

STATEMENT OF REASONS

Relative to an appeal

By

DAVID URQUHART (TRAVEL) LTD

In respect of

OFFICE, 1ST FLOOR, VARIOUS ROOMS
STRATHMORE HOUSE,
EAST KILBRIDE, G74 1LF

This appeal concerned a 2010 revaluation appeal in relation to a suite of offices entered as a unum quid in the Valuation Roll by the Assessor.

Whilst the parties differed in their respective calculations of the area of the appeal subjects, the difference between them was de minimis and it therefore had no impact on the valuation.

There was an agreed rate to be applied to the appeal subjects of £125.00 per square metre.

The dispute between the parties centred on whether there should be an end allowance in respect of quantum and the disparate layout of the appeal subjects which caused problems with regard to security, confidentiality and additional costs with regard to integrated office systems such as telecommunications. The Appellant contended that an end allowance of 15% was justified. The Assessor, in contrast, contended that there should be no such allowance.

The appeal subjects were located within an office building sub let by South Lanarkshire Council and there was no dispute that the appeal subjects were larger than other subjects located

within the same building and that they were serviced by a common corridor used by other occupiers of offices within the building and, at times, members of the public. Also, it was not in dispute that the layout of the appeal subjects was fragmented as some of the rooms comprising the appeal subjects were separated by rooms in the occupation of others.

The Appellants contended that having regard to the rating hypothesis that a hypothetical tenant would seek to pay a lesser rental for the appeal subjects than subjects which did not suffer from the same disamenity. They were aware of the terms of the Assessor's Staff Guidance Note and whilst it was accepted that the application of a quantum allowance should be based on an analysis of available rental evidence, the Appellants considered that the appeal subjects were so significantly different from other offices in proximity to them particularly with regard to their size that they formed an exceptional circumstance and that the exercise of a valuer's professional judgement may vary from the issued guidance. This circumstance was covered in clause 12 of the Guidance Note. They sought also to rely on a new sub lease struck between them and their Landlords on 31st January 2011 almost three years after the tone date of 1st April, 2008 although the negotiations in relation to it dated to at least around the time the 2010 Valuation Roll was published. The Sub Lease was in respect of a larger suite of various rooms some of which comprised the Appeal subjects. The rent agreed was approximately 15% less the cumulo rateable value for the individual entries in the 2010 Valuation Roll for the subjects covered by the Sub Lease. The Appellant produced no other rental evidence to support their contention.

The net annual value of the subjects entered in the Valuation Roll as published was £76,000. However, the Assessor sought to speak to a net annual value of £74,000. The difference in valuation arose from a re-measurement of the appeal subjects which resulted in a reduction of area.

The Appeal subjects were the subject of eight leases the total rental of which was £79,390. The Net Annual Value attributed to the appeal subjects was accordingly less than the passing rent in respect of them. The rent rate in respect of each of the eight leases ranged from £119 to £158 and with the exception of two, was in excess of the agreed rate of £125.

The Assessor had analysed the available rental evidence to ascertain if a quantum allowance or an allowance in respect of layout was appropriate. He produced a list of the valuations of 29 other subjects which were located within either the same office building as the appeal subjects or another office building in close proximity to them. These valuations had been agreed with professional agents. No quantum allowance had been applied despite the fact that the largest entry at 305, 307 & 316 Edinburgh House which extended to 167 square metres was almost 8 times larger than the smallest entry at 16 Strathmore House which extended to 21.64 square metres.

Further, he had identified and compared twelve rents struck around the tone date; from November 2007 each month to May 2008 with the exception of December 2007 as there had been only one rent struck during that month, for both small and larger properties in Strathmore

House and Edinburgh House to ascertain if there was evidence of a quantum allowance in the market. This exercise demonstrated that there was no quantum allowance being applied by the Landlord in the sub letting of subjects of differing sizes as in all cases save for one the rent rate for the larger property was greater than that of the smaller property. All rent rates with the exception of one were in excess of the agreed rate of £125.

The Assessor also produced evidence of the rents of three subjects; 13/15 & 23/25 Strathmore House, 301,302 &305 Edinburgh House and 27/29, 20/22 & 37 Strathmore House. These subjects like the appeal subjects comprised several rooms and had fragmented layouts. The analysed rent rates for these subjects were all in excess of the agreed rate of £125.

The Committee agreed that in terms of Section 6(8) of the Valuation and Rating (Scotland) Act 1956 the net annual value of any lands and heritages shall be the rent at which the lands and heritages might reasonably be expected to let from year to year if no grassum or consideration other than the rent were payable in respect of the lease and if the tenant undertook to pay all rates and to bear the cost of the repairs and insurance and other expenses, if any, necessary to maintain the lands and heritages in a state to command that rent. The correct manner in which to assess what a hypothetical tenant might pay in rental for the appeal subjects is a proper analysis of evidence of actual rents in respect of the appeal subjects and comparable subjects to them struck at or around the tone date.

They were of the view that the Sub Lease referred to by the Appellants having been struck almost three years post tone was not reliable evidence of the value of the appeal subjects at tone and in particular whether or not an end allowance was appropriate.

They did not agree that the size of the appeal subjects was such that it of itself amounted to a special circumstance which justified departing from the Guidance Note and in particular ~~were~~ there was local rental evidence to support a quantum allowance. The evidence of actual rents showed that similar rent rates were being adopted by the Landlord and other tenants in respect of comparable properties regardless of their size.

Further any disamenity suffered by the appeal subjects in respect of the layout also affected the comparison subjects and would be reflected in their rents.

The Committee were of the view that there was no evidence to allow them to conclude that the end allowance sought by the Appellants could be justified. The Assessor had explained his valuation and the Committee therefore dismissed the Appeal.