

Revaluation 2023

Industrial Properties Committee

Practice Note 12 Valuation of Petrol Filling Stations

1.0 Introduction

- 1.1 This Practice Note applies to the valuation of Petrol Filling Stations (PFS), which are stand-alone sites or those assessed with supermarkets/hypermarkets.

Petrol Filling Stations forming part of Motorway Service Areas should be valued in accordance with SAA Industrial Properties Committee, Practice Note 14 – Valuation of Motorway Service Areas.

- 1.2 The content of this Practice Note results from discussions between the Valuation Office Agency, The Scottish Assessors' Association, and the PFS industry. Industry representatives included those acting for the Petrol Retailers Association (PRA), UK Petroleum Industry Association (UKPIA), Car Wash Association Superstores & Oil Companies.

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. Forecourt Shop
4. Car Wash (where applicable)
5. Non-Forecourt Buildings (e.g. workshops, showrooms etc.)

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 items of plant).

- ii) Canopies, where they exist, as the throughput achieved at a site will reflect the presence, or otherwise of a canopy. No adjustment is therefore required where the site does not have a canopy.
 - 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 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 retail throughput is the volume of fuel (excluding any bunkered fuel and fuel sold through low margin fuel cards) a reasonable competent operator would expect the site to achieve whilst pursuing pricing policies which seek 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 the 2021 calendar year. Exceptionally, where the reliability of the 2021 figure is doubted, the valuer should use the data available to them to arrive at a hypothetically achievable throughput for the year 2021.
- 3.1.5 The hypothetical achievable retail throughput arrived at should be valued in accordance with the valuation scale, shown at Appendix 1, where adjustment for price is built in.
- 3.1.6 The scale of Appendix 1 shows the £/1000 litres to be applied, the scale 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.
- 3.1.7 In determining the adjustment for pricing, average calendar year UL prices, have been supplied (for most sites) by Experian Catalist, the leading supplier of trade information in relation to the UK retail fuel market. Use of this pricing information has been accepted by the parties to the central discussions as reliable.
- 3.1.8 As stated above, it is the volume hypothetically achievable in 2021 and the UL price at which that 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 throughput above. It should be valued at £1.40 per 1,000 litres.

3.3 **Low Margin Fuel Card**

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 to this Practice Note.

3.4 **Forecourt Shop**

3.4.1 Forecourt shops together with their ancillary offices and stores will be valued by reference to the hypothetical achievable 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. The turnover should also exclude Income from fuel, car/jet wash transactions and monies received from National Lottery Sales and Paypoint/Payzone facilities (reflecting the relatively low commission received, compared with the average level of gross profitability achieved on general forecourt shop sales).

3.4.3 Determination of the hypothetical achievable shop turnover should be based on actual turnovers achieved in the years leading up to 2021 with the most relevant being the 2021 calendar year. Exceptionally, where the reliability of the 2021 figure is doubted, the valuer should use the data available to them to arrive at a hypothetically achievable turnover for the year 2021.

3.4.4 The valuation of the forecourt shop should be determined by reference to the table set out in Appendix 3 to this Practice Note. It is intended to apply to the vast majority of forecourt shops, and as the basis of value is turnover, the scheme will be able to readily accommodate not only those sites where the custom is primarily motorist generated, but also the increasing number of sites trading as a destination shopping venue or convenience store.

3.4.5 In situations where the shop turnover generated is higher than expected from a site achieving a certain level of throughput, an adjustment has been incorporated into the valuation table shown in Appendix 3 to this Practice Note to reflect the fact that the shop turnover is abnormal for that fuel throughput level.

3.4.6 Monies received from National Lottery Sales and Paypoint/Payzone facilities should be valued separately, in accordance with percentages detailed within Appendix 3 to this Practice Note.

- 3.4.7 Kiosks used solely for receiving money for petrol sales will be reflected in the forecourt value.
- 3.4.8 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:-
- i) Toilets and related facilities.
 - ii) Meter cupboard.
 - iii) Normal parking, including customer spaces, sufficient for the purposes of the petrol forecourt and shop (but not car sales spaces).

3.5 Rollover Car/Jet Washes

- 3.5.1 Like forecourt shops, the valuation is based on the level of turnover generated by the Rollover Car and 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, taking due account of competition in the locality.
- 3.5.2 Determination of the hypothetical achievable rollover and car jet wash turnover levels should be based on actual turnovers achieved in the years leading up to and including 2021, with the most relevant being the 2021 turnover. Exceptionally, where the reliability of the 2021 figure is doubted, the valuer should use the data available to them to arrive at a hypothetically achievable turnover for the year 2021.
- 3.5.3 The valuation of Rollover Car Washes should be determined by reference to the table set out in Appendix 4 to this Practice Note. Where the turnover generated is from more than one rollover car wash, a 10% reduction should be applied to the car wash value.
- 3.5.4 The valuation of a Jet Wash/Washes should be determined by applying 17.50% to the turnover generated by the Jet Wash/Washes. There should be no reduction for multiple Jet Washes.

