

Draft No.	3
Issue Date	28/01/2009
Approved	28/01/2009



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## **2010 REVALUATION**

### **VALUATION OF SHOPS**

#### **LOCAL REPORT**

#### **Instruction to Valuation Staff**

#### **1.0 1.0 INTRODUCTION**

This Report deals with the survey and valuation of all classes of retail shop, the application of the zoning principle, the use of reduction factors, the selection of Zone A rates and their application and variation.

#### **2.0 SUBJECTS INCLUDED**

**2.1** All properties having the physical characteristics of a retail shop and generally used for retail trade i.e. supplying the general public or "the trade" with goods or services will fall within the retail category. There will be one or more display windows or display cases. Internally there will usually be found a counter and/or goods displayed for sale.

**2.2** Where the physical elements noted in 2.1 are present the property in question may be termed "shop" premises. However, although physically reflecting retail property the use may be varied, eg. laundrettes, salons, studios, surgeries, offices, building societies etc.

According to the “Actual State” rule property must be valued in its actual state taking account of its actual physical character and of the use to which it is put.

It does not necessarily follow from this that where premises, physically similar but which are put to different uses, are found in the same locality the level of value, or indeed, the method of valuation, must differ.

It should be adopted as general practice that if the premises are in a recognised shopping thoroughfare or street where demand is buoyant, the level of value will, regardless of the “*modus operandi*” of the occupant, be determined by the rental level achieved for the generality of retail properties in that area.

### **3.0 3.0 SURVEY AND MEASUREMENT**

All measurements and area calculations should be in terms of metres; any properties surveyed or resurveyed should be measured in metres only. The RICS Code of Measuring Practice (6<sup>th</sup> edition) should be followed in all cases. Note that shops should be measured to the “shell”, i.e. to the inside of permanent walls and not to the shop fitting, and to the building line at the front, not the glass line. Areas to be excluded when arriving at a Net Internal Area are as follows:-

- All stairs and stair wells
- Lift wells and escalators
- Structural Partitioned Corridors used exclusively as a fire escape.
- Corridors used by more than one occupier
- Plant rooms (i.e. service plant). Where partly used as storage a pro rata area should be included. Process plant rooms e.g. dry cleaners or bakers should be included.
- Internal partitions where over 150mm (6 inches) thick
- Structural pillars, columns, etc
- Staff toilets (extra toilets provided for the use of the public should be included)
- Disabled staff toilets provided to comply with Disability Discrimination Act.

Further relevant information is provided at [Appendix 1](#) and

[Appendix 2](#)

### **4.0 ZONING**

#### **4.1 Principle of Zoning**

Once surveyed and measured, the area of the shop is to be calculated on a zoned basis.

With the comparative principle of valuation where like is compared with like in order to establish values and level of values, it is recognised that some parts of a building are consistently less valuable than others.

For shops it is accepted that the front space of a shop is usually of considerably higher value than areas to the rear based on the fact that more customers will see/visit this part of the shop than those areas further back. Likewise space on the ground floor is usually more valuable than space on upper or lower floors even when improved means of access are provided. Anything that disrupts the customer flow e.g. thick walls with a narrow opening, or a flight of steps will reduce the value of the space beyond the obstruction. Also if parts of the property are hidden from the customer's view due to the structural layout of the property then this should be reflected in the zoning (See 7.2.4). If the obstruction is due to a non-structural feature e.g. stud partitioning or an artificial change in level, this should be ignored when zoning the property.

“Zoning” is therefore a method of accurately attributing different levels of value to the various parts of a property; so that comparison can be made between shops of different size and shape in a stretch?

#### **4.2 Zone Depth**

All retail property is to be zoned on the basis of each zone being 9.14m deep. If part of a zone is affected by an obstruction then a lower percentage should be applied to that part of the zone but the overall zone depth will remain at 9.14m. Any areas within a zone that are taken at a lower percentage than the main part of the zone shall be shown with the relevant zone letter together with a numerical suffix e.g. B1, B2 etc and not shown with the next zone letter. There should be no more than three zones of 9.14m depth referred to as Zones A, B and C. Any area more than 27.42m from the building line should be taken as a single zone, classified Zone D, irrespective of the depth of the area (See also 7.2.5). Each upper or lower floor is to be taken as a single zone. Valuers should not deviate from the standard zoning depths without very careful thought and any proposed deviations should be referred to your Assistant Assessor or Practice Note Author.

## 5.0 **REDUCTION FACTORS**

### 5.1 **General**

Having established the zones within a retail property the next stage is to attribute reduction factors in order to establish proportions of value and to reflect the different quality and uses of accommodation within zones.

Remember that at all times the principal and most important zone is the front zone of the shop. The value of all other zones and differing uses etc. is expressed as a factor/proportion of this principal zone.

