

## **Revaluation 2010**

### **Commercial Properties Committee**

#### **Practice Note 26 Valuation of Garden Centres**

#### **1.0 Introduction**

- 1.1 Traditionally the Garden Centre market has been fragmented, with the majority of sites being occupied by independent, often family run businesses, with a few well known chain operators. During the past fifteen to twenty years a number of large new Garden Centres have been built, many by these chain operators and others have evolved and continue to evolve to become significant retail outlets.
- 1.2 This practice note provides guidance with regard to the valuation of Garden Centres selling shrubs, plants, trees and associated merchandise as well as other retail goods. Garden Centres attached to Retail Warehouses are dealt with under SAA Commercial Properties Committee Practice Note 6 – Valuation of Retail Warehouses.

#### **2.0 Basis of Valuation**

##### **2.1 General Approach to Valuation**

Garden Centres are valued on the comparative basis. Rents have been analysed in terms of the SAA Basic Principles Committee Practice Note 1.

##### **2.2 Extent of Subject to be Valued**

The site, all buildings, glasshouses and display areas used for, or in connection with, retail purposes should be included in the valuation.

The only area to be excluded is any part that is used as a market garden. Market Gardens are included in the definition of agricultural lands and heritages (see section 7(2) of the Valuation and Rating (Scotland) Act 1956 (as amended)), “No agricultural lands and heritages shall be entered in the Valuation Roll”.

##### **2.3 Survey and Measurement**

Building areas should be calculated on a gross external basis. The total site area and areas for display, storage, car parking, etc. should also be determined.

Where a building within the site of the Garden Centre is occupied by, and let to, an operator other than the Garden Centre (e.g. conservatories, garden

sheds etc), then a separate entry may be made in the valuation roll for that subject.

### **3.0 Garden Centre Categories**

#### **Class A**

These fall into the “super centre” category and will have a combination of some of the following factors;

*Large and/or more affluent catchment area*

*Good access/situation*

*High quality of buildings and/or extensive range of buildings larger than the norm, typically in excess of 5,000m<sup>2</sup>*

*Turnover generally in excess of £5 million*

#### **Class 1**

Other than Class A these are the best properties. Subjects are purpose built, modern, of high quality and have excellent facilities.

#### **Class 2**

Subjects tend to be purpose built, modern, of good quality and have good finishes but will also include a number of older subjects which have been extended/improved over time.

#### **Class 3**

These are subjects that fall between Class 2 and Class 4. Some have evolved to become good quality garden centres with a mixture of building construction but, on the whole, are of good quality and include horticultural standard greenhouses.

#### **Class 4**

These are the traditional local garden centres primarily for plant sales. Buildings are typical glasshouse construction and, in some instances, minimal in number.

### **3.1 Relativities**

5.1 The following relativities will apply to all Garden Centres.

(a) “Average/standard” sales glasshouse - 100%

“Average/standard” sales glasshouse refers to traditional rod and truss glasshouses or more modern examples constructed of steel/latticework, providing equivalent accommodation to that of the older style rod and truss construction.

There may need to be an addition of up to 25% on “average/standard” sales glasshouse to reflect additional quality. The percentage addition should reflect the extent to which the quality exceeds “average/standard”.

It would be expected that the maximum 25% addition would be appropriate for retail accommodation superior to the average e.g. high bay steel portal frame buildings that may be clad in a variety of finishes, (brick/profile/

steel/glass) or cavity brick/block buildings which offer a superior retail environment, and will include restaurants, coffee shops, offices, etc.

The maximum 25% uplift for additional quality will apply within all classes.

Similarly a discount from the “average/standard” rate may be justified where the building provides a particularly low standard of accommodation compared with the average e.g. disabilities such as low internal height, changes in floor level etc.

(b) Warehouse/Storage Buildings:

These will represent a wide range of quality. A good quality industrial building will attract up to a maximum 80%, average industrial workshop type building 60% down to a minimum of 20% for poor quality timber sheds.

(c) Covered sales, glass open sided canopy:

40% to 50%, assuming similar quality to main sales glasshouse.

(d) Portakabins:

40% if office use.

(e) Metal storage containers:

30%.

(f) Nicotarp/polytunnels:

Enclosed: from 30% for ex-growing tunnels up to 40% for modern purpose built.

Open: from 25% for ex-growing tunnels and 30% to 40% on modern nicotarps. (representing an uplift on the main display land).

(g) Areas partitioned off from main space to be valued at same rate as the building in which they are located.

(h) Land (display/sales): 15% to 25% depending on quality, size and layout. The standard value will typically be 20% but if there is some substantial permanent good quality hard landscaping e.g. built up brick display beds, CCTV etc then a maximum of 25% may be applied.

Some ex-nursery Garden Centres also have very extensive display areas which may be unusually large. In such cases it may be appropriate to reduce the standard percentage of 20% depending on individual circumstances.

(i) Land (storage):

5% for unsurfaced land used for storage of products intended for sale.

(j) Car parking: is reflected in the rates applied to the buildings.

### 3.2 Rates to be Applied

<b>CLASS</b>	<b>£/m<sup>2</sup></b>
Class A	£50 to £65
Class 1	£40 to £50
Class 2	£35 to £45
Class 3	£25 to £35
Class 4	£20 to £30

The above rates are for “average/standard” sales glasshouses and the relativity percentages in paragraph 3.1 should be applied to these rates. Where the subject is in an accepted retail location and/or rental evidence indicates a rate in excess of the recommendation in the above table, local evidence may be followed.

Land values should be applied in accordance with paragraphs 3.1 (h) and (i) with a check made to local levels of value.

### 3.3 Turnover

Turnover can prove to be an aid in the valuation process as a check on whether the valuation arrived at by the conventional method is broadly at an appropriate level. The placing of a Garden Centre in any particular Class does not necessarily indicate that a certain turnover can be achieved and within individual Classes it is anticipated that relativities will be determined by reference to the location and physical characteristics of the property rather than by turnover.

The approximate turnover bands refer to maintainable turnover around 2008 for the different classes of centres and it is expected that, generally, turnover ranges will be as follows;

- (i) Class A – Turnover in excess of £5 million
- (ii) Class 1 - Turnover £2 million to £5 million
- (iii) Class 2 - Turnover £1 million to £2 million
- (iv) Class 3 - Turnover £400,000 to £1 million
- (v) Class 4 - Turnover less than £400,000

Smaller operations may be at the lower end of the scale whereas larger Garden Centres, with high quality buildings meriting an uplift, are likely to be at the upper end of the scale.

It is likely that there will be some overlap between the classes, particularly between Classes 2 and 3 and also Classes 3 and 4.