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Scottish Assessors Association

Revaluation 2010

Commercial Properties Committee

Practice Note 32
Valuation of Livestock Auction Markets

1.0 Introduction

1.1 This Practice Note deals with the valuation of all types of Livestock Auction Markets

2.0 Basis of Valuation

2.1 The basis of valuation recommended is the Comparative Principle. The available rental evidence has been analysed to a percentage of Gross Commission to arrive at NAV.

3.0 Background

3.1 The 2007 Foot and Mouth outbreak which began in the south of England saw its spread force closure of marts in Scotland over the period August to October 2007.

Livestock numbers through Scottish marts for 2008 were reported to be around 3.5 million and almost on a par for the year end prior to the 2007 FMD outbreak. 2007 numbers were around the 3.1 million mark. Higher prices have meant that in general the turnover per market is now greater than in the recent past.

The best trading marts now tend to be those with good road connections, modern buildings and facilities located on the outskirts of a town with an extensive agricultural hinterland often with diversification into agricultural machinery and other associated sales.

A crucial element to the success of any livestock mart will be achieved by economies of scale and in order to achieve this the operation needs to be of sufficient size with good well laid out buildings, situated on an out of town site but with good access to the road network. This is exemplified by the building of a new mart at Hill of Drip, Stirling.

Older marts may suffer from the disadvantage of high running costs including effluent disposal, maintenance and greater bio security measures. Potentially higher overheads can erode profit margins and where such marts are in areas of low stock numbers the problem may be compounded.

4.0 Valuation

4.1 General

The basis for Revaluation 2010 will remain related to income in terms of gross commission which will vary according to the type of market. Factors such as the degree of local competition and the extent and nature of the catchment area will have a bearing on the valuation.

The rates in the following table should be applied to the gross commissions for the year ending closest to the tone date of 1 April 2008.Care should be taken however to adopt a commission level which, in all the prevailing circumstances, is a fair reflection of a sustainable level of trading.

This will be particularly relevant in considering returns for the period covered by the FMD outbreak in August/October 2007.

The proposed scheme is based on relevant fair maintainable gross commissions capable of being earned through the mart:

TOTAL GROSS COMMISSIONS	PERCENTAGE APPLIED TO WHOLE
Below £250,000	7.5%
£250,000 - £350,000	10%
£350,000 - £500,000	12.5%
£500,000 - £750,000	15%
£750,000 - £1,000,000	17.5%
Above £1,000,000	20%

It is intended that the identified percentages in the table are applied to the vast majority of commissions within the range. Consideration should be given however to increasing the percentage applied at the very upper ends of each commission range to ensure a smooth transition between percentage points.

In addition a maximum 2.5% downwards adjustment may be made for poor layout, inferior buildings, etc and upward adjustment to a maximum of 2.5% to reflect modern or superior buildings or facilities.

Note: In relation to marts with gross commissions in excess of £500,000, it would be expected that the norm would reflect a mart having good facilities and communications. An example where an upward adjustment would be relevant is a very old mart which has been partially improved with, say, a modern state of the art sheep building. Similarly a more modern mart with buildings and facilities below expectation would require a downward adjustment.

Income will exclude:

1) VAT
2) tolls
3) income from non livestock sales sources, which will be separately valued
4) income from buildings or land, which are separately assessed
5) income derived from activities outside the lands and heritages, eg, farm sales, estates agency or electronic auction sales.

4.2 The gross commission percentages of the above scheme refer to livestock sales only. Commissions derived from other sources should be considered as set out below.

Category	**Basis**
Lorry washes Lorry wash areas are a statutory requirement for livestock markets, and if this facility is non profit making it can be reflected in the valuation without a specific addition.	Where there is significant income from other than market users then an addition should be made either as a lump sum related to the value adopted for separately assessed lorry washes, or by reference to 10% gross receipts.
Lorry/car parking	Where income is derived from parking on non market days then an addition should be made by reference to local levels of value for such facilities, but making adjustment for the number of days a week it is in market use. Where there is no local comparison take 25% of gross income.
Car boot sales and market stalls	Where this is not the subject of a separate entry in the Valuation Roll adopt 50% to 20% of gross commission depending on how significant this source of income is in relation to the market as a whole. Where gross commission from this source comprises less than 10% of total income then do not value separately, but include in gross commissions for the market as a whole.

Chattels/antiques auctions sales	Adopt 15% to 20% of gross commission depending on how significant this source of income is in relation to the market as a whole. Where gross commission from this source comprises less than 10% of total income then do not value separately, but include in gross commissions for the market as a whole.
Car auctions	Where there is a dedicated building reference should be made to the value of separately assessed car auction markets but reflecting any lack of specialised facilities for this purpose, otherwise value on the same basis as chattels sales related to gross commissions.
Plant and machinery auction sales	As for chattels/antiques above.
Non livestock sales offices Examples will include estate agency or electronic auctions, kiosks in paramount occupation of the market operator	Value by having regard to the local level of rental for similar offices making allowance for being part of larger lands and heritages.
Cafeteria and restaurant Most markets will have refreshment facilities on site and they may be open on non market days.	Where a lease for the market specifies that an additional sum of rent shall be payable for the restaurant, usually in relation to gross income, an addition in line with this should be made to the valuation. For most markets the facility should be reflected in the valuation with no separate addition unless it generates a good income from meals and licensed sales, including on non market days. In this case a separate addition should be made on the basis of a percentage of gross receipts but having regard also to the level of value for other similar subjects.

	In cases where the café/restaurant is not in the occupation of the market operator because, for example, it is let on a lease to a caterer, then it should be separately assessed in line with similar subjects.
Horse sales	Some markets are now beginning to develop a good market in horse sales and it is recommended that the percentage of gross commission for this income be increased by 2.5% when gross commission from this source comprise more than 10% of total livestock income. Small scale sales below this level should be valued at the appropriate gross commission rate for the market as a whole.
Advertising rights Normally separately assessed unless it is not let out, and comprises an advertising station.	Value similarly to other advertising subjects.
Other miscellaneous income	Value in line with the most appropriate section above.

The terms of occupation of ancillary activities need to be ascertained in order to decide whether a separate unit of assessment is appropriate.