



INDUSTRIAL COMMITTEE

Practice Note No 8

REVALUATION 2005

Valuation of Whisky Distilleries and related subjects

1.0	INTRODUCTION - SUBJECTS COVERED BY PRACTICE NOTE	2
2.0	BASIS OF VALUATION	3
3.0	MODEL VALUATION FORMAT	4
4.0	NOTIONAL CONTRACT COST – ESTIMATED REPLACEMENT COST – STAGE 1	5
4.1	RECOMMENDED COST RATES	5
4.1.1	DISTILLERY BUILDINGS	5
4.1.2	INTERNAL ITEMS – DISTILLERY BUILDINGS	9
4.1.3	ANCILLARY BUILDINGS.....	10
4.1.4	SPIRIT STORAGE BUILDINGS	12
4.1.5	SITE WORKS	15
4.1.6	PLANT AND MACHINERY	15
4.1.7	EFFLUENT DISPOSAL	15
4.1.8	WATER SUPPLY.....	16
4.2	ADJUSTMENTS TO NOTIONAL CONTRACT COST TO	17
	OBTAIN ESTIMATED REPLACEMENT COST	
4.2.1.	CONTRACT SIZE ADJUSTMENT.....	17
4.2.2.	PROFESSIONAL FEES.....	18
4.3	ESTIMATED REPLACEMENT COST.....	19
5.0	ESTIMATED REPLACEMENT COST – ADJUSTED REPLACEMENT COST – STAGE 2	20
5.1	AGE & CONDITION.....	20
5.2	OBSOLESCENCE/REDUNDANCY	20
5.3	ADJUSTED REPLACEMENT COST	24
6.0	ADJUSTED REPLACEMENT COST – EFFECTIVE CAPITAL VALUE – STAGE 3	25
6.1	LAND	25
6.2	EFFECTIVE CAPITAL VALUE (ECV).....	25
7.0	EFFECTIVE CAPITAL VALUE - INITIAL ANNUAL VALUE – STAGE 4	26
7.1	DECAPITALISATION.....	26
7.2	INITIAL ANNUAL VALUE	26
8.0	INITIAL ANNUAL VALUE - NET ANNUAL VALUE – STAGE 5	27
8.1	REVIEW “STAND BACK AND LOOK”	27
8.1.1	SITE SPECIFIC ALLOWANCES	27
8.2	NET ANNUAL VALUE	27
	SCHEDULE 1.....	28

1.0 INTRODUCTION - SUBJECTS COVERED BY PRACTICE NOTE

1.1 The buildings within these subjects will fall into the following categories:-

- (a) Distillery Buildings – i.e. all buildings except (b) and (c).
- (b) Ancillary buildings – offices, toilets, visitor centres
- (c) Spirit Storage Buildings

1.2 Malt Distilleries Distillery buildings, ancillary buildings, maltings, plant and machinery and other lands and heritages which are unum quid with the distillery.

1.3 Grain Distilleries Distillery buildings etc. as in **1.1** above.

1.4 Spirit Storage Buildings When unum quid with distilleries or where they
Bottling & Blending Halls form separate complexes.

2.0 BASIS OF VALUATION

The Contractor's Basis of valuation is recommended other than for subjects which by reason of their size, character and/or situation are suitable for valuation by the Comparative Principle. The Contractor's Basis is provided in S.A.A. Basic Principles Committee Report No 2 which should be referred to.

3.0 MODEL VALUATION FORMAT

There is no ideal valuation format or layout, but one which follows the five classic stages of a Contractors' valuation, caters for necessary adjustments within the stages as described in the stage by stage procedure at Section 3.0 of SAA Basic Principles Committee Report No 2 and allows clear noting of reasoning, is the model.

For 2000 an Excel based spreadsheet was produced and made available to other Assessors with a requirement to value whisky subjects. With the benefit of experience and to accord with this Practice Note, this spreadsheet has been modified for 2005.

4.0 NOTIONAL CONTRACT COST – ESTIMATED REPLACEMENT COST - STAGE 1

4.1 RECOMMENDED COST RATES

4.1.1 DISTILLERY BUILDINGS

This category includes **all** buildings at the subject **except** Spirit Storage Buildings, off site maltings, offices, shops, visitor centres, separate toilet blocks and any other buildings the valuer considers best valued by the use of another rate.

4.1.1.1 DEFINITION OF A BASIC DISTILLERY BUILDING

A “**shell**” building of one storey under a single roof comprising floor, perimeter walls and roof with no internal walls, upper floors, gallery floors, staircases, internal offices or parts with varying finishes. The basic floor is concrete (reinforced and waterproofed) with a granolithic finish. The walls are concrete blocks or bricks, roughcast externally, cement plastered internally, or RS stanchions with concrete block or brick panel infilling, roughcast externally, cement plastered internally. The roof is mild steel trusses covered with insulated corrugated sheeting/metal decking glazed as appropriate. The building has electric light, no heating or mechanical ventilation.

