IN THE VALUATION TRIBUNAL FOR ENGLAND
IN THE MATTER OF A 2023 RATING LIST APPEAL

Case No: CHG101212583

Sitting remotely using
Microsoft Teams on
24 June 2026

Date: 15 July 2026

SCHEDULE 11 TO THE LOCAL GOVERNMENT FINANCE ACT 1988

RATING — Local Government Finance Act 1988 — 2023 rating list — car showroom and premises— Lotus & Delta Ltd v Culverwell (VO) and Leicester City Council [1976] RA 141 — tone of value for main space — end allowance sought for sloped site — appeal dismissed

Before:

MR D WINTERS
MISS R DARLINGTON

Between:

TESLA MOTORS LTD **Appellant**

- and -

ANDREW MOULAND
(VALUATION OFFICER) **Respondent**

Regarding:

160 BASINGSTOKE ROAD, RISELEY, READING RG2 0HJ
(the “subject hereditament”)

Mr M Rowell of Colliers International, for the **Appellant**
Mr S Forbes of the Valuation Office, HMRC, for the **Respondent**

DECISION AND STATEMENT OF REASONS

DECISION

1. The appeal is dismissed. The panel confirmed the rateable value (RV) of the subject hereditament at £645,000 with effect from 1 April 2023.

STATEMENT OF REASONS

Introduction

2. The appeal process began with a proposal made by the Appellant on 25 April 2024 for the subject hereditament in respect of the Respondent's 2023 rating list entry of £645,000 RV with effect from 1 April 2023. The Appellant proposed a revised assessment of £297,500 RV with effect from that date, based on a reduced tone of value of main space of £87 per m^2 from the Respondent's determined tone of £200 per m^2, and an end allowance of 7.5%.

3. The Respondent issued a challenge case decision notice on 25 September 2025 which stated that the proposal was not well-founded. The Appellant appealed that decision to this Tribunal on 23 January 2026, on the grounds that the valuation for the subject hereditament was unreasonable.

4. On submission of the appeal, the Appellant provided two revised valuations, both of which amounted to £317,500 RV. The first valuation comprised a tone of value for main space of £87 per m^2, and the second valuation a tone of value for main space of £94 per m^2 with an end allowance of 7.5%.

5. The subject hereditament was a purpose built car showroom and premises constructed circa the late 1980s/early 1990s, of 4818.66 m^2 total area and 2938.46 m^2 (ITMS), located on Basingstoke Road, Reading.

6. Mr Rowell appeared on behalf of the Appellant as an expert witness. In view of the Upper Tribunal's judgment in *Gardiner & Theobold LLP v David Jackson (VO)* [2018] UKUT 0253 (LC), the representative confirmed that he was instructed under conditional fee arrangements. 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 their professional body, regardless of whether or not the evidence supported the client's case.

7. The panel accepted this expert witness evidence on the above basis as the appeal was not complex and to do otherwise would be contrary to regulation 3 (Discharge of 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.

8. The panel was required to determine the correct RV to be attributed to the subject hereditament in the 2023 rating list. The issues in dispute concern the tone of value for main space and an end allowance for a sloped site.

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

Relevant Law

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 2021, 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 was 1 April 2023.

13. The following caselaw is referred to in this decision:

    Lotus & Delta Ltd v Culverwell (VO) and Leicester City Council [1976] RA 141
    Johnson (Valuation Officer) v H & B Foods Limited [2013] UKUT 0539 (LC)
    Group1 Automotive Ltd v Valuation Officer (VTE: CHG100799884, 19 April 2024)

Analysis

<u>*Tone of value for main space*</u>

14. The subject hereditament had a new letting on an FRI basis at £350,000 per annum with effect from 27 January 2021 for a term of ten years, with seven and a half months rent free at the start of the term and an anytime break clause with a minimum notice period of six months.

15. Mr Rowell analysed the lease over its full ten-year term, taking account of the agreed rent-free period. This produced an analysed rental level of £86.94 per m², rounded to £87 per m², which was proposed as the appropriate tone of value for the main space. He submitted that the analysed tone of £87 per m² demonstrated a significant disparity when compared with the Respondent's adopted tone of £200 per m². He argued that the actual market transaction showed the rent which a willing landlord and willing tenant had agreed within just three months prior to the AVD, and that there was no evidential basis for the Respondent's contention that rental values had increased to the extent reflected by the adopted tone within approximately two months.

