

Appeal No. VA95/4/001

AN BINSE LUACHÁLA
VALUATION TRIBUNAL
AN tACHT LUACHÁLA, 1988
VALUATION ACT, 1988

Neville Brothers Limited

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Bakery and land at Map Ref: 6B, Townland: Sleveen East, Ward: Macroom Urban, UD: Macroom, County Borough of Cork

Quantum - Valuation of ovens 'rebus sic stantibus'

B E F O R E

Fred Devlin

FRICS.ACI Arb. (Acting Chairman)

Brid Mimmagh

Solicitor

Marie Connellan

Solicitor

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 14TH DAY OF JUNE, 1996

By Notice of Appeal dated the 18th day of September 1995 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £562 on the above described hereditament.

The grounds of appeal as set out in the Notice of Appeal are that:-

"The valuation is excessive and inequitable when rental levels and other factors are taken into consideration."

The Property:

The property was built as a factory in 1971. It was purchased in 1985 by Nevilles and converted into a bakery. The walls are mainly of concrete block construction with brick facade. The roofs are mainly of steel decking construction with some flat asphalt roofs.

Valuation History:

<i>Year</i>	<i>Rateable Valuation</i>	<i>Comment</i>
1972	£350	New factory
1974	£440	Extended factory
1975	£550	Extended factory
1978	£562	Extended factory
1994	£562	Now in use as a bakery.

Written Submissions:

A written submission was received on the 16th day of May 1996 from Mr. Tadhg Donnelly of Brian Bagnall & Associates on behalf of the appellant.

In the written submission, Mr. Donnelly gave a description of the property, set out its valuation history and his valuation considerations. He set out his estimate of rateable valuation as follows:-

Office	2,680 sq.ft. @ £2.20 psf = £ 5,896
Factory	53,897 sq.ft. @ £1.20 psf = £64,676
Plant Room	4,578 sq.ft. @ £0.75 psf = <u>£ 3,433</u>
	<u>£74,025</u> at 0.5% = £370.

Plant: 2 Allen Boilers capacity:

5,000 lbs/steam per hour at £2.50 per 1,000 lbs =	£25
5,000 gallon diesel tanks	= £ 1
2,000 horsepower at 5p	= £10

2 x 50 ton silos*

1 x 30 ton silos*

* (1993 capital value £65,000 discount to 1988 at 20% = £54,000 capital value).

Net annual value at 6.5% = £3,600 at .5% = £18.

Simplex oven in present condition	£20,500
Two double D ovens in present condition	£ 5,250
Deck oven in present condition	<u>£ 1,800</u>
Total	<u>£27,550</u>

Discount to 1988 at 20% = £22,040 capital value

Net annual value at 6.5% = £1,432

at 0.5% = £7.16

£431.28. **Say £430.**

In support of his estimate of rateable valuation, Mr. Donnelly gave two comparisons which are summarised below.

1) Mid Cork Pallets Limited

Macrooom, Co. Cork.

Single skinned roof.

Stores 41,249 sq.ft. at 75p psf = £30,936

Offices 1,649 sq.ft. at £2 psf = £ 3,298

£34,234 at 0.5% = £171.

Add horsepower of motors - total = £175.

2) Irish Paper Sacks

Macrooom, Co. Cork.

Area: 40,000 sq.ft.. Sold in 1989 for £200,000. Sale price devalues at £5 psf.

A written submission was received on the 3rd day of May 1996 from Mr. Frank O'Connor, a Valuer with 16 years experience in the Valuation Office.

In his written submission he described the property and its valuation history. He set out his valuation considerations. Mr. O'Connor gave an estimate of rateable valuation as follows:-

Valuation

Offices	2,680 sq.ft. at £3 psf=	£ 8,040
Bakery	53,897 sq.ft. at £1.50 psf	= £80,846
Stores, etc.	4,578 sq.ft. at £1 psf	= £ 4,578
NAV		= £93,464 at 0.5% = £467.

Buildings rateable valuation say = £465.