Equivalent forms of construction can be found at 4.1.1.2

A basic distillery building is described as a 2:1 building where the wall area (measured from the floor surface to the wallhead and excluding the apexes on the gables) is twice the overwall area of the floor.

The definition and origin of this 2:1 building is to be found in a Report prepared for the 1971 Revaluation where agreement was reached between a group of Assessors in whose areas the majority of whisky distilleries were located.

The Report was formulated by the analysis of details and costs of two then new whisky production facilities (Clynelish Distillery, Brora and Tomintoul Distillery, Tomintoul). While the individual buildings at these and other distilleries analysed showed varying wall head heights, on average, the areas of the walls were found to be twice the area of the floors. Costs of the individual buildings were then adjusted on the basis of this wall to floor ratio of 2:1 and found to produce a reasonably consistent answer. The initial analysis made no recognition of mutual walls, effectively representing a detached building. When the question of mutual walls was investigated they were, on average, found to represent some 5.4% of the rate per sq.ft. over the total area of the building. This modification was therefore applied to the analysed rate/sq ft. for the detached building and the modified rate applied. It was concluded that in fact the above percentage was, in most instances, a generous reflection of the situation which was likely to arise in older distilleries. However, the modification was applied in all situations.

The foregoing method has been the basis of agreement in each revaluation since 1971. The rates/sq.metre proposed for 2005 are similarly offered.

4.1.1.2 EQUIVALENT FORMS OF CONSTRUCTION

Basic Distillery Building

Equivalent

Walls	Double skinned profile metal insulated sheeting, with or without dado	Brick, stone, or concrete block, roughcast externally and cement plastered internally.
Roof	Double skinned profile metal insulated sheeting	Timber or steel truss roof covered with sarking and slated.

4.1.1.3 COST RATE

The basic cost rate for a Distillery Building as specified in **4.1.1.1** (i.e. having a 2:1 wall/floor ratio) is **£470 sq.m.** of overwalls area.

The rate of **£470 sq.m.** has been obtained from the analysis of actual costs, and supported by information from the Cost Guide and from Spons Architects and Builders Price Book.

- NB This rate is exclusive of :-
- (i) internal items. (**see 4.1.2**)
 - (ii) all external site works. (**see 4.1.5**)
 - (iii) adjustment for notional contract size. (**see 4.2.1**)
 - (iv) professional fees and other charges. (**see 4.2.2**).

4.1.1.4 ADJUSTMENTS TO BASIC COST RATE FOR VARYING CONSTRUCTION

The construction of a basic distillery building is defined in paragraph **4.1.1.1** and equivalent forms of construction are given in paragraph **4.1.1.2**. It is considered that the basic building and the equivalents will cover the majority of distillery buildings but the basic cost may have to be adjusted to allow for construction better or poorer than that of the basic building.

The following deductions and additions to basic cost are applicable to buildings having a wall:floor ratio of 2:1. The adjustments should, therefore, be applied to the basic cost of **£470 sq.m.** before the adjustment to reflect actual wall:floor ratio.

1. Deductions	for external flush pointing instead of roughcast to brick or block walling. (not applicable to stone pointed)	-£25
	for internal flush pointing instead of cement plaster to brick, block or stone walling.	-£15
	for external and internal flush pointing instead of roughcast and cement plaster to brick or block walling.	-£40
	for concrete floor instead of concrete and granolithic floor	-£9.50
	stone walls over 450mm thick	
	building area up to 100m ²	-12%
	101 to 200m ²	-9%
	over 200m ²	-6%
	profile fibrous cement clad walls	-£25
	profile fibrous cement clad roof	-£15
	corrugated iron clad walls	-£25
	corrugated iron clad roof	-£15
	no insulation	
	Walls	-£30
	Roof	-£20

In addition there will be, at most distilleries, a number of substantially inferior buildings, stores, sheds etc which, for 2005, require to be valued by the distillery building route.

The following deductions to the basic cost are applicable to buildings having a wall to floor ratio of 2:1, the adjustments should therefore be applied to the basic cost of **£470 sq.m.** before the adjustment to reflect actual wall:floor ratio.

2. Deductions	Small poor quality concrete block walled stores etc.	-£315
	Larger single skin concrete block walled stores etc. of light construction.	-£190
	Small timber weatherboard walled stores etc.	-£365
	Small timber framed timber slatted walled stores etc.	-£385
	For any of the above with an earth or ash floor, a further deduction	-£36
	For any of the above with no services, a further deduction	-£17.50
	One wall open	-15%
	Two walls open	-30%
	Three walls open	-45%

It should be noted that these adjustments are **only to be applied to substantially inferior buildings.** No adjustments are required to the **£470 sq.m.** rate for Switch Houses or good quality concrete block walled stores etc. of heavier construction.

The above deductions at 1. and 2. have been derived from the Cost Guide and Spons, except for the open wall allowances which are in line with the Comparative Report (Industrial Committee, Practice Note 1) and accepted working practice.

4.1.1.5 ADJUSTMENTS TO BASIC COST RATE TO REFLECT WALL TO FLOOR RATIO

The background to the modification of the basic cost to allow for the valuation of wall to floor ratio is detailed in section 4.1.1.1. The method of the modification is as follows.

