

Assessor for Fife Council

Revaluation 2026

Local Practice Note

Valuation of Shops

1.0 Introduction

This Practice Note applies to the valuation of standard shops and subjects occupying shop type premises in retail locations. This practice note also applies to retail units and bookstalls situated at railway stations and transport interchanges, pharmacies situated within or attached to health centres and rural destination retail outlets. It should not be used to value supermarkets, large shops, department stores, retail warehouses or factory outlet centres.

2.0 Basis of Valuation

Shops are valued by application of the Comparative Principle using rates per square metre derived from local rental evidence.

3.0 Rental Analysis

Rental analysis is undertaken in accordance with SAA Adjustment of Rents Practice Note. Local rental and cost evidence is used to determine rates applied and adjustments to value.

4.0 Survey & Measurement

The basis of measurement should, wherever possible, be the Net Internal Area subject to the following:

- (a) Shops should normally be measured from the building line or from the plate glass frontage.
- (b) All structural walls over 0.15m should normally be excluded.
- (c) Toilet areas should be included.
- (d) Stairs should be excluded.
- (e) Escalators should be excluded.
- (f) Plant rooms (i.e. service plant) should be excluded where these are solely used for plant.
N.B. where accommodation is partly plant and partly storage a pro rata area should be included. Process plant rooms should be included.
- (g) Partitioned fire corridors used solely for this purpose should be excluded.
- (h) Mixed use areas (i.e. fire corridors / general access) should be included.

5.0 Valuation

It is generally recognised that shops should normally be valued by application of the zoning principle. In some circumstances, an overall area approach to valuation may be more appropriate (see 5.4 below).

5.1 Zoning

The zoning principle recognises that the area to the front of the shop, normally referred to as 'Zone A', is the most valuable area of the shop and that the value of accommodation reduces towards the rear of the shop.

All shops, apart from those valued on an overall basis, should be zoned to 10 metres depth. Wherever possible, 10 metre zoning should be strictly adhered to with end allowances for shape etc. dealt with as a separate item. Valuer's judgement should be applied when natural breaks occur (e.g. thick structural walls which encroach on natural zone depths).

5.2 Reduction Factors

5.2.1 Ground floor- the standard reduction factors used are listed below:

Zone A	1.00
Zone B	0.50
Zone C	0.25
Remainder	0.125

Where toilets occur in Zone A, these areas should be separately calculated and taken out of Zone A and included in Zone B.

5.2.2 Ancillary floors- ancillary floors are not zoned but are taken at an overall storey reduction factor

	<u>Stair Access only</u> Stock / Shell	Sales	<u>Public Lift</u> <u>Access</u>	<u>Escalator</u> <u>Access*</u>
Basement / 1 st Floor	0.10	0.125	+10%	+20%
2 nd Floor	0.05	0.062	+10%	+20%
3 rd Floor	0.025	0.031	+10%	+20%
4 th Floor & above	0.012	0.016	+10%	+20%

The adjustment factor for escalator will apply whether or not there is, in addition to the escalator, a public lift (i.e. the maximum addition for lift / escalator access will be +20%).

Note: Caution should be applied when using these upper floor multipliers e.g. when upper floors are used for offices or sales, consideration should be given to the rates applied to upper floor offices in the locality.

5.3 Return Frontage

(a) Where a shop has a frontage on two sides and the advantage of this is obvious, add up to 10% to the Zone A value. **Do not add 10% to the Zone A rate.** It is recommended that such areas be denoted as Zone AA with a multiplying factor of 1.1.

(b) Where a shop has two separate entrances, the following methods might be considered.

(i) Add 10% for return frontage as above.

(ii) Zone from both accesses (adopting the Zone A rate applying in each case) and average the result.

Both methods should be appraised and the fairest method of value adopted. Rental evidence will provide the best guide as to the suitability of an addition for return frontage or two entrances.

5.4 Overall Area Approach

Some shops/shopping stretches can be let on an overall basis and may be better suited to analysis and valuation on the same basis. This type of property can sometimes be found in out-of-town locations and is often built by one developer.

Where retail subjects are not situated in typical retail locations, for example at railway stations, pharmacies at health centres and rural destination retail outlets, an overall approach may also be considered appropriate.

6.0 Retail Units & Bookstalls at Railway Stations & Transport Interchanges

Retail units typically include standard shop units, restaurants/cafes with no liquor licence and kiosks, which compromise retail units with no area provided for the public and customers served directly on the concourse/street.

As with standard shop premises, retail units and bookstalls found at railway stations and transport interchanges are valued on the Comparative Principle generally using rates per square metre derived from local rental evidence.

Care must be taken where a lease agreement is subject to a monopoly or global agreement clause, which can sometimes be found in newsagent premises, where rent is also generally based on a percentage of gross turnover.

