

Revaluation 2023
Commercial Properties Committee

Practice Note 25
Valuation of Cinemas

1.0 Introduction

- 1.1 This practice note applies to modern multiplex cinemas which provide 5 or more screens, modern miniplex cinemas which provide less than 5 screens, traditional cinemas and cinemas established in converted buildings.

2.0 Basis of Valuation

- 2.1 Cinemas should be valued by application of the Comparative Principle, with rents adjusted in accordance with SAA Basic Principles Committee Practice Note 1 (Adjustment of Rents).
- 2.2 Rents have been analysed in terms of gross turnover and the recommended percentages provided in 3.2 below should be applied to the hypothetical gross turnover for the subjects at the tone date (exclusive of VAT).

3.0 Classification

3.1 Turnover

The hypothetical achievable gross turnover excluding VAT for the 12 months prior to the tone date should be adopted. The turnover should include all income streams such as admission charges, sales of food and drink and income from lets, concessions and advertising.

Certified Gross Receipts exclusive of VAT should be examined for the period prior to 2022 to establish the hypothetical achievable turnover for the property in the year to 31 March 2022. Turnover for the full financial years 2020/21 and 2021/22 together with a small period from mid-March 2020 to 31 March 2020, will have been impacted by enforced closure or restricted operating capacity due to the Covid pandemic. Consequently, any consideration of turnover in these periods should be treated with caution.

3.2 Percentage to Value

The percentages provided in these tables should be applied to the hypothetical achievable turnover, applied in accordance with 3.1, to produce an annual value for the subjects.

TURNOVER	TRADITIONAL CINEMAS
£875,000 and below	2.5% - 3.5%
£1,250,000	5%
£1,875,000	5.5%
£2,500,000	7%

TURNOVER	MULTIPLEX & SMALL MULTI SCREEN CINEMAS
£1,250,000 and below	3.25% - 5%
£1,250,000 - £2,750,000	5% - 8%
£2,750,000- £4,500,000	7% - 10%
£4,500,000 and above	10% - 15%

For traditional cinemas or cinemas constructed prior to 31 December 1993, where income per seat is less than £800/seat, the percentage applied may be reduced by up to 0.5%. Where income per seat is below £200, the percentage applied may be reduced by 1%.

A higher percentage may be appropriate if supported by local rental evidence.

The value should be determined by interpolating between the scale points.

4.0 Adjustments

4.1 An end adjustment will be appropriate where a multiplex cinema has auditoria on more than one floor, or has disabilities not normally encountered in the standard unit.

Auditoria on 2 floors – 5%

Auditoria on 3 or more floors – 7.5%

4.2 **Traditional and Converted Subjects**

Film hire charges are normally between 40% and 50% of box office income. Where film hire charges exceed this range, the box office income may be overstated and should be adjusted to reflect the hypothetical achievable level of income.