



# Renfrewshire Valuation Joint Board

## Industrial Subjects Practice Note

### REVALUATION 2010

#### Comparative Principle

##### **1.0 INTRODUCTION**

This practice note applies to the valuation of factory/workshop and warehouse/store style properties valued on the comparative principle.

##### **2.0 BASIS OF VALUATION**

The basis of valuation is the comparative principle based on a consideration of local rental evidence. **As with all applications of the comparative principle, the most relevant evidence will be found locally and values will be established by analysis of this local rental evidence.** It will be very rare that the level of rents on an industrial estate or established industrial location does not establish the values for units on that estate. For the purpose of valuing buildings which are unlet (and for comparing let buildings to ensure the actual rent is consistent with the rent the hypothetical tenant would pay) buildings should be classified physically to ensure like with like comparison.

Rental analysis is undertaken in accordance with Scottish Assessors Association, Basic Principles Practice Note No 1 – Adjustments of Rents. Local rental and cost evidence is used to determine rates applied and adjustments to value.

Measurement is on a Gross External Basis.

### **3.0 INDUSTRIAL CLASSIFICATION**

#### **Class 1**

**Modern steel portal frame building with concrete floor and profiled sheeted walls and roof which, normally, will have been built with around 10% to 25% in span office / toilet space. Built from around 1970 to date. There is some evidence that more modern (1990s onwards) units let for more than the 1970s equivalent. In any event it will therefore be important when making comparison to know the age of the units being compared. Care should be exercised when comparing units of different ages.**

##### Class 1A

Brick/block dado wall to around 2m with double skin insulated sheeting above.

##### Class 1B

Walls and roof are full height double skin insulated sheeting.

##### Class 1C

As 1A with further insulation panels lining walls and roof.

##### Class 1D

As 1B with further insulation panels lining walls and roof.

#### **Class 2**

**Brick buildings with sheeted roof on steel trusses.**

##### Class 2A

Traditional brick cavity wall (or brick/block) building with low pitched roof covered with corrugated asbestos sheeting (double or single skin). Likely to have a concrete or steel portal framework. Office accommodation will vary quite considerably but most buildings will have at least 10%. These buildings were built for the most part from around the end of the Second World War up to the late 1970s. Refurbished buildings may have replaced asbestos sheeting with modern profiled sheeting.

##### Class 2B

9 inch brick walls with corrugated sheeted roof on light steel trusses.

##### Class 2C

4.5 inch brick walls with corrugated sheeted roof on light steel trusses. It will be rare to find such buildings in Class 2. Most will be pre 2nd World War and be in Class 5.

#### **Class 3**

**Refurbished buildings**

Buildings in this class have been refurbished. This may include complete or considerable re-cladding of the outer walls, and re-covering of the roof with fully insulated plastic coated profile metal sheeting. The services will have been modernised and the floor might also have been re-screeded. The work carried out will go beyond good maintenance. Originally constructed in the period between about 1930 and 1970.

#### **Class 4**

##### **Older reasonable quality buildings of usually brick or stone construction**

Buildings in this class will be older buildings built around the beginning of the last century. They will, however, be buildings which at the time of their construction were of a high quality specification both as regards structure and internal finishes. They may not originally have been constructed as industrial buildings, but with some adaptation have been made readily suitable for their current industrial use. Likely forms of construction are brick cavity wall or solid brick/stone wall with pitched roofs covered with slate.

#### **Class 5**

##### **Older inferior buildings of various construction types**

The buildings in this class will be either much older buildings the useful life of which is coming to an end, or buildings of considerably inferior standards of construction. They are most commonly to be found in old shipyards, engineering works and other complexes where letting is carried out on a very flexible basis i.e. short tenancies, non FRI conditions, no restrictions as to use, etc. The landlord will have carried out very little or nothing by way of improvement.

#### **Class 6**

##### **Lock-up type properties.**

These are generally small units (usually less than 100m<sup>2</sup>) of a variety of constructions and ages (many however brick) found in back lanes and other secondary locations. They will usually be occupied by small local businesses as workshops or stores. Railway arches and Nissan huts will normally fall into this class.

The vast majority of industrial buildings should fit comfortably into one of the above classes.

## **4.0 VARIATIONS TO SPECIFICATION**

### **4.1 General**

The classification of buildings is primarily determined by their physical construction. Variations in specification must therefore be measured against the norm for the particular class within which a building falls.

**Where possible, all such variations to the standard specification should be reflected in the valuation in accordance with local rental evidence.**

In general, since we are comparing like with like, differences for which adjustments have to be made should be small. The most likely variations for most classes will be in services. For example many Class 1 subjects will be let with lighting but no heating. The valuation rate will reflect this and subjects with heating will require to be valued at a higher rate. However, if the standard unit in an area/estate is let with heating and lighting then a unit without heating will require to be valued at a lower rate. Similarly with yard space/ parking. If the units from which the valuation rate

is being derived have adequate yard space and/or parking then units with limited or no such facility will require an appropriate allowance.

