



Revaluation 2010

Commercial Properties Committee

Practice Note 41 Valuation of Offices

1.0 Introduction

This Practice Note applies to the valuation of offices and premises which are, by reason of their situation and physical characteristics, similar to offices.

2.0 Basis of Valuation

Offices are valued by application of the comparative principle using rates per square metre derived from local rental evidence.

3.0 Rental Analysis

Rental analysis is undertaken in accordance with SAA Basic Principles Committee Practice Note 1. Local rental and cost evidence is used to determine rates applied and adjustments to value.

4.0 Measurement

Offices are generally measured on an internal basis in accordance with RICS Code of Measuring Practice Sixth Edition, to give the net usable area.

4.1 The following areas are normally excluded from valuation:

- (a) Area which has headroom of less than 1.5 metres, (measured and stated separately but not included in valuation);
- (b) Entrance halls (other than those used as reception areas);
- (c) Stairs, stairwells and landing areas;
- (d) Plantrooms;
- (e) Toilets – generally not included, however see below;
- (f) Main corridor and passageways serving as access and egress to a floor or a building should generally not be included, however see below.

4.2 The following areas are normally included in the valuation:

- (a) Canteens;

- (b) Kitchens;
- (c) Toilets – Where additional toilet provision has been formed within the let area by the occupier, they should be included in the valuation;
- (d) Main corridors and passageways – Where an occupier chooses to sub-divide the let area, any passages or corridors formed by doing this should be included in the valuation;
- (e) Storage – Where an occupier decides to use part of the let office area for storage, it should be included in the valuation;
- (f) Strongrooms/Safes/Stores – Include in the value but apply reduction factors depending on quality;
- (g) Banking Hall/Showroom – In some office developments ground floors are advertised for let with potential for Banking Hall/Showroom use. It is common, in these cases that an enhancement over the ground floor office rental rate would be sought by the landlord. The rate to be applied should depend on the rental analysis of the subject type. (Refer to relevant Practice Note)

5.0 Valuation

As noted above, the valuation of offices should be undertaken by the application of a rate per square metre applied to the net usable area (or to the reduced floor area, if particular allowances are appropriate).

6.0 Adjustments to Value

In many cases office buildings will be occupied over more than one floor. Floor relationships derived from local rental evidence should be applied to the net usable area on each floor (or part of a floor) to arrive at a reduced floor area. The prime determining factor of the relativities between floors (or parts of floors) is often whether there is the provision of a passenger lift.

6.1 Additions/Deductions to Value

Additions and deductions are based on local rental evidence and would only be applied where rental analysis indicates a material effect on the value of the particular subject when compared to the typical standard for that class of office. The following are a few examples where additions/deductions may be made:

- Heating;
- Air Conditioning/Air Handling;
- Sprinklers;

- CCTV cameras and monitors.

6.2 Car Parking

Where car parking spaces are to be included in an office value an appropriate rate per space should be applied derived from local evidence.

7.0 **Quantum/Inverse Quantum**

An adjustment may be made where an office is larger or smaller than the standard for that class.

Quantum/inverse quantum adjustments should be based on local evidence.