



## **REVALUATION 2017**

### **LOCAL PRACTICE NOTE**

**SUBJECT:** Shops – Standard Units

**REPORT NO.:** Local Practice Note

**CATEGORY:** Commercial Properties Committee

## **1.0 Introduction**

This Local Practice Note applies to the valuation of standard shops and subjects occupying shop type premises in retail locations. This Local Practice Note also applies to Retail Units and Bookstalls situated at Railway Stations and Transport Interchanges, Pharmacies situated within or attached to Health Centres and Rural Destination Retail Outlets.

Special consideration should be given to the valuation of subjects such as hairdressing salons etc. on first floors above shopping parades where, due to lack of rental information, it may be appropriate to apply rates derived from other subjects e.g. offices.

## **2.0 Basis of Valuation**

Shops are valued by application of the comparative principle using rates per square metre derived from local rental evidence.

## **3.0 Rental Analysis**

Rental analysis is undertaken in accordance with the **SAA Basic Principles Committee Practice Note 1 - Adjustment of Rents**. Local rental and cost evidence is used to determine rates applied and adjustments to value.

## **4.0 Survey & Measurement**

All shops are to be measured on a gross internal basis including all walls up to 15cm or 0.15m thick. Care should be taken to ensure that all shops are measured from the building line which is not necessarily the plate glass front e.g. in some modern developments a brass strip delineates the actual frontage line.

All parts should be measured and areas calculated irrespective of whether or not they are eventually included in the valuation i.e. toilets (staff and customer), stairs, plant rooms, lifts, fire escapes and fire escape corridors, pillars, structural walls.

## 5.0 Areas

Ground Floor areas will be calculated on nine metre zones with the following reduction factors to be applied:-

<b>Zone A</b>	100%
<b>Zone B</b>	50%
<b>Zone C</b>	25%
<b>Zone D</b>	12.5%

Disabilities due to structural walls, blank frontages etc. are dealt with in section 9.0.

It may be appropriate, in certain circumstances, to adjust the rates being applied to stores, outbuildings etc. to ensure that a reasonable relationship is maintained with the rates being applied to storage space in the vicinity. Staff should ensure that the percentage adopted for outbuildings is reasonable in relation to the percentage adopted for the last zone in the main building. A check on industrial rates may be appropriate for remote stores.

Where there is an entrance from another shopping street, the value of parts of the shop may be higher when zoned from that street and appropriate adjustments should be made.

**Valuers must use their discretion to ensure that a reasonable value is brought about by the zoning method.**

Other Floors – Reduction Factors. See paragraph 6.0.

Areas on all other floors and on ancillary buildings with different finishes should be calculated separately.

### 5.1 Areas to be Considered in Valuation

- All structural walls and pillars should normally be excluded.
- Toilets should be excluded.
- Stairs should be excluded.
- Escalators should be excluded.
- Plant rooms (i.e. service plant) should be excluded where these are solely used for plant. N.B. where accommodation is partly plant and partly storage a pro rata area should be included. Process plant rooms e.g. at dry cleaners or bakers should be included.
- Partitioned fire corridors used solely for this purpose should be excluded.
- Mixed use areas (i.e. fire corridors/general access) should not be excluded.

## 6.0 Ancillary Floors

Ancillary floors are not zoned but are taken at an overall storey reduction factor. Existing percentage reductions to reflect poor/unfinished stock should be maintained, see 7.0 below.

Floor	Stock/Shell	Sales	With Lift	With Escalator
	No Lift	No Lift		
Lower Basement	0.0500	0.0625	+10%	+20%
Basement	0.1000	0.1250	+10%	+20%
Ground Floor	1.0000	1.0000	+10%	+20%
1st Floor	0.1000	0.1250	+10%	+20%
2nd Floor	0.0500	0.0625	+10%	+20%
3rd Floor	0.0250	0.0313	+10%	+20%
4th Floor and above	0.0125	0.0156	+10%	+20%

## 7.0 Allowances for Inferior Finish

The following reduction factors are to be applied to floors other than the ground floor. The allowance is for inferior finish not for non-sales use, where the finish is as good or as expensive as the sales finish, no reduction factor should be applied:-

### 7.1 Offices

Where similar to sales finish, no reduction factor should be applied. Where inferior, an allowance of up to 10% may be made.

