



## **Revaluation 2010**

### **Commercial Properties Committee**

#### **Practice Note 37**

#### **Valuation of Large Shops & Department Stores**

### **1.0 Introduction**

- 1.1 This Practice Note provides guidance with regard to Large Shops and Department Stores. It does not apply to standard shops, retail warehouses or supermarkets / superstores which should continue to be zoned or valued on an overall basis as appropriate.

### **2.0 Basis of Valuation**

- 2.1 This category of subject should be valued by application of the comparative principle using rates/m<sup>2</sup> derived from the rentals of units of a similar size and character.

### **3.0 Method of Measurement**

- 3.1 Areas should be calculated on a gross internal basis in accordance with the RICS code of measuring practice.

### **4.0 Categorisation**

- 4.1 There is no fixed starting point in terms of size that dictates when a “standard” shop becomes a “large” shop. Frequently this decision will depend upon the particular size and style of the unit in comparison with its neighbouring properties. Supply and demand conditions can also have an effect. Wherever possible local rental evidence should be considered.
- 4.2 Where no local evidence exists it is suggested that stores which are more than 5 times the norm size of neighbouring shops (in terms of reduced area) may be considered for treatment as a large shop. This will generally include stores that are over 1,850m<sup>2</sup> GIA in outlying areas and small towns.
- 4.3 In city centres the standard size of retail units is much larger and units of up to 4,500m<sup>2</sup> GIA or more may continue to be zoned. In this context it will be appropriate to consider the size of the floor-plates. In general large shops will have a floor-plate in excess of 1,000m<sup>2</sup> GIA. Newer examples tend to have floor plates in excess of 3,000m<sup>2</sup>.
- 4.4 Within the overall category of large shops the following sub categories may be identified:

#### 4.4.1 Large Shops:

Large shops generally range from 1,850m<sup>2</sup> GIA to 3,500m<sup>2</sup> GIA. Frequently these will be located in high streets or covered shopping centres. In covered shopping centres large shops can often be used in a secondary anchor role and are strategically placed to influence the pedestrian flow between the main anchor units.

#### 4.4.2 Large Town Centre Stores / Small Department Stores:

Large town centre stores / small department stores may range from 3,500m<sup>2</sup> GIA to 12,000m<sup>2</sup> GIA. Larger units will display a wider range of goods including perfume, fashions, household items and, in some cases, a limited amount of sports goods, furniture and food. Many will have one or more restaurants or cafés. In modern shopping centres these stores frequently act as the main anchor tenant.

#### 4.4.3 Large Department Stores:

There are a limited number of large department stores in Scotland in excess of 12,000m<sup>2</sup> GIA. They offer the widest possible range of goods including, in addition to those items mentioned above, extensive ranges of furniture, carpets, electrical items, sports items and household items etc. They may also include a number of cafés and restaurants. The precise location of these units is not always critical because they can be considered to be an attraction in their own right.

## 5.0 Valuation

5.1 As noted above, the valuation of large shops and department stores should be undertaken on a gross internal basis. However, in determining the comparisons to be used, careful consideration should be given to the following points:

#### 5.1.1 Location:

Wherever possible comparison should be made with locations that are similar in terms of the size and population of the surrounding catchment area. Consideration should also be given to the relative size of the main shopping area, the size of shops in the area and the mix and number of multiple traders.

The prime zone A rate for the town / city will normally provide a useful guide to the hierarchy expected but variations in department store rates will not necessarily vary in direct proportion to changes in zone A rates.

Locations may be considered in the following groups.

- Regional Shopping Centres.
- City / Major Town Centres / Other Shopping Centres.
- Smaller Town Centres

Within these locations it may be necessary to make adjustments to reflect the particular situation of the property.

#### 5.1.2 Age and character of the store:

Wherever possible comparison should be made with units that are similar in age and character. In this respect the ratio of Net Internal area to Gross Internal area may be a useful guide with older stores generally having a much lower ratio.

#### 5.1.3 Storey:

Ideally comparison should be made between stores which have accommodation spread over a similar number of storeys and therefore no adjustment for storey will normally necessary. In this respect the difference between a store spread over five floors compared to one spread over six or seven floors is not considered to be significant.

However, the difference between a wholly ground floor unit and one spread over two or three floors is usually considered to be significant. Where it is necessary to make such a comparison a check valuation should be undertaken on a factorised basis using the following factors:

	<u>Up/Down</u> <u>Escalators</u>	<u>Up only</u> <u>Escalator</u>	<u>Stair/Lift</u>
Ground Floor:	1.0	1.0	1.0
First Floor:	1.0	0.85	0.7
Second Floor:	0.8	0.65	0.6
Third Floor and above:	0.6	0.45	0.4
Basement:	0.9	0.75 (down only)	0.65

#### 5.1.4 Size:

Wherever possible comparison should be made between units that are of a similar size. Therefore no explicit adjustment for quantum should be made. In situations where no direct comparison can be made careful consideration should be applied as in the context of modern retailing increased size is not necessarily a factor which should result in a lower level of rental value.

## 6.0 Car Parking

- 6.1 Large shops and department stores are generally located in town/city centres or in covered shopping malls and do not have dedicated parking. Where an individual store does benefit from dedicated parking an addition should be made in line with prevailing levels of value.