### 5.2 **Dual Frontage**

Where a shop has two or more entrances from different streets, the area should be calculated zoning from each entrance. Where the zones from each entrance stop will be determined by the layout of the particular shop.

### 5.3 **Zoning/Floor Factors**

Adjustments may be necessary to these factors to reflect the size, shape and quality of finish of the floor concerned (see para 7.2)

The factors to be applied to the upper and lower floors assume stair access and reflect primarily the use of the accommodation with appropriate additions being made for Public Lifts and Escalators. Stock areas also include basic ancillary office accommodation, e.g. managers office and staff room. Where there is more extensive office accommodation e.g. banks and insurance companies good quality office accommodation should be valued as at the same reduction factor as sales space. In mixed retail and office locations regard should be had to the office scheme of value as a check.

Where both public lift and escalator access are provided then the higher of the two % additions should be made.

#### **Ground Floor**

Zone	
A	1.000
B	0.500
C	0.250

D	0.125
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### Upper/Lower Floors

Floor level	Stair Access	Stair Access	Public Lift	Escalator
	Stock/Shell Quality	Sales Quality		
Basement/FF	0.1	0.125	+10%	+20%
2 <sup>nd</sup> Floor	0.05	0.062	+10%	+20%
3 <sup>rd</sup> Floor	0.025	0.031	+10%	+20%
4 <sup>th</sup> Floor	0.012	0.016	+10%	+20%

### Other Floors

At the discretion of the Valuer

## 6.0 **STRETCH RATES**

### 6.1 **Definition of stretch**

A stretch is an area within which the same general level of value – the stretch rate – should be applied, and it is recognised practice that shops and shopping locations be grouped into such stretches.

A stretch may comprise the whole or part of a street, and a “cluster” or a group of shops in the more suburban or rural situations. For properties which are situated in "one off" locations an individual rate may be appropriate.

### 6.2 **Rates to be applied**

The stretch rate to be applied will be that proposed for the shops most representative of the whole stretch. Where the rents for the properties are “shell” rents these should be adjusted to reflect shop fitting. However additions for shop fit exclude air conditioning and sprinklers which will now be added separately by the valuer.

While valuers should be led by open market rental evidence to indicate the extent and value of the stretch rate there may be, in certain locations, insufficient evidence to give a clear indication where breaks occur. In these circumstances, such criteria as physical breaks, changes of shop style, and position within the overall pattern i.e. end or start of a long shopping thoroughfare, should be taken into consideration.

In the absence of conclusive rental evidence within any stretch, the valuer may select a rate derived from the rent supported rate of a comparable stretch in the immediate vicinity or from a comparable stretch in a more remote but similar situation.

### **6.3 Hot Food outlets**

Hot food takeaways are identified in the Use Classes Order (Scotland) 1997 as (Class 3) Sui Generis use. Such establishments raise somewhat different environmental issues to Restaurants and Cafes (Class 3) and Sandwich Shops (Class 1). Issues include litter, noise, longer opening hours and extra traffic and pedestrian activity. It is generally quite difficult to obtain planning permission for hot food takeaways due to the need for parking, possible adverse environment effects and the need to vent odours with an external flue.

Rental analysis has indicated that in the majority of cases hot food outlets command significantly higher rents than other retail uses in the same location. For this reason it is proposed that an addition be made to the basic rate to reflect hot food use.

Therefore where a hot food use can be established (generally evidenced by an external flue) and rents in the same or a comparable location indicate a premium paid for such permitted use an addition of up to 10% may be added to the basic rate for the hot food outlet.

## **7.0 ADJUSTMENT TO ZONING FACTORS & END ALLOWANCES/ADJUSTMENTS**

### **7.1 General**

Having determined the stretch boundaries, the level of value to be applied within that stretch, and the “norm” shop for that stretch, initial basic values can be calculated based on the ITZA (In Terms of Zone A) area.

The next step is the adjustment of that value to reflect specific features particular to an individual shop.

Remember that “adjustments” should only be made where there exists a feature which affects value and which is not present in the vast majority of other shops within the stretch.

If valuers find that the majority of units within a stretch require some form of end adjustment to value, they must re-examine the criteria being used to establish the “tone” or norm for that stretch and also investigate the accuracy of the information used to establish the stretch itself. Any proposed change to basic rate should be referred to Assistant Assessor or Practice Note Author.

## **7.2 Adjustments to Zoning Factor**

Adjustments may be necessary to the factors referred to in 5.0 for several reasons. In all cases care should be taken to ensure uniformity throughout the Central Scotland Valuation Area. Examples of such adjustments are:

### **7.2.1 Corner Frontages**

Analysis shows that up to 10% may be added to those zones affected; however, this will be determined by the length of the display window to the return frontage, and quality of street on which the return front faces.

