

# **REVALUATION 2023**

## **Local Practice Note – Glasgow Assessors**

### **Industrial Properties**

#### **1.0 INTRODUCTION**

This guidance note applies to the valuation of industrial properties in the nature of factories, workshops, warehouses & stores valued on the comparative principle. Please note that Distribution Warehouses are the subject of a separate SAA Practice Note.

#### **2.0 BASIS OF VALUATION**

The basis of valuation is the comparative principle based on a consideration of local rental evidence. As with all applications of the comparative principle, the most relevant evidence will be found locally, and values will be established by analysis of this local rental evidence. The analysis will be based on what was leased to the tenant and will exclude improvements carried out during their occupation. The valuation however will reflect what has been let plus the rateable improvements the tenant has made.

#### **3.0 SURVEY AND MEASUREMENT**

Building areas should be calculated on a gross external basis (GEA). The definition of GEA should be as provided in the RICS Guidance Note “Code of Measuring Practice” (6th Edition).

<https://www.rics.org/profession-standards/rics-standards-and-guidance/sector-standards/real-estate-standards/code-of-measuring-practice>

In particular GEA shall include all perimeter wall thicknesses and measurements shall be made to the outermost face of walls, except in the case of attached subjects where measurement should be made to the centre line of party walls.

#### **4.0 ANALYSIS METHODOLOGY**

An analysis of the rents of let industrial subjects throughout Glasgow has been carried out to determine rental rates per square metre at the tone date of 1 April 2022.

The analysis has been made in accordance with the Scottish Assessor’s Association Basic Principles Practice Note No.1, Revaluation 2023, Adjustment of Rents.

Each analysed let subject has then been grouped according to locational & physical characteristics, to produce recommended rates per square metre for valuation purposes.

#### 4.1 Industrial Estates/Locations

As with all applications of the comparative principle of valuation, as stated, the best evidence is likely to be found locally. With this in mind, the analysis and valuation of subjects found within identifiable Industrial Estates and recognised industrial locations will be based on their own merits, in reflection of their own individual characteristics i.e. age, construction, condition, location and size. It may be that subjects within an estate show different rates depending on size. If this is found to be the case, then basic rates will be derived for subjects categorised into area bands. In all cases, individual differences between units, such as tenants' improvements will still have to be accounted for within individual valuations. This is in keeping with the statutory hypothesis of valuing the property in its actual state. If the rate derived for an estate is based on units with heating then an allowance should be given to individual units with no heating.

Examples of Industrial Estates include Queenslie Industrial Estate and Hillington Industrial Estate. Recognised Industrial locations include locations such as the Clydesmill Industrial Area and the Helen Street Corridor.

#### 4.2 Properties outwith Industrial Estates/Locations

Industrial subjects situated outwith industrial estates or recognised industrial locations have been grouped according to 4 distinct age categories. These age categories are as follows

<b>A</b>	<b>1990 to present day</b>
<b>B</b>	<b>1975 -1989</b>
<b>C</b>	<b>1960-1974</b>
<b>D</b>	<b>Pre 1959</b>

If a property has been renovated, such as being reclad, a notional age may be more appropriate for analysis and valuation purposes.

It is not possible to provide a single definite building specification for each age category, but available rental levels for each age group will be reflective of construction and condition. **Subjects which comprise different ages of building will normally be categorised into one overall age band which most reasonably reflects all the circumstances.**

Each subject has also been placed in an area band. At the analysis stage this area will also reflect any adjustment for offices which are known to have been provided by the landlord, and included in the rent. At both the analysis and valuation stage the area arrived at will also reflect any adjustment for additional storeys.

## 5.0 HEIGHT

The following additions for useable height should be made with interpolation for heights in between.

Height	Addition
8 metres	5%
9 Metres	7.5%
10 metres	10%
15 metres	15%
20 metres & above	20%

## 6.0 OFFICES

The rate applied to offices attached to or within industrial subjects will be enhanced above the basic rate to reflect the standard of finish. Where such offices are present, the enhancement should be applied on the basis of local rental evidence. In the absence of specific local rental evidence the following should be adopted.

### 6.1 External Offices

These will be taken at 150% of the basic rate.

### 6.2 Internal Offices

The difference in wall construction (concrete block/ partition stud) **should not** in itself be a guide for the valuer in determining the appropriate rate to employ

#### Internal Inspan Offices

The following percentage will apply

Inspan Standard Office	150%
Inspan Office (inferior)	135%
Inspan Office (Poor)	125%

## **7.0 VARIATION TO THE BASIC RATE APPLIED**

### **General**

The classification of each subject with regard to its age should account for its physical construction. There may be occasions when a building falls significantly outwith the norm. For example, an earth floor where a 20% allowance would be appropriate.

Variations to the basic rate can also reflect additions, for example the presence of a Suspended Acoustic Tile Ceiling.

### **7.1 Clean Rooms**

The rate applied to clean rooms will be enhanced to reflect the superior specifications & tolerances found in these installations. Guidance on the valuation of Clean Rooms is provided in the **Scottish Assessor's Association Industrial Properties Committee Practice Note 5 – Valuation of Subjects Containing Clean Rooms.**

### **7.2 Cold Stores**

The rate applied to cold stores attached to or within industrial subjects will be enhanced to reflect their presence. Guidance for the valuation of Cold Stores is provided in the **Scottish Assessor's Association Industrial Properties Committee Practice Note 2 – Valuation of Cold Stores.**

## **8.0 SERVICES**

### **General**

All items of service plant, named under Class 2 of the Valuation for Rating (Plant and Machinery) (Scotland) Regulations 2000 (as amended), should remain in the valuation unless the valuer is clearly satisfied that the proviso in the Regulations relating to items of plant or machinery “.....used or intended to be used in connection with services mainly or exclusively as part of manufacturing operations or trade processes” applies

Care should be taken not to exclude from value any items of plant under the Class 2 proviso that may still be rateable elsewhere in terms of Classes 1, 3 or 4.