### 7.2 Storage

Where similar to sales finish, no reduction factor should apply. However, these areas are normally inferior to sales area or, in many cases, unfinished and an allowance of 10% to 20% may be made.

### 7.3 Restaurants

Comments as for offices, public restaurants should be valued at sales rate.

### 7.4 Kitchens

Comments as for offices (up to 10%).

### 7.5 Canteens

Comments as for offices (up to 10%).

**N.B. Ensure no allowances are double counted in relation to paragraph 6.0.**

## 8.0 Lack of Finish on Ground Floor

Where an area of a shop on the ground floor is in an unfinished, or partly unfinished state, an allowance of up to 10% of the specific rate applying to the area in question may be made.

### 8.1 Loading Bays

Where enclosed, an allowance of 10% to 20% may be applied. Where open, a further allowance of up to 50% may be made.

## 9.0 Disabilities Within Shop

### 9.1 Lateral Wall

Deduct up to 5% from the space affected by the walls.

**N.B. could be whole shop.**

### 9.2 Structural Division Wall between Front and Back Shops

For all areas behind structural wall that is affected allow 10%.

### 9.3 Steps

A maximum allowance of 5% should be given to the areas that are at a higher or lower level than the main sales area. **In no circumstances should this allowance be given where the changes in floor levels are a design feature.**

### 9.4 Pillars

If these have a serious effect on the value of the shop floor space a deduction of up to 5% may be made to the space affected.

### 9.5 Awkward Shape

An allowance of up to 5% may be made to the area affected.

### 9.6 Blank Frontage

An allowance of 5% should be made to the area behind the blank frontage.

### 9.7 Masked Area

An allowance of 10% should be made to the area affected.

### 9.8 Strong Rooms

Where strong rooms exist in shops and former bank properties used for retail purposes, then value on the zoning basis reflecting any disadvantages (**see previous paragraph**).

Bank premises will be valued in accordance with the **SAA Commercial Properties Committee PN 4 - Valuation of Banks and Building Societies**.

## 10.0 Additions/Deductions

The following are always additions:-

### 10.1 Corner Situations

Add up to 10% to the total sales area benefiting from the return front to reflect the estimated worth of the particular situation.

### 10.2 Second Entrance

If not Zoned from both entrances (see comments under paragraph 5.0 above), an addition should be made for this.

The following are either additions or deductions depending on what is reflected in the typical shop within the stretch to be valued:-

### 10.3 Heating/Air Conditioning/Sprinklers

Only the difference from the typical shop should be reflected here. In the absence of any local rental evidence and where rental rates do not reflect air conditioning, sprinklers or heating the following rental adjustments should apply.

	Rate Per m <sup>2</sup>
<b>Sprinklers</b>	£3
<b>Heating</b>	£3
<b>Air Conditioning</b>	£7

These rates should only apply to those areas benefiting from the items listed above, prior to any zoning reduction factor being applied.

e.g. if the typical shop has no heating and the shop to be valued has heating add £3/m<sup>2</sup> to the measured area affected.

**N.B. The £7 for air conditioning should not be reduced in cases where a shop has a form of heating.**

### 10.4 Modernity

For a modern shop in a stretch of older shops an addition of 5% to 10% (for complete rebuild and/or retained façade) may be made. For an old shop in a modern stretch a deduction of 5% to 10% (if only old shop in **new** development) may be made.

It is not anticipated that modernity will be added to pre 2000 build or rebuild subjects.

