



INDUSTRIAL COMMITTEE

Practice Note 2

REVALUATION 2005

Valuation of Cold Stores

1.0 INTRODUCTION

This practice note provides guidance on the valuation approach to cold stores, both public stores where companies are in business to provide cold storage facilities and also private cold stores where use is exclusive to a single occupier.

2.0 BASIS OF VALUATION

The basis of valuation is the comparative principle as it applies to industrial properties having regard to the costs associated with the provision of additional features necessary to create such subjects.

3.0 COLD STORE DEVELOPMENT

Over the period from post war to the present day, there have been improvements in technology resulting in improved quality and performance of insulation, and also of door design, allowing more rapid closure thus retaining temperatures and reducing costs. In addition, the older types of insulation, both in respect of quality, form of construction and method of fixing tend to be more prone to deterioration, resulting in loss of efficiency and increased running costs in maintaining required temperatures. Generally, older units used a 'Smith's panel' sandwich construction, whereas modern units are more akin to ambient warehousing with an inner cold store 'chamber'.

Earlier stores were generally smaller and of lower height with multi-chambers allowing different products to be stored at different temperatures. In the early 1970's, there was a move towards bulk long-term storage requiring larger enclosures with increased eaves heights but with relatively few doors. With the decline of EEC storage from the mid 1980's, and the increase in demand for fresh frozen and chill products, there has since been a move towards throughput storage with rapid turnaround of goods, requiring improved access and racking systems. EU regulations now generally require chilled enclosed loading bays.

4.0 COLD STORES TYPES AND RATEABILITY

4.1 Purpose built cold stores where the structural walls, floors and ceiling of the building contain insulation.

Purpose built cold stores have evolved through improvements in design and operator requirements and the following range of five structural specifications will cover the majority of types commonly found. The primary consideration is the structural specification and construction dates are given only as guidance as different operators in different locations moved to using new specifications at differing times.

It should be appreciated that older stores may have been subject to upgrading such as the enclosure of loading bays, improved door closure systems, construction of racking systems and the opening out of former multi-chambers to give larger more flexible storage capacity.

4.1.1 Category 1

Normally constructed pre 1970 with chamber height of 6.00 to 7.00 m with cork insulation panels on timber frame in small sheets with many joints. External loading platforms. Older brick cold stores should be treated initially as meeting this specification.

4.1.2 Category 2

Constructed from the late 1960's through to the mid 1970's and designed for bulk storage without racking systems, but may now have racking systems installed. Generally larger chambers for long term storage of single products. Chamber height generally under 10.00 m. Open fronted loading bays. Minimal door provision. Often exposed structural steel roof members. Insulation panels on timber frames with cork insulation but polystyrene more common post 1972/73. Insulation panel size gradually increasing with correspondingly fewer joints.

4.1.3 Category 3

Generally erected late 1970's to early 1980's with enclosed loading bays (either internal or external to chambers) more common. Chamber heights usually from 9.30 to 10.30 m. Large insulation panels using slab polystyrene. Increased number of chamber access doors to allow improved throughput of goods. Generally designed for use with racked storage systems.

4.1.4 Category 4

Constructed from mid 1980's. Enclosed loading bays either internal or external to chambers with urethane or polystyrene large panel insulation. Rapid closing doors with increased number of ports and lorry docking facilities. Chambers designed to accommodate static or mobile racking systems. Chamber heights variable but usually of 10.30 m or more and designed to suit purpose built racking.

4.1.5 Category 5

Constructed generally since about 1990. Specification as for Category 4 but of greater chamber height - usually in excess of 12.30 m.

4.2 Cold stores of modern pre-fabricated construction installed within an existing building.

Although essentially free standing structures, these may well take up a substantial volume of the property and will have insulation standards similar to the purpose built cold stores described in paragraph 4.1.

Most cold stores will be assembled on site using either basic materials or prefabricated parts and as such will take on such an impression of permanence that they can readily be regarded as being plant "in the nature of a building or structure". A cold store exceeding 400 m³ will be rateable (depending on construction) in terms of Class 4, Table 4 (chambers) and a cold store of smaller capacity will still be rateable provided it is not "readily capable of being moved from one site and re-erected in its original state on another without the substantial demolition of any surrounding structure". The valuer should be quite convinced that the cold store could be removed and re-erected before conceding rateability.

Valuation of this type of cold store will proceed on the same basis as purpose built structures but care should be taken in deciding the area to which the cold store addition should apply.

4.3 Free standing freezer cabinets and chills in the nature of large refrigerators placed on the floor (but may be located externally) with cooling plant.

An external or internal location is not relevant to rateability. However, when considering the rateability of such items it is essential to determine if they may be considered "in the nature of a building or structure". Size, weight and permanence are important tests and if an item is easily transportable then it is probably not a structure.

On the other hand, a chill, the removal of which requires quite exceptional handling would be regarded as permanent and therefore rateable. It may be more appropriate to consider whether as installed, it could reasonably be removed in one piece and transported to another site by normal means without damage. Having determined whether or not the chill forms a building or structure, the previous notes considering size and removability apply.

5.0 RATEABILITY OF SERVICE PLANT

The approach to the treatment of cooling plant in cold stores is governed by the terms of the Valuation for Rating (Plant and Machinery) (Scotland) Regulations 2000. Class 2 of the Schedule of Prescribed Classes of Plant and Machinery describes as rateable service items including plant used for heating, cooling and ventilating but specifically excludes *"any such plant or machinery which is in or on the lands and heritages and is used or intended to be used in connection with services mainly or exclusively as part of manufacturing operations or trade processes"*.

