

## **Revaluation 2010**

### **Commercial Properties Committee**

#### **Practice Note 11 Valuation of Private Health Clubs and Fitness Centres**

##### **1.0 Introduction**

- 1.1 This Practice Note deals with the valuation of Private Health Clubs and Fitness Centres many of which are between 1,500m<sup>2</sup> and 3,000m<sup>2</sup> in size and may include a swimming pool, gymnasium, dance/fitness studio, treatment rooms and a bar/restaurant. It should also be used for fitness centres with indoor racquet sports centres, these may exceed 10,000m<sup>2</sup>. In the absence of local evidence this Practice Note may also be used to value smaller scale clubs which have more limited facilities.
- 1.2 During the late 1990s and early 2000s the private health club sector expanded rapidly with many new clubs being opened to satisfy the increasing demand. Since then the market has consolidated with very few new clubs being built and many of the existing clubs being absorbed by the main operators.

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

- 2.1 The subjects to be valued using this Practice Note should be valued on the basis of the Comparative Principle.
- 2.2 Rents should be analysed in terms of SAA Basic Principles Committee Practice Note 1 (Adjustment of Rents).
- 2.3 Subject Type
  - 2.3.1 The majority of subjects tend to be purpose built on stand-alone sites or form part of a retail park location of mixed commercial and leisure use. A number have been formed from conversions of existing buildings e.g. cinemas, car showrooms etc and may also be located above retail subjects.
  - 2.3.2 A typical modern purpose built health club or fitness centre will normally be of steel portal frame construction with cavity brick or equivalent walls, often with extensive use of glazing, and double skin insulated cladding on the roof.

##### 2.3 Measurement

The subjects should be measured to Gross Internal Area (GIA) with all main and ancillary areas taken at 100%.

In exceptional circumstances an allowance from the full rate may be made, e.g. where the subject has an open fronted mezzanine floor and the accommodation is patently inferior and atypical compared to the rest of the

property.

## 2.4 Valuation

2.4.1 Where available, local rental evidence should be analysed on a GIA basis.

2.4.2 In the absence of local evidence the rate to be applied should be made up from the shell rent rate in Table 1 and the fit out rate in Table 2.

## 2.5 Table 1

GROUP	LOCATION	TYPE OF BUILDING	SHELL RENT RATE/M <sup>2</sup>	RACQUET CLUBS SHELL RENT RATE/M <sup>2</sup>
1 (Wet/Dry)	Glasgow and Edinburgh	Purpose Built/Quality Conversion	£100	£90
		Older/Poorer Quality Conversion	£70	£65
2 (Wet/Dry)	Other main Centres	Purpose Built/Quality Conversion	£90	£80
		Older/Poorer Quality Conversion	£70	£65
3 (Wet/Dry)	All other Localities	Purpose Built/Quality Conversions	£80	£70
		Older/Poorer Conversions	£60	£55
4 (Dry Only)	All Localities	Purpose Built/Quality Conversion	£65	N/A
		Older/Poorer Quality Conversion	£50	
5 (Dry Only)	All Localities	Poorest Conversions e.g. former stone built salerooms, upper floors in secondary shopping streets etc.	Up to £40	N/A

2.5.1 These rates are inclusive of car parking, but where this is considered to be inadequate it should be reflected in the rate applied.

2.5.2 In view of the wide range of types, quality and location of fitness clubs it may be necessary to interpolate both up and down between the various groups.

2.6 **Table 2**

GROUP	LOCATION	OVERALL FIT OUT RATE/M <sup>2</sup>
Wet/Dry	All Locations	£30
Dry Only	All Locations	£25
Dry Only Minimal fit	All Locations	£10

2.6.1 The fit out rate may be depreciated in accordance with SAA Basic Principles Committee Practice Note 1 (Paragraph 7.1.2).

2.6.2 Where there is a substantial tennis hall, the rate applied to this area should be taken at 12.5% of the fully fitted rate (shell plus fit out). Multi-use sports halls at racquet centres should be taken at 25% of the fully fitted rate.

2.7 **Quantum**

2.7.1 In this section **main space** should be read as the area of the building **excluding** the racquets and multi-use sports hall.

2.7.2 For larger centres quantum should be applied to the total fitted value of all the buildings based on the floor area of the main space in accordance with the following table which should be interpolated as appropriate.

Main Space	> 4,000m <sup>2</sup>	5,000m <sup>2</sup>	6,000m <sup>2</sup>	7,000m <sup>2</sup>
Quantum	-1% per 100m <sup>2</sup>	-10%	-20%	-30%

2.7.3 Quantum for main space should be capped at 30%. Quantum for racquets and multi-use halls should be capped at 20%.

**3.0 Combined Retail Warehouses and Health Clubs**

3.1 In recent years, a new concept has been developed which comprises a two-storey retail warehouse and fitness centre with a Private Health Club at ground level and retail sales at first floor level.

3.2 Stores are located in Aberdeen, Coatbridge, Dundee, Inverness and Glasgow. This Practice Note may be used to value the health club element of these subjects.

- 3.3 If the health club is situated at ground level it should be valued at 100% of the fully fitted health club rate with the retail element at first floor level valued having regard to the local retail warehouse rate. An end allowance to reflect the hybrid nature of the subject may be appropriate.

#### **4.0 Treatment of Outdoor Facilities**

- 4.1 Subjects within this Practice Note may also have outdoor facilities such as 5-a-side pitches, tennis courts etc and these should be valued by reference to SAA Miscellaneous Committee Practice Note 9 (Sports Grounds).

#### **5.0 End Allowances**

- 5.1 Where a subject is located over shops etc, and there is no lift, an end allowance of up to 10% may be made.
- 5.2 Additional end allowances may be appropriate in individual cases for specific and unusual characteristics or disabilities.

#### **6.0 Plant and Machinery Order**

Any plant found in these subjects should be dealt with in terms of the Valuation for Rating (Plant and Machinery) (Scotland) Regulations, 2000 (as amended).