12 WARWICK LANE, LONDON, EC4P 4BN	£475	£375	-21%
NEW BROAD STREET HOUSE 81-89 OLD BROAD STREET, LONDON, EC2M 3TJ	£440	£350	-20%
ST MAGNUS HOUSE 3-5 LOWER THAMES STREET, LONDON, EC3R 6HE	£375	£300	-20%
1 AMERICA SQUARE, LONDON, EC3N 2LS	£495	£400	-19%
70-72 KING WILLIAM STREET, LONDON, EC4N 7HR	£520	£425	-18%
53 NEW BROAD STREET, LONDON, EC2M 1JJ	£575	£475	-17%
AUGUSTINE HOUSE 6A AUSTIN FRIARS, LONDON, EC2N 2HA	£480	£400	-17%
1-3 BISHOPSGATE, LONDON, EC2N 3AQ	£450	£375	-17%
1 FLEET PLACE, LONDON, EC4M 7WS	£450	£375	-17%
190 FLEET STREET, LONDON, EC4A 2AG	£450	£375	-17%
5 KING WILLIAM STREET, LONDON, EC4N 7DA	£450	£375	-17%
65-68 LEADENHALL STREET, LONDON, EC3A 2AD	£450	£375	-17%
120 OLD BROAD STREET, LONDON, EC2N 1AR	£450	£375	-17%

23. As Grade A office rents were rising and this was reflected in the respective rating assessments, values for secondary Grade A were in decline. The appeal property's basis of assessment of £490 per m² for its 2017 list assessment was reduced to £375 per m² for its 2023 list entry, a fall of 23%. Looking at the competing figures, Mr Carter contended that the significant fall in list-on-list values could not be completely attributable to economic factors or

the fall out from the pandemic His valuer's intuition had led him to believe that it was caused in part by oversupply and the flight to quality.

24. Although the Appellant had sought a 10% reduction in its proposed valuation, Mr Carter believed a 5% reduction was more justified, having regard to the evidence. He therefore asked me to consider allowing the appeal and uphold his revised valuation of £520,000 Rateable Value with effect from 10 May 2019.

25. Mr Carter's proposed effective date was disputed by the Valuation Officer. The proposed effective date coincided with the date when 22 Bishopsgate was topped out, which was the tipping point being reached. The appellant regarded the bringing of new Grade A space to the London office either through new developments or refurbishment of existing buildings as one material change of circumstances event. The Valuation Officer's position was that, if I allowed the appeal, the effective date for any reduced entry could not precede the material day. This was because five other buildings were completed after 22 Bishopsgate which had increased office supply. Miss Reddihough saw these developments as separate material change of circumstances events and when there were multiple events, she considered that the date of the last event should be used.

26. I was referred to Regulation 14(1B) of the NDR Regulations by the Registrar and also reminded that the tribunal had had to decide the same point, albeit in relation to different facts, in *Barclays Bank & Poundland v Jo Moore (VO)* [2024] VTE CHG100884839 (NV17) (Mr S Levy, Senior Member). These appeals related to the negative impact that the development of Rushden Lakes had had on the appeal properties. Although the Valuation Officer accepted that Rushden Lakes had had a negative impact on the hypothetical rental value of the appeal properties, the Valuation Officer argued that Kettering town centre, where the appeal properties were based, was not within the same locality as Rushden Lakes. The Tribunal which decided the appeals took a different view. When it came to the award of the agreed allowance, the Appellants' representatives argued that the effective date should be 28 July 2017, as that was the effective date proposed for the reduction. However, the material day for these Rushden Lakes appeals was 28 June 2019 and by then the Rushden Lakes Shopping Centre had been significantly extended. The Tribunal followed the Registrar's advice that the Valuation Officer's Counsel Mr Donmall was correct in that Regulation 14(1B) restricted the effective date to the last event. Although the Tribunal's decision is not binding upon me, I found it very persuasive as it was widely publicised in rating journals and referred to at national conferences because of its importance to rating practitioners. The Tribunal's decision on the effective date issue was not appealed and was accepted by the Appellants' representatives for other ratepayers, when their appeals came before subsequent panels.