The costs referred to in 4.1.1.1 were broken down to four main elements. Walls (foundations and underbuilding) W(F & U), walls (superstructure) W(S), Roof (R) and Floor (F). The ratio found was 0.5 : 4.0 : 1.5 : 1.0, i.e. a total of 7.0.

Where the wall to floor ratio is 2:1 no adjustment is made. Where the wall to floor ratio varies, precise adjustment can be made using the following formula.

$$\frac{W(S) \times \frac{\text{Actual Wall to Floor Ratio}}{2} + (W(F \& U) + R + F)}{W(S) + W(F \& U) + R + F} \times \text{basic cost (after deductions \& additions)}$$

$$\text{i.e. } 4 \times \frac{\text{actual wall to floor ratio}}{7} + 3 \times \text{basic cost (after deductions \& additions)}$$

However, in the interest of simplicity, agreement had been reached (and has become the accepted method since the answers produced are lower than those computed from the precise formula) to use the following.

$$\frac{\text{wall to floor ratio} + 2}{4} \times \text{basic cost (after deductions and additions).}$$

The lower answer has proved acceptable since these generally occur in buildings where the wall to floor ratio is more than 2:1 and represents some allowance in favour of buildings at older distilleries where the smaller individual buildings tend to have wall to floor ratios above 2:1.

4.1.2 INTERNAL ITEMS – DISTILLERY BUILDINGS

The basic distillery building, as specified in 4.1.1.1, is merely a shell building under one roof comprising floor, walls and roof. Where there are internal items such as upper floors, internal walls, staircases, internal offices, parts of varying finishes etc. it will be necessary to measure and cost such items separately.

Unit costs for these items will be found in Schedule 1. These costs have been obtained from the Cost Guide and Spons and reflect the specifications normally found at distilleries. Accordingly, the recommended rates may not be appropriate for apparently similar items found in other industrial subjects.

4.1.3 **ANCILLARY BUILDINGS**

Where the scale of ancillary buildings is greater than would be expected in a distillery of the size being valued, consideration should be given, where appropriate, to increasing the rates recommended below.

4.1.3.1 The following costs are recommended for buildings other than distillery buildings and spirit storage buildings.

Offices	Corporate	£725
	Superior	£600
	Average	£525
	Basic	£450
	Portacabin	£410
Visitor Centres	Superior	£1300
	Average	£975
	Basic	£600
Toilet Blocks	Superior	£600
	Average	£525
	Basic	£450
	Portacabin	£410

The above costs have been obtained by the analysis of actual costs, supported by information from the Cost Guide, and from Spons Architects' and Builders' Price Book.

4.1.3.2 The following descriptions may offer guidance as to what the above rates represent.

OFFICES

Corporate Offices

Organisation head office type building, main elevations in curtain walling, air-conditioned, high quality finishes throughout.

These buildings may be present at particular sites but may have been rendered functionally obsolete by changes in the administrative structure of the distiller. In these cases the offices should be valued as "superior".

Superior Offices

Purpose built or extensively renovated building, dressed stone or other architecturally featured building, quality materials and finishes throughout, all services.

Average Offices

Stone or cavity block or timber framed walls, lined internally, conventional roofing, heated, all toilet facilities, could be converted house or purpose built to modern standard. If older, well maintained.

Basic Offices

Rudimentary building, single brick or timber walls, roof of inferior cladding, no heating, no toilets, unmodernised.

VISITOR CENTRES (public and or corporate uses)

Superior Visitor Centres

Purpose built or extensively refurbished quality building benefiting from extensive toilet facilities, audio visual theatre, shop, restaurant/cafeteria and possibly separate VIP visitor facilities.

Average Visitor Centres

As above but of more modest finish/size/facilities.

Basic Visitor Centres

As above but smaller with minimal visitor services, often converted from house.

TOILET BLOCKS

Structurally similar to offices, same rates to apply.

Note, small toilet blocks of rudimentary standards would still attract basic toilet rate on grounds of services and inverse quantum.

4.1.3.3 COST RATES

The cost rates for Ancillary Buildings as specified in **4.1.3.1** are per square metre of overalls area.

- NB** These rates are exclusive of
- (i) all external site works (**see 4.1.5**)
 - (ii) adjustment for notional contract size (**see 4.2.1**)
 - (iii) professional fees and other charges (**see 4.2.2**)

4.1.4. **SPIRIT STORAGE BUILDINGS**

4.1.4.1 Spirit Storage Buildings vary widely in construction. From 2m wallhead to 12m wallhead, from single skin sheeted construction to good quality cavity brick and from earth floors to concrete floors. Costs of recently constructed Spirit Storage Buildings of different height and finish, though mainly sheeted construction, were examined and the following tables of basic cost rates (see 4.1.4.3) are recommended.

NB Rates recommended are for spirit storage buildings or warehouses which are unum quid with distilleries or form separate “bond” complexes which, by reason of their size, character and/or situation, are unsuitable subjects for valuation by the Comparative Principle. They are recommended on the basis of the undernoted qualifications.