16. It was further submitted that his analysis was, if anything, conservative because it did not make any adjustment to reflect the lease's rolling tenant break option, exercisable at any time upon six months' notice. Mr Rowell contended that such flexibility reflected weak occupational demand and would not ordinarily have been granted in a stronger market. He submitted that, whilst the flexible terms closely reflected the year-to-year tenancy assumed for rating purposes, they nevertheless suggested that a further downward adjustment could reasonably have been made to the analysed rent.

17. In response to the Respondent's challenge decision, Mr Rowell submitted that insufficient weight should be attached to the Respondent's suggested adjustment for tenant's fit-out

works. He stated that the Respondent had assumed a fit-out cost of £500 per m² based upon another property, but no supporting evidence or breakdown of those costs had been disclosed. He submitted that, in the absence of supporting evidence, little weight should be attached to that assumption.

18. Mr Rowell also challenged the Respondent's comparable rental evidence. In respect of Unit 5, Worton Drive, he submitted that the property occupied a materially superior location immediately adjacent to the A33, a principal route between the M4 motorway and Reading town centre. He noted the presence of several established motor dealerships in that location, including Audi, Nissan and Volvo, which he submitted demonstrated its prime showroom character. By contrast, the subject hereditament was situated on Basingstoke Road within what he described as an established industrial area between two builders' merchants and did not benefit from comparable prominence or passing traffic. He described the subject hereditament as occupying an off-pitch, tertiary showroom location. Mr Rowell further observed that the hereditament at Unit 5, Worton Drive had subsequently changed to a vehicle repair use and that its adopted tone had reduced. He submitted that this undermined the Respondent's reliance upon that property as support for the adopted showroom tone.

19. In relation to the lease renewal at Ridgeway, Rose Kiln Lane, Mr Rowell submitted that insufficient information had been provided regarding the transaction. He stated that the occupier already occupied adjoining premises and that the leases for those units expired simultaneously. In his submission, this indicated that the transaction may have reflected the circumstances of an existing occupier rather than an open market letting negotiated between a willing landlord and willing tenant. He also distinguished the location from the subject hereditament, noting that Rose Kiln Lane comprised a cluster of purpose-built car showrooms whereas the subject did not benefit from a comparable showroom environment.

20. Mr Forbes submitted that the motor dealership market had experienced a significant change by the AVD for the 2023 rating list, as whilst there had previously been a decline in traditional franchised dealerships, with many closures nationally, he stated that demand for purpose-built car showrooms had strengthened considerably owing to the expansion of electric vehicle manufacturers and new market entrants, particularly Chinese vehicle manufacturers. In his opinion, this increased demand was reflected in the rental evidence available at the AVD.

21. Mr Forbes explained that the Respondent categorised car showrooms into four broad types according to their quality, prominence and suitability for manufacturer requirements. Type 1 represented the best quality showrooms, typically located within established motor parks or "car alleys", and attracted values generally between £220 and £240 per m². Type 2 comprised purpose-built but generally off-pitch showrooms and attracted values between £200 and £220 per m². Type 3 and Type 4 properties were progressively less valuable. He considered the subject hereditament to be a good quality Type 2 showroom, meeting modern manufacturer requirements notwithstanding its location outside the principal motor dealership cluster.

22. Mr Forbes stated that the increase in assessments between the 2017 and 2023 Rating Lists reflected the available market evidence rather than any change in valuation methodology. In his opinion, the 2017 assessments had understated market value, and the 2023 revaluation had corrected that position.

23. Turning to the subject letting, Mr Forbes accepted that the lease commencing on 27 January 2021 represented important rental evidence. However, he submitted that the passing rent

could not be relied upon in isolation because it reflected the letting of a shell building immediately prior to an extensive tenant refurbishment undertaken by the Appellant. He explained that the tenant had undertaken substantial fit-out works following completion of the lease. Those works were sufficiently extensive that the hereditament had been deleted from the rating list whilst the refurbishment was undertaken before being re-entered following completion. The Respondent had produced the schedule of works submitted at check stage in support of that proposition. Mr Forbes submitted that the hypothetical tenant assumed for rating purposes would bid more for fully refurbished premises than for a shell building requiring substantial capital expenditure before occupation. Accordingly, he contended that the cost of tenant improvements should be reflected within any rental analysis.