Careful consideration must be given before removing any service plant or machinery from value which it is claimed was installed only as a process requirement. It is suggested that where the main or exclusive use of an item of service plant cannot be identified as being used as part of manufacturing operations or trade processes, then the item should be regarded as rateable under Class 2.

In the case of multi-purpose service plant, the functions of the plant should be individually considered. For example, in the case of an air-conditioning system which provides amongst

other things, heating, the use of the heating needs to be identified and unless the heating is used mainly as part of manufacturing operations or trade processes then an element in respect of heating should be retained in value.

### 8.1 Heating

Analysed basic rates assumes no heating. Heating should be added at **£2.50 per m<sup>2</sup> served or 10% of the basic rate whichever is the smaller.**

Heating is assumed to be already included in the enhanced rates applied to office areas.

Air Handling (includes heating)	£5.00/m <sup>2</sup>
Air Conditioning (full system, including heating)	£7.50/m <sup>2</sup>

### 8.2 Sprinklers

Analysed basic rates assume no sprinklers. In the absence of local evidence the following additions are recommended and should be applied to the areas of the building covered by the sprinklers.

Normal hazard	£1.25m <sup>2</sup>
High hazard	£2.00m <sup>2</sup>

## 9.0 ANCILLARY ACCOMMODATION

### 9.1 Mezzanine Floor

These will be added at £10/m<sup>2</sup> for full floor use and £5/m<sup>2</sup> for inferior storage.

**No adjustment should be made for the change in usable headroom beneath the mezzanine.**

Plain racking will be treated as being non rateable.

### 9.2 Portacabins/Containers (In the open)

Basic office standard	£30
Semi-permanent office standard	£45/m <sup>2</sup>
Containers	£7.50/m <sup>2</sup>

Where the portacabin type office is situated within the workshop etc. area, the rate used should be the inspan office rate **of 135%.**

### 9.3 Canopies

Poor Quality (Single skin with poor or no lighting)	£5/m <sup>2</sup>
Good Quality (Double skin with good or very good lighting)	£10/m <sup>2</sup>

Consideration may be given to applying higher levels of value to canopies substantially enclosed or of a clearly superior construction or specification.

## 10.0 MULTI –STOREY BUILDINGS

The following tables of adjustments provide guidance where there is no conclusive local evidence. The allowances are not suitable for business centres or Class 4 style developments where an office approach may be more appropriate.

### 10.1 Production / Warehouse space

Floor	Separate passenger & goods lifts	Goods lift only	Stair access only
GF	100%	100%	100%
1F	90%	85%	75%
2F	85%	80%	50%

### 10.2 Offices

Floor	Lift	Stair access only
GF	100%	100%
1F	95%	90%
2F	95%	75%

### 10.3 Basements, galleries, attics and lofts

This type of accommodation varies widely in quality, character and purpose and no general recommendations can be made. However, the final rate selected should be sensibly related to the principal floor served.

## 11.0 AGE & CONDITION

The rate applied already reflects the age of the subject. **No further allowance should be made.**

## 12.0 QUANTUM/INVERSE QUANTUM

The rate applied already reflects size of subject. **No further allowance should be made.**

### 13.0 YARD SPACE

Most of the rates for industrial properties are derived from subjects with little or no yard, so in instances where there is no yard, no allowance should be made.

Where the yard at a subject is found to be in excess of 50% of the building footprint, an addition should be made to reflect the yard space in excess of 50% of the footprint

Excess yard space should be added at an appropriate rate based on local rental levels and is dependent on size and surfacing

In the absence of any conclusive local evidence the following guidance can be used. Interpolate as required

**The rate to be used is derived by taking the total site area and not just the area of the excess yard**

Site Area M2	Concrete/ Tarmac	Ash/ Unsurfaced
0-1000	£5.00	£3.50
2000	£3.50	£2.75
3500	£2.75	£2.25
5000+	£2.00	£1.75

### 14.0 DISABILITIES

The following table suggests a range of appropriate allowances for the most common disabilities encountered within industrial buildings. The list is not exhaustive, but care should be taken to ensure that aggregated allowances are not excessive. Allowances may be appropriate for individual buildings or as an end allowance to the overall valuation.

In the absence of specific local rental evidence the following should be adopted

<b>Disability</b>		<b>Allowance</b>
<b>Poor shape and/or layout of affected building</b>		Up to -10.00% to affected building
<b>Excessively thick stone walls</b>		Up to -5.00% to affected building
<b>History of flooding</b>		Up to -10.00% end allowance (Flooding Allowances should be reviewed at the onset of every revaluation)
<b>Narrow bays with inspan columns</b>	3.00m apart	Deduct 10.00% to affected area / building
	9.00m	Deduct 5.00% to affected area / building
apart	15.00m	No allowance
apart		
<b>One wall open to yard</b>		Deduct 15% to affected building
<b>Poor access</b>		Up to -5.00% end allowance
<b>Piecemeal Development (Subject comprises a number of buildings erected over a period of time - may be issues with layout, configuration etc)</b>		Up to -5.00% end allowance

## **15.0 PLANT AND MACHINERY**

Rateable items of plant and machinery not covered by the above guidance will be valued by application of the Contractor's Basis of valuation with reference to guidance and replacement costs contained in the Rating Cost Guide Scotland.