- (i) Gross External Area Cost Rates inclusive of lighting
- (ii) Construction: Although spirit storage building construction has historically varied, the current standard is steel framed single skin profile metal wall cladding and an insulated profile metal clad roof. The floor will be of reinforced concrete or where it is a racked spirit storage building, ash etc. with extensive concrete passages.

4.1.4.2. **Multi Storey Spirit Storage Buildings**

The modern equivalent spirit storage building is as specified above with a wallhead height of 8 metres. It is assumed that a landlord, providing space, would construct these units. Therefore, where a multi spirit storage building exists, the following methodology is proposed.

- (i) For total wallhead height (including intermediate floors) up to 8 metres.
Solum area x rate from basic cost rate table for total wallhead height.
- (ii) For total wallhead height (including intermediate floors) greater than 8 metres but less than 16 metres. {Greater than 16 metres but less than 24 metres}
Divide total wallhead by two {three} to give an “equivalent wallhead height”.
Total solum area x two {three} x rate from basic cost rate table for “equivalent wallhead height”.

Allowance to reflect functional obsolescence caused by handling/lifting requirements relative to modern equivalent, **minus 20%**.
The allowance of 20% now covers the entire structure whereas in the past it was only given to any upper floors.

Note: The modern equivalent assumes a full concrete ground floor. If ground floor varies from this specification allow as per 4.1.4.4. The construction of intermediate floors is allowed for in the 20% given above.

4.1.4.3 SPIRIT STORAGE BUILDINGS BASIC COST RATE TABLE

Current Standard - steel framed single skin profile metal wall cladding and an insulated profile metal roof cladding. The floor will be of reinforced concrete or where racked spirit storage building, ash etc. with extensive concrete passages.
(Interpolate for intervening wallhead heights).

Wallhead	2m	3m	4m	5m	6m	7m	8m	9m	10m	11m	12m
Basic Rate	£125	£140	£155	£170	£185	£200	£215	£230	£245	£260	£275

The above rates have been obtained from the analysis of actual costs.

4.1.4.4 ADJUSTMENT TO BASIC COST RATE

All spirit storage buildings

Sprinklers		+ £12.75 / sq.m.
Alarms (basic)		+ £3.50 / sq.m.
Stone Walls (> 450mm)		- 4% of basic cost rate
Ash/Earth/Gravel Floors – no concrete		- £30 / sq.m.
Ash etc. floors with single concrete passage		- £25 / sq.m.
Ash etc Floors with minimal Concrete Passages.		- £20 / sq.m.
Ash etc Floors with usual Concrete Passages:- Racked spirit storage buildings only.		Nil
Profile fibrous cement cladding	Walls	-£25
	Roof	-£15
Corrugated iron cladding	Walls	-£25
	Roof	-£15
Insulated Walls (any construction)		+£30 / sq.m.
Lack of insulation to roofs		-£20 / sq.m.

Some spirit storage buildings may have superior features or finishes. It may be considered appropriate to add for these, however the incidence of functional obsolescence should be borne in mind when making the decision.

4.1.4.5 COST RATES

The basic cost rates for Spirit Storage Buildings, as specified in **4.1.4.3** are per square metre of overwall area.

- NB These rates are exclusive of
- (i) all external site works (**see 4.1.5**)
 - (ii) adjustment for notional contract size (**see 4.2.1**)
 - (iii) professional fees and other charges (**see 4.2.2**)

4.1.5 SITE WORKS

The cost of site preparation and external works requires to be added into valuation as a separate item. Details of unit costs etc. to value these elements may be found in SAA Public Buildings Committee Report No 4. If insufficient detail is found in this Report reference may be made to the VOA Cost Guide. Costs from the Cost Guide will require to be modified to the “Scottish mean”.

Where these items cannot be properly quantified and costed for valuation purposes, it is recommended that an addition of **7.5%** be made in stage 1 of the Contractor’s Principle model format before any adjustment for contract size or professional fees. It should be noted that the **7.5%** addition will not require further adjustment in relation to any perceived over/or under provision of site works etc.

For fire ring mains the following recommendations are made.

For fire mains feeding Sprinkler Systems

Range of overwalls area	%
Up to and over 400,000 m ²	2

For fire mains feeding Hydrants only

Range of overwalls area	%
Up to and over 400,000 m ²	1

4.1.6 PLANT AND MACHINERY

Items of plant and machinery considered rateable after having regard to the provisions of The Valuation for Rating (Plant and Machinery)(Scotland) Regulations 2000, and The Valuation for Rating (Plant and Machinery)(Scotland) Amendment Regulations 2001, require to be added into valuation.

4.1.7 EFFLUENT DISPOSAL

It is normal for distillery occupiers to be required by public bodies, eg River Purification Boards, to provide effluent disposal installations. Such installations, where they exist, should be included in valuation subject to the terms of The Valuation for Rating (Plant and Machinery)(Scotland) Regulations 2000 and The Valuation for Rating (Plant and Machinery)(Scotland) Amendment Regulations 2001.

