

Revaluation 2023

Industrial Properties Committee

Practice Note 14 Valuation of Motorway Service Areas

1.0 Introduction

- 1.1 This Practice Note applies to the valuation of all motorway service areas and petrol stations in separate occupation on motorway service areas.
- 1.2 The content of this Practice Note results from discussions with the Valuation Office Agency and the Scottish Assessors' Association.

2.0 Basis of Valuation

- 2.1 This category of subject should be valued by application of the Comparative Principle.
- 2.2 Commonly, subjects of this nature will include:
 - 1. Petrol Sales Forecourt
 - 2. Bunkered Fuel
 - 3. Low Margin Fuel Cards
 - 4. Forecourt Shop
 - 5. Car Wash
 - 6. Amenity Block
 - 7. Lodge Income

3.0 Valuation Considerations

3.1 Petrol Sales Forecourt

3.1.1 The forecourt value will include the value of:-

- i) The developed forecourt, (excluding non-rateable plant items).
- ii) Canopies.
- iii) Rateable tanks.

- 3.1.2 The value of the petrol sales forecourt will be determined in accordance with a nationally applied scale relating rental value to the hypothetical achievable throughput of motor fuel. For this purpose, it is proposed that all grades of fuel are aggregated without adjustment for different types and grades of fuel.
- 3.1.3 The hypothetical achievable throughput is the volume of fuel (excluding any bunkered fuel and fuel sold through low margin fuel cards) a reasonably competent operator would expect the site to achieve, pursuing pricing policies seeking to maximise profitability.
- 3.1.4 The hypothetical achievable throughput will be based on the level of throughput achieved in the years leading up to and including 2021 with the most relevant being the actual throughput achieved in 2021.

The scale at Appendix 1 shows the £/1000 to be applied, which varies according to both the total adjusted hypothetical achievable throughput and the unleaded (UL) price per litre implicit in the throughput adopted. This scale has been developed from an analysis of rental evidence, which includes an adjustment for price.

In determining the adjustment for pricing, average calendar year UL prices, have been supplied (for most sites) by Catalist, the leading supplier of trade information in relation to the UK retail fuel market.

As stated above, it is the volume achieved in 2021 and the UL price against which the volume was achieved which will be the primary drivers of forecourt value.

3.2 **Bunkered Fuel**

- 3.2.1 Bunkered fuel is fuel, which is stored and dispensed by a forecourt operator, generally on behalf of another company, for which the forecourt operator receives a handling charge
- 3.2.2 The bunkered fuel throughput should be excluded from the hypothetical achievable retail fuel throughput above and should be valued at a rate of £1.40 per 1000 litres.

3.3 **Low Margin Fuel Cards**

- 3.3.1 Fuel throughput generated by using low margin fuel cards/agency sales should be excluded from the hypothetical achievable retail throughput and valued in accordance with the scale set out in Appendix 2.

3.4 **Forecourt Shop**

- 3.4.1 Forecourt shops together with their ancillary offices and stores will be valued by reference to the fair maintainable shop turnover.

3.4.2 The hypothetical achievable shop turnover to be adopted is that which a reasonably competent operator would expect the site to achieve from shop sales, excluding VAT and income from fuel and car/jet wash transactions.

Determination of the hypothetical achievable shop turnover should be based on actual turnovers achieved in the years leading up to and including 2021 with the most relevant being the 2021 turnover.

The valuation of the forecourt shop should be determined by reference to the following table :-

Turnover	% adopted
up to £1m	9.0%
£1 - 2 m	9.5%
over £2m	10.0%

3.4.3 The value of the following items will be reflected in the values applied to the forecourt and shop and will not be the subject of any addition:-

- 3.4.4 i) Toilets and related facilities.
- ii) Meter cupboard.
- iii) Normal parking, including customer spaces, sufficient for the purposes of the petrol forecourt and shop

3.5 **Rollover Car / Jet Washes**

3.5.1 Like forecourt shops, the valuation is based on the level of turnover generated by the car / jet washes and the practice adopted by the actual occupier should be taken as indicative of that which would be pursued by the hypothetical tenant, in seeking to maximise overall profitability from the site.

