

Revaluation 2017

Commercial Committee

Practice Note 6 Valuation of Depot Warehouses

1.0 Introduction

- 1.1 The practice note applies to Depot Warehouses, which are large retail warehouses ranging in size from 8,000 m² to 15,000 m². These subjects may be situated either adjacent to a retail park or in a stand-alone situation catering for a relatively large catchment area. Due to their size and characteristics, Depot Warehouses have a distinctly different market value to that of retail warehouses and should be valued by reference to the level of rents prevailing for this type of subject and not by comparison with standard retail warehouses.
- 1.2 Subjects in excess of 15,000 m², operating as large regional destination retail warehouses are not covered by this Practice Note and should be valued in line with comparable subjects of a similar character.

2.0 Basis of Valuation

- 2.1 Depot Warehouses are valued on the Comparative Principle using rates per square metre derived from the rentals of units of a similar size, character and location. Where local evidence is not available, comparison should be made with depot warehouses in other areas. Rental analysis, including additions for fitting out, should be carried out in accordance with SAA Basic Principles Committee Practice Note 1 (Adjustment of Rents).

3.0 Survey and Measurement

- 3.1 Depot Warehouses should be measured to Gross Internal Area, as defined by the RICS Code of Measuring Practice Sixth Edition. 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 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 unit will comprise almost entirely of a ground floor with minimal 1st floor additional accommodation, normally used for office and staff accommodation.

5.0 Rental Analysis : Addition for Fitting Out

- 5.1 The preferred approach to rental analysis is to rely on evidence which reflects the presence of features such as fitting out, air conditioning and sprinklers. Where the rental rate includes these features there will be no need for further adjustment.

In situations where the rental agreement reflects shell condition it will be necessary to make an addition to reflect the rateable fitting out. Where actual costs are known an adjustment should be made to the basic rent to reflect fitting out or, in the absence of local evidence, the following addition should be applied:

Fit Out	Glazed frontage High bay warehouse lighting Blower style heating system	Fitting Out Addition £5/m ²
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For the purposes of rental analysis, a fit out addition may be depreciated on a straight line basis over the period of time considered to be appropriate. The depreciation percentage should be based on the age of the fitting out or notional age of the fitting out if the property has been re-fitted or partially refitted, at the date of the rent. Any depreciation applied if the recommended rates outlined above are adopted, should be depreciated at 4% per annum over 25 years.

6.0 Valuation Considerations

- 6.1 Additional Areas

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

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

- 6.2 It should be noted that in respect of mezzanines and 1st floors, the reduction factor listed above are effectively an “extra over” and no allowance should be

made to the ground floor for lack of height.

6.3 No additions or deductions should be made in respect of fitting out where the rental rate reflects a certain standard of fitting out. However, where a unit is considered to be significantly superior or inferior to that norm, an appropriate adjustment may be made.

6.4 Other Adjustments

In the absence of rental evidence or where rental rates do not reflect air conditioning, sprinklers or heating, the following rental adjustments apply:

Air Conditioning (not included in basic rent rate)	Add £5/ m ²
Sprinklers (not included in basic rent rate)	Add £3/ m ²
No heating	Deduct £2.50/ m ²

7.0 Car Spaces

7.1 Depot Warehouses will normally be served by adequate car parking, whether entirely dedicated or as a common part of a retail warehouse park and these facilities may be wholly reflected in the rents passing. Under these circumstances, no addition to value should be made for parking and no separate entry should be made. However, care should be taken to identify car parks for which parking charges are made or where there is significant use by other users (such as local offices) in which case, a separate entry in the valuation roll may be appropriate.

7.0 Plant and Machinery

7.1 Rateable items of plant and machinery not already reflected in the rental rates should be dealt with in terms of the Valuation for Rating (Plant & Machinery) (Scotland) Regulations 2000 as amended and valued with reference to the Rating Cost Guide.