It has become common practice among “group” distillers to tanker or pipe away effluent to a central disposal point. In this instance, at distilleries where on site plant is not functioning and is unlikely to recommence, redundancy may be appropriate. Where pipelines are provided between distilleries or to disposal works, separate entries for these on the Valuation Roll should be considered.

4.1.8 WATER SUPPLY

The composite costs recommended include for dams, pipes, pumps and holding tanks where applicable but exclude water cooling towers. **(see 4.1.6 plant and machinery).**

In the past, additions have been made to the NCC of distilleries to represent the above infrastructure based on production of alcohol.

It is therefore proposed that the previous production based scheme be maintained with the following additional provisos.

- (i) Where sufficient information is available the details should be costed and valued by first principles.
- (ii) Where the water supply is wholly public, no addition will be made.

In the absence of detailed information and valuation by unit cost, the table below has been related to previous agreements.

Production (per annum)	NCC
Under 1 million litres pure alcohol	£ 85,000
1 million to 2.5 million litres	£150,000
2.5 million to 4 million litres	£200,000
4 million to 8 million litres	£280,000
In excess of 8 million litres	At valuer's discretion
Gallons to litres conversion factor (proof gallons to litres of pure alcohol)	x 2.595

Note: Where product bottling takes place on site, additions to the above may be required.

Calculate on the maximum production figures. Where there is a By-product Plant at a Distillery, add a further sum up to a maximum of 10%.

Where the natural water supply to a Distillery is grossly inadequate for present day production necessitating the use of several Water Cooling Towers, special consideration **may** be given to restrict the value of the water supply normally applicable.

4.2 ADJUSTMENTS TO NOTIONAL CONTRACT COST (NCC) TO OBTAIN ESTIMATED REPLACEMENT COST (ERC)

4.2.1 CONTRACT SIZE ADJUSTMENT (CSA)

Having arrived at an initial notional contract cost, the table of adjustments should be used to reflect the effect of the hypothetical overall contract size.

NCC £	% adjustment
up to 500,000	+ 10% max
600,000	+ 8%
700,000	+ 6%
800,000	+ 4%
900,000	+3%
1,000,000	+2.5%
1,100,000	+2.2%
1,200,000	+1.9%
1,300,000	+1.6%
1,400,000	+1.25%
1,500,000	+1%
1,600,000	+0.8%
1,700,000	+0.6%
1,800,000	+0.4%
1,900,000	+0.2%
2,000,000	0
2,250,000	-0.5%
2,500,000	-1%
2,750,000	-1.5%
3,000,000	-2%
3,250,000	-2.25%
3,500,000	-2.5%
3,750,000	-2.75%
4,000,000	-3%
4,250,000	-3.25%
4,500,000	-3.5%
4,750,000	-3.75%
5,000,000	-4%
5,250,000	-4.25%
5,500,000	-4.5%
5,750,000	-4.75%
6,000,000	-5%
7,000,000	-5.5%
7,500,000	-5.75%
8,000,000	-6%
8,750,000	-6.25%
9,500,000	-6.5%
10,250,000	-6.75%
11,000,000	-7%

NCC £	% adjustment
11,750,000	-7.25%
12,500,000	-7.5%
13,250,000	-7.75%
14,000,000	-8%
14,750,000	-8.25%
15,500,000	-8.5%
16,250,000	-8.75%
17,000,000	-9%
17,750,000	-9.25%
18,500,000	-9.5%
19,250,000	-9.75%
20,000,000 and above	-10% max

The above table is an interpolation of the Contract size adjustment table in S.A.A. Basic Principles Committee Report No 2.

In the valuation process, these adjustments, determined in relation to Notional Contract Cost (NCC), should be applied to NCC prior to any addition for Fees to produce ERC.

4.2.2 PROFESSIONAL FEES

Adjustment for professional fees should be based on the following.

4.2.2.1 Percentage additions as set out below should be added to the notional contract cost, after adjustment for contract size where appropriate.

Notional Contract Cost after CSA		Additions for Professional Fees/Charges
From £0	To £500,000	13.00%
From £500,001	To £590,900	£65,000
From £590,901	To £2,000,000	11.00%
From £2,000,001	To £2,444,450	£220,000
From £2,444,451	To £6,000,000	9.00%
From £6,000,001	To £6,352,000	£540,000
From £6,352,501	To £12,000,000	8.50%
From £12,000,001	To £12,750,000	£1,020,000
From £12,750,001	To £20,000,000	8.00%
From £20,000,001	To £21,330,000	£1,600,000
Over £21,330,000		7.50%

4.2.2.2 Some large 'whisky' lands and heritages which contain structures of a relatively simple form of repetitive nature may attract professional fees at a lower level. From analysis of actual costs of spirit storage buildings, it is clear that lower levels of fees are charged in relation to the relatively unsophisticated and repetitive nature of the construction of such buildings. Accordingly, it is appropriate to apply different additions for fees, **dependent** on the mix of buildings in the subject under consideration. The following recommendation should be used, after careful consideration:-

- (i) For subjects where Notional Contract Cost after CSA is wholly in respect of Distillery and Ancillary Buildings, the scale at **4.2.2.1** should apply.
- (ii) For subjects where Notional Contract Cost after CSA is predominantly in respect of Distillery and Ancillary Buildings, the scale at **4.2.2.1** less **1.25%** should apply.
- (iii) For subjects where Notional Contract Cost after CSA is predominantly in respect of Spirit Storage Buildings, the scale at **4.2.2.1** less **2.5%** should apply.

