

# **FIFE ASSESSOR SERVICE**

## **REVALUATION 2010 PRACTICE NOTE** **SHOPS**

### **1.0 INTRODUCTION**

This practice note applies to the valuation of standard shops and subjects occupying shop type premises in retail locations. It should not be used to value supermarkets, large shops, department stores or retail warehouses.

### **2.0 MEASUREMENT**

The basis of measurement should, wherever possible, reflect the definition of Net Internal Area as outlined in the RICS code of measuring practice, subject to the following:

- Shops should normally be measured from the building line (as opposed to the glass window).
- All structural walls over 0.15m should normally be excluded.
- Toilets should be included.
- Stairs should be excluded.
- Escalators should be excluded.
- 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 e.g. at dry cleaners or bakers should be included.
- Partitioned fire corridors used solely for this purpose should be excluded.
- Mixed use areas (i.e. fire corridors / general access) should not be excluded.

### **3.0 ZONING**

All shops, apart from those valued on an overall basis, should be zoned to 10 metres depth.

Wherever possible 10m zoning should be strictly adhered to, end allowances for shape etc., being dealt with as a separate item. Valuer's judgement should, however, be applied when natural breaks occur (usually caused by thick structural walls which encroach on natural zone depths).

#### **1 3.1 Reduction Factors**

**3.1.1 Ground floor** retail areas should be zoned as follows:-

The zone depth is 10.0m – measured from the building line.

The preferred zone factors are:

Zone A	1.0
Zone B	0.5
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.

## 1 3.1.2 Upper Floors

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

\* the reduction 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: These multipliers are derived from rental evidence in prime locations. In secondary locations reduction factors on upper floors and basement may be adjusted to take account of local rental evidence. Caution should be applied when using these upper floor multipliers in secondary and tertiary locations, 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.

## 3.2 Return Frontage

(a) Where a shop has a frontage on two sides and where the advantage 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 the 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.

## 4.0 ANALYSIS OF RENTS

Rental analysis has been carried out in line with the recommendations contained in the Scottish Assessors Association, Basic Principles Committee, Practice Note 1 – Adjustment of Rents.

The basic rates derived from the analysis of all available rental evidence are held in the general drive.

### 4.1 Fit-out addition

In prime locations, where it is normal for the tenant to completely refit a shop prior to entry, 7.5% has been added to the analysed shell rate to reflect heritable fit-out. This addition was arrived at through analysis of relevant fit-out costs. This analysis is held by Assistant Assessor (East).

In other locations, where it is not normal practice to completely refit a shop prior to entry, no addition has been made.

## **5.0 PLANT and MACHINERY**

Where rateable plant and machinery, such as air conditioning, is present in a shop, details should be noted and consideration given to whether a further addition is appropriate.

## **6.0 FIT-OUT ALLOWANCES**

When valuing any shop the basic value will be arrived at by multiplying the reduced area by the zone A rate (inclusive of any addition for fitting out).

*In cases where the Zone A rate includes an addition to rental value for fit-out*, it may be necessary to make an allowance for deterioration of that fit-out. This should be based on valuer's judgement of the age and condition of the shop fittings. The following methodology may be used for guidance.

Fittings up to 5 years old – no allowance.

For fittings that are over 5 years old the end allowance should then increase from 0% up to the maximum of 7.5% at 25 years old.

Example: - Where a shop has fittings which are 10 years old.

Reduced Area 80m<sup>2</sup> @ £650 = 40000

E/A for fittings  $5/20 \times 7.5\% = 1.875\%$  (say 2%) = 800  
= 39200 N.A.V.

*Where a shop, which has an allowance for fit-out, is refitted it may be appropriate to adjust the fitting out allowance to reflect this.*

## **7.0 QUANTUM**

An examination of evidence at the rental analysis stage has been carried out to determine levels of quantum. The quantum scale takes account of the size of a shop in relation to the typical reduced area of a shop in that location.

Before applying 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. Comparable properties should be checked on the valualc system to determine the typical reduced area for that location. 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%

## **8.0 ADVICE**

For advice on any part of this practice note consult the Assistant Assessor  
(East)