24. In the absence of evidence disclosing the actual cost of Tesla's fit-out works, which had been requested from the Appellant’s representative but not provided, Mr Forbes stated that the Respondent had adopted a reasonable assumption of £500 per m² based upon disclosed refurbishment costs relating to another purpose-built dealership, Unit 5, Worton Drive. He amortised those assumed costs over the lease term and concluded that the subject transaction analysed to approximately £211 per m², which he argued supported rather than undermined the Respondent's adopted tone of value for main space of £200 per m².

25. Mr Forbes submitted that the Appellant bore the burden of demonstrating that the Respondent's valuation was unreasonable, stating that, if evidence of the actual tenant fit-out costs were produced, he would review his analysis. However, in the absence of such evidence, he considered his adopted assumption to be reasonable. In support of that approach, Mr Forbes referred the panel to the Tribunal's decision in *Group1 Automotive Ltd v Valuation Officer*. Whilst recognising that the decision was not binding upon this Tribunal, he submitted that its reasoning was persuasive, particularly the conclusion that a hypothetical tenant would pay more for refurbished premises than for an unfitted shell and that refurbishment costs may therefore properly be reflected when analysing rental evidence.

26. He further submitted that complete manufacturer fit outs were common within the motor dealership market. In his experience, he stated that dealerships were typically let as shell buildings, with the incoming tenant or manufacturer undertaking the initial fit-out at its own expense. Major refurbishments generally occurred on a ten-year cycle, with more limited refresh works at around five years. He stated that lease provisions commonly required tenants to remove their fixtures and fittings at lease expiry, such that the landlord generally recovered possession of a shell building. Mr Forbes therefore maintained that an adjustment for tenant fit-out represented the correct application of the statutory rating hypothesis and reflected the rent which a hypothetical tenant would pay for the hereditament in its assumed state.

27. The Respondent had also referred to rental evidence of hereditaments relied upon as comparable to the subject hereditament in support of its adopted tone. In respect of Unit 5, Worton Drive, 4409.37m^2 in total and 2660.34m^2(ITMS), the Respondent referred to a new fifteen-year letting at £505,000 per annum with effect from 1 October 2021. He stated that disclosed tenant improvement costs of approximately £2.255 million had been amortised over the lease term, producing an analysed rental level of approximately £224 per m² against an adopted tone of £220 per m². During his oral submissions, Mr Forbes accepted that the hereditament had subsequently been re-assessed as primarily a vehicle repair workshop with only a relatively small showroom element. He explained that, following discussions with the ratepayer, the assessment had been reduced to reflect its predominant warehouse and workshop use rather than because the showroom tone itself was considered excessive. He

nevertheless considered the disclosed fit-out costs to provide useful evidence supporting the level of adjustment adopted in his analysis of the subject letting.

28. The Respondent also relied upon a lease renewal at Ridgeway, Rose Kiln Lane, 1680.40m2 in total and 1182.87m2 (ITMS) at £300,000 per annum with effect from 1 November 2021 on a seven-year term. Mr Forbes stated that, even without adjustment for tenant fit-out costs, the transaction analysed to approximately £217 per m², supporting the Respondent's adopted tone.

29. Mr Forbes contended that the available rental evidence consistently analysed at or above the adopted tone and demonstrated that the Respondent's valuation approach was reasonable across the locality. He also referred to the schedule of fourteen comparable assessments showing what he contended was a consistent valuation approach applied to motor dealerships within Reading, with adopted tones of value for main space in the range of £200 and £246 per m^2 only according to showroom classification.

30. It is a well-established rating principle, and in line with *Lotus & Delta Ltd v Culverwell (VO) and Leicester City Council* [1976] RA 141, that the starting point in determining the rateable value of a hereditament is the rent passing on the subject property itself. The panel considered that the subject lease, commencing on 27 January 2021 and which was entered into less than three months before the AVD, therefore constituted the primary item of rental evidence before it. The panel also considered that, applying the principles in *Lotus & Delta*, the passing rent would ordinarily represent the best evidence of rental value unless there was good reason to conclude that it did not properly reflect the statutory rating hypothesis.