4.3. **ESTIMATED REPLACEMENT COST**

At this stage of the classic Contractor's Principle Valuation the summation of all the costs of individual buildings, site finishes, plant and machinery, effluent disposal and water adjusted to reflect contract size and including professional fees leads to the **Estimated Replacement Cost** which finalises Stage 1 of the Contractor's Principle Model Valuation Format.

5.0 ESTIMATED REPLACEMENT COST - ADJUSTED REPLACEMENT COST STAGE 2

5.1 AGE & CONDITION

2005	-0.0 %	1991	-9.0 %	1977	-23 %	1963	-37 %
2004	-0.5 %	1990	-10 %	1976	-24 %	1962	-38 %
2003	-1.0 %	1989	-11 %	1975	-25 %	1961	-39 %
2002	-1.5 %	1988	-12 %	1974	-26 %	1960	-40 %
2001	-2.0 %	1987	-13 %	1973	-27 %	1959	-41 %
2000	-2.5 %	1986	-14 %	1972	-28 %	1958	-42 %
1999	-3.0 %	1985	-15 %	1971	-29 %	1957	-43 %
1998	-3.5 %	1984	-16 %	1970	-30 %	1956	-44 %
1997	-4.0 %	1983	-17 %	1969	-31 %	1955	-45 %
1996	-4.5 %	1982	-18 %	1968	-32 %	1954	-46 %
1995	-5.0 %	1981	-19 %	1967	-33 %	1953	-47 %
1994	-6.0 %	1980	-20 %	1966	-34 %	1952	-48 %
1993	-7.0 %	1979	-21 %	1965	-35 %	1951	-49 %
1992	-8.0 %	1978	-22 %	1964	-36 %	Pre 1950	-50 %

The above table of recommended percentage allowances is derived from Section 8 of SAA Basic Principles Committee Report Number 2. These allowances are recommended but should not be slavishly applied. They are provided as an indication of the deductions which may be due. Special care should be taken with refurbished buildings. The **Bar** is not absolute as there will be examples of very old spirit storage buildings which have seen no improvement since they were originally built. Care however should still be exercised since many such buildings may also attract additional allowances (see Sections 5.2.2.1 and 5.2.2.2).

5.2 OBSOLESCENCE/REDUNDANCY

5.2.1 Distillery Buildings

A particular distillery building can be said to be obsolete or redundant when it was designed for a particular purpose and is now unused in respect that the needs of the distillery are fully satisfied as far as alternative uses are concerned. In these cases the **estimated replacement cost** of the buildings should receive a 100% allowance when arriving at **adjusted replacement cost**. However, in the cases where alternative use is made, e.g. empty cask storage within old malt barns, it is considered that the hypothetical landlord and tenant might agree on a rent. A realistic approach should be made when converting the **estimated replacement cost** of these particular buildings to **adjusted replacement cost**. Regard should be had to the amount of space normally allocated at a modern distillery for the particular purpose involved.

In some instances, the above could be applied to entire distilleries. Where distilleries are wholly unused, including any warehousing, and have been for some time, without any prospect of re-opening without substantial works, probably with equipment removed and/or "robbed", 100% redundancy may be granted to the whole subject and an entry made in the valuation roll for "Premises" with a Nil value. This situation will not arise at any subject where care and maintenance is carried out with a prospect to re-opening.

Examples of where modern working practices have rendered a building partly or totally obsolete that were found during the 2000 Revaluation are;

Cask stores and cooperages: In most cases, but by no means all, such buildings are now totally redundant for their original purposes, as cask preparation and repair are often contracted out or conducted at a central location. Where such buildings are totally unused a 100% redundancy allowance would be appropriate, where they are used for rough storage “because they are there”, a maximum of 75% redundancy should be granted and where they have been put to useful alternative use, value as per use.

Spirit stores and filling stores: Again a change in working practices has resulted in many such buildings becoming redundant. Many sites now only fill produced spirit to tankers to be transported to a central filling facility. Other sites continue to fill a proportion of their production to casks on site with the remainder being tankered. Some sites still carry out all filling on site, but may have tanker facilities in case of emergency. There are three main issues to be considered.

