BEFORE THE AUCKLAND
LAND VALUATION TRIBUNAL **LVP No. 019/01**

IN THE MATTER	**of the Rating Valuations Act 1998**
AND	
IN THE MATTER	**of an objection pursuant to s.32 of the Act**
BETWEEN	**NATIONAL MINI STORAGE LIMITED**
	Objector
AND	**AUCKLAND CITY COUNCIL**
	Respondent

Before the Auckland Land Valuation Tribunal:

Chair:	His Honour Judge J.D. Hole
Members:	K.G. Stevenson Esq R.M. McGough Esq
Date of Hearing:	29 August 2002
Counsel:	E.J. Child for respondent A.S. McEwan (Registered Valuer) for objector
Date of Decision:	1 October 2002

DECISION OF TRIBUNAL

Introduction

[1] On 1 October 1999 the Council revalued the objector's property at 14 Penrose Road, Penrose for rating purposes. As the Council had adopted the annual value system of rating, it was necessary to determine the annual value of the property.

[2] Section 2(1) Rating Valuations Act 1998 defines "annual value" as the greater of:

> [a] The rent at which the property would let from year to year, reduced by –
>
> > [i] 20% in the case of houses, buildings, and other perishable property; and
> >
> > [ii] 10% in the case of land and other hereditaments;
>
> [b] 5% of the capital value of the fee simple of the property.

[3] The statutory definition does not refer to actual rent but a hypothetical rent. One hypothetical tenant is envisaged. It is anticipated that the rental will be for a term of one year. Both parties acknowledge that in this case the annual value is as defined in s.2(1)(a)(i) of the Act.

The Property

[4] The property is a 1.27 hectare industrial site adjoining the Southern Motorway in Penrose. It has been developed into a purpose built commercial storage facility comprising 418 single level mini storage units of various sizes, together with office buildings and a manager's residence.

Valuation Methodology

[5] In this case the Council's valuation assessment used comparisons with actual leases of other similar properties close to the effective valuation date. A difficulty which was experienced in undertaking such comparisons was that there were only seven other mini storage facilities in Auckland City. None of those were sold or leased close to the valuation date. As a result, the comparable evidence related to

larger and more traditional industrial warehouses. It was recognised that in comparing mini storage facilities to traditional warehouses, allowances needed to be made to reflect the differences between the two types of property.

[6] The objector considered that the most appropriate methodology was that known as the contractor's or formula rent approach. In addition, he subjected the property to a direct comparison methodology similar to that adopted by the Council.

Contractor's Method

[7] The contractor's method of assessment (otherwise known as the formula rent approach) has been held to be applicable to such specialist use buildings as schools, sewers, lighthouse, service and utility buildings etc. It was held to be a valid approach in ***Northern Roller Mills v Auckland City Council*** in the decision of the Assessment Court for the City of Auckland in a judgment of Coates SM of 11 September 1964 (MA 2272/1964) and in the judgment of Speight J in the Supreme Court at Auckland of 12 August 1975. Both decisions in the ***Northern Roller Mills*** case acknowledged that this method of assessment would only be used in the absence of comparable rents. Whilst the Tribunal accepts that the contractor's method can be appropriate as a check or secondary method of valuation where comparative rents are available, the Tribunal prefers the adoption of the comparative rents methodology or the "profits basis" methodology which is more specifically described in ***Victoria Park Markets Ltd v Auckland City Council*** being a decision of this Tribunal dated 27 August 2002 LVP No. 014/01.

Profits Basis

[8] Indeed, the factual situation of this case is similar to that of the ***Victoria Park Markets*** case. This property generates rental incomes from a number of storage units. Thus, evidence of the ability of the property to earn profits must be available, and would offer a useful guide as to the determination of a hypothetical rent. Mr McEwan, for the objector, considered that this methodology was not appropriate in this case because of the difficulties of distinguishing rent from profit. Profit, of course, is not the measure of annual value. The Tribunal does not accept that there would have been great difficulties in distinguishing profit from rental. It considers that this property is very similar to motel properties where the same exercise is undertaken on a regular basis. It is perhaps unfortunate that this method was not adopted by the objector.

Comparative Method

[9] The difference between the Council and the objector in their respective use of the comparative method, is that the Council based its calculations upon actual market rents being achieved in respect of certain comparable properties. The objector, on the other hand, relied simply on the Council's Roll Values. In the circumstances the evidence of the Council must be preferred. Furthermore, the Tribunal notes that this is not a s.16 new valuation, and accordingly the principle of comparability is not an issue. In short, there was no market evidence from the objector to support his comparative valuation.

Onus of Proof

[10] Section 38(2) Rating Valuations Act 1998 provides that the onus of proof on any objection rests with the objector. In this case, it will be apparent that the objector has failed to satisfy the onus of proof incumbent upon it.

Conclusion

[11] The objection fails. The Tribunal confirms that the annual value applicable to the property is $240,712 rather than $155,000 as contended for by the objector.

Judge J.D. Hole
(Chairman)