

Revaluation 2023

Commercial Properties 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.
- 2.2 Supermarkets are often located in a general retail setting such as within traditional shopping parades, covered shopping centres, and retail/leisure parks. In this context it may be appropriate to value certain smaller supermarkets and convenience stores in line with the adjacent retail properties. This should be primarily guided by rental evidence where available. Other factors to consider include the degree of similarity in terms of size, the general physical character of the property and planning consents.
- 2.3 When a supermarket is located within a retail/leisure park, the following approach is recommended in the absence of local rental evidence to the contrary. Where a supermarket operator is trading in a retail warehouse parade and the subject is similar in size and character to the parade it will normally be valued on a retail warehouse basis [See SAA Commercial Committee Practice Note 5 Retail Warehouses]. Where the supermarket is purpose built and stand-alone it will normally be valued in terms of this Practice Note. Marginal cases may exist and should be considered on their own merits. For example, an end terrace unit, often larger than the adjoining retail warehouses and with design features that produce an overall character similar to traditional stand-alone supermarkets may be suitable for valuation in terms of this Practice Note.

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 Ancillary Floors

- 4.1 The reduction factors in the following table should be applied to relevant accommodation, including mezzanines or first floors up to 1000m².

Description	RF
First floor / Basement (Sales)	75%
First floor / Basement (Non Sales)	50%
2 nd floor (Non Sales)	25%
All other floors	At valuer's discretion

- 4.2 If a mezzanine or first floor, including sales and non-sales areas, exceeds 1000m² the following approach should be adopted. Where applicable the first 1000m² of sales space should be valued at 75% and the remaining space (sales and non-sales) valued at 25%. Where there is less than 1000m² of sales space, the actual sales space should be valued at 75%. The remaining non-sales space should be valued at 50% up to 1000m², with the residual non-sales space valued at 25%.
- 4.3 Mezzanine sales floors which have separate external public access are not covered by 4.2 above and should be considered on their own merits.
- 4.4 **Convenience stores:** Ancillary floors (non-sales) that are substantial, in relation to the size of the main sales floor, are sometimes found in convenience stores due to being located within older buildings that have been converted. The ancillary floors may suffer from poor access, very restricted ceiling heights and in some cases may be oversized with significant space being surplus to requirements. In these cases, modification of the reduction factors in Table 4.1 could be merited depending on local rental evidence. The maximum allowance for extreme cases should not exceed 50% (e.g. the final RF for a Non Sales First floor should be no less than 25%).

5.0 Loading Bays & Canopies etc.

- 5.1 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	75%
Two open sides	50%
Three open sides	25%
Free standing canopy (no sides) used for loading/ storage	20%

- 5.2 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 50%.

- 5.3 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.

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 100%. 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 - 10%.

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.