

Revaluation 2010

Commercial Properties Committee

Practice Note 23 Valuation of Car Showrooms

1.0 Introduction

- 1.1 This Practice Note provides recommendations for the valuation of both stand alone vehicle showrooms, and those which, along with ancillary buildings such as workshops, offices and toilets, form part of a larger subject. Consideration may be given where the property might reasonably be compared with local shops or retail warehouse, to valuing such subjects in comparison with those similar, adjacent properties.

2.0 Basis of Valuation

- 2.1 This category of subject should be valued by application of the Comparative Principle.

3.0 General

- 3.1 Showrooms typically range from modern purpose built properties located on prominent arterial road sites occupied by main dealers, to buildings converted and/or adapted for the display and sale of vehicles occupied by second hand dealers.

Modern purpose built showrooms are generally situated on prominent stand alone sites or clustered together in motor 'parks' or motor 'miles' as seen in urban areas.

- 3.2 A typical showroom built post 1995 will have a double height display area, often with a balcony used as sales offices. The frontage is usually sheet glass, providing a prominent display. Internally, the floor is tiled, with plastered wall finishes. The standard of heating and lighting is very high. The showroom area will include offices and customer toilets with a similar standard of finish.
- 3.3 Older purpose built showrooms are typically single storey, with prominent glass frontage, and where occupied by a main dealer generally finished to a similar standard to an equivalent modern unit.
- 3.4 Converted showrooms, usually in tertiary locations, are often developed from workshop accommodation, typically with poor retail display and finishes similar in quality to industrial offices.

4.0 Analysis

- 4.1 Rents for Car Showrooms should be analysed in accordance with SAA Basic Principles Committee Practice Note 1 (Adjustment of Rents).
- 4.2 Showrooms may be occupied together with workshop and garage accommodation used for the service and repair of vehicles. In these circumstances valuations are essentially hybrid in nature, with accommodation such as workshops and garages valued on the industrial scheme of value and the showroom and offices/toilets accessed directly off the showroom valued at a separate rate.
- 4.3 For analysis purposes where the showroom is part of a complex of buildings such as described above it is first necessary to value the industrial buildings and land by reference to the relevant local 2010 industrial scheme of value. This valuation should be deducted from the rent to arrive at a notional rent for the showroom element.

This notional rent can then be analysed to provide a rent rate for the showroom element.

5.0 Measurement

- 5.1 Showrooms and ancillary offices/toilets should be measured to gross internal area, in accordance with the RICS Code of Measuring Practice. Workshops, stores, workshop offices and other uses should be measured on the same basis as comparable industrial buildings

6.0 Valuation

- 6.1 It is recommended that the subjects are valued by reference to local rental evidence. In the absence of local rental evidence reference may be made to comparative evidence in similar locations outwith the local valuation area.
- 6.2 The primary determining factor for the rate to be applied to the showroom element is the location of the subjects. For valuation purposes rental evidence has been grouped into one of four categories:
1. Motor Mile/Motor Park
 2. Prominent Main Road (including prominent stand alone sites)
 3. Secondary Main Road
 4. Tertiary Site

6.3 Adjustments to Showroom Valuation

- 6.3.1 A showroom will normally face the main road, either directly or obliquely, and be visible from both directions along the road. Usually the location is behind a car display, or landscaped area. No allowance should be made for such a location.

Where a showroom is masked by other buildings, then an allowance of up to 10% may be appropriate.

- 6.3.2 An allowance may also be given where the showroom differs significantly

from the typical let showroom.

It is recommended that total allowances do not exceed an aggregate total of 25%. It may be useful to compare the end rate with the industrial office equivalent in that location.

6.4 Offices

6.4.1 All offices and customer toilets accessed directly from the showroom, and of a similar quality, should be valued at the same rate as the showroom. Where situated on a gallery floor an allowance of up to 10% may be given.

6.4.2 Offices not accessed directly from the showroom should be valued at the same rate as comparable industrial office accommodation.

6.5 Age & Obsolescence

6.5.1 Franchise showrooms will be maintained to a high standard, and are normally upgraded every 5 years. Accordingly, no allowance should be made for any showroom that has been upgraded in the last five years. A sliding scale up to a maximum of 10% should be applied for upgrades between 5 and 10 years old.

6.6 Workshops & Ancillaries

6.6.1 The standard of finish in these varies considerably from a basic industrial unit with painted floor and walls, to near showroom quality with tiled floor and walls. It is recommended that the buildings should be valued on local evidence.

6.7 Sales Yards/Display Areas

6.7.1 Some areas of land are set aside as permanent sales areas. Display areas are typically situated in front of the building line or, where the showroom is situated directly on the road to the side of the Showroom, having good display to a prominent road. Analysis of rental evidence indicates that the rate applied to this area is enhanced above local industrial yard rates. An addition of 50% above the local yard rate is recommended in this situation.

6.7.2 Where customer or staff parking is provided on land where a sales and display area would normally be located, this area should also be treated as display and a similar uplift applied. Care must be exercised in the treatment of sales areas, where there is insufficient storage/parking land remaining.

6.7.3 See **Appendix 1** for guidance on a typical layout of car sales yards

6.8 Storage/Parking Land

6.8.1 It is recommended that land used for parking and storage, and not situated where a sales and display area would normally be located, should be valued in line with local schemes of valuation for such subjects.

6.9 Quantum

6.9.1 For analysis purposes quantum should only be applied to the buildings valued on the relevant local industrial scheme of value. The quantum applied should reflect the floor area excluding the showroom element.

6.9.2 Only where analysed rates for the showroom element indicate that quantum is applicable within a local area should quantum be applied to the showroom at the valuation stage.

7.0 Plant & Machinery

7.1 Any items of plant should be dealt with in terms of the Valuation for Rating (Plant & Machinery)(Scotland) Regulations 2000 (as amended).

Car Showrooms

