



Renfrewshire Valuation Joint Board

Retail Subjects Practice Note

REVALUATION 2010

Comparative Principle

1.0 General

These instructions apply to the valuation of shops and shop type subjects and rents should be analysed in accordance with the Scottish Assessors Association, Basic Principles Practice Note No. 1 – Adjustment of Rents.

Shops are valued using the comparative principle of valuation. This involves an analysis of passing rental information to establish a unit of comparison normally expressed as the Zone A rate. This zone A rate is then applied to the reduced area of the shops covered by the analysis. This rate will reflect the characteristics of the normal shop unit in the locality being valued.

It will be necessary, when analysing the rental evidence you make various assumptions. If, for example, the rental evidence includes heating, then no addition at the valuation stage should be made. If you have one property in the stretch which does not have heating it may be appropriate in that case to grant an allowance.

2.0 Valuation Roll Descriptions

All descriptions must conform to the '*List of Categories, Class and Subject Types*'.

3.0 Rates to be used

Rates to be applied will be derived from an analysis of rental evidence at, or adjusted to Tone Date. (*cf. SAA Basic Principles Committee Report Note 1 – Adjustment of Rents*).

All rates will be expressed in pounds and pence and will be applied to the **total reduced area**.

4.0 Measurement

All shops are to be measured on a gross internal basis including all walls up to 15cm 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. In some modern developments you may also find that shop fronts extend beyond the building line (generally known as pop-outs). The shop should still be zoned from the building line and the area of pop-out calculated separately. It will be a matter to be determined from analysis how much these areas add to the value of the shop.

All areas should be measured and areas calculated irrespective of whether or not they are eventually included in the valuation.

5.0 Areas

It is generally recognised that shops normally be valued by application of the zoning principle. However, in some circumstances, an overall area approach to analysis and valuation may be more appropriate. This will occur where shops/shopping stretches may be let on an overall basis and may be better suited to analysis and valuation on the same basis. Additions and deductions may not apply to this type of property because of the probable standardisation typical of such developments.

If you are applying the zoning principle then the ground floor areas will be calculated on 9 metre zones with the following reduction factors to be applied:-

Zone A	100%
Zone B	50%
Zone C	25%
Zone D and beyond	12.5%

Other Floors - Reduction Factors - See paragraph 6.

Areas on all other floors and on ancillary buildings should be calculated.

Areas of similar use but with different finishes should be calculated separately.

Disabilities due to structural walls, blank frontages etc. are dealt with at 8.0 Disabilities within a Shop.

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. This may be done using zoning from the second frontage or by an end addition.

The valuer must use his/her discretion to ensure that a reasonable value is brought about by the zoning method.

5.1 Areas to be excluded from Valuation

- a) Plant rooms (process plant rooms at dry cleaners, bakers etc. should remain in the value).
- b) Lifts.
- c) Fire escapes and fire escape corridors – used exclusively for this purpose.
- d) Stairs whether for use by staff or public – however areas beneath stairs above 1.5 metres in height are to be included.
- e) Pillars, structural walls.
- f) Toilets may be excluded from areas in some circumstances. Care must be exercised however where toilets have been added as a ‘tenant’s improvement’. The value of such a unit should not fall below a unit with standard toilet provision. A good example of this is in betting offices where there is likely to be an ‘over provision’ of toilets constructed by the occupier. A similar situation maybe where, e.g. a café opens in a shopping stretch and because of planning conditions has to install additional toilets. In this case we must look to the hypothetical situation and value and analyse in line with the norm for that stretch. Obviously the rent passing on the unit will be a material consideration. ***The valuer will be expected to use valuation judgment.***

6.0 Floor Ratios

These should generally be derived from local rental evidence. Demand for first floor space particularly for retail use will vary from location to location. The type of access will be a significant factor in the use which can be made of ancillary floors. Floors suitable for sales will normally require a good quality finish a staircase suitable for customer flow and

a lift. Without these, these areas will normally be suitable for staff accommodation or storage.

In the absence of conclusive local evidence the following table can be used.

<u>Floor</u>	<u>Suitable for sales</u>	<u>Unsuitable for sales but similar finish</u>	<u>Unsuitable for sales and poorer finish</u>
Basement	10%	9%	8%
Ground Floor	100%	100%	See 7.0
First Floor	10%	9%	8%
Others	At Discretion		

6.1 Adjustments for size in relation to ground floor

Where the area of upper floors significantly exceeds the total area of the ground floor it may be appropriate to make a further allowance to reflect this. In applying such an allowance however care must be taken to ensure the allowance does not result in a valuation lower than that for the ground floor alone or of a similar shop with a normal sized ancillary floor.

7.0 Lack of Finish on Ground Floor

Like all allowances or additions these will only be appropriate where the rental evidence reflects this.

8.0 Disabilities within Shop

Prior to granting any allowance the valuer should