31. The panel was nevertheless satisfied that there was good reason why the passing rent could not be relied upon without adjustment. The panel accepted the Respondent's evidence that the hereditament was let in shell condition immediately prior to substantial tenant-funded refurbishment. In reaching that conclusion, the panel had regard to the evidence that the hereditament was deleted from the rating list whilst the works were undertaken, together with the schedule of refurbishment works which had been produced by the Respondent. The panel was satisfied that those works materially enhanced the premises before occupation and that the passing rent therefore required adjustment before it could properly be relied upon as evidence of the rental value of the hereditament in its assumed state.

32. The panel considered, in line with the Respondent's submission, that the hypothetical tenant envisaged by Schedule 6 to the Local Government Finance Act 1988 would reasonably be expected to pay more for a fully refurbished motor dealership than for a shell building requiring substantial capital expenditure before occupation. Whilst the Appellant criticised the Respondent's assumed fit-out cost of £500 per m² as unsupported, the panel accepted that the precise cost of the refurbishment had not been disclosed and therefore could not be established with certainty. Equally, the Appellant did not produce evidence of the actual refurbishment costs despite relying upon the subject letting as the principal evidence in support of its valuation.

33. In those circumstances, the panel was satisfied that some adjustment to reflect the value of the tenant's improvements was necessary when analysing the passing rent. Although the precise quantum of that adjustment could not be established with certainty on the evidence before it, the panel considered that the Respondent's approach, informed by disclosed refurbishment costs at another purpose-built dealership within the locality, represented the most reliable evidential basis upon which the subject rent could be analysed. The panel was

therefore not persuaded that the unadjusted for fit-out analysis advanced by the Appellant provided a reliable basis upon which to determine the correct tone of value.

34. The panel also considered the Appellant's submission that the rolling tenant break clause demonstrated weak occupational demand and warranted a further reduction in the analysed rent. The panel was not persuaded by that submission. Whilst the flexibility of the lease formed part of the bargain struck between the actual parties, the panel was satisfied that the passing rent nevertheless required adjustment for the substantial tenant-funded refurbishment before it could properly be analysed. Having made that finding, the panel did not consider that the existence of the break clause displaced the broader rental evidence supporting the Respondent's adopted tone of value.

35. Turning to the third proposition in *Lotus & Delta*, namely consideration of comparable hereditaments with rental evidence, the panel had regard to the evidence produced by the Respondent. The panel found that Unit 5, Worton Drive differed from the subject hereditament in certain respects, including its superior location and its subsequent alteration to a predominantly vehicle repair workshop. Nevertheless, the panel considered that the disclosed tenant improvement costs associated with that property provided useful contextual evidence regarding the scale of refurbishment expenditure commonly incurred in modern motor dealership premises.

36. The panel also considered the lease renewal at Ridgeway, Rose Kiln Lane. Whilst the Appellant questioned whether the transaction reflected a purely open market agreement, the panel was not persuaded that sufficient evidence has been provided to disregard it entirely. The panel found the transaction provided additional support for rental levels materially in excess of those advanced by the Appellant.

37. More generally, the panel considered the Respondent's evidence that the available rental evidence across the Reading locality supported adopted tones broadly within the range applied by the Respondent to hereditaments which it classified as Type 2 motor dealerships. The panel also accepted the Respondent's evidence that the subject hereditament was appropriately regarded as falling within that category, notwithstanding that it was not situated within the principal cluster of motor dealerships.

38. Having considered all of the valuation evidence before it, the panel was not persuaded that the Appellant's rental analysis of the subject hereditament provided a reliable basis upon which to determine the correct tone of value. The panel found that the analysis did not adequately reflect the substantial tenant-funded refurbishment undertaken immediately following the grant of the lease and therefore understated the rental value of the hereditament in its assumed state. Having weighed the competing valuation evidence, the panel preferred the Respondent's analysis and concluded that the adopted tone of value for main space of £200 per m² represented the correct tone to be applied to the subject hereditament.

<u>*End allowance*</u>

39. Given that the panel had determined the Respondent’s tone of value of main space as reasonable, it turned to consideration of whether an end allowance was applicable for what the Appellant had described as a sloped site, which was contended to have adversely affected both its layout and operational efficiency.

