SAA
Scottish Assessors Association

Revaluation 2017

Commercial Properties Committee

Practice Note 9
Valuation of Food Court Kiosks in Shopping Malls

1.0   Introduction

1.1   This practice note applies to the Valuation of Food Court Kiosks in Shopping Malls.

These typically are units which sell a variety of food and drink which the purchaser will then consume in a communal seating area which will be associated with the surrounding kiosks. Collectively this is often called a food court. Where such an area of communal seating exists, this should not be separately entered in the Valuation Roll.

Where there is provision for dedicated seating in the mall area to the front of the food court kiosk, consideration should be given to whether this should be reflected in any additional value to the kiosk.

Stand-alone food outlets in shopping malls which may be more akin to other non-food stances should be valued in line with Practice Note 1 (Valuation of Stances)

1.2   Types of Rental Agreements

1.2.1   Rents for food court kiosks in shopping malls are often achieved as a result of "bid rents" from tenants. Consideration is normally given to the level of turnover that is expected to be achieved with the "bid rent" being the base rent and when the turnover exceeds a threshold figure either a percentage enhancement is made to the base rent or the annual rent is calculated entirely on a percentage of turnover.

1.2.2   Where the food court is let to one operator and the occupier occupies the whole food court it should be entered as a single entry. However, the operator will usually occupy and operate some of the kiosks and sub-let the remainder on a lease or licence basis to other operators. In these circumstances, care should be taken in determining the unit of valuation, ensuring separate entries are made in the valuation roll where appropriate.

2.0   Basis of Valuation

2.1   All subjects in this group should be valued using the Comparative Principle. Rents should be analysed in terms of SAA Basic Principles Committee Practice Note 1 (Adjustment of Rents).

3.0   Consideration of Rental Information

3.1   Where a unit is let on a rate per square metre approach, the actual rent passing is preferred in the analysis of all rents when determining the general level of value. A calculation of the rent as a percentage of turnover should not supersede this approach.

3.2   Where the actual turnover rents paid for the 3 years up to and including "tone" are known, these should be analysed and a decision taken on the fair market rent for the unit at the tone date to be included within the general analysis.

3.3   Where the actual rent is not known and the only information available is the base rent and turnover figures, the following procedure should be carried out.

3.3.1   Consider the level of turnover for the kiosks for the 3 years up to and including "tone". To the turnover figure ascertained apply a percentage to arrive at the rent in each available year. This percentage should be determined by comparison to the local evidence.

3.3.2   In the absence of information regarding the actual percentage, the rent should be estimated by applying 15% to the passing turnover. It may be necessary to reduce this percentage where the turnover of a particular operator is excessively high by comparison to others within the shopping centre, however the percentage applied should not be below 8% in these circumstances.

3.4   On analysis the valuer must take care to ensure the adopted turnover rent is not lower than the actual base rent.

3.5   Care must be taken that rents, either actual or estimated, are adjusted where necessary if they include service charges, VAT or rates, to produce a net rent.

4.0   Survey and Measurement

4.1   Total gross internal area (including storage space) should be ascertained. Area should exclude communal seating area within the mall.

5.0   Valuation

5.1   The derived rate per square metre for the kiosks within the food court should be applied to the calculated gross internal area of each unit to determine Net Annual Value.