27. Although the facts in Rushden Lakes were different to the City of London Office oversupply appeal before me, it was crystal clear to me that the physical state of the locality was different on the material day, in comparison to how it was when 22 Bishopsgate was topped out on 10 May 2019. A number of new office developments were built after 22 Bishopsgate as shown by the table earlier in this decision and, in my judgment, each different development forms a separate material change of circumstances and therefore it would be incorrect to treat all of the individual projects as a single material change of circumstances and adopt an equated effective date as Mr Carter suggested. Ordinarily, I would have adopted as the effective date, the date when the last development came into existence leading up to the material day. However, as this information was not known by the parties, the Valuation Officer's proposed effective date which was the material day appeared to be fair and reasonable and I would have adopted that, if there was any merit in the appeal.

28. In this type of appeal, the outcome was evidence driven. No matter how expert the valuer, a valuation arrived at by valuer judgement or intuition was seldom enough. In this case, Mr Carter acknowledged the fragility of the Appellant's case and the handicap it had to overcome given that it had no rental evidence to support its claim that oversupply had reduced the hypothetical rental value of its property. Whilst rental evidence was not always the be and end all, if there was a degree of oversupply in the City of London office market, I would have expected to see a significant increase in vacancy rates. However, vacancy rates had only arisen by 2.8%, between April 2015 and December 2022 according to the Savills City Office Market Watch report. Ultimately, the evidence that Mr Carter relied on was the movement of rateable values between the 2017 and 2023 Rating Lists, in the absence of what he termed unequivocable evidence which the Appellant was unable to produce.

29. Whilst the Valuation Officer had reduced the base rate of the appeal property by 23%, there was no independent evidence to show that the reduced rateable value for the purposes of the 2023 Rating List was attributable at least in part to oversupply in the office market. In any event, undertaking a valuation exercise by looking at corresponding entries between different rating lists was fraught with danger. Not only were different material and antecedent valuation dates at play but also there was the question mark over whether the competing list entries were accurate. As was mentioned by the parties and submitted in evidence, the London office market received two economic shocks between 1 April 2015 and 1 April 2021. One was the decision to leave the European Union, commonly referred to as Brexit, the other was the coronavirus pandemic. Both had had a significant impact. These economic shocks were not able to be reflected in the 2017 Rating List entry, as economic factors were fixed as at 1 April 2015 but were able to be reflected in the rating valuations for the 2023 Rating List revaluation exercise. The 2023 Rating List revaluation exercise also enabled the Valuation Officer to review the rental evidence, from on or around the antecedent valuation date of 1 April 2021, and then to re-value all properties to reflect changes in the property market. Some properties would inevitably have increased in value, in comparison to others, some may have declined. Whilst the appeal property's 2023 Rating List entry was around 23% lower than its corresponding 2017 Rating List entry, no evidence was put before me to persuade me that any of the fall in value was attributable to oversupply in the market.

Determination

30. In view of the foregoing, the appeal was dismissed.

Right of further appeal

31. Any party who is aggrieved at the Tribunal's decision, and who appeared or was represented at the hearing, has a statutory right of further appeal to the Upper Tribunal (Lands Chamber) pursuant to Regulation 42 of the Tribunal Procedure Regulations. A party does not require permission to appeal from the Tribunal. Any appeal must be made directly to the Upper Tribunal (Lands Chamber) within **four weeks** of the date this decision and statement of reasons is issued.

32. Further information regarding this statutory right of further appeal, and the parties' other rights, is contained in the guidance booklet "*A guide to tribunal decisions*" available on the Tribunal's website at www.valuationtribunal.gov.uk/guidance-booklets/.

Mr G Garland, President

David Slater
Registrar and Chief Clerk
Date issued to the parties: 9 July 2025