**The following adjustments are provided for guidance where there is no conclusive evidence to the contrary.**

Care should be taken in particular when making any adjustments to Class 5 and 6 properties. It is likely, given the nature of these subjects, that there will be very little differentiation in rent rate between different styles of construction, different finishes etc. Similarly within Class 4, some of the “superior” internal finishes may be effectively redundant as far as attracting additional rent is concerned.

## **4.2 Services**

### **4.2.1 General**

All items of service plant, named under Class 2 of the Valuation for Rating (Plant and Machinery) (Scotland) Regulations 2000 (as amended), should remain in valuation unless the valuer is clearly satisfied that the proviso in the Regulations relating to items of plant or machinery “.....*used or intended to be used in connection with services mainly or exclusively as part of manufacturing operations or trade processes*” applies. Care should be taken not to exclude from value any items of plant under the Class 2 proviso that may still be rateable elsewhere in terms of Classes 1, 3 or 4.

Careful consideration must be given before removing any service plant or machinery from value which it is claimed was installed only as a process requirement. It is suggested that where the main or exclusive use of an item of service plant cannot be identified as being used as part of manufacturing operations or trade processes, then the item should be regarded as rateable under Class 2. In the case of multi-purpose service plant, the functions of the plant should be individually considered. For example, in the case of an air-conditioning system which provides amongst other things, heating, the use of the heating needs to be identified and unless the heating is used mainly as part of manufacturing operations or trade processes then an element in respect of heating should be retained in value. It should always be remembered that there is a difference between plant & machinery which is part of the process and plant & machinery which creates the environment in which the process is carried out. The former is not rateable while the latter is. For assistance in this matter reference should be made to the SAA paper “*Interpretation Guidance: Class 2 Table 2(b) The Valuation for Rating (Plant and Machinery) (Scotland) Regulations 2000*”.

#### 4.2.2 Heating

If the basic rate assumes no heating, an addition of up to 5.00% (subject to a maximum of £2.50/m<sup>2</sup>) should be made if there is good heating.

Similarly, if the basic rate assumes good heating a deduction of up to 5.00% (subject to a maximum of £2.50/m<sup>2</sup>) should be made where heating is poor or absent altogether.

Further additions may be made for specialised installations. Refer also to paragraph 4.2.1.

#### 4.2.3 Lighting

If the basic rate assumes adequate lighting, a deduction of 5.00% should be made in buildings without lighting and 2.50% where the only lighting is from isolated pendants. An addition of 2.50% should be made for excellent lighting. Further additions may be made for specialised installations. Refer also to paragraph 4.2.1.

#### 4.2.4 Air Conditioning

Where items of plant and machinery contributing to air conditioning are also present then additions may be made from the following table. Refer also to paragraph 4.2.1.

<b>Specification</b>	<b>Addition where rate assumes adequate heating</b>	<b>Addition where rate assumes no heating</b>
Ducted AC system capable of heating, cooling, ventilating and humidity control but without filtration	+15.00% as an extra-over to a basic rate which already reflects average heating (subject to a maximum of £7.50/m <sup>2</sup> ).	+20.00% as an extra-over to a basic rate which reflects no heating (subject to a maximum of £10.00/m <sup>2</sup> ).
Simple mechanical ventilation systems inducting fresh air from outside or suspended cartridge systems providing chilled air only.	+5.0% as an extra-over to a basic rate which already reflects average heating (subject to a maximum of £2.50/m <sup>2</sup> )	+10.00% as an extra-over to a basic rate which reflects no heating (subject to a maximum of £5.00/m <sup>2</sup> ).

#### 4.2.5 Sprinklers

The following addition is recommended but should be considered in the light of information contained in the SAA/VOA Rating Cost Guide.

Refer also to paragraph 3.2.1.