Mr. O'Connor also set out in detail his valuation of ovens, tanks and boilers etc. in the subject premises and these details are attached to this judgment as Appendix 1. In support of his rateable valuation, Mr. O'Connor gave details of six premises which are attached to this judgment as Appendix 2.

Oral Hearing:

The oral hearing took place in Cork on the 29th day of May 1996. The appellant was represented by Mr. Tadhg Donnelly of Brian Bagnall & Associates and the respondent was represented by Mr. Frank O'Connor, a Valuer in the Valuation Office.

Prior to the oral hearing, Mr. Donnelly and Mr. O'Connor forwarded written submissions and valuations to the Registrar. At the hearing the parties mutually agreed that these written submissions and valuations be admitted as evidence given under oath.

In oral submission, Mr. Donnelly briefly outlined the recent history of the subject hereditament and basis of his valuation. Mr. Donnelly was not cross examined by Mr. O'Connor.

Mr. O'Connor in oral evidence said that the comparisons provided by Mr. Donnelly in respect of his valuation of the buildings were not truly comparable and should be disregarded. In regard to the ovens it was his contention that these should be valued having regard to current replacement costs without any allowance for age and obsolescence. He further contended that new ovens would not be more efficient in operation than the existing reconditioned ovens which had been in use for some years past. In support of this contention, Mr. O'Connor said that ovens in other bakeries were valued on a similar basis and in accordance with a Valuation Office memorandum to this intent. Mr. O'Connor said that he would provide the Tribunal with a copy but did not do so.

In response to a question from the Tribunal, Mr. O'Connor said that he had no particular expertise in the valuation of plant and machinery and indeed had relied upon information provided by the appellant in regard to the costs of ovens etc.

Determination:

Section 11 of the Valuation Act 1852 as amended by Section 5 of the Valuation Act 1986 sets down the basis of determining the net annual value of a hereditament. Section 7(2) of the 1986 Act provides for the valuation of plant and machinery including furnaces, boilers, ovens and kilns.

In regard to the subject property both valuers approached the task in an identical fashion. They first valued the buildings and then the various items of plant and machinery.

In regard to the former the Tribunal prefers Mr. O'Connor's valuation which is well supported by a number of comparisons submitted by him in evidence and upon which he commented in some detail. The Tribunal considers Mr. Donnelly's supporting evidence to be of little

assistance. Consequently, therefore, the Tribunal adopts Mr. O'Connor's valuation of the buildings.

In regard to the plant and machinery the only matter in dispute is the valuation attributable to the ovens.

Section 11 requires that the hereditament to be valued is valued in its "actual state". Under the circumstances it would appear that it is the actual plant and machinery forming part of the hereditament that is to be valued and that although costs/value are to be taken at the valuation date the physical state of the plant must also be that as at the valuation date.

In this particular instance the appellant furnished uncontested evidence to the effect that the value of the ovens in their present state was £27,550 as against a replacement cost of £158,500.

Mr. O'Connor's contention that new ovens would not be more efficient than the existing reconditioned ovens does not stand up to scrutiny in view of the fact that he has on his own admission no particular expertise in this area. Under the circumstances, the Tribunal has no alternative but to accept the present value of the ovens to be the basis upon which to arrive at the proper rateable valuation of this item of plant. The Tribunal does not consider it appropriate to make any allowance to reflect the value of the ovens as at the valuation date. As both valuers used an identical decapitalisation rate of 6.5% the Tribunal also proposes to adopt this figure.

Having regard to all of the evidence and the circumstances in this appeal the Tribunal determines the proper rateable valuation of the subject property to be £527 calculated as set out below.

Valuation

a) The buildings

Net annual value as per Mr. O'Connor's valuation £93,460

Rateable valuation at 0.5%	Say	£465
b) Miscellaneous items of plant and machinery		
Rateable valuation as agreed		£53.50
c) Ovens		
Value of ovens		£27,550
Net annual value at 6.5%		£1,800
Rateable valuation at 0.5%		£9.
Total rateable valuation - Say £527.		