- 10.5 Rear Loading  
**Depending on the typical shop**, an addition/deduction for having/not having rear loading of 5% may be made.
- 10.6 Toilet Facilities  
 Where typical shop has toilet facilities within the shop, allow 2.5% for outside toilet and 5% for none. Where the typical shop has no toilet add 2.5% for outside toilet and 5% for inside toilet.

## 11.0 Quantum

Where a shop has been valued on the “zoning” principle an allowance for quantum may be calculated using the following tables.

**It is essential that thought is given to the application of quantum and it is not applied solely on the basis of area.**

Quantum should be calculated, in relation to the average reduced area of shop in the range/street.

x Average Area	Deduction
Up to 1.25 x	NIL
At 1.25	2.5%
1.25 to 2 x	2.5% to 7.5%
2 x to 2.5 x	7.5% to 9.5%
2.5 x to 3 x	9.5% to 10.5%
3 x to 4 x	10.5% to 14.5%
4 x to 6 x	14.5% to 25%

There may be individual situations where it will be necessary to depart from the above recommendations. **The Divisional Assessors should consult with the Assessor should these allowances require to be altered.**

Larger shops, depending on size, may come into the large shop category and would fall to be valued by reference to. **SAA Commercial Properties Committee Practice Note 3 - Valuation of Large Shops & Department Stores.**

### Note

**Working Group representatives should be consulted if further clarification is required.**

## 12.0 Inverse Quantum

Where there is rental evidence to indicate an addition for inverse quantum is warranted in specific cases then this should be calculated using the following table.

<b>x Average Area</b>	<b>Addition</b>
<b>0.25 to 0.50</b>	10% to 7%
<b>0.50 to 1.00</b>	7% to NIL

### Note

The above provisions do not apply to small units which are valued as “Kiosks”, examples of which will include “Kiosks” adjoining food courts.

## 13.0 Overall Area Approach

Some shops/shopping stretches can be let on an overall basis and may be better suited for analysis and valuation on the same basis. This type of property can be found in out of town locations and is often built by one developer.

Where retail subjects are not situated in typical retail locations such as Railway Stations, Pharmacies at Health Centres and Rural Destination Retail Outlets an overall approach may also be considered appropriate.

## 14.0 Retail Units and Bookstalls at Railway Stations and Transport Interchanges

Retail Units typically include standard shop units, restaurants/cafes with no liquor licence and kiosks which comprise retail units with no area provided for the public and customers served directly on the concourse/street.

As with standard shop premises retail units and bookstalls found at railway stations and transport interchanges are valued on the Comparative Principle generally using rates per square metre derived from local rental evidence.

Care must be taken where the lease agreement is subject to a monopoly or global agreement clause which can be found in newsagent premises where rent is generally based on a percentage of gross turnover.

Licensed Premises including Refreshment Rooms and Public Houses situated at railway stations should be valued on the Comparative Principle have regard to local comparative evidence and level of turnover achieved in accordance with **SAA Commercial Committee Practice Note 19 - Valuation of Licensed Premises**.



## **15.0 Pharmacies in Health Centres**

Particular care should be applied to the treatment of Pharmacies situated within or attached to Health Centres where they may be separately occupied. Evidence of passing rents in these situations would indicate that the rental levels can be significantly higher than local shop rates, reflecting a monopoly situation where rents may reflect the level of patient or prescription numbers. In such situations the passing rent may be the best guide to annual value.

## **16.0 Rural Destination Outlets**

Retail outlets situated adjacent to or within agricultural subjects have become increasingly popular and diverse with many offering facilities such as coffee shops or tea rooms etc. These are often destination shopping locations with a significant level of turnover.

Values should be determined by reference to local rental evidence. However, in situations where local rental evidence is not available or is not derived from comparable Destination Retail Outlets, consideration should be given to the location of the subjects, quality of facilities on offer and availability of parking when arriving at a level of value.

## **17.0 Plant and Machinery**

Rateable items of plant 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.