- (i) Is the spirit store totally redundant or does it contain the spirit storage tank? If the tank is no longer present in the building, or if a new tank has been placed elsewhere on site and the old tank is redundant the building will be redundant and a 100% allowance would be appropriate if no alternative use is made.
- (ii) If the tank is within the spirit store and is still in use is a redundancy allowance warranted? If the spirit store building contains no more than the tank and is not unduly large for the containment of the tank and access to said tank, no allowance is appropriate. If the building is greater in size than is necessary then there is an argument that there is a degree of redundancy present and that some allowance is due. This is a matter that should be decided on the merits of each site and should be down to the discretion of the valuer.
- (iii) Is the filling store unused and unlikely to be put to alternative use? If yes then a 100% allowance will be appropriate, if not value as appropriate.

It should be noted, where present that any tanker loading facility should be surveyed and valued as appropriate. You will normally find it is served by some form of pipe bridge and will comprise a concrete or tarred spirit containment area with spill drains and sumps, covered with gratings. An access gantry served by steel stairways and an access gangway and drop down access to the tanker roof. All these items should be costed as appropriate.

5.2.2 Spirit Storage Buildings

5.2.2.1. Redundant Spirit Storage Building

These adjustments will apply, in the main, to old low wallhead or multi-storey warehouses. They are taken out of use for varying reasons but mainly due to age, condition and difficulty of working. The following practice is recommended:-

- | | | |
|------|-------------------------------------|---------------------------|
| (i) | Unused.
Scheduled for demolition | 100% allowance |
| (ii) | Used for alternative use. | Value according
to use |

5.2.2.2. Low Wallhead Spirit Storage Buildings

The following table provides percentage deductions to be applied to the **Estimated Replacement Cost** of old low wallhead height Spirit Storage Buildings.

This allowance is in respect of the working difficulties experienced by warehouse operators due to the much greater incidence of manual labour required to operate old low Spirit Storage Buildings, eg incidence of pillars etc.

Discretion will require to be exercised, however, in the case of recently erected, purpose built "low bonds" which may not experience the same working difficulties.

Obsolescence Deduction For Low Wallhead Spirit Storage Buildings	
2005 Revaluation	
Height m	Allowance
1.7	-60%
1.8	-55%
2.1	-50%
2.4	-47.5%
2.7	-45%
3.0	-41%
3.3	-39%
3.7	-37%
4.0	-35%
4.3	-21%
4.6	-19%
4.9	-17%
5.2	-15%
5.5	-12%
5.8	-10%
6.1	- 7%
6.4	- 5%
6.5	-2%

The allowance will be applied at the height shown. Where a Spirit Storage Building has a wall head falling between two points on the table the allowance granted will be for the **lower** height.

No allowance will be applied to any Spirit Storage Building with a wallhead above 6.5m.

5.3 **ADJUSTED REPLACEMENT COST**

At this stage of the classic Contractor's Principle valuation the adjustment of the Estimated Replacement Cost to reflect obsolescence etc. leads to the Adjusted Replacement Cost which finalises Stage 2 of the Contractor's Principle Model Valuation Format.

6.0 ADJUSTED REPLACEMENT COST - EFFECTIVE CAPITAL VALUE **STAGE 3**

6.1 LAND

6.1.1 Land should be costed using bona fide actual costs or in comparison with undeveloped land cost evidence in the particular area, for similarly sized sites with similar use classes at the “tone” date. Ground rents may, perhaps, be available to assist and dispose of this stage 3 action in the “classic” stages of this contractors basis valuation.

6.1.2 Consideration should be given to the appropriateness of any allowance to reflect the site being “encumbered” by obsolete buildings, structures, plant and machinery or some other factor. [the so called “Ebdon” allowance] – for background see *Imperial College of Science and Technology v. Ebdon (VO) and Westminster City Council 1984 LT RA84 page 213*). The quantum of any such allowance may be influenced by adjustments made between stage 1 and stage 2 of the particular valuation ie between notional contract cost and adjusted replacement cost. In all cases, this is a matter of Valuer judgement.

6.1.3 The resultant figure for land is added to the ARC.

6.2 EFFECTIVE CAPITAL VALUE (ECV)

At this stage of the classic Contractor’s Valuation, the summation of the Adjusted Replacement Cost (ARC) and the Land leads to the Effective Capital Value (ECV) which finalises Stage 3 of the Contractor’s Principle Model Valuation Format.

7.0 EFFECTIVE CAPITAL VALUE – INITIAL ANNUAL VALUE STAGE 4

7.1 DECAPITALISATION

The appropriate decapitalisation rate should be applied.

7.2 INITIAL ANNUAL VALUE

At this stage of the classic Contractor's Valuation the decapitalised Capital Value is the Initial Annual Value and completes Stage 4 of the Contractor's Principle Model Valuation Format.

8.0 INITIAL ANNUAL VALUE – NET ANNUAL VALUE STAGE 5

8.1 REVIEW “STAND BACK AND LOOK”

8.1.1 SITE SPECIFIC ALLOWANCES

Examples of this allowance may include poor access, poor layout of buildings giving rise to interference with normal production flow etc. etc. they are essentially up to a Valuer’s judgement.

Where the disability allowance applies to the whole of the unum quid, they should be applied to the otherwise final Net Annual Value. Where, however, the allowance applies to only part of the unum quid (eg the Distillery buildings as opposed to the spirit storage buildings) etc. it should be applied selectively at an earlier stage of valuation.