### **7.2.2 Different Frontage from the Stretch "Norm"**

If affecting the whole shop this should be reflected as an end allowance/addition of up to 10% of the shop value depending on how different it is from the "norm" and not applied to individual zones (see 7.3.1). If however only part of the shop is affected, then the allowance/addition should only be applied to those zones affected. If applying to part only the allowance/adjustment should only be given in accordance with the criteria set out in 7.3.1

### **7.2.3 Shape**

Zoning may be adjusted where an extremely irregular shape works as a disadvantage. A maximum allowance of 10% per affected zone may be given, following consultation with your Assistant Assessor or Practice Note Author.

### **7.2.4 Masking**

An allowance of up to 10% should be given to any area masked from view from the front. How far back the allowance should be given depends on the individual circumstances, but a rough guide would be the depth of the ingo (see Appendix 2).

### **7.2.5 Shop Depth**

Where Zone D is greater than 12m deep or if the shop is wider than it is deep, valuers should consult with their Assistant Assessor or Practice Note Author to determine if an allowance is appropriate.

### **7.2.6 Large Upper/Lower Floors**

Where the unreduced area of an upper or lower floor is more than twice the ITZA area of the ground floor then the reduction factor for that floor should be adjusted in accordance with the following table.

<b><i>Floor Ratio to GF (ITZA)</i></b>	<b><i>Reduction to Floor Factor</i></b>
2.0	0
2.5	4
3.0	25
3.5	30
4.0	40
4.5	45
5.0	55
5.5	60

Where the upper or lower floor is more than six times the ITZA of the ground floor the above does not apply. In these circumstances the valuer should consult with their Assistant Assessor or Practice note Author as the zoned retail approach may not be appropriate.

## **7.3 End Allowances/Adjustments**

### **7.3.1 Different Frontage from the Stretch "Norm"**

An addition or allowance may be made where the particular shop front is significantly better or poorer than the norm for that stretch. Valuers should be aware of the recognised norm in terms of the rental analysis for each stretch. It must be emphasised that this is for structural differences, not the style of the front. The ideal is for a clear, uninterrupted front without pillars or stone dados. Where a shop is significantly different from the norm, an addition or allowance of up to 10% may be given. The maximum percentage is for extreme cases where there is a house type front in a stretch of good clear fronts, or vice versa.

Staff should check what let properties were used to determine the stretch to establish what is the norm shop front for the stretch prior to undertaking valuation adjustment.





### 7.3.2 Services

All shops should have, by law, adequate heating, lighting and toilet facilities. Some older shops may not have adequate toilet facilities and, where this is known to be the case and the norm for the stretch is full toilet provision an end allowance should be granted. Where there is an outside toilet, possibly shared, an allowance of 2.5% may be made. If there are no toilet facilities available to the shop an allowance of 5% may be made.

Staff should check what let properties were used to determine the stretch to establish what is the norm for the stretch prior to undertaking valuation adjustment

### 7.3.3 Layout Deficiencies

No end allowance should be given for this, as the adjustment of individual zones should have fully compensated for any problems. It may be, however, where there are several shops occupied as one, that an end allowance will be appropriate. Care must be taken to prevent double allowances.

### 7.3.4 Air conditioning and sprinklers.

Where a shop benefits from air conditioning or sprinklers to all or part of the floor area, an addition should be made based on the gross area benefiting from these services as per the following table:

Item	Rate
Air-conditioning (based on cassette system)	£7/m <sup>2</sup>
Sprinklers	£3/m <sup>2</sup>

## 8.0 QUANTUM & INVERSE QUANTUM

The rental analysis showed that where a let shop differed significantly in size from the other let shops in the stretch then there was a differential in the rate/sq.m. Allowance should therefore be made in the valuation of the subjects, based on the following tables.

### Quantum

<i>Times Average</i>	<i>Percentage Deduction</i>
2.00	0%
2.20	2%
2.40	4%
2.60	6%
2.80	8%
3.00	10%
3.25	12%
3.50	14%
3.75	16%
4.00	17%
4.25	19%
4.50	20%
4.75	22%
5.00	23%

### Inverse Quantum

<i>Times Average</i>	<i>Percentage Addition</i>
<i>Up to 0.49</i>	10%

To determine the appropriate allowance the valuer should look at the **average size of the let shops used to set the rate/sq.m. for the stretch**, which is shown in the background information table. In those limited number of locations where there is no direct rental evidence then the average size of let shop in the closest comparable stretch with let shops should be used. Where a shop is more than five times the size of the average let shop, used to set the rate, the valuer should consult with their Divisional or Principal Valuer.

