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SAA
Scottish Assessors' Association

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Industrial Properties Committee

Practice Note 10
Valuation of Distribution Warehouses

1.0 Introduction

This Practice Note applies to the valuation of Distribution Warehouses.

Distribution Warehouses can be defined as properties that have sufficient clear height and floor loading to accommodate racking systems designed to facilitate "just in time" and other goods distribution. The premises will be situated close to the motorway network or occasionally to a mainline rail inter-connection and will have excellent provision for loading and unloading goods with sufficient space for the easy movement of large articulated vehicles within the site and for trailer and container parking. Large Sorting Offices which have the features associated with Distribution Warehouses may be included within this category where local rental evidence supports a level of value in line with Distribution Warehouses.

For information, the Town and Country Planning (Use Classes) (Scotland) Order 1997 classifies Distribution Warehouses as Class 6 (Storage and Distribution) as distinct from Class 5 (General Industrial).

2.0 Basis of Valuation

Rental evidence indicates that in particular locations Distribution Warehouses have a value in excess of the general industrial and warehousing market level. The basis of valuation is the Comparative Principle having regard to available rental evidence.

Further, reference should be made to Part 1 of the Scottish Assessors' Association Industrial Properties Committee Practice Note.

3.0 Classification

3.1 Class A- Modern Distribution Warehouses 2014 onwards

- Constructed from 2014 onwards
- Eaves height to range generally from 9-12m
- Higher floor load and wide floor plates to accommodate automated systems
- Energy efficient lighting and glazing

- Higher levels of insulation and sustainable materials
- Can accommodate fully automated racking systems
- In close proximity to the motorway networks/ rail terminals
- Likely to have a building to site ratio of about 40%
- May have vehicle maintenance, recycling depots
- GEA generally in excess of 10,000 sqm
- Excellent loading facilities including dock levellers, substantial vehicle parking.

3.2 Class B- Older Modern Distribution Warehouses 2000 to 2013

- Likely to have been constructed from the early 2000's to 2013
- Eaves height to range generally from 9-12m
- Can accommodate fully automated racking systems
- In close proximity to the motorway networks/ rail terminals
- Likely to have a building to site ratio of about 40%
- May have vehicle maintenance, recycling depots
- GEA generally in excess of 10,000 sqm
- Excellent loading facilities including dock levellers, substantial vehicle parking.

3.3 Class C- Second generation Distribution Warehouses

- Likely to have been constructed in the period from the mid 1990's onwards
- Eaves height to range generally from 9 -12m
- Can accommodate fully automated racking systems
- In close proximity to the motorway networks/ rail terminals
- Likely to have a building to site ratio of about 40%
- GEA generally in excess of 4,000 sqm
- Excellent loading facilities including dock levellers, vehicle parking.

3.4 Class D- First generation Distribution Warehouses

- Likely to have been constructed in the period from the mid 1980's onwards
- Eaves height to range generally from 9 -12m
- Frequently fitted with 'hand-picking' or semi-automated racking.
- Sometimes inter-mingled with general industrials and usually with good motorway access
- Likely to have a building to site ratio of 50-60%
- GEA generally in excess of 4,000 sqm
- Good loading facilities and access, including dock levellers, although may lack full vehicle parking areas.

3.5 Adapted Warehousing

This Practice Note is not intended to include warehousing that has been subsequently adapted for use as a Distribution Warehouse by the insertion of loadings docks, racking or other features normally associated with the class. Refer to SAA Industrial Properties Committee Practice Note - Valuation of Factories, Warehouses, Workshops and Stores.

4.0 Method of Measurement

All buildings to be measured on a Gross External Area (GEA) basis.

5.0 Approach to Valuation

5.1 Class A- Modern Distribution Warehouses 2014 onwards

Distribution warehouses constructed more recently will have to comply with current building regulations using more energy efficient materials. In addition, may have been built to a higher specification than the norm constructed in the earlier 2000's. Rental values obtained from these subjects are much higher than those from the previous industry norm. Valuers should consider whether a higher rate should apply to these subjects depending on location. In the absence of local evidence rates per square metre up to ~~£80~~ £85 should be considered.

5.2 Class B- Older Modern Distribution Warehouses 2000-2013

In the absence of local evidence, a rate per square metre ranging between £60 - £70 should be applied. The highest rate should be selected for properties in the best locations, for example, those in close proximity to the motorway network. Valuers should refer to section 5.8 prior to finalising values.