Where an extra allowance, subject to a maximum of 5%, was granted as a Valuer’s Allowance at the 1995 and 2000 Revaluations, this allowance should be maintained for the 2005 Revaluation unless the circumstances which justified that allowance then have altered or it is found that the extra allowance is already reflected in the valuation process

No allowance should be made for being remote or rural.

8.2 NET ANNUAL VALUE

At this stage of the classic Contractor’s Valuation the reviewed Initial Annual Value is the Net Annual Value and completes the Contractor’s Principle Model Valuation Format.

8.2.1 ROUNDING OF NET ANNUAL VALUE

The following table of rounding should be employed.

Up to £2,500	Round down to nearest	£100
£2,501 to £10,000	Round down to nearest	£250
£10,001 to £100,000	Round down to nearest	£500
£100,001 to £1,000,000	Round down to nearest	£1,000
Over £1,000,000	Rounding at discretion of valuer.	

It should be noted however, that if the value produced before rounding is close to the next rounding threshold, it will be acceptable to round up to the nearest increment.

Schedule 1 Rates derived from Spons or the Cost Guide and adjusted for location as appropriate

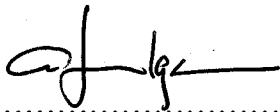
Item	Rate	Unit
100mm Wall Flush Pointed Both Sides	£33.84	m ²
100mm Wall Foundations (timber floor)	£103.40	m
100mm Wall Plastered Both Sides	£52.45	m ²
225mm Reinforced Concrete Floor	£103.40	m ²
225mm Wall Flush Pointed Both Sides	£59.22	m ²
225mm Wall Foundations (concrete floor)	£103.40	m
225mm Wall Foundations (timber floor)	£206.80	m
225mm Wall Plastered Both Sides	£91.79	m ²
12.5mm Steel Mesh Floor (galvanised)	£87.42	m ²
325mm Wall Flush Pointed Both Sides	£83.66	m ²
325mm Wall Foundations (concrete floor)	£155.10	m
325mm Wall Foundations (timber floor)	£310.20	m
325mm Wall Plastered Both Sides	£129.63	m ²
Admin offices/ Canteens/ Control Rooms (Internal)	£150	m ²
Back Cage Ladder	£280	m
Basic Works Office (Internal)	£100	m ²
Canopy (Cantilevered from side of building)	£94	m ²
Concrete Loading Bank	£220	m ³
Elevator Walling (Roof Projection)	£41.36	m ²
Glass Lined Spirit Tank	£27500	each
Internal Toilet Block	£150	m ²
Link Passageway / Corridor	£700	m ²
Malt bins - Square Multi-link > 400m ³	£223.72	m ³
Malt Intake Pit (1m*1m*10m)	£531.10	m ³
Metal Balustrade	£85	m
Pipe Bridge	£100	m
Quarry Floor Tiling (including 50mm screed)	£36.60	m ²
Reinforced Concrete Beam	£611	m ³
Reinforced Concrete Piers or Foundations	£299.86	m ³
Reinforced Concrete Staircase	£233.33	m
Sinking to floors- Untiled	£318.66	m ³
Spirit Disgorging Trough (Lined)	£750	m ³
Sprinklers, High Risk (1head per 9m ² , no pumps or tanks)	£15.55	m ²
Sprinklers, Medium Risk (1head per 12m ² , no pumps or tanks)	£10.83	m ²
Steel Gangways & Balustrades	£372.50	m
Steel ladder (No Cage)	£237.50	m
Steel Staircase Mesh Treads Single Balustrade	£184.45	m
Steel Staircase Mesh Treads Twin Balustrade	£226.95	m
Still Base (Brick)	£1273.70	each
Still Base (Steel ring & Supports)	£1273.70	each
Structural Steelwork	£1273.70	t

Timber of 18mm Chipboard (including support)	£59	m ²
Timber of 18mm Plywood Boarding (including support)	£81	m ²
Timber of 19mm Softwood Boarding	£67	m ²
Tun Base (Brick/concrete)	£2547.40	each
Tun Base (Steel ring & Supports)	£2547.40	each
Ventilation or Background Heating	£38	m ²
Wall Tiling	£100	m ²
Wood lining to walls (19mm shiplap)	£31.96	m ²
Wooden Balustrade (as metal)	£85	m
Wooden Staircase and Treads Twin Balustrade	£207.69	m

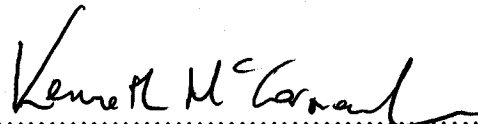
SAA

Scottish Assessors Association

The contents of this document have been agreed on behalf of the Scottish Assessors' Association by A D Finlayson, Chairman, Whisky Working Group, Industrial Subjects Committee and K R McCormack of James Barr, Chartered Surveyors.



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A D Finlayson



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K R McCormack

August 2004