3.6 Miscellaneous - Other Income

- 3.6.1 The valuation of income from other sources such as Vacuum, Air, Laundrette should be determined by applying 20% to the turnover generated from these other income streams.

3.7 Non-Forecourt Buildings (e.g. workshops, showrooms etc.)

- 3.7.1 Non-forecourt buildings other than the shop, such as workshops and showrooms, are to be valued on the basis of local comparable evidence.

4.0 Total Value

- 4.1 The valuer should ensure that the value of any item as stated in 2.2 above that exist at the subject are included, along with any other heritable items which are not generally found at a subject of this type, and therefore would not already be reflected in the rates used.

DRAFT

2023 Revaluation

Practice Note 13 - Valuation of Petrol Filling Stations

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 (Inc HART plus weighted LMFC)	Unleaded Price Per Litre (p)																	
	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145+
Up to 0.25	2.70	2.70	2.70	2.98	3.62	4.27	4.91	5.16	5.42	5.67	5.92	6.17	6.42	6.67	6.93	7.18	7.18	7.18
0.5	2.71	2.71	2.71	2.99	3.63	4.28	4.93	5.18	5.43	5.69	5.94	6.19	6.45	6.70	6.95	7.21	7.21	7.21
1	2.72	2.72	2.72	3.00	3.66	4.31	4.96	5.22	5.47	5.73	5.98	6.24	6.49	6.75	7.00	7.26	7.26	7.26
1.25	2.72	2.72	2.72	3.01	3.67	4.32	4.98	5.23	5.49	5.75	6.00	6.26	6.52	6.77	7.03	7.29	7.29	7.29
1.5	2.98	2.98	2.98	3.29	4.01	4.73	5.45	5.73	6.01	6.29	6.57	6.85	7.14	7.42	7.70	7.98	7.98	7.98
2	3.24	3.24	3.24	3.59	4.37	5.16	5.94	6.25	6.56	6.86	7.17	7.48	7.79	8.09	8.40	8.71	8.71	8.71
3	3.26	3.26	3.26	3.63	4.42	5.22	6.02	6.33	6.65	6.96	7.27	7.59	7.90	8.21	8.53	8.84	8.84	8.84
4	3.98	3.98	3.98	4.44	5.42	6.41	7.39	7.77	8.16	8.55	8.93	9.32	9.71	10.09	10.48	10.87	10.87	10.87
5	4.46	4.46	4.46	4.99	6.10	7.20	8.31	8.75	9.19	9.63	10.06	10.50	10.94	11.38	11.81	12.25	12.25	12.25
7	5.86	5.86	5.86	6.57	7.90	9.23	10.56	11.15	11.74	12.33	12.92	13.51	14.11	14.70	15.29	15.88	15.88	15.88
8	6.17	6.17	6.17	6.85	8.13	9.42	10.71	11.69	12.67	13.65	14.63	15.61	16.59	17.57	18.55	19.53	19.53	19.53
10	7.26	7.26	7.26	7.70	8.87	10.05	11.22	13.81	16.40	18.99	21.58	24.18	26.77	29.36	31.95	34.54	34.54	34.54
11	7.43	7.43	7.43	7.88	9.08	10.29	11.50	14.15	16.79	19.44	22.09	24.74	27.38	30.03	32.68	35.33	35.33	35.33
13	7.43	7.43	7.43	7.88	9.10	10.32	11.54	14.19	16.83	19.47	22.11	24.76	27.40	30.04	32.68	35.33	35.33	35.33
14	7.59	7.59	7.59	8.05	9.31	10.56	11.82	14.52	17.22	19.92	22.62	25.32	28.01	30.71	33.41	36.11	36.11	36.11
18	8.25	8.25	8.25	8.75	10.15	11.55	12.95	15.87	18.79	21.72	24.64	27.56	30.48	33.41	36.33	39.25	39.25	39.25
19	8.58	8.58	8.58	9.10	10.56	12.03	13.49	16.53	19.57	22.60	25.64	28.68	31.71	34.75	37.78	40.82	40.82	40.82
20+	8.91	8.91	8.91	9.45	10.98	12.51	14.04	17.19	20.34	23.49	26.64	29.79	32.94	36.09	39.24	42.39	42.39	42.39

The table shows indicative £/1000 litres to be applied to the retail throughput which varies according to the total of the hypothetical achievable retail throughput (HART), plus the weighted Low Margin Fuel Card (LMFC) throughput and the unleaded price per litre in the retail throughput adopted.

The scale varies according to both total adjusted hypothetical achievable retail throughput and unleaded price per litre.

