



## **COMMERCIAL PROPERTIES COMMITTEE**

### **Practice Note No.8**

### **REVALUATION 2005**

### **Valuation of Free Standing Restaurants**

#### **1.0 Introduction**

This practice note covers all restaurants that are situated outside the traditional high street / retail parades and which are suited, by virtue of their location and physical characteristics, to occupation by the major restaurant chains. Whilst this practice note covers both drive through and non drive through subjects it should be noted that these are two different classes of property and for valuation purposes they will require to be dealt with differently. Typical examples of these are listed below.

- Purpose built units within a retail / leisure park with sit in, table service and no drive through.
- Purpose built units in a stand alone location with sit in, table service and no drive through.
- Purpose built units within a retail / leisure park with counter service and drive through.
- Purpose built units in a stand alone location with counter service and drive through.

#### **2.0 Basis of Valuation**

This category of subject should be valued by application of the comparative principle using the rates/m<sup>2</sup> derived from local evidence. Rentals should be analysed in accordance with *Basic Principles Report No.1*.

For sites with only one restaurant, the individual nature of the location, size and type (drive through or non drive through) of these subjects means that the

passing rent, suitably adjusted for fitting out where applicable, is considered to be the best evidence.

## 2.1 Valuation of Non - Drive Through Restaurants

These should be valued on local evidence.

## 2.2 Valuation of Drive Through Restaurants

The general expectation is that a drive through unit will command a premium value above that of a non drive through unit in a comparable location. Ultimately, the value difference should be determined by a consideration of relevant local evidence. In the absence of such evidence, it is recommended that the premium addition to value of a restaurant benefiting from a drive through facility should be 20%.

Where there is more than one drive through on a site and one of these is occupied by one of the burger operators, the rent passing on that unit may not be reliable. It may reflect a level of rent to ensure similar competitors are kept off site. In these circumstances it may be prudent to look at the rent rate of other drive through operators on the site to establish the appropriate rent level for this type of unit.

## 2.3 Reduction Factors

In the absence of local evidence, the following reduction factors should be applied.

Ground	100%
First	75%
Basement / Lower Ground Floor	60%
Second	50%
All other floors	At valuer's discretion
External Chills & Freezers	At 40% of the building rate
Shell - used for storage	25%
Shell / unfitted	5 – 12.5%

## 3.0 Survey and Measurement

Free Standing Restaurants should be measured to Gross Internal Area, as defined by RICS Code of Measuring Practice. Survey and measurement should take separate account of items such as upper floors, external stores and chiller/freezer units. The external stores and chiller/ freezer units area should be

excluded from the GIA for analysis purposes as they are invariably tenant's improvements.

#### 4.0 Basic Specification

The standard purpose built unit is generally let as shell whether on a Retail Park or in a Stand Alone location. In these cases an adjustment should be made to the basic rent to reflect fitting out (which includes air conditioning). Where this applies fitting out should be added as 10% of the basic rent. The size of a basic unit is typically in the order of 250/374m<sup>2</sup>.

#### 5.0 Quantum

The table below offers guidance on the adjustments that should be made to the appropriate "standard rate" when valuing larger Restaurants. This guidance should only be adopted in cases where there is insufficient reliable local rental evidence upon which the quantum effect can be judged.

Size band	Quantum Allowance
0-374m	Nil
375-399m	0 to 5%
400-499m	5% to 12.5%
500-600m	12.5% to 17.5%
600-750m	17.5% to 25%

Notes:

- Standard size unit is taken as 250-374m
- Interpolate between points
- Size refers to total area GIA of all main areas except;

- 1) Pods – area to be excluded
- 2) External Stores – area to be excluded

#### 6.0 Car Parking

The value of any car parking is included in the rate applied to the buildings.