



Revaluation 2010

Industrial 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.

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

Available evidence indicates that in particular locations Distribution Warehouses have a value in excess of the general industrial and warehousing market level. Accordingly, 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 Committee Practice Note 1.

3.0 Classification

3.1 The latest 'state of the art' Distribution Warehouses

- Likely to have been constructed from the late 1990's onwards
- Eaves height to range generally from 9 -12m
- Can accommodate fully automated racking systems
- Likely to be co-located with other similar properties
- 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 4,000sqm

- Excellent loading facilities, vehicle parking and access

3.2 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 although may lack full vehicle parking areas

3.3 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 the Scottish Assessors' Association Industrial Committee Practice Note 1

4.0 Method of Measurement

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

5.0 Approach to Valuation

5.1 The latest 'state of the art' Distribution Warehouses

In the absence of local evidence, a rate per square metre ranging between £45 - £55 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.

5.2 First generation Distribution Warehouses

In the absence of local evidence, a rate per square metre ranging between £40 - £50 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.

5.3 Available evidence indicates that there is no value differential between properties that are heated or unheated. Accordingly no addition or deduction should be made in respect of heating.

- 5.4 Available evidence indicates that there is no value differential between properties with, or without, sprinklers. Accordingly no addition or deduction should be made in respect of sprinklers.
- 5.5 The rates per square metre are inclusive of canopies, small gatehouses, dock levellers together with the items referred to in section 10.
- 5.6 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.

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 Scottish Assessors' Association Industrial Committee Practice Note 1.

7.0 Eaves Height

- 7.1 For all Distribution Warehouses the basic rate assumes an eaves height between 9 – 12m. Where the eaves height is outwith this range, the basic rate should be adjusted according to the following table:

Wall-head height	Adjustment (%)
7.00m	-4
8.00m	-2
9.00 – 12.00m	Nil
13.00m	1
14.00m	2
15.00m	3

- 7.2 Where there is clear local evidence relating to height additions or allowances which justify a departure from the table shown above, it should be followed.

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 Scottish Assessors' Association Industrial Committee Practice Note 2 including adopting the age and obsolescence scale specified in that Practice Note.

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 (m ²)	Adjustment
0 – 25,000 m ²	Nil
25,001 – 30,000 m ²	Nil to -10%
30,001 – 35,000 m ²	-10% to -20%

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.

13.0 Plant and Machinery

Rateable items of Plant and Machinery not covered by rental rates will be valued by reference to the Scottish Assessors' Association Basic Principles Committee Practice Note 2 (Contractor's Basis Valuations). Care should be exercised to ensure that the value attributable to Plant items valued on a cost basis are not out of proportion to the realistic total value of the *unum quid*.