While careful consideration must always be given before removing any service plant from value which it is claimed was installed “*as part of manufacturing operations or trade processes*”, it is accepted in the case of cold stores that maintaining produce in a frozen or chilled state can be regarded as a trade process as there is clearly a market demand for produce in this form and the cooling plant is essential to maintain the produce in that state. It is also the case in cold stores that certain produce will be brought in progressive stages down to storage temperature or conversely back to ambient temperature and in such circumstances, the cooling plant clearly “*is used ... as part of manufacturing operations or trade processes*”.

Accordingly, in cold stores, the value of cooling plant should be excluded from valuation. For further assistance in this matter reference should be made to the SAA paper *Interpretation Guidance: Class 2 Table 2(b) The Valuation for Rating (Plant and Machinery) (Scotland) Regulations 2000*.

6.0 **APPROACH TO VALUATION**

6.1 **General**

The approach for Revaluation 2005 will use local rental tone enhanced by a percentage which reflects the additional cost of the rateable cold store elements in comparison with a standard ambient warehouse.

The local tone rate should be adjusted in terms of the SAA Industrial Practice Note 1 (Comparative Principle) to reflect variations such as wall-head height. End allowances, as described, are appropriate. In particular, the local tone rate should be adjusted, if necessary, to exclude heating. Note however that the percentage additions which follow reflect the difference between the basic constructional form of a cold store and a standard SAA specification ambient warehouse. No adjustments should therefore be made to reflect for example an un-insulated building followed by the cold store addition.

6.2 **Cold store additions**

Additions to the adjusted rate should be made, before applying end allowances, from the following table.

Group	Construction	Type	Typical age profile	Addition
4.1	Purpose built	Category 1	pre 1970	+25.00%
		Category 2	late 1960's to mid 1970's	+25.00%
		Category 3	late 1970's to early 1980's	+25.00%
		Category 4	from mid 1980's	+25.00%
		Category 5	from about 1990	+25.00%
4.2	Installed			+25.00%
4.3	Free standing			+15.00%

6.3 **Chills**

The approach advocated in paragraph 4.2 is appropriate to structures designed and operated as cold stores, that is chambers capable of storing frozen produce and having an operating temperature of generally around –25.00C. It is important to appreciate that only the structure of any cold store is rateable and the operating temperature is therefore not a safe guide to value. Structures that are physically similar should have the same value regardless of their actual use and the temperatures at which they are maintained.

Where however a structure is insulated to a level that it can only be operated as a chill, usually in a temperature range of 0.00C to +5.00C, then the addition of 25.00%, suggested in paragraph 6.2 for groups 4.1 and 4.2, should be reduced to 20.00%. The addition of 15.00% for free standing structures as specified in group 4.3 is appropriate for both freezers and chills.

6.4 **Blast freezers**

Blast freezing now usually takes place in continuous process plant that is normally not rateable. Where blast freezing takes place in rateable freezing chambers, then insulation in excess of normal cold storage requirements is needed and the addition of 25.00% suggested in paragraph 6.2 should be increased to 35.00%.

7.0 **AGE & OBSOLESCENCE**

Year	Allowance	Year	Allowance	Year	Allowance
2005	0.00%	1981	19.00%	1957	43.00%
2004	0.50%	1980	20.00%	1956	44.00%
2003	1.00%	1979	21.00%	1955	45.00%
2002	1.50%	1978	22.00%	1954	46.00%
2001	2.00%	1977	23.00%	1953	47.00%
2000	2.50%	1976	24.00%	1952	48.00%
1999	3.00%	1975	25.00%	1951	49.00%
1998	3.50%	1974	26.00%	1950	50.00%
1997	4.00%	1973	27.00%	1949	50.00%
1996	4.50%	1972	28.00%	1948	50.00%
1995	5.00%	1971	29.00%	1947	50.00%
1994	6.00%	1970	30.00%	1946	50.00%
1993	7.00%	1969	31.00%	1945	50.00%
1992	8.00%	1968	32.00%	1944	50.00%
1991	9.00%	1967	33.00%	1943	50.00%
1990	10.00%	1966	34.00%	1942	50.00%
1989	11.00%	1965	35.00%	1941	50.00%
1988	12.00%	1964	36.00%	1940	50.00%
1987	13.00%	1963	37.00%	1939	50.00%
1986	14.00%	1962	38.00%	1938	50.00%
1985	15.00%	1961	39.00%	1937	50.00%
1984	16.00%	1960	40.00%	1936	50.00%
1983	17.00%	1959	41.00%	1935	50.00%
1982	18.00%	1958	42.00%	1934	50.00%

Valuers should appreciate that the repeated freezing and thawing of cold stores can lead to faster depreciation resulting in higher maintenance costs in comparison with conventional industrial buildings. This is particularly true in the case of stores of older design. Where a cold store has clearly depreciated more than an ambient warehouse then allowance may be based on its equivalent age.

Where upgrading of cold stores has taken place, such as enclosing of loading areas to comply with EU regulations, then the allowances should be moderated at the valuer's discretion.

8.0 PUBLIC COLD STORES

This term applies to subjects occupied by companies who offer storage space to anyone with a cold storage requirement. Such properties are now relatively few in number and should be described as Cold Store in the Valuation Roll

The cold storage industry occupied properties with high maintenance and running costs and the effect of EU regulations has made the operation of older cold stores uneconomic on account of the inadequacy of their design. The number of such stand-alone properties has also reduced as consumer demand has moved away from frozen produce. The following additional allowances may therefore be made where appropriate at the valuer's discretion to recognise these shortcomings.

Note that these allowances apply only to stand-alone purpose built stores and not to cold stores or chills being operated as part of another larger subject such as creameries or distribution warehouses.

Cold store category	Allowance
1	Up to 45%
2	Up to 40%
3	Up to 30%
4	Up to 20%
5	Up to 10%