Specification	Addition
Normal hazard system (to include ancillary plant but not any water storage tank or lagoon).	+5.00%

### **4.3 Structure**

#### 4.3.1 Floors

In general the normal specification for the subjects with which comparison is being made will be a screeded concrete floor. The adjustments below are by comparison to this norm. **In classes 5 & 6 in particular, the norm may be poorer and adjustments should be applied accordingly. For example, an earth floor where the norm is cobbles would be -10.00%.**

##### 4.3.1.1 Floor construction

Construction	Adjustment
Ash	-20.00%
Cobble	-10.00%
Earth	-20.00%
Flag stone	-10.00%
Heavy reinforced concrete	+5.00%
Inferior timber	-10.00%
Lightweight concrete	-5.00%
Sleeper	-10.00%
Tarmac	-5.00%
Timber	-5.00%
Un-screeded concrete	-2.50%

##### 4.3.1.2 Floor finish

Finish	Adjustment
Cork tiles	+5.00%
Epoxy resin	+2.50%
Hardwood strip	+10.00%
Parquet block	+10.00%
Quarry tiles	+5.00%
Steel plate on concrete	+10.00%
Surface drainage	+2.50%
Terrazzo	+10.00%
Vinyl tiles	+2.50%
Vinyl tiles (anti-static)	+7.50%

#### 4.3.2 Walls

**Generally, since subjects are being classified by their physical construction, there should be few instances where a variation under this heading will arise.** However, in such rare cases, the following tables may be of assistance. Again care should be taken in particular when making any adjustments to Class 5 and 6 properties. It is likely, given the nature of these subjects, that there will be very little differentiation in rent rate between different styles of construction, different finishes etc. Similarly within Class 4 some of the “superior” internal finishes may be effectively redundant as far as attracting additional rent is concerned.

##### 4.3.2.1 Wall construction

In Class 1 where the norm is double skin insulated cladding.

<b>Construction</b>	<b>Adjustment</b>
Uninsulated modern cladding	-20.00%

##### 4.3.2.2 Wall finish

<b>Finish</b>	<b>Adjustment</b>
Ceramic tiles	+10.00%
Mahogany faced plywood	+5.00%
Plaster on hard	+5.00%
Plasterboard	+5.00%
Terrazzo	+10.00%
Wipe-clean wall finish	+10.00%

#### 4.3.3 Roof

**Generally since subjects are being classified by their physical construction there should be few instances where a variation under this heading will arise. However in such rare cases the following tables may be of assistance.**

##### 4.3.3.1 Roof construction

Where the norm is an insulated roof.

<b>Construction</b>	<b>Adjustment</b>
Inferior roof insulation	-2.50%
Lack of roof insulation	-5.00%

##### 4.3.4 Wall-head height

**In general, any adjustment under this heading should be based on local rental evidence.** However, the following table provides a range of height adjustments that may be used where rental analysis is based on a norm wall-head height of 3.80 – 4.60m. Where other wall-head heights represent the norm in a particular valuation area, then the percentage relationships should be adjusted accordingly. Care should be taken in particular with Classes 4 & 5 not to make additions where additional height is effectively redundant as far as attracting additional rent is concerned. Similarly, in Class 6, a lower eaves height might be the norm. Any addition greater than 10% should be treated with caution. Only where the valuer is satisfied that the additional height has value to the hypothetical tenant should such an addition be made.

Wall-head height	Adjustment
0.00 - 0.50 m	-50.00%
0.60 - 0.90 m	-40.00%
1.00 - 1.40 m	-25.00%
1.50 - 1.90 m	-10.00%
2.00 - 2.50 m	-7.50%
2.60 - 3.00 m	-5.00%
3.10 - 3.70 m	-2.50%
3.80 - 4.60 m	0.00%
4.70 - 5.00 m	+2.50%
5.10 - 5.50 m	+4.00%
5.60 - 6.00 m	+5.00%
6.10 - 6.50 m	+6.00%
6.60 - 7.00 m	+7.50%
7.10 - 7.50m	+10.00%
7.60- 8.00m	+12.00%
8.10- 8.50m	+14.00%
8.60- 9.00m	+15.00%
9.10- 10.00m	+20.00%
10.10 - 11.00m	+22.50%

#### **4.5 Offices**

As noted above, many classes of industrial subjects are let with an amount of office/toilet space as standard. This should be reflected in the basic rate to be applied to those classes. **Only where the amount of space provided exceeds this norm should any addition be made for “tenant’s improvements”**. Local evidence should determine the appropriate amount to be included at the basic rate. However, as a rule of thumb do not add for any in-span office/toilet accommodation under 25% of total floor space. Typical in-span space in excess of this should be added at a maximum of +30% “extra-over” dependant on quality. It is not possible to provide a single recommendation on valuation treatment for external higher quality space which will depend on local evidence and analysis method. The basic level for offices derived from any rental analysis is likely only to reflect the quality of office accommodation associated with typical letting units. Many subjects, particularly those erected for owner occupation and used as corporate headquarters, may have considerably higher standards of finish which should be reflected in valuation. A check will be made against Planning Use Class 4 office rates for such offices.

There may be circumstances where a modern office, equivalent to the standard provided at Class 1 developments, has been added to an older development. Any addition for offices should reflect this better quality and should reflect the rate it would attract as a Class 1.



