

VALUATION TRIBUNAL FOR ENGLAND



Non-domestic rates, 2017 rating list, shop, zoning, comparable shops, rental evidence, appeal dismissed.

RE: 211-211a High Street, Chatham, Kent, ME4 4BG

APPEAL NUMBER: CHG100008780

BETWEEN:	Goonys Ltd T/A Gadcet	Appellant
	and	
	Mr A Corkish	Respondent
	(Valuation Officer)	

PANEL: Mr G Coombes (Chairman) and Mr A Asante

SITTING AT: The Tribunal Offices, 2nd Floor, 120 Leaman Street, London, E1 8EU

ON: 11 September 2018

APPEARANCES: The Appellant was represented by Mr Zaydan Rehman, the owner of the company.

The Respondent Valuation Officer was represented by Mr David Alford of the Valuation Office Agency as advocate and expert witness.

Summary of Decision

1. The appeal is dismissed as the rental evidence for the subject property and the comparable evidence provided from the neighbouring properties supported the Rateable Value (RV) determined by the Valuation Officer in the decision notice of 5 January 2018.

Introduction

2. This was a 2017 Rating List appeal. The RV of the appeal hereditament was £40,500 from 1 April 2017. The Valuation Officer had reviewed the assessment and sought to defend a revised rateable value of £29,750. Mr Rehman proposed that the RV for the subject property should be £20,000.

3. The reason for the appeal was not initially clear from the challenge document submitted by the appellant on 13 November 2017. The panel noted that the appellant was challenging the rateable value of the subject property on the basis that 'there has been a change to the property or the surrounding area which has made the rateable value incorrect'. The appellant had also stated in the proposal that the 'change made on or after 1 April 2017 is wrong'. As there was no indication that a change in the locality had occurred between 1 April 2017 and the date of the challenge, and the effective date of the alteration made by the VO was 1 April 2017, the panel agreed with Mr Alford that the locality as at 1 April 2017 should be considered.
4. The appeal was made on 27 April 2018, following the Valuation Officer's Decision Notice of 5 January 2018 in respect of the appeal property (hereditament).
5. With the agreement of the parties the panel varied the procedure outlined in the Consolidated Practice Statement PS8 - Model Procedure and requested the Respondent present his evidence first.

Issue

6. Having considered the Appellant's challenge, the Respondent considered the existing RV of £40,500 to be excessive and revised the list entry for the subject property as follows:

Floor	Description	Area m ²	Price per m ²	Value
Ground	Retail Zone A	42.09	£420.00	£17,678
Ground	Retail Zone B	42.30	£210.00	£8,883
Ground	Retail Zone C	23.92	£105.00	£2,512
Ground	Internal Storage	12.91	£42.00	£542
Ground	Office	6.57	£42.00	£276
Valuation sub-total				£29,891

Total value: £29,891 rounded down to £29,750

6. The Appellant believed that the RV of the subject property proposed by the Respondent was still excessive and sought a reduction to RV £20,000.

Decision and Reasons

7. In deciding this appeal the Panel was governed by rating legislation laid down by Parliament which defines Rateable Value:

Schedule 6 of the Local Government Finance Act 1988 (LGFA 1988), as amended by Section 1(2) of the Rating (Valuation) Act 1999, defined that the Rateable Value of a non-domestic property shall be taken to be the amount equal to the rent at which it was estimated the property might reasonably be expected to let on a year to year basis on these three assumptions:

- a) the first assumption is that the tenancy begins on the day by reference to which the determination is to be made;
 - b) the second assumption is that immediately before the tenancy begins the hereditament is in a state of reasonable repair, but excluding from this assumption any repairs which a reasonable landlord would consider uneconomic;
 - c) the third assumption is that the tenant undertakes to pay all the usual tenant's rates and taxes and to bear the cost of the repairs and insurance and the other expenses (if any) necessary to maintain the hereditament in a state to command the rent mentioned above.
8. For the purposes of the 2017 Rating List the date at which this hypothetical letting is assumed to take place, the antecedent valuation date (AVD), has been set by Parliament as the 1st April 2015.
 9. Mr Rehman stated that the subject property is a shop, occupied by Gadcet, a relatively new business, which is struggling to trade in what has turned out to be an impoverished area with high unemployment. In addition to this, he asserted that the trade at the subject property was adversely affected by its location set back from one of the neighbouring properties and the regular appearance of various pop-up stores in front of the appeal property. He stated that these issues had the effect of reducing the visibility of the subject property to passing customers.
 10. Mr Rehman also argued that there is a problem in the area with antisocial behaviour and nuisance, caused by larger than usual numbers of alcohol and drug addicts who congregate opposite the subject property. He stated that this, along with people begging outside the store, has the effect of deterring customers from the store.
 11. With regard to the size and age of the business, the panel was aware that, for rating purposes it is the property which is valued and not the business. The subject property has to be valued 'vacant and to let' and the age of the business or its size cannot be taken into account.
 12. The panel noted that no evidence had been presented to show that the factors affecting the physical location of the subject property have worsened since the original valuation exercise had been carried out. It considered that these issues have already been reflected in the rent agreed of £30,000 from 17 October 2016 and therefore in the revised RV applied by the Respondent.
 13. The Respondent explained that zoning is a standard method of assessing retail properties for valuation purposes, which takes into consideration the varying shapes of shops, and the fact that the most valuable retail area (zone A) is located toward the front of the premises. In order to provide a comparison between such premises, their areas are calculated in terms of Zone A (71.17m² for the subject property). The rent for the property is then

divided by this figure to obtain the price of £422 per m² in terms of zone A (ITZA) for the subject property.

14. The panel was informed by Mr Alford that the original entry in the list was based on a total area for the subject property of 168.38m², and a base price of £500 per m². It noted, from the location map provided by the Respondent, that its comparable properties were situated close to the subject property on the same side of the street.
15. The Respondent stated that the analysed rents of 205,225,235 and 237 High Street were between £430 and £523 per m²(ITZA) and, taking account of the analysed rent of £422 per m² (ITZA) for the subject property, the panel did not consider that the reduced rate of £420 per m² adopted by the Respondent was excessive. The panel also noted that, having reviewed the plans of the subject property, the Respondent had revised the total area of the subject property to 127.8 m² (71.17 m² ITZA) which had resulted in the amended RV of £29,750.
16. The panel considered Mr Rehman's argument that part of the reason that the company was attracted to the subject property was that it had been informed by the agent that the rates were being reduced. It noted that the RV in the 2010 list for the subject property was £50,000, which would have been based on the economic factors affecting the area in 2008. The panel was of the opinion that the substantial reduction in RV between the lists accounts for the deteriorating economic situation in the locality between 2008 and 2015. However, it was aware that the RV for the 2017 list is based on the economic factors at 1 April 2015, and any changes after this date cannot be considered until the next revaluation takes place.
17. With regard to Mr Rehman's assertion that the RV of the subject property was out of line with other shops in the locality given their relative sizes, the panel noted that, according to Mr Alford, each of these are valued based on the same zone A price as the subject property. The panel determined that any apparent disparity in values would be explained by the fact that these comparable properties have areas which are valued at lower levels of value, such as first floor retail areas, or smaller zone A areas which attract the highest value. Therefore, whilst Mr Rehman had compared the total areas of these units, the panel determined that a better comparator is the area of the units in terms of zone A, which allows for different sizes and configurations of properties.
18. Having considered all the evidence before it, the panel placed the greatest weight on the rent passing on the subject property, which was agreed 18 months after the AVD. From this evidence it found that the price per m² adopted for the appeal shop is not excessive. The panel also accepted that, if the rent on the subject property is included the average of the rents on comparable properties in the same parade of shops, this also demonstrated that the value adopted for the subject shop is not excessive.
19. The appeal is therefore dismissed.

Appeal No: CHG100008780
Date: 4 October 2018