

Statement of Reasons

Relative to an Appeal

By

Primark Stores Limited

In respect of

Shop, 29 Quarry Street, Hamilton.

The dispute between the parties concerned the method of valuation of the appeal subjects. The appellants contended that they should be valued on an overall basis. The Assessor argued that they should be valued on a zoned basis. In the event that it was determined that zoning was the correct approach, the Appellants disputed that the Assessor's double zoning of the appeal subjects was correct.

It was clear from the Scottish Assessors' Association Practice Note 37 that there was no fixed starting point, in terms of size, at which a standard shop unit should be regarded as a large shop and valued on an overall basis as such. This was to be determined by having regard to the size and style of the unit in comparison with neighbouring properties. It was noted that supply and demand conditions could have an effect and that local rental evidence should be considered.

The Committee accepted that it was not appropriate to restrict comparison of appeal subjects to those immediately adjacent to them in Quarry Street. Subjects in Regent Way and Duke Street were within the vicinity of the appeal subjects and all within a clearly defined town centre. Comparison between the appeal subjects with those in Regent Way and Duke Street was appropriate. Indeed both parties had sought to compare the appeal subjects with those units in Regent Way.

In looking at size and style, the Committee preferred the approach of the Assessor. He had compared the appeal subjects with actual units within the recognised defined area of Hamilton town centre whereas the appellants had sought to compare the appeal subjects with the average size of units in Quarry Street and Regent Way.

There were five units within the area of Hamilton town centre valued on an overall basis; 47/49 Regent Way occupied by Marks and Spencer, 35 Regent Way occupied by Bhs, 29 Regent Way occupied by Woolworths, 44 Regent Way occupied by Boots and 1-3 Duke Street occupied by Bairds. These were physically different to the appeal subjects in that their ground floor footplates were similar to or greater in size than those on their first floors whereas the first floor of the appeal subjects was a third of the size of their ground floor. All of these subjects had gross internal areas greater than 2,000 square metres. The gross internal area of the smallest of these five subjects was that occupied by Boots at 44 Regent Way which extended to 2151.54 square metres. This was 64% larger than the appeal subjects, the gross internal area of which extended to 1385 square metres. This was 10% larger than the gross internal area of the largest of the subjects valued on a zoned basis which was at 46 Regent Way

occupied by WH Smith. Also, these subjects had similar size ratios between their ground floor and first floor footplates to the appeal subjects.

The Committee accepted the view of the Assessor that as larger subjects tend to have smaller number of potential tenants, the rents achievable for them tend to be less than those for smaller units. An analysis of the available rental evidence supported this view. An analysis of the rent rate for the five units valued on an overall basis produced gross internal rent rates ranging from £97 to £106 per square metre. An analysis of the rent in respect of the subjects at 46 Regent Way on an overall basis produced a rate of £226 per square metre.

There was no passing rental in respect of the appeal subjects which could assist in determining if it should be valued by zoning or on an overall basis.

An analysis of the rental for 46 Regent Way on a zoned basis produced a rent rate of £910 in terms of rent reviewed in 2006 which when compared with the analysed rent rates of other subjects in Regent Way appeared consistent. This supported the view that it had been valued on a zoned basis.

The Committee was satisfied that the Assessor's evidence was to be preferred to the appellants' evidence and that having regard to the factors set out in the practice note, the appeal subjects should be valued as a standard shop unit and therefore, in terms of practice note 40, should be valued by the zoning method. The Committee were of the view the appeal subjects, in terms of size and style, were more comparable with the subjects at 46 Regent Way than those which had been valued on an overall basis. The fact that there were subjects in Cumbernauld and Motherwell, albeit within the valuation area, of similar size to the appeal subjects which had been valued on an overall basis was of little assistance where there was available rental evidence from subjects in the immediate vicinity of the appeal subjects. The Committee were satisfied that the subjects at 46 Regent Way formed a valid comparison with the appeal subjects and as they had been valued on a zoned basis, it was appropriate that the appeal subjects should be valued on that basis also.

The Committee was satisfied that the double zoning as proposed by the Assessor was necessary to ensure that the appeal subjects were not significantly undervalued. The appeal subject has two entrances; one leading from Quarry Street and the other from Regent Way. The respective zone A rate on the relevant stretches of Quarry Street and Regent Way were £340 and £675. It was clear from this that Regent Way is more valuable than Quarry Street. Accordingly, to zone the appeal subjects from Quarry Street only, as suggested by the appellants, produced a perverse valuation as the area of the subjects leading from Regent Way would be valued at significantly less than the area leading from Quarry Street which having regard to the respective zone A rates could not be correct. An addition for a return frontage did not redress the balance.

The principle of double zoning was established by a decision of a committee of the Panel in 1996 in respect of subjects at 49, The Plaza, East Kilbride. The Committee accepted the explanation given by the Assessor as to why those subjects were no longer valued in that way. The original position with regard to those subjects was similar to the situation of the appeal subjects.

The Committee, however, felt that the Assessor's valuation of the appeal subjects did not take sufficient account of the disamenity suffered by the appeal subjects in respect of the steps immediately leading down into the appeal subjects from the Regent Way entrance and also the close proximity between these steps and the staff and goods lift leading to the first floor of the subjects. The Committee were of the view that there should be a more appropriate allowance in this regard was 25%.

Accordingly, the Committee, with the exception of the allowance given in respect of the disamenity relative to the entrance from Regent Way, upheld the Assessor's valuation which had been properly explained them. The adjustment to the allowance in respect of the disamenity caused by the situation of the steps leading from the Regent Way entrance reduced the valuation to a rounded down figure of £241,000 which the Committee confirmed as the correct value.