Licensed premises, including refreshment rooms and public houses, situated at railway stations should be valued on the Comparative Principle having regard to local rental evidence and level of turnover achieved in accordance with SAA Practice Note - Valuation of Licensed Premises.

7.0 Pharmacies within Health Centres

Particular care should be applied to the treatment of pharmacies situated within or attached to health centres where they may be separately occupied. Evidence of passing rents in these situations would indicate that rental levels can be significantly higher than local shop rates, reflecting a monopoly situation where rents may reflect the level of patient or prescription numbers. In such situations the passing rent may be the best guide to annual value.

8.0 Rural Destination Retail Outlets

Retail outlets situated adjacent to or within agricultural subjects have become increasingly popular and diverse with many offering facilities including coffee shops or tea rooms etc. They are often destination shopping locations with a significant level of turnover.

Values should be determined by reference to local rental evidence. However, in situations where local rental evidence is not available or is not derived from comparable destination retail outlets, consideration should be given to the location of the subjects, quality of facilities on offer and availability of parking when arriving at a level of value.

9.0 Adjustments to Value

Where a property has been let in a shell state an adjustment to the rent will be required to reflect the value of the fitting out. This adjustment should be based, where available, on local comparable evidence from fitted units, however in the absence of local evidence, SAA Valuation of Shops Appendix 1 should be referred to for guidance.

Ideally all shops in a stretch will be of a similar quality and this will be reflected in the basic rate per square metre analysed from the rental evidence. However, any significant departure above or below the standard quality of the properties from which the evidence is derived may require to be reflected in the valuation.

Where adjustments to value are required to reflect features not already reflected in the basic rate applied these should, where possible, be based on rental evidence. Where no such rental evidence exists, it may be necessary to consider the cost of installing additional features.

Adjustments may take the form of additions to, or deductions from, the initial value in order to reflect the extent to which the particular shop varies from the standard assumed for the stretch of properties.

9.1 Deductions from Value

Subject to section 5.0 above the following factors may affect the valuation of the property:

- Structural division wall
- Variation in floor levels that have a detrimental effect on the property – excluding purpose-built design features
- Pillars – only if these have a serious effect on the value of the shop floor space
- Awkward shape not accounted for in the zoning of the premises
- Blank frontage – only if structural
- Step/stair access from street level

A deduction based on local rental evidence may be made to reflect the disadvantages associated with such factors.

9.2 Additions to Value

Subject to section 5.0 above the following factors may affect the valuation of the property:

- Corner Situations
- Return Frontage
- Hot food consent
- Licence to sell liquor etc

An addition, based on local rental evidence, may be made to reflect the advantages associated with such factors.

9.3 Further Additions/Deductions to Value

The existence or absence of the following features may require to be reflected either by making an addition or a deduction depending on the standard reflected in the typical shop within the stretch to be valued.

- Heating
- Air conditioning / Air handling
- Modernity
- Sprinklers
- Rear access

- Toilet facilities
- Shop front disabilities or improvements
- CCTV

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.

As stated above, additions and deductions are based on local rental evidence where available, however, in the absence of rental evidence the rates in the following table may be used for air-conditioning and sprinklers.

Item	Rate
Air-Conditioning (costs based on cassette system)	£10/square metre
Sprinklers	£7/square metre

These rates should only be applied to those areas benefiting from the items listed above and prior to any zoning reduction factor being applied.

10.0 Quantum/Inverse Quantum

An adjustment may be required, based on local evidence, where a shop is larger or smaller than the standard shop.

In the retail market landlords generally obtain a lower rate per square metre for large shops, and higher rate per square metre for small shops, in comparison to the standard size property.

Quantum deductions may be given to large shops as a percentage allowance to reflect an expected lower rental value rate per square metre paid by the hypothetical tenant.

Inverse Quantum additions may be made to small shops as a percentage addition to reflect an expected higher rental value rate per square metre paid by the hypothetical tenant.

Before applying quantum/inverse quantum, it is first necessary to determine the typical reduced area for shops in that location.

Location in this respect could be a small town, street, shopping precinct, or part of a street. New or redeveloped locations may require the typical reduced area to be calculated.

Once the typical reduced area for shops in a particular location has been determined quantum may be applied using the following scale:-

Shops 1.5 times the typical reduced area - nil
Shops twice the typical reduced area - 2.5%
Shops three times the typical reduced area - 7.5%
Shops four times the typical reduced area - 15%
Shops five times the typical reduced area - 20%

11.0 Pertinents

When considering pertinents, the valuer should always have regard to what can be regarded as a unit of valuation, in terms of the appropriate legislation and case law

Items such as car parking or outbuildings which are not reflected in the basic rate per m² applied, nor reflected in the reduced area of the shop, should be valued in accordance with local evidence and added to the valuation as a separate item.