



# **REVALUATION 2010**

## **VALUATION INSTRUCTIONS**

**SUBJECT :        Shops – Standard Units**

**REPORT NO.:    Practice Note - Internal**

**CATEGORY :     Commercial Properties  
                         Committee**

## **1.0 Introduction**

This internal Practice Note applies to the valuation of standard shops and shop type subjects. The appropriate SAA Practice Notes should be applied to the valuation of supermarkets, department stores, banks & building societies and licensed restaurants.

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

## **2.0 Valuation Roll Description**

All descriptions must conform to the category code list.

## **3.0 Rates to be Used**

All rates will be expressed in pounds and pence and will be applied to the reduced area for each zone and/or floor.

## **4.0 Measurement**

All shops are to be measured on a gross internal basis including all walls up to 15 cm or 0.15 m 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 e.g. toilets (staff and customer) stairs, plant rooms, lifts, fire escapes and fire escape corridors, pillars, structural walls. If not currently available from the existing survey this information should be obtained during any Running Roll survey.

## 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 will be calculated on actual use of the space. Areas of similar use but with different finishes should be calculated separately.

### 5.1 Areas to be Considered in Valuation

- All structural walls and pillars should normally be excluded.
- Staff toilets should be excluded.
- Toilets to which the public resort should be included.
- 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 Floor Ratios

In the absence of any local evidence to prove relationships between floors the SAA recommendations below should be adopted.

Existing percentage reductions to reflect poor/unfinished stock should be maintained, see 7.0 below.

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

## 7.0 Allowances for Inferior Finish

The following reduction factors may be applied to floors other than the ground floor. These allowances are 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:-

- (a) Offices  
Where similar to sales finish, no reduction factor should be applied. Where inferior, an allowance of up to 10% may be made.
- (b) 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.
- (c) Restaurants  
As for offices, public restaurants should be valued at sales rate.
- (d) Kitchens  
As for offices (up to 10%).
- (e) Canteens  
As for offices (up to 10%).
- (f) Toilets  
As for offices (up to 10%).

NB 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, subject to a maximum deduction of £20 from the particular rate. This allowance should apply to all areas irrespective of the Zone in which the unfinished area is located.

### **Examples**

- (1) Area within Zone B where Zone A rate is £600  
10% of Zone B rate would be £600 x 50% x 10% = £30, therefore, deduction to be applied in this case would be limited to measured area x £20.
- (2) Area within Zone D where Zone A rate is £600 and reduction factor to be applied to Zone D is 12.5%  
10% of Zone D rate would be £600 x 12.5% x 10% = £7.50, therefore, deduction in this case would be measured area x £7.50.

### **N.B.**

*The maximum allowance 10% or £20 should only apply to totally unfinished areas.*

### **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**

- (1) Lateral Wall  
Deduct up to 5% from the space affected by the walls.  
(N.B. could be whole shop).
- (2) Structural Division Wall between Front and Back Shops  
For all area behind structural wall that is affected allow up to 10%.
- (3) Steps  
A maximum allowance of up to 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.**
- (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.
- (5) Awkward Shape  
An allowance of up to 5% may be made to the area affected.
- (6) Blank Frontage  
An allowance of 5% may be made to the area behind the blank frontage.

(7) Masked Area

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

(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).

(N.B. Bank premises will be valued in accordance with the SAA Commercial Properties Committee PN 3 Valuation of Banks and Building Societies).

## 10.0 Additions/Deductions

The following are always additions:-

(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.

(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:-

(3) Heating/Air Conditioning/Sprinklers

Only the difference from the typical shop should be reflected here. (See narratives).

In the absence of any evidence from rental analysis, adjustments in this section should be calculated by applying the following rates to the appropriate area.

The rates below have been calculated on a cost analysis and should be applied after any adjustment for quantum, layout etc.

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

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.

(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% may be made (e.g. if only old shop in a new development).

It is not anticipated that modernity will be added to pre 1980 build or rebuild subjects.

(5) Rear Loading

**Depending on the typical shop**, an addition/deduction for having/not having rear loading of 5% may be made.

(6) Toilet Facilities

Where the typical shop has toilet facilities within the premises, 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.

(7) Shop Front

For a modern shop front in a range, where the typical shop has an old front, add £80/linear metre. Deduct if the opposite is the case.

## 11.0 Quantum

Where a shop has been valued on the “zoning” principle an allowance for quantum may be calculated using the following tables provided this is justified by the rental evidence.

**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. Assistant 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 the PN Valuation of 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>
0.25 to 0.50	10% to 7%
0.50 to 1.00	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 General Comment**

There may be exceptional circumstances that are not covered by this internal PN which require special treatment. Such cases should be reported to the Working Group representative who will raise any issues with the Group for discussion prior to a decision being made.

## **14.0 Plant and Machinery**

Consideration should be given to any rateable plant or machinery. See the Valuation of Rating (Plant and Machinery) (Scotland) Regulations, 2000, as amended.