

Revaluation 2010

Commercial Properties Committee

Practice Note 24 Valuation of Guest Houses

1.0 Introduction

- 1.1 This Practice Note provides guidance for the valuation of guest houses, or parts thereof.

2.0 Basis of Valuation

- 2.1 Guest houses should be valued by application of the Comparative Principle of valuation.

It is recommended that a double bed unit (DBU) rate is applied to the guest accommodation. The DBU rate should be derived from an analysis of rents of guest houses. A sum should be added to reflect any licenses to sell alcohol.

The amount of double bed units should be calculated, using the table below, having regard to the facilities available, the quality of the accommodation, the number of places on offer and the general and particular location of the premises.

Room	Reduction Factor (En suite)	Reduction Factor (without facilities)	Size Guide
a) Double or twin	1.0	0.75	10 – 20 m ²
b) Single	0.70	0.45	Up to 10m ²
c) Family	1.25	1.0	20 – 30m ²
d) Suite - Standard	1.50	-	2 rooms or over 30m ²
e) Suite - Superior	2.0	-	2 rooms or over 30m ²

- 2.2 If no local rental information is available, turnover may be analysed to arrive at a double bed unit rate, using the following tables:

Accommodation Turnover	% to be applied
Up to £50,000	7.50%
At £100,000	8.50%
At £150,000	8.75%
At £200,000	9.00%
At £250,000	9.25%
At £300,000 and above	9.50%

Catering Turnover	% to be applied
Up to £40,000	0%
At £50,000	2.00% to 4.50%
At £75,000	3.50% to 5.00%
At £100,000 and above	4.75% to 5.50%

Liquor	% to be applied
At all levels of turnover	4.75% to 5.50%

- 2.3 Where figures of actual turnover are available these may be used with enhancement to reflect year round trading – if that is the norm for the location – to arrive directly at Net Annual Value, or alternatively as a check upon values produced under 2.1.
- 2.4 Actual turnover is likely to be the best guide for subjects that concentrate on markets outwith the traditional tourist trade e.g subjects which cater for homeless persons on short stay visits. These often have high occupancy rates. Where turnover is not available, a suitably enhanced DBU rate should be considered.

3.0 The Residential Accommodation

- 3.1 For the purposes of providing an apportionment in terms of the Local Government Finance Act 1992, the value added to the domestic element for accommodation occupied by family, resident staff and permanently resident guests should reflect the extent, situation and quality of the rooms occupied.

It is recommended, therefore, that a notional number of DBUs for the accommodation occupied by family, resident staff and permanently resident guests be determined – based upon the size and occupancy capacity of all the rooms that they occupy (including bedrooms) – weighted if necessary to reflect any physical differences in the accommodation.

The residential value will be set at the product of the DBU rate times the number of DBUs determined above.