40. Mr Rowell outlined that the site comprised two principal buildings at different floor levels, connected only externally. As such, vehicles were unable to move internally between the workshop accommodation and access between the different levels was required externally. He submitted that this reduced the functionality of the premises compared with a conventional dealership. Mr Rowell also submitted that the changes in level restricted the extent of glazed showroom frontage available to display vehicles, which he considered to be a significant factor influencing the value of modern motor dealerships. He contended that these physical characteristics placed the subject hereditament at a competitive disadvantage when compared with other Reading showrooms, which he stated were generally constructed on level sites.

41. In support of a sought allowance of 7.5%, Mr Rowell referred to the hereditament known as Coombe Bridge Garage, Beverley Way, London, where a 7.5% end allowance had been agreed in recognition of similar variations in floor levels. He submitted that the physical circumstances were materially comparable and that a corresponding allowance should therefore be adopted for the subject hereditament.

42. In response to the Respondent's contention that no such allowance had previously been applied in any previous list, Mr Rowell submitted that each rating list constituted a fresh valuation exercise. Referring to *H & B Foods Ltd*, he argued that the valuation exercise was conducted *de novo*, requiring the Tribunal to consider the evidence available at the antecedent valuation date rather than simply carrying forward historic assessments. He also stated that the Respondent had accepted this approach in other appeals where allowances not previously adopted had subsequently been agreed.

43. Mr Forbes did not agree that the physical characteristics of the subject hereditament justified any reduction in value. Whilst accepting that the site incorporated some variation in levels, he stated that he had not identified any material operational disadvantage arising from the layout. In his opinion, access throughout the site remained satisfactory and the premises continued to function effectively as a purpose-built motor dealership.

44. Mr Forbes stated that purpose-built dealerships frequently occupied sites with varying topography and that no two showrooms were identical. In his experience, manufacturers would not construct purpose-built dealerships on sites incapable of functioning efficiently. He further submitted that the strong demand for car showroom accommodation at the AVD indicated that any minor disadvantages associated with the site's levels did not materially affect rental value. Had the slope materially diminished the property's attractiveness, he considered that it would have been reflected in the rental evidence.

45. In relation to the Appellant's reliance upon Coombe Bridge Garage, Mr Forbes was unable to comment upon the basis upon which that allowance had been agreed. He stated that he was not aware of any comparable Reading dealerships receiving similar allowances and understood that historic allowances elsewhere were being reviewed by the Respondent. In his opinion, there was no rental evidence demonstrating that a 7.5% end allowance was warranted in the present case.

46. The panel accepted that the subject hereditament occupied a site with changes in level and that the accommodation was arranged over split levels requiring some external vehicle movement between parts of the premises. However, the question for the panel was whether those physical characteristics materially diminished the rental value of the hereditament when compared with other comparable motor dealerships in its locality.

47. The Appellant relied principally upon an agreed allowance applied to Coombe Bridge Garage, Beverley Way, London. The panel afforded limited weight to that evidence. The basis upon which the allowance had been agreed was unknown and no valuation evidence or analysis was produced enabling the panel to determine whether the physical characteristics, market circumstances or valuation considerations were materially comparable to those of the subject hereditament. The panel therefore did not consider that agreement, of itself, demonstrated that a similar allowance should be applied in the present appeal. Furthermore, it was 50 miles away from the subject hereditament and therefore not representative of the market value for any such purported disadvantage within the subject hereditament's locality.

48. The panel was not satisfied that sufficient evidence has been provided to establish that the variation in floor levels gives rise to a measurable reduction in rental value. No rental evidence was produced demonstrating that otherwise comparable dealerships with similar physical characteristics in the locality attracted lower rents than level sites.

49. The panel also considered that, in line with the Respondent's assertion, purpose-built motor dealerships frequently occupied sites with varying topography and that the subject hereditament has traded successfully as a motor dealership for many years. Whilst the panel recognised that the site may not represent an ideal layout, it was not persuaded that the operational limitations identified by the Appellant justified a separate end allowance in this instance.

Conclusion

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

Right of further appeal

51. 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 Valuation Tribunal for England (Council Tax Rating and Appeals) (Procedure) Regulations 2009. A party does not require permission to appeal from the Tribunal. Any appeal must be made directly to the Upper Tribunal (Lands Chamber) using Form T385 (Notice of appeal) within **four weeks** of the date this decision and statement of reasons was issued.

52. 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 D Winters, Senior Member (Chair)
Miss R Darlington, Member
15 July 2026

Mr S Fletcher
Clerk to the Tribunal
Date issued to the parties: 15 July 2026