## 9.0 **PERTINENTS**

After adjusting values for quantum, where necessary, the final stage is to add for any pertinents which are attached to the shop.

### 9.1 **Garages and/or Stores**

Any garage or store situated at a shop should be valued in accordance with the lock-up garage or industrial schemes of valuation.

### 9.2 **Car Parks**

A car park which is provided for the benefit of the customers of a particular shop, is contiguous with it and does not form part of the public street, should be valued by reference to the local car park report.

## **Appendix 1**

### **ASSESSOR FOR CENTRAL SCOTLAND**

#### **LOCAL SHOP REPORT**

#### **SHOPS & SHOP TYPE PROPERTIES**

#### **Data & Measurement to be Obtained on Survey**

1. **Description** – (shop, salon, launderette, bank, post office, betting office)
2. **Situation** – (address)
3. **Occupier's Name & Nature of Trade**
4. **General Description** – State type, eg. single, double, department store. General description of carcassing materials, eg. multi-storey steel-framed building with artificial stone front, brick sides and rear asphalt flat roof, concrete floors, fire resisting, etc. Indicate whether structurally adapted (eg. fishmonger) or specially designed (eg. self-service shop or walk round

store). Include a reference to any special features of age and character, approximate date of any major alterations or additions, etc.

In the case of a new shop unit please note what the standard of finish was when the shop unit was handed over, eg. shell/fitted. Where alterations have been carried out to make the space useable what has been done, the quality of the work, and who paid for it (Landlord or Tenant). Also please ensure a shop fit form is issued where appropriate.

**5. Situation**

- (a) Immediate Environment – whether in a parade, isolated, corner site, ground floor of tenement, set back from building line, excessively narrow pavement in front of shop, etc.
- (b) General Environment – principal shopping thoroughfare, back street, housing estate, etc. Character of locality, eg. relationship with other subjects likely to attract trade.

**6. Shop Front** – Old fashioned, semi-modern, modern, single, double windows, arcade. Wooden, mahogany, bronze or chrome window frame. Steps, terrazzo, tile stone, concrete or mosaic vestibule. Wooden, tiled, stone or cement faced dado, fascia and pilasters. Neon lettering or sign. Sun blind. Length of frontage, whether splayed. Return frontage or frontage to another street (including number of accesses).

**7. Front Shop** – Walls wood lined, plastered or tiled, or tiled to “X” metres. Ceiling finish. Floor materials. Ceiling height.

**8. Back Shop** – Walls wood lined, plastered or tiled, or tiled to “X” metres. Ceiling finish. Floor materials. Ceiling height. Describe quality. Describe use.

**9. Other Parts of Ground Floor** – Walls wood lined, plastered or tiled, or tiled to “X” metres. Ceiling finish. Floor materials. Ceiling height. Describe quality. Describe use.

**10. Basement, Cellar, etc** – Walls wood lined, plastered or tiled, or tiled to “X” metres. Ceiling finish. Floor materials. Ceiling height. Describe quality. Describe use. Access by trap or stair. Dampness and liability to flooding.

**11. First Floor** – Walls wood lined, plastered or tiled, or tiled to “X” metres. Ceiling finish. Floor materials. Ceiling height. Describe quality. Describe use. Means of access.

12. **Second Floor** – Walls wood lined, plastered or tiled, or tiled to “X” metres. Ceiling finish. Floor materials. Ceiling height. Describe quality. Describe use. Means of access.
13. **Internal Layout** – General note of the suitability of the internal layout, eg. awkward shape, changes of level, mutual accessibility of the several parts, break up of floorage, etc.
14. **Services** – CW, H & C, no water, sink, WHB, ladies toilet, gent’s toilet, WC, WC (own) WC (shared), no WC, EL, gas, method of heating, lighting system, escalators, hoists (goods and passenger). In a larger shop, it may be convenient to mention these on each floor.

Particular care should be taken to note areas benefiting from air conditioning and sprinklers as these items will be added separately.

15. **Other Relevant Information**

- (a) Delivery and dispatch facilities, rear access, loading restrictions, etc.
- (b) Fire escape
- (c) Parking space and storage ground
- (d) Outbuildings – note position relative to shop, access and surface.

16. **Sketch Plan** – A single line sketch plan of each floor (including cellars) showing the boundary and partition walls, position and size of columns, lifts and staircases, etc. recommended. Show the arrangements of display window, vestibule, doors and arcade fittings without taking measurements. Show all accesses. Show the effective frontage of the shop, ie. the width between the inside faces of the piers or butts on either side. Show ceiling height on each floor thus – 3.20m. Measure depth from the building line, even where the shop front is arcaded or of unusual pattern.

Indicate **zones** by means of dotted lines drawn parallel to the building line.

## **Appendix 2**





