



## **COMMERCIAL PROPERTIES COMMITTEE**

### **Practice Note 6**

### **REVALUATION 2005**

## **Valuation of Retail Warehouses**

### **1.0 INTRODUCTION**

This practice note applies to retail warehouses of the following types:

- Purpose built units within a retail/leisure park.
- Purpose built units in a stand alone, edge of town centre location.
- Buildings which have been converted from another use to a Retail Warehouse and are located within a retail/leisure park, industrial/trading estate, edge of town or stand alone.

This practice note should also be of assistance when valuing:

- Retail buying clubs where the planning consent permits retail purchases by the general public although the occupier charges a membership fee.
- Factory Shop areas which are essentially ancillary adjuncts of a factory, workshop, mill, etc.

This practice note should not be used for the valuation of depot warehouses. The Depot concept, whilst relatively new, is becoming increasingly common and is often around 10,000 m<sup>2</sup>. These depot warehouses will be valued on their own rental evidence.

### **2.0 BASIS OF VALUATION**

Retail Warehouses are valued on the comparative basis using rates per m<sup>2</sup> derived from local evidence. Rentals should be analysed in accordance with Basic Principles Committee Practice Note 1

In the absence of local evidence to the contrary, the following reduction factors should be applied to ancillary areas of modern purpose built retail warehouses.

Entrance Porch/Vestibule	100%
Mezzanine/1 <sup>st</sup> Sales (Public Lift/Escalator)	15%
Mezzanine/1 <sup>st</sup> Sales (Stair Access Only)	12.5%
Mezzanine/1 <sup>st</sup> Non Sales (Lift/Conveyor Access)	10%
Mezzanine Non Sales (Stair Access Only)	7.5%
Glasshouse	20%
Canopied Sales	15%
Open Sales Land	5%

Where ancillary floors exist in older, converted buildings, the appropriate reduction factor will be at the valuer's discretion.

It should be noted that for mezzanines and 1<sup>st</sup> floors, the reduction factor of 12½% or 15% is effectively an "extra over" and no allowance should be made to the ground floor for lack of height.

### **3.0 SURVEY AND MEASUREMENT**

Retail Warehouses should be measured to Gross Internal Area, as defined by the RICS Code of Measuring Practice. Survey and measurement should take separate account of items such as upper floors, mezzanines, greenhouses, canopied areas and open sales land. Where the unit is of a stand alone nature, the amount of car parking should be noted.

### **4.0 BASIC SPECIFICATION**

The standard purpose built unit when let as shell whether on a retail park or stand alone is typically as follows:

- Screeded concrete floor slab.
- Bare concrete block or profile sheeted walls.
- Roof structure unfinished internally.
- Capped 415v electrical supply.
- Capped water and drainage facility.

The basic unit is usually in the order of 950 m<sup>2</sup>, but most modern parks have a range of unit sizes. Commonly there is a double sized unit around 1,800 – 1,900 m<sup>2</sup> plus one or two in the 2,500 – 3,500 m<sup>2</sup> range.

### **5.0 Tenant's Fit Out**

There are three broad specification types into which fitted units can be placed.

- Basic Fit Out
- Glazed frontage.

High bay warehouse lighting.

Blower style heating system.

Mid Range Fit Out

As basic fit out but with floor covering and part lined walls.

Full Fit Out

Glazed frontage.

Floor covering.

Lined walls.

Suspended ceiling.

Recessed Fluorescent/Low level spots/Halogen lighting.

Effective heating system hot air, radiant panel or equivalent.

The following rates per m<sup>2</sup> should be added to the shell warehouse rate.

Basic Fit Out	£8
Mid Range Fit Out	£11
Full Fit Out	£14

The appropriate addition for fit out should be added when the rents analysed are for shell units as described in 4.0.

The above additions may be depreciated in accordance with Basic Principles Committee Practice Note 1 (Paragraph 5.1.2)

Other Adjustments

In the absence of local evidence, the following allowances may be granted:

No Heat (where rent rate assumes heat)	Deduct £3.50/m <sup>2</sup>
No Sprinklers (where rent rate assumes sprinklers)	Deduct £2.50/m <sup>2</sup>

**6.0 CAR SPACES**

Modern purpose-built retail parks are served by adequate common car parking facilities and these facilities will be reflected in the rents passing. Under these circumstances, no addition to value should be made for parking and no separate entry should be made.

**7.0 QUANTUM**

An allowance under this heading may be granted when supported by local evidence.

**8.0 PLANT AND MACHINERY**

Any plant in these subjects which is rateable in terms of the *Valuation for Rating (Plant & Machinery) (Scotland) Regulations 2000 as amended*, should be valued by reference to the relevant cost guide.