

LANARKSHIRE VALUATION APPEAL PANEL

STATEMENT OF REASONS  
RELATIVE TO APPEAL

By

Papillon Private Nursery Ltd

In respect of

Day Nursery, Unit C, Ground Floor,  
4 Parklands Way, Eurocentral,  
Holytown, ML1 4WR

This appeal concerns a private day nursery which was a new entry in the valuation roll on 1<sup>st</sup> April, 2010.

Mr Walton, a chartered surveyor, appeared for the appellants. Mr Clelland, advocate, appeared for the Assessor. Mr Clelland at the outset explained that the Assessor intended to defend a valuation of £103,000 rather than the rateable value of £105,000 entered in the valuation roll in respect of the appeal subjects. The appellants contended for a rateable value of £61,200.

Some day nurseries in the valuation area had been valued by the Assessor on the contractors' principle; others by the comparative principle.

Whilst, the parties agreed that it was appropriate to value the appeal subjects by the comparative principle, they disagreed about the application of the Assessor's scheme of valuation as set out in his internal Guidance Note entitled 2010 Revaluation, Valuation Of Day Nurseries and in particular paragraph 3.0 thereof which states;

“Nurseries situated in properties which, by virtue of their character or location (or both), have an obvious alternative use will have to compete with other potential occupiers. Rental analysis

shows that the Landlord will expect to receive a rent equivalent to the character of the property. In such situations the property should be valued in line with the prevailing rental levels for the appropriate alternative use. This is most commonly (but not exclusively) to be found in retail, office and industrial type properties/locations.”

The appellants’ representative argued that the Assessor’s scheme of valuation was flawed as it disregarded the number of children for which a nursery was registered by the Care Inspectorate which, in his view, was a key element of the valuation of nurseries in the market place. In addition, it failed to take account of the quality of the building or its location. He contended that the Assessor lacked sufficient rental evidence to support the statement made in his Guidance Note. He argued that the Assessor had valued the appeal subjects as an office and ought to valued them having regard to their actual use as a day nursery. The proper approach to the valuation of the appeal subjects was by comparison with other day nurseries rather than a valuation of them having regard to their obvious alternative use.

The Committee did not consider that the registration of a particular nursery was a relevant consideration in valuation for rating as it did not fit with the statutory rating hypothesis. The number of children for which a nursery was registered could vary depending upon the business decisions and plans of the actual occupier. The Assessor required to value to the property having regard to the hypothetical tenant and not with regard to the business of the actual occupier.

It seemed sensible to the Committee that if a day nursery had an obvious alternative use that the hypothetical landlord would seek to achieve the same value level which the property would command for that alternative use. This view was supported by the analysis of available rental evidence carried out by the Assessor. He had analysed all of the available rental evidence of day nurseries located in office, shop and industrial settings in his valuation area and had compared this with rental evidence for offices, shops and industrial units in those same locations to check

that there was indeed a link between the valuation of day nurseries and subjects in an alternative use.

He produced rental evidence in respect of six day nurseries in offices settings together with rental evidence of offices in the same location. He produced rental evidence in respect of two day nurseries in retail settings with rental evidence of shops in the same location and rental evidence in respect of three day nurseries in industrial locations together with rental evidence of industrial units in the same location. The committee was satisfied firstly that there was a sufficiency of available rental evidence for such analysis and that the resulting analysis supported the Assessor's contention that day nurseries with an obvious alternative use could command the same level of value as subjects in that alternative use.

To demonstrate that he had been consistent in his approach to the valuation of day nurseries where there was an alternative use, the Assessor produced a list of all day nurseries which were valued by this method. It demonstrated a range of rates between £25 and £220. This methodology had been tacitly agreed as either no appeals had been lodged or those which had been appealed, with the exception of two appeals involving Mr Walton, had been agreed on this basis of valuation. In addition, the Committee noted that other Assessors in other valuation areas had adopted this same methodology.

The committee agreed with the Assessor that the appeal subjects clearly had an alternative use as an office. Indeed, the appellants' representative described the appeal subjects as being situated in the ground floor of a four storey state of the art office block. The lease in respect of the appeal subjects required the rent following review to be assessed assuming the appeal subjects were used as offices. It was clear that the Landlords expected to achieve the same rate of £17 per square feet for the appeal subjects and other subjects within the development offered for let as offices. The committee were satisfied that it was accordingly appropriate to value the appeal subjects having regard to the level of value achievable for the subjects in their alternative use.

The committee accepted the Assessor's contention that in valuing the appeal subjects having regard to their possible alternative use as an office, it was not appropriate to have regard to the rental evidence available for the offices in the same development as the appeal subjects. These rentals had been the subject of consideration in other appeals and a Committee of the Lanarkshire Valuation Appeal Panel and the Lands Valuation Appeal Court had determined that they should not be relied upon due to the nature of the Eurocentral development.

Accordingly, the Assessor, in valuing offices within the Eurocentral development, had used rental evidence from offices situated in Strathclyde Business Park which he had identified as providing suitable comparisons. This development was located close to the Eurocentral development; it was a modern mixed use Business Park with predominantly offices and industrial units. It was well located to the M8 and Bellshill/East Kilbride bypass and had good quality office accommodation. The Committee was satisfied that the rental evidence from offices located in Strathclyde Business Park formed valid comparisons for offices within the Eurocentral development.

The Assessor had rental evidence in respect of fourteen offices located within Strathclyde Business Park. These rents had been struck between 2002 and 2008 and the adjusted rent rates ranged between £145 and £176. Initially following his analysis of this rental evidence, the Assessor had applied a rate of £160 per square metre to offices in both Strathclyde Business Park and Eurocentral; however, a rate of £155 per square metre had then been agreed on appeal with other professional agents. The Committee was satisfied that the rate of £155 per square metre being applied by the Assessor to the appeal subjects was justified on the analysis of the rental evidence and was clearly supported by professional agents.

The Committee was satisfied the Assessor had valued the appeal subjects in their actual use as a Day Nursery but did so having regard to the level of value which they could command in their obvious alternative use as an office.

The committee did not accept that the Assessor's methodology had ignored the quality of the building or its location. The appeal subjects had been valued having regard to their alternative use by comparison with other offices of a similar age, character and location.

As the committee accepted that the appeal subjects would command the same level of value as their alternative use as an office, it was appropriate to apply the rate of £155, which reflected the tone of the roll in respect of offices at Eurocentral, to appeal subjects' net internal area of 612.37 square metres and to make additions for air conditioning of £4.50 per square metre applied again to the net internal area of the appeal subjects of 612.37 square metres and car parking; the appeal subjects has twenty car parking spaces to which had been applied a rate of £200 per space which was the agreed rate throughout North Lanarkshire for car parking at modern good quality office developments. This produced a valuation of £103,000.

The Assessor had adequately explained his valuation to the Committee.

The Committee accordingly dismissed the appeal.