5.3 Class C- Second generation Distribution Warehouses

In the absence of local evidence, a rate per square metre ranging between £55 - £60 should be applied. The highest rate should be selected for properties in the best locations, for example, those in close proximity to the motorway network. Valuers should refer to section 5.7 prior to finalising values.

5.4 Class D- First generation Distribution Warehouses and Adapted Warehousing

Available rental evidence indicates that these subjects have values more in line with standard industrial properties. Therefore, in the absence of local evidence to the contrary these subjects should be valued by reference to SAA Industrial Properties Committee Practice Note - Valuation of Factories, Warehouses, Workshops and Stores. In the absence of local evidence an addition of up to 10% may be appropriate to reflect amenities absent in standard industrial warehousing. Where local evidence does show an enhanced level of value the property may be valued in line with that local evidence.

5.5 The rates applicable to properties within categories 5.1, 5.2 and 5.3 do not include an element for heating within the main warehouse areas. Where the

warehouse areas do have heating an addition of 2.5% may be added to the warehouse area only. Ancillary areas such as offices are deemed to have heating included within the appropriate basic rate and therefore no further addition should be made for heating within ancillary office accommodation.

5.6 The rates applicable to properties within categories 5.1, 5.2 and 5.3 are deemed to include an element for sprinklers. In the absence of sprinklers an allowance of up to 2.5% may be granted.

5.7 The rates applicable to properties within categories 5.1, 5.2 and 5.3 are inclusive of offices, canopies, small gatehouses, dock levellers together with the items referred to in paragraph 10.

5.8 It is recommended that a final check of values is conducted against the local rental profile to ensure that a realistic and consistent result has been achieved. On no account should the level of value fall below that of a standard industrial subject in the locality. Where values using the Distribution Warehouse rates fall below that of a standard industrial subject, the rate per square metre should be adjusted upwards accordingly.

5.9 Table of Rates

Class	Age	Rate/m2
A- Modern	2014 - present	Up to £85
B- Older Modern	2000-2013	£60 - £70
C- Second Generation	Pre 2000	£55 - £60
D- First Generation	-	Local Industrial Rate

6.0 Building Services

It may be necessary to have particular regard to the rateability of building services if any specialised facilities exist not normally associated with Distribution Warehousing. Further guidance on the approach is contained in the SAA Industrial Properties Committee Practice Note - Valuation of Factories, Warehouses, Workshops and Stores.

7.0 Eaves Height

7.1 For all Distribution Warehouses the basic rate assumes an eaves height between 9.00m – 12.00m. Where the eaves height is out with this range, the basic rate should be adjusted, in the absence of local evidence, according to the following table:

Wall-head height	Adjustment
7.00m	-4%
8.00m	-2%
9.00m – 12.00m	Nil
13.00m	+1%

14.00m	+2%
15.00m	+3%

8.0 Ancillary Items

Ancillary items such as mezzanines etc. should be added in line with local evidence. Cold stores and chills should be valued by reference to SAA Industrial Properties Committee Practice Note 2 - Valuation of Cold Stores.

9.0 Multi-storey Buildings

Warehousing accommodation that is not situated on the principal floor is less desirable and the value is likely to reduce on such floors. Appropriate adjustment should be made.

10.0 Yard Space

Yard space, surfacing, lighting and fencing is deemed to be included in the rate/m2 applied to the building(s). If yard space or expansion land is considered excessive, any additional land may be added at an appropriate rate based on local rental levels.

11.0 Quantum

In the absence of local evidence, the following scale may give a broad indication of the levels of adjustment required and should be applied with interpolation as necessary.

Area (m2)	Adjustment
0 – 25,000 m²	Nil
25,001 – 30,000 m²	Nil to -10%
30,001 – 35,000 m²	-10% to -20%
35,001 – 100,000 m²	-25%

12.0 Disabilities

Any adjustment for shortcomings which affect either an individual building or the entire property will be a matter of valuer judgement. Care should be taken to ensure that adjustments are not excessive when combined with other allowances applied under the preceding paragraphs. In particular, Assessors who have adopted an overall rate approach should ensure that any disability thought worthy of allowance is not already reflected in the adopted rate.

The basic rates above assume the presence of dock levellers. If they are entirely absent an end allowance of up to 5% may be appropriate. Similarly, where the building to site ratio is out with the norm an allowance to reflect this may be considered.

13.0 Plant and Machinery

Any plant, not included in the basic rate, which is rateable in terms of the Valuation for Rating (Plant & Machinery) (Scotland) Regulations 2000 as amended, should be valued by reference to the relevant Rating Cost Guide Scotland or using actual costs and adjusted accordingly.