

Revaluation 2023

Commercial Properties Committee

Practice Note 5 Valuation of Retail Warehouses

1.0 Introduction

- 1.1 The practice note applies to Retail Warehouses up to 8,000 m² 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.
- 1.3 Retail /leisure parks can now have occupiers not traditionally seen in these locations. Examples of this can include supermarkets, gyms and cafes. Consideration should be given to the actual use to which the property is put, character of the property, and rental evidence for each property to determine the correct approach to valuation.

2.0 Basis of Valuation

- 2.1 Retail Warehouses are valued on the Comparative Principle using rates per square metre derived from local rental evidence. 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 Retail 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 basic unit is usually in the order of 950 m², but most modern parks have a range of unit sizes.

5.0 Rental Analysis: adjustment to reflect fitted unit

5.1 The preferred approach to rental analysis is to rely on evidence which reflects the unit, inclusive of all heritable items as at the point of valuation. This can include, but is not limited to fitting out, air conditioning and sprinklers. Where the rental rate includes all heritable items, no further adjustment in respect of fitting out is required in the analysis.

Where the rent is inclusive of any of the areas noted in 6.1 below, the analysis should reflect this.

In situations where the rental agreement is for a property in shell condition, it will be necessary to make an addition to the analysed rate to reflect the presence of heritable items. Where actual costs are known these can be used and in the absence of local evidence, the following additions should be applied depending on the degree of fitting out:

Basic Fit Out	Glazed frontage High bay warehouse lighting Blower style heating system Floor covering and part lined walls	Fitting Out Addition £12/m ²
Standard 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.	 £20/m ²

In the analysis, a fit out addition should 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 rateable items, or a notional age of them if the property has been re-fitted or partially re-fitted, at the date of the rent. Any depreciation applied should be taken at an amount equal to 4% per annum to a maximum of 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 retail warehouses.

Entrance Porch/Vestibule	100%
Mezzanine/1 st Sales (Public Lift/Escalator)	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%

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

6.2. It should be noted that in respect of mezzanines and 1st floors, the reduction factors 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 sprinklers or heating, reference should be made to the Rating Cost Guide Scotland.

In the absence of rental evidence or where rental rates do not reflect air conditioning, the following rental adjustment should be applied:

Air Conditioning (not included in basic rent rate)	Add £7/ m ²
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7.0 Car Spaces

- 7.1 Modern purpose-built retail parks are normally served by adequate common car parking facilities and these facilities may be wholly reflected in the rents passing for the retail units. 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 which are in the sole occupation of a single occupier, 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.

8.0 Quantum

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

9.0 Plant and Machinery

- 9.1 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 Scotland.