



Revaluation 2026
Hospitality Properties Committee
Practice Note 6
Valuation of Guest Houses

1.0 Introduction

- 1.1 This Practice Note provides guidance for the valuation of guest houses, or parts thereof.

Care should be taken to ensure that subjects being valued, using this Practice Note, are traditional guest houses. Where meals and bar services are provided to non-residents, as well as guests, the subject should be valued using SAA Valuation of Hotels and Accommodation Subjects Practice Note. The operation and its competing market should be fully considered to arrive at the correct valuation approach to ensure that the valuation is not out of line with other, similar lands and heritages.

2.0 Basis of Valuation

- 2.1 Guest Houses should be valued by application of the comparative principle of valuation. It is recommended that a double bed unit (DBU) rate is applied to the guest accommodation.

The DBU rate should be derived from an analysis of rents of guest houses based on location, quality, and facilities of the establishment. Rentals should be analysed in accordance with SAA Adjustment of Rents Practice Note.

In the absence of local rental evidence, a percentage should be applied to the total turnover to arrive at a DBU rate. Based on an analysis of rents and turnovers from properties throughout Scotland it is recommended that 13% be applied.

The turnover adopted should represent the annual amount considered to be the hypothetical achievable turnover (HAT) in the year to 1 April 2025, having regard to the physical nature of the property and its location as at 15 March 2026, on the assumption that the premises will be operated by a competent operator seeking to maximise profits.

Seasonal guest houses should be compared to other similar guest houses in the locality that are open for the full year, if that is the norm for the location. Turnover may then require adjustment if the actual turnover is below the hypothetical achievable turnover.

3.0 Calculation of Double Bed Units

The number of double bed units should be calculated using the table below.

Room	Reduction Factor (En suite)	Reduction Factor (without facilities)	Size Guide
a) Double or twin	1.0	0.75	10 — 20m ²
b) Single	0.70	0.45	Up to 10m ²
c) Family	1.25	1	20 — 30m ²
d) Suite - Standard	1.50		2 rooms or over 30m ²
e) Suite - Superior	2.0		2 rooms or over 30m ²

4.0 Residential Accommodation

- 4.1 For the purposes of providing an apportionment in terms of the Local Government Finance Act 1992, the value added to the domestic element for accommodation occupied by family, resident staff and permanently resident guests should reflect the extent, situation and quality of the rooms occupied.

It is recommended, therefore, that a notional number of double bed units for the accommodation occupied by family, resident staff and permanently resident guests be determined based upon the size and occupancy capacity of all the rooms that they occupy (including bedrooms) weighted if necessary to reflect any physical differences in the accommodation.

The residential value will be set at the product of the DBU rate times the number of DBUs determined above.