



## **Revaluation 2010**

### **Public Buildings Committee**

#### **Practice Note 26 Valuation of Hospitals**

### **1.0 INTRODUCTION**

This Practice Note is intended to cover all classes of hospital, both NHS and private. It does not apply to subjects which are principally residential in character, other than geriatric and psychiatric hospitals in which medical treatment is provided to residents on a regular basis. Subjects of a residential character should be valued by reference to Public Buildings Committee Practice Note 9, (Valuation of Residential Homes).

#### **1.1 Let-Outs**

Non-domestic premises forming part of a hospital complex that are let by the hospital in such a way as to require separate assessment should be assessed by the most appropriate method of valuation; this will normally be by reference to rental evidence.

### **2.0 BASIS OF VALUATION**

There is no rental evidence for this class of subject. It is therefore recommended that the Contractor's Basis of valuation be employed.

### **3.0 SURVEY AND MEASUREMENT**

Building areas should be calculated on a gross external basis (GEA) for each main floor. The definition of GEA should be as provided in the RICS Guidance Note "Code of Measuring Practice" (6th Edition) and measurements should be taken in accordance therewith.

Where a subject is of older construction e.g. stone, and has thicker than normal walls the area should be adjusted on a floor by floor basis in accordance with SAA Public Buildings Committee Practice Note 4 (Contractor's Basis Valuations, Adjustment of Areas, External Works' Costs, Allowances and Land) to adjust the floor area to the modern equivalent.

The total site area and areas and details of car parks, roadways, landscaping etc should also be determined together with details of boundary walls, fences etc.

## 4.0 BUILDING AND EXTERNAL WORKS COSTS

The available UK cost evidence was analysed in terms of SAA Basic Principles Committee Practice Note 2. The unit cost rates derived reflect a Scottish mean location factor, a £3 million contract size and a tone date of 1 April 2008.

## 5.0 VALUATION

Buildings should be valued in accordance with Basic Principles Committee Practice Note 2 (Contractor's Basis Valuations). The recommended unit cost rates based on the cost analysis are noted below. The recommended rates exclude professional fees and site finishes.

External site works should be valued in accordance with Public Buildings Committee Practice Note 4 (Contractor's Basis Valuations, Adjustment of Areas , External Works Costs, Allowances and Land).

Adjustments in respect of contract size and additions for professional fees should be made in accordance with the recommendations contained in Basic Principles Committee Practice Note 2.

The estimated replacement cost and the adjusted replacement cost should be derived as indicated in Sections 6 and 7 below.

## 6.0 ESTIMATED REPLACEMENT COST (ERC)

### 6.1 Unit Costs

Acute, General or Teaching Hospitals	£1500
Cottage & Community Hospitals (Higher rates may apply where full theatre facilities are provided)	£1300 (up to £1500)
Geriatric & Day Hospitals (without theatre facilities)	£1300
Industrial Cedar	£800
Medway Type Hutting	£600

Where the provision of single bed accommodation with en suite shower rooms exceeds 50% of the total number of bed spaces, then the above rates should be increased by up to a maximum of 10%, where there is 100% provision.

### 6.2 Link Walkways

Any link walkways, not of a substantial character or not an original component of a unified design should be excluded from valuation.

### **6.3 Outbuildings**

Garages and other substantial outbuildings may also be added at appropriate rates. Care should be taken to ensure that values attributed to old outbuildings, which may be of little use or even redundant, are reasonable. It must be remembered however that the above rates represent overall unit costs for all elements normally found in a hospital of a particular type. Lesser rates should not therefore be applied to laundry accommodation etc simply to reflect poorer internal finishes.

### **6.4 Plant and Machinery**

The building specification will include heating, lighting and normal lift provision. Any additional plant found in these subjects should be dealt with in terms of the Valuation for Rating (Plant & Machinery)(Scotland) Regulations 2000 and valued accordingly.

### **6.5 Site Finishes**

Site finishes should be valued in accordance with Public Buildings Committee Practice Note 4.

### **6.6 Fees and Contract Size**

Additions for fees and adjustments for contract size should be made to the total estimated replacement cost derived from steps 5.1 – 5.5 in accordance with Basic Principles Practice Note 2 and Public Buildings Committee Practice Note 4. The addition for fees should be made in terms of Basic Principles Committee Practice Note 2 para 7.4.2. The reduced scale at 7.4.3 is not appropriate for this class of subject.

## **7.0 ADJUSTED REPLACEMENT COST**

### **7.1 Age and Obsolescence**

Age and obsolescence allowances should be applied to the ERC derived above in accordance with the table in Basic Principles Committee Practice Note 2 and Public Buildings Committee Practice Note 4.

### **7.2 Multi-Storey Buildings**

In the case of multi-storey buildings, the following general allowances should be made to the whole of the multi-storey part of the building.

Buildings with one or two main floors	0%
Buildings with three main floors or more	10% overall
Buildings with eight or more floors	10% on overall basis up to 7th floor, then 15% on 8th floor and above.

### **7.3 Buildings without Lifts**

In the unlikely event of any buildings having no lift provision an additional allowance of 10% should be applied.

Where there is lift provision but such provision is considered to be less than adequate then an allowance should be considered.

### **7.4 Functional Obsolescence**

Older hospitals may suffer from additional functional and technical obsolescence which is not generally covered by the scheme of age/obsolescence allowances. Where this is the case, further allowances of up to 20% may be granted as deemed appropriate.

## **8.0 LAND**

Land values should be determined by reference to local evidence and Public Buildings Committee Practice Note 4.

## **9.0 DECAPITALISATION RATE**

The statutory decapitalisation percentage appropriate to healthcare subjects should be used.

## **10.0 END ALLOWANCE**

The Valuer may, at this stage, consider any factors which affect the subjects as a whole and which have not been accounted for at other stages.