

## **Revaluation 2010**

### **Commercial Properties Committee**

#### **Practice Note 8**

#### **Valuation of Free Standing Restaurants**

### **1.0 Introduction**

- 1.1 This Practice Note covers all restaurants that are situated outside the traditional high street/retail parades and which are suited, by virtue of their location and physical characteristics, to occupation by the major restaurant chains. Whilst this Practice Note covers both drive through and non drive through subjects it should be noted that these are two different classes of property and for valuation purposes they will require to be dealt with differently. Typical examples of these are listed below
- 1.2 Purpose built units within a retail/leisure park with sit in, table service and no drive through.
- 1.3 Purpose built units in a stand alone location with sit in, table service and no drive through.
- 1.4 Purpose built units within a retail/leisure park with counter service and drive through.
- 1.5 Purpose built units in a stand alone location with counter service and drive through.

### **2.0 Basis of Valuation**

- 2.1 This category of subject should be valued by application of the comparative principle using the rates/sqm derived from local evidence. Rentals should be analysed in accordance with SAA Basic Principles Practice Note.1 (Adjustment of Rents).
- 2.2 For sites with only one restaurant, the individual nature of the location, size and type (drive through or non drive through) of these subjects means that the passing rent, suitably adjusted for fitting out where applicable, is considered to be the best evidence.

### **3.0 Basic Specification**

- 3.1 The standard purpose built unit is generally let as shell whether on a Retail Park or in a Stand Alone location. In these cases an adjustment should be made to the basic rent to reflect fitting out (which includes air conditioning), in accordance with SAA Basic Principles Practice Note 1 (Adjustment of Rents). The size of a basic unit is typically in the order of 250/374sqm.

**4.0 Survey and Measurement**

4.1 Free Standing Restaurants should be measured to Gross Internal Area, as defined by RICS Code of Measuring Practice 6<sup>th</sup> Edition. Survey and measurement should take separate account of items such as upper floors, external stores and chiller/freezer units. The external stores and chiller/freezer units area should be excluded from the GIA for analysis purposes as they are invariably tenant's improvements.

**4.2 Reduction Factors**

In the absence of local evidence, the following reduction factors should be applied:

Ground	100%
First	75%
Basement / Lower Ground Floor	60%
Second	50%
All other floors	At valuer's discretion
External Chills & Freezers	At 40% of the building rate

**5.0 Valuation Considerations**

**5.1 Valuation of Non - Drive Through Restaurants**

These should be valued on local evidence.

**5.2 Valuation of Drive Through Restaurants**

Historically a drive through unit would command a premium value above that of a non drive through unit in a comparable location. Ultimately, the value difference should be determined by a consideration of relevant local evidence. In the absence of such evidence, it is recommended that the premium addition to value of a restaurant benefiting from a drive through facility should be 10%.

Where there is more than one drive through operator on a site the rents passing may show a wide variance. In these circumstances, it may be appropriate to establish a level of rent rate which is truly reflective of the hypothetical achievable level.

### 5.3 Quantum

The table below offers guidance on the adjustments that should be made when valuing larger Restaurants. This guidance should only be adopted in cases where there is insufficient reliable local rental evidence upon which the quantum effect can be judged.

Size band (sqm)	Quantum Allowance
up to 374	Nil
375-399	0 to 5%
400-499	5% to 12.5%
500-599	12.5% to 17.5%
600-750	17.5% to 25%

Notes: Interpolate between points.

Size refers to total area GIA of all main areas except :

External chills, freezers and stores - these areas are to be excluded from the Quantum calculation.

### 5.4 Car Parking

The value of any car parking is generally included in the rate applied to the buildings.