

## **Revaluation 2010**

### **Commercial Properties Committee**

#### **Practice Note 6 Valuation of Retail Warehouses**

##### **1.0 Introduction**

1.1 This practice note applies to Retail Warehouses up to 8,000 m<sup>2</sup> of the following types:

- Purpose built units within a retail/leisure park.
- Purpose built units in a stand alone, edge of town centre location.
- Buildings which have been converted from another use to a Retail Warehouse and are located within a retail/leisure park, industrial/trading estate, edge of town or stand alone.

1.2 This report may also be of assistance when valuing:

- Retail / Wholesale buying clubs where the planning consent permits retail purchases by the general public although the occupier charges a membership fee.

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

2.1 Retail Warehouses are valued on the Comparative Principle using rates per m<sup>2</sup> derived from local rental evidence. Rents should be analysed in accordance with SAA Basic Principles Committee Practice Note 1 (Adjustment of Rents).

##### **3.0 Survey And Measurement**

3.1 Retail Warehouses should be measured to Gross Internal Area, as defined by the RICS Code of Measuring Practice. Survey and measurement should take separate account of items such as upper floors, mezzanines, greenhouses, canopied areas and open sales land. Where the unit is of a stand alone nature, the amount of car parking should be noted.

##### **4.0 Basic Specification**

4.1 The specification of the standard purpose built unit let as a shell unit is as follows:

Screeded concrete floor slab.  
 Bare concrete block or profile sheeted walls.  
 Roof structure unfinished internally.  
 Capped 415v electrical supply.  
 Capped water and drainage facility.

The basic unit is usually in the order of 950 m<sup>2</sup>, but most modern parks have a range of unit sizes. Commonly there is a double sized unit around 1,800 – 1,900 m<sup>2</sup> plus one or two in the 2,500 – 3,500 m<sup>2</sup> range.

## 5.0 Valuation Considerations

### 5.1 Ancillary Areas

5.1.1 In the absence of local rental evidence to the contrary, the following reduction factors should be applied to ancillary areas of modern purpose built retail warehouses.

Entrance Porch/Vestibule	100%
Mezzanine/1 <sup>st</sup> Sales (Public Lift/Escalator)	15%
Mezzanine/1 <sup>st</sup> Sales (Stair Access Only)	12.5%
Mezzanine/1 <sup>st</sup> Non Sales (Lift/Conveyor Access)	10%
Mezzanine Non Sales (Stair Access Only)	7.5%
Inferior Rack Supported Mezzanine Storage Areas	5% ( Max - £15/m <sup>2</sup> )
Glasshouse	20%
Canopied Sales	15%
Open Sales Land	5%

Where ancillary floors exist in older, converted buildings, the appropriate reduction factor will be at the valuer's discretion.

5.1.2 It should be noted that for mezzanines and 1<sup>st</sup> floors, the reduction factor of 12½% or 15% is effectively an "extra over" and no allowance should be made to the ground floor for lack of height.

### 5.2 Tenant's Fit Out

5.2.1 If the rents analysed are for shell units, the following additions to the basic rate should be applied dependent on the degree of fit out as stated:

#### Basic Fit Out

Glazed frontage.  
 High bay warehouse lighting.  
 Blower style heating system.

#### Mid Range Fit Out

As basic fit out but with floor covering and part lined walls.

#### Full Fit Out

Glazed frontage.  
 Floor covering.  
 Lined walls.

Suspended ceiling.  
Recessed Fluorescent/Low level spots/Halogen lighting.  
Effective heating system hot air, radiant panel or equivalent.

The following rates per m<sup>2</sup> should be added to the shell warehouse rate.

Basic Fit Out	£8
Mid Range Fit Out	£11
Full Fit Out	£14

#### 5.2.2 Other Additions

Air Conditioning (not included in basic rent rate)      £5/ m<sup>2</sup>  
Sprinklers (not included in basic rent rate)      £3/ m<sup>2</sup>

5.2.3 The above additions may be depreciated in accordance with SAA Basic Principles Committee Practice Note 1 (Adjustment of Rents). Depreciation is only applicable to fittings which are in excess of 5 years old and may be calculated on a straight line basis from years 6 -25.

#### 5.2.4 Other Adjustments

Where heating is not present a deduction of £2.50 / m<sup>2</sup>. should be applied to the Fit Out addition.

### 6.0 Car Spaces

6.1 Modern purpose-built retail parks are served by adequate common car parking facilities and these facilities will be reflected in the rents passing. Under these circumstances, no addition to value should be made for parking and no separate entry should be made.

### 7.0 Quantum

7.1 An allowance under this heading may be granted when supported by local evidence.

### 8.0 Plant And Machinery

8.1 Any plant in these subjects which is rateable in terms of the Valuation for Rating (Plant & Machinery) (Scotland) Regulations 2000 as amended, should be valued by reference to the relevant cost guide.