3.5.2 Determination of the hypothetical achievable car/jet wash turnover should be based on actual turnovers achieved in the years leading up to and including 2021, with the most relevant being the 2021 turnover.

3.5.3 The valuation of Car / Jet Washes should be taken at 20% of the adopted turnover to NAV.

3.6 **Amenity Income**

3.6.1 Most motorway service areas will have an amenity block which may comprise various catering operations (e.g. fast food outlets, coffee shop, restaurant etc); retail outlets; amusements etc.

Each income stream (excluding Vat) should be valued at the percentages contained in Appendix 3.

3.7 **Lodge Income**

3.7.1 Lodge income should be valued in line with Appendix 1 of Commercial Properties Committee Practice Note 20 – Valuation of Hotels and Accommodation Subjects.

4.0 **“Let Outs”**

4.1 It may be the case that certain areas of the motorway service area are in separate rateable occupation of another operator, some examples of this are units occupied by betting offices or mobile phone retailers.

4.2 In such circumstances it would be appropriate to make separate entries for subjects in the valuation roll, based on local evidence.

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Appendix 1: Valuation Scale to be applied to Hypothetical Achievable Retail Throughput

Throughput – Price per £/1000 Litres
Unleaded price per Litre

Total Adjusted Throughput in Million Litres	Unleaded Price Per Litre (£)										
	142	143	144	145	146	147	148	149	150	151	152
2.50	24.00	25.80	27.60	29.40	31.20	33.00	34.80	36.60 36.60	38.40	40.20	42.00
4.00	24.34	26.17	27.99	29.82	31.65	33.47	35.30	37.12	38.95	40.77	42.60
10.00	25.71	27.64	29.57	31.50	33.43	35.36	37.29	39.21	41.14	43.07	45.00
15.00	26.86	28.87	30.89	32.90	34.91	36.93	38.94	40.96	42.97	44.99	47.00
20.00	28.00	30.10	32.20	34.30	36.40	38.50	40.60	42.70	44.80	46.90	49.00

Interpolate as appropriate

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Appendix 2: Valuation of Petrol volume generated from Low Margin Fuel Cards (LMFC) and Agency Sales

The valuation scale to be applied to throughput is set out below:–

To determine the rate £/1000 litres, the total adjusted throughput should be adopted

Fuel from Low Margin Fuel Cards and Agency Sales	
Total Adjusted Throughput in Million Litres	£ per 1000 litres
Up to 2.5 m	3.75
4	3.80
5	3.84
6	3.88
7	3.91
8	3.95
9	3.98
10	4.02
11	4.05
12	4.09
13	4.12
14	4.16
15	4.20
16	4.23
17	4.27
18	4.30
19	4.34
20 & above	4.37
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Interpolate as appropriate

These rates may vary dependant on the proportion of LMFC/Agency sales within the Total Adjusted Throughput.

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Appendix 3: Valuation of Amenity Block

		Catering	Retail	Food Store	Gaming	Other
Total Gross Turnover from all sources excluding petrol and forecourt sales	up to £2 m	8%	5.5%	4.00%	12.5%	12.5%
	£2 – 4 m	8.5%	6%	4.50%	15%	15%
	£4 – 5.9 m	9%	6.5%	5%	17.5%	17.5%
	£5.9 – 7.9 m	9.5%	7%	5.5%	20%	20%
	£7.9 – 9.9 m	10%	7.5%	6.00%	22.5%	22.50%
	£9.9 – 11.8 m	10.5%	8%	6%	25%	25%
	£11.8 – 13.9 m	11%	8.5%	6.5%	27.50%	25%
	£13.9 – 16.5 m	11.5%	9%	6.75%	30%	25%
	over £16.5 m	12%	9.5%	7%	30%	25%