

Revaluation 2017

Commercial Committee

Practice Note 2 Valuation of Supermarkets

1.0 Introduction

- 1.1 This Practice Note provides guidance on the valuation of supermarkets. Traditionally supermarkets were almost wholly food-orientated operations, however, frequently the range of goods on offer will now include non food items such as clothing, footwear, electrical goods etc. Supermarkets fall into the following categories:
- 1.2 Superstores sell the largest range of products and will have extensive parking. A petrol filling station is often present and other concessions may exist including cafés, dentists and opticians etc. Such stores are expected to be larger than 10,000 square metres and will normally comprise ground floor sales space. Additional sales space may have been constructed at mezzanine level typically used to retail non-food products such as clothing and electrical goods.
- 1.3 Middle sized supermarkets will generally focus on food items together with other seasonal goods. Smaller ranges of non food items will be held including clothing, electrical goods and other domestic items etc. Such stores are expected to range in size from 4,000 - 10,000 square metres. Car parking is normally present and a petrol filling station may exist.
- 1.4 Smaller supermarkets will generally focus on food items including fresh produce and have an area in excess of 1,000 square metres depending on location. Properties may be purpose built or converted and car parking may be present on site.
- 1.5 Convenience Store supermarkets retail a limited range of everyday food products including fresh produce and may contain other facilities such as bakeries. Properties typically range in size from 250 to 1,000 square metres and may be purpose built or converted. It should be noted that properties which have been converted may require structural alterations including reinforcement of the sales floor to support the chiller and freezer display cabinets, internal structural walls removed or altered to create an open plan layout and ancillary storage areas created (hoist facilities may be present where storage is on a different level) for chill and freezer storage units. Rear loading facilities may be present. Car parking may be present on site.

2.0 Basis of Valuation

- 2.1 Supermarkets are valued by application of the Comparative Principle using rates per square metre derived from rentals of units of a similar size, character and location. Rents should be analysed in accordance with SAA Basic Principles Committee Practice Note 1 (Adjustment of Rents) to reflect a fully fitted out supermarket.

3.0 Method of Measurement

- 3.1 Supermarkets should be measured to gross internal area, as defined by RICS Code of Measuring Practice 6th Edition. Survey and measurement should take separate account of items such as upper floors, mezzanines, loading bays or ancillary buildings such as those used for collection.

4.0 Loading Bays & Canopies, etc.

- 4.1 The following reduction factors should be applied to loading bays and storage areas that form part of, or are attached to, the main building but have one or more open sides:

Description	RF
One open side	0.75
Two open sides	0.50
Three open sides	0.25
Free standing canopy (no sides) used for loading/ storage	0.20

- 4.2 Valuer's discretion may be exercised when considering enclosed loading bays, storage areas and plant rooms which form separate buildings that are clearly of inferior construction. However, in these circumstances the reduction factor applied should not normally be less than 0.5.
- 4.3 External canopied walkways, bin stores and trolley stores etc. at the front of the supermarket are deemed to be included in the basic rate applied.

5.0 Ancillary Floors

- 5.1 The reduction factors in the following table should be applied to relevant accommodation excluding sales mezzanines which are greater than 1,000m²:

Description	RF
Accommodation up to 10% of the ground floor area	1.0
Sales accommodation in excess of 10% of ground floor area	0.75
Storage/ ancillary accommodation in excess of 10% of the ground floor area	0.5

- 5.2 Where accommodation is located at second floor or above and, in the absence of local evidence, additional allowances of up to 25% may be granted to that area.

- 5.3 5.3 In some instances occupiers may have installed large (greater than 1,000m²) sales mezzanines which are ancillary to the principal sales floor. Frequently these sales mezzanines will be accessed by an escalator or travelator and will also have lift access. They will be finished to a similar quality to that of the ground floor sales accommodation, save that head height above and below the mezzanine will be reduced. In the absence of rental information the allowances in the above table will not apply and these mezzanines should be valued at an extra over rate.
- 5.4 Mezzanine sales floors which have separate external public access are not covered by 5.3 above and should be considered on their own merits.

6.0 Free-standing Ancillary Buildings

- 6.1 Free standing buildings such as on-line click and collect pods or other similar accommodation should be valued at a RF of 1.0. Canopies present at that accommodation are deemed included in the basic rate applied.

7.0 Adjustments to Value

- 7.1 Where adjustments to value are required to reflect features not already reflected in the basic rate these should, where possible, be based on rental evidence. Examples include significant layout problems from pillars or layout issues associated with a property being constructed on stilts above a car park. Adjustments should not normally exceed + or - 5%.

8.0 Car Parking

- 8.1 Car parking is deemed to be included in the basic rate applied to the supermarket and no allowance should be applied where the car park is shared. However, care should be taken to identify car parks where parking charges are made or where there is significant use by other users. In such situations a separate entry in the Valuation Roll may be appropriate.

9.0 Petrol Filling Stations

- 9.1 Petrol filling stations should be valued in accordance with SAA Industrial Properties Committee Practice Note 12 (Valuation of Petrol Filling Stations). In certain circumstances it may be appropriate to add the filling station to the supermarket valuation.

10.0 Treatment of Concessions

- 10.1 Some supermarkets and superstores have a number of kiosks or concessions situated within the store. Where these are considered to be in separate rateable occupation a separate entry should be created in the Valuation Roll. Clearly in these circumstances it will be necessary to exclude the physical area of the concession from the supermarket valuation.

- 10.2 Where any part within the site of the supermarket is occupied by an operator other than that of the supermarket (e.g. for car washing, car sales or fitting tyres etc.), it will be necessary to consider whether a separate entry should be made in the Valuation Roll for that subject.

11.0 Plant and Machinery

- 11.1 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.