#### **4.6 Ancillary accommodation**

The following approach is recommended for the treatment of minor buildings and elements frequently associated with industrial subjects.

<b>Item</b>	<b>Approach to valuation</b>
Canopies	Apply 25.00% of basic rate for simple roof and up to 40.00% for more substantial structures.
Loading areas	A percentage addition may be made in accordance with local evidence. For the treatment of dock levellers see para 10.0.
Mezzanine floors	The building should be valued in the normal way and the mezzanine valued at between +15.00% to +30.00% “extra over” of the basic rate depending on strength and quality.

NB Since a mezzanine is being added as an “extra over” no reduction should be made to the rate applied to the area under the mezzanine.

#### **5.0 MULTI –STOREY BUILDINGS**

The following tables of adjustments provide guidance where there is no conclusive local evidence. Such subjects should be rare and should be valued on own evidence where it exists. The allowances are not suitable for business centres or Planning Use Class 4 style developments where an office approach may be more appropriate or in the case of industrial subjects with vertical process systems where allowances may be abated or withheld or a cost basis considered.

##### **5.1 Production/Warehouse space**

<b>Floor</b>	<b>Separate passenger &amp; goods lifts</b>	<b>Goods lift only</b>	<b>Stair access only</b>
GF	100%	100%	100%
1F	90%	85%	75%
2F	85%	80%	50%
3F	85%	75%	25%
4F & above	85%	70%	At discretion

##### **5.2 Offices**

<b>Floor</b>	<b>Lift</b>	<b>Stair access only</b>
GF	100%	100%
1F	95% -100%	90%-100%
2F	90%-95%	80%-90%
3F	90%-95%	70%
4F & above	90%-95%	60%

The percentage selected from any range will be dependent on the quality of access.

### **5.3 Basements, galleries, attics and lofts**

This type of accommodation varies widely in quality, character and purpose and no general recommendations can be made. However, the final rate selected should be sensibly related to the principal floor served.

## **6.0 AGE & CONDITION**

### **6.1 Age**

Since subjects are being classified by physical construction properties being valued will usually have been built in the same era. **Age, therefore, will be reflected in the basic rate for most classes.** Differences in valuation for age are based on local evidence.

### **6.2 Condition**

Condition will usually be reflected in the general classification of a building.

## **7.0 DISABILITIES**

Subjects are compared like with like and disabilities will, in general, be reflected in the basic rate. Valuation judgement will be required to be exercised when deciding if it will be appropriate to make a further allowance for a particular disability.

The following table may be used for guidance in selecting appropriate allowances. The list is not exhaustive but care should be taken to ensure that aggregated allowances are not excessive.

<b>Disability</b>	<b>Detail</b>	<b>Allowance</b>
7.1 Bad shape and / or layout	To an individual building	Deduct up to 10.00%
7.2 Excessively thick stone walls		Deduct up to 5.00%
7.3 Liability to flooding		Deduct up to 10%
7.4 Narrow bays with columns	3.00 metres 9.00 metres apart 15.00 metres apart	Deduct 10.00% Deduct 5.00% No allowance
7.5 One wall open to yard		Deduct 15.00%
7.6 Poor access		Deduct up to 5.00%
7.7 Variation in floor levels	Within a building.	Deduct up to 2.50%
7.8 Piecemeal development	Where subjects comprise a number of buildings of different classes erected on a site over a period of time there may be problems of layout, configuration etc.	Deduct up to 10.00%

## **8.0 QUANTUM**

### **8.1 Introduction**

The analyses of local rental evidence should establish the appropriate rate for units of a particular class in a particular size range (see indicative table below for example).

Estate Name	Class of Units	50 to 100m <sup>2</sup>	101 to 199m <sup>2</sup>	200 to 500m <sup>2</sup>	500 to 999m <sup>2</sup>	1,000 to 3,000m <sup>2</sup>
Ren1	1A	£65	n/a	£50	n/a	£40

**In most cases, therefore, it will not be necessary to establish an incremental table of additions or deductions for size.**

Area bands will vary from location to location. Many industrial estates for example will have no more than 2 or 3 different sizes of unit within them.

## **9.0 YARD SPACE & CAR PARKING**

In general the basic rate for a Class of building in a particular location will reflect the typical yard space / car parking provision.

Approved for Publication

## **10.0 PLANT AND MACHINERY**

Consideration should be given to any plant or machinery. Rateable items of plant and machinery not covered by the above guidance will be valued by application of the Contractor's Basis of valuation. This should be done in conjunction with reference to guidance and replacement costs contained in the Scottish Assessors Association/Valuation Office Agency Rating Cost Guide. See The Valuation of Rating (Plant and Machinery)(Scotland) Regulations 2000 as amended.