

Case name: *Home Office v David Jackson (VO)* [2018] UKUT 0171 (LC) (19 July 2018)

Topic: Quantum (offices)

Full case: [click here](#)

Summary: The Home Office building was valued at a level per square metre to reflect its location and the quantum allowance was increased from 17.5% to 20%, with no fragmentation allowance to reflect the construction of the building as three blocks with pedestrian links.

Commentary: This Upper Tribunal (Lands Chamber) appeal concerned the rateable value (RV) of the Home Office in Marsham Street, which appeared in the 2010 list as £24,960,000 at the material day (1 April 2010). The building is in three blocks, linked by bridges. There were three grounds of challenge: (1) the main space rate which had been applied was excessive; (2) an inadequate quantum allowance had been given (the premises extend to 52,064 square metres); and (3) an end allowance of 2.5% should be made to reflect the fragmentation caused by the need to link the blocks by bridges.

The VTE had dismissed all three grounds of appeal. On appeal to the Upper Tribunal (UT) an additional point was raised by the VO as increasing value, namely the elaborate security installations at the entrance to the Home Office building.

A joint expert statement was prepared, which shows the main differences between the parties as: (1) the Home Office argued for a main space rate of £555psm, as against the VO's figure of £630psm; (2) the Home Office claimed a quantum allowance of 25% whereas the VO would only offer 17.5%; (3) the Home Office sought a fragmentation allowance of 2.5% but the VO denied this; and (4) the VO argued that the security arrangements added value of £106,298 but the Home Office considered that this was reflected in the main space rate of £555psm.

The main comparable is Cardinal Place, Victoria Station, where a rent of £630psm had been agreed (and the building completed) before the Home Office building was occupied. The parties agree that had the Home Office building been located in Cardinal Place that would have been the main space rate. In the absence of other comparables in the Marsham Street area (some distance from Victoria Station), the appellant quantified the difference of rental values between the two locations and the differing standards of the putative comparables to reach the figure of £555psm (a 12% discount from £630psm, rounded). The VO's valuer adopted a zoned approach, emphasising that values increased nearer to the Houses of Parliament.

The quantum allowance according to the published table was 17.5% for premises over 30,000 square metres. The Home Office argued that the building more than 22,000 square metres over the highest allowance threshold and that, therefore, a further allowance of 7.5% should be granted (which would reflect the landlord and tenant market). Two other properties in Westminster (the MoD Building and the BBC Headquarters in Portland Place) around the size of the Home Office Building had received allowances in excess of 17.5%.

The 2.5% fragmentation allowance argued for by the Home Office reflected the fact that the 8 bridges/corridors make the building less efficient. The building was constructed in three blocks to meet planning requirements (enabling pedestrian access between the blocks).

The VO's argument for value being attributed to the security systems was based on what was agreed in relation to the former New Scotland Yard building on Victoria Street, but the VO did not provide sufficient evidence of this.

The UT decided:

- (1) After a detailed analysis of the comparable properties and comparison methodology, the main space rate is £567psm;
- (2) Given the covenant strength of a Government department (being the most likely occupier of the building given its location), an appropriate quantum discount is 20%;
- (3) No fragmentation allowance is appropriate as the advantages balance the disadvantages; and
- (4) No additional value is attributed to the security equipment, which in any event was a new point not foreshadowed in the VO's statement of case. The Tribunal added that the existence of the equipment detracted from the attractiveness (and therefore value) of the reception area.

The RV was reduced to £22,700.000.