The adopted retail throughput should be valued in accordance with the above scale, which is shown for example purposes only, to two decimal places.

When interpolating the above figures to determine the correct rate/1000 litres, the conversion to rent factor may require to be interpolated.

In determining the price implicit in the hypothetical achievable volume adopted regard should be had in the first instance to the 2021 UL price as supplied by Catalist. Exceptionally where the reliability of the 2021 figure is doubted, 19 and 20 UL price figures should be considered in relation to competition in the locality, to assist in determining whether the site is high or low priced and the quantum thereof.

Where no Catalist fuel price data is available for a particular site, the price adopted should be based upon comparison with sites in the locality, where price data is known, suitably adjusted as necessary.

2023 Revaluation

Practice Note 13 - Valuation of Petrol Filling Stations

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 1m	1.38
2	1.63
3	1.63
4	1.97
5	2.19
6	2.41
7	2.63
8	2.63
9	2.69
10	2.75
11	2.81
12	2.81
13	2.81
14	2.88
15	2.94
16	3.00
17	3.06
18	3.13
19	3.25
20 & above	3.38

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

2023 Revaluation

Practice Note 13 - Valuation of Petrol Filling Stations

Appendix 3: Valuation of Shops at Petrol Filling Stations

Shop Turnover	1m litres	2m litres	3m litres	4m litres	5m litres and over
£10,000	£150	£155	£160	£180	£200
£25,000	£375	£388	£400	£450	£500
£50,000	£750	£775	£800	£900	£1,000
£75,000	£1,125	£1,163	£1,200	£1,350	£1,500
£100,000	£1,500	£1,550	£1,600	£1,800	£2,000
£150,000	£2,475	£2,558	£2,640	£2,970	£3,300
£200,000	£3,600	£3,720	£3,840	£4,320	£4,800
£250,000	£4,875	£5,038	£5,200	£5,850	£6,500
£300,000	£6,300	£6,510	£6,720	£7,560	£8,400
£350,000	£7,875	£8,138	£8,400	£9,450	£10,500
£400,000	£9,600	£9,920	£10,240	£11,520	£12,800
£450,000	£11,475	£11,858	£12,240	£13,770	£15,300
£500,000	£13,500	£13,950	£14,400	£16,200	£18,000
£550,000	£15,675	£16,198	£16,720	£18,810	£20,900
£600,000	£18,000	£18,600	£19,200	£21,600	£24,000
£1,000,000	£37,500	£38,750	£40,000	£45,000	£50,000
£1,250,000	£49,219	£50,859	£52,500	£59,063	£65,625
£1,625,000	£65,329	£67,506	£69,684	£78,394	£87,105
£2,000,000	£82,059	£84,794	£87,529	£98,471	£109,412
£2,100,000	£86,625	£89,513	£92,400	£103,950	£115,500

This table shows indicative Net Annual Values to be applied at turnover and throughput thresholds.

Interpolation varies according to the turnover **and** throughput adopted.
The total Net Annual Value of the shop element should not exceed £115,500.

Shop turnovers should not include monies received from National Lottery sales and Paypoint/Payzone facilities which are valued separately.

National Lottery Sales and Paypoint/Payzone Turnovers

Due to relative low commission received, compared with the average level of gross profitability achieved on general forecourt shop sales, National Lottery Sales turnover should be valued at 1% to Net Annual Value.

Paypoint/Payzone turnover should be valued at 0.25% to Net Annual Value.

2023 Revaluation

Practice Note 13 - Valuation of Petrol Filling Stations

Appendix 4: Valuation of Roll-Over Car Wash Facilities at Petrol Filling Stations

Roll Over Car Wash		
Turnover £	%Age to NAV	RV £
£1,000	10.00%	£100
£2,500	10.00%	£250
£5,000	10.00%	£500
£7,500	10.00%	£750
£10,000	10.00%	£1,000
£15,000	10.00%	£1,500
£20,000	10.00%	£2,000
£21,000	11.00%	£2,310
£22,000	12.00%	£2,640
£23,000	13.00%	£2,990
£24,000	14.00%	£3,360
£25,000	15.00%	£3,750
£28,000	15.50%	£4,340
£31,000	16.00%	£4,960
£34,000	16.50%	£5,610
£37,000	17.00%	£6,290
£40,000	17.50%	£7,000
£50,000	17.50%	£8,750
£70,000	17.50%	£12,250
£80,000	17.50%	£14,000
£90,000	17.50%	£15,750
£100,000	17.50%	£17,500
£125,000	17.50%	£21,875
£150,000	17.50%	£26,250

Rateable value should be interpolated between turnover thresholds.

NOTE:

When the turnover is generated from more than one Rollover Carwash, a 10% reduction should be applied to the car wash value.