

Revaluation 2023

Commercial Properties Committee

Practice Note 6 Valuation of Depot Warehouses

1.0 Introduction

- 1.1 The Practice Note applies to Depot Warehouses which are large retail warehouses ranging in size from 8,000 m² to 15,000 m². These subjects may be situated either adjacent to a retail park or in a stand-alone situation catering for a relatively large catchment area. Due to their size and characteristics, Depot Warehouses have a distinctly different market value to that of retail warehouses and should be valued by reference to the level of rents prevailing for this type of subject and not by comparison with standard retail warehouses.
- 1.2 Subjects in excess of 15,000 m², operating as large regional destination retail warehouses are not covered by this Practice Note and should be valued in line with comparable subjects of a similar charter.

2.0 Basis of Valuation

Depot Warehouses are valued on the Comparative Principle using rates per square metre derived from the rentals of units of a similar size, character and location. Where local evidence is not available, comparison should be made with depot warehouses in other areas. Rental analysis, including additions for fitting out, should be carried out in accordance with SAA Basic Principles Committee Practice Note 1 (Adjustment of Rents).

3.0 Survey and Measurement

Depot Warehouses should be measured to Gross Internal Area, as defined by the RICS Code of Measuring Practice Sixth Edition. Survey and measurement should take separate account of items such as upper floors, mezzanines, greenhouses, canopied areas and open sales land. Where the unit is of a stand-alone nature, the amount of car parking should be noted.

4.0 Basic Specification

The specification of the standard purpose built shell unit is as follows:

- Screeded concrete floor slab.
- Bare concrete block or profile sheeted walls.
- Roof structure unfinished internally.
- Capped 415v electrical supply.
- Capped water and drainage facility.

The unit will comprise almost entirely of a ground floor with minimal 1st floor additional accommodation, normally used for office and staff accommodation.

5.0 Rental Analysis: Adjustment to reflect fitted unit

The preferred approach to rental analysis is to rely on evidence which reflects the unit, inclusive of all heritable items as at the point of valuation. This can include, but is not limited to fitting out, air conditioning and sprinklers. Where the rental rate includes all heritable items, no further adjustment in respect of fitting out is required in the analysis.

Where the rent is inclusive of any of the areas noted in 6.1 below, the analysis should reflect this.

In situations where the rental agreement is for a property in shell condition, it will be necessary to make an addition to the analysed rate to reflect the presence of heritable items. Where actual costs are known these can be used and in the absence of local evidence, the following addition should be applied depending on the degree of fitting out:

| | | |
|---------|---|--|
| Fit Out | Glazed frontage High bay warehouse lighting Blower style heating system | Fitting Out Addition £6.50/m ² |
|---------|---|--|

In the rental analysis, a fit out addition should be depreciated on a straight line basis over the period of time considered to be appropriate. The depreciation percentage should be based on the age of the heritable items, or a notional age of them if the property has been re-fitted or partially re-fitted, at the date of the rent. Any depreciation applied if the recommended rates outlined above are adopted, should be taken at an amount equal to 4% per annum to a maximum of 25 years.

6.0 Valuation Considerations

6.1 Additional Areas

In the absence of local rental evidence to the contrary, the following reduction factors should be applied to additional areas of modern purpose built depot warehouses.

| | |
|--|---------------------------------|
| Entrance Porch/Vestibule | 100% |
| Mezzanine/1 st Sales (Lift/Conveyor Access) | 15% |
| Mezzanine/1 st Sales (Stair Access Only) | 12.5% |
| Mezzanine/1 st Non Sales (Lift Conveyor Access) | 10% |
| Mezzanine Non Sales (Stair Access Only) | 7.5% |
| Inferior Rack Supported Mezzanine Storage Areas | 5% (Max - £15/m ²) |
| Glasshouse | 20% |
| Canopied Sales | 15% |
| Open Sales Land | 5% |

6.2 It should be noted that in respect of mezzanines and 1st floors, the reduction factors listed above are effectively an “extra over” and no allowance should be made to the ground floor for lack of height.

6.3 No additions or deductions should be made in respect of fitting out where the rental rate reflects a certain standard of fitting out. However, where a unit is considered to be significantly superior or inferior to that norm, an appropriate adjustment may be made.

6.4 Other Adjustments

In the absence of rental evidence or where rental rates do not reflect sprinklers, or heating, reference should be made to the Rating Cost Guide Scotland.

In the absence of rental evidence or where rental rates do not reflect air conditioning the following rental adjustment should be applied:

| | |
|--|------------------------|
| Air Conditioning (not included in basic rent rate) | Add £7/ m ² |
|--|------------------------|

7.0 Car Spaces

Depot Warehouses will normally be served by adequate car parking, whether entirely dedicated or as a common part of a retail warehouse park and these facilities may be wholly reflected in the rents passing. Under these circumstances, no addition to value should be made for parking and no separate entry should be made. However, care should be taken to identify car parks which are in the sole occupation of a single occupier, for which parking charges are made or where there is significant use by other users (such as local offices) in which case, a separate entry in the valuation roll may be appropriate.

8.0 Plant and Machinery

Rateable items of plant and machinery not already reflected in the rental rates should be dealt with in terms of the Valuation for Rating (Plant & Machinery) (Scotland) Regulations 2000 as amended and valued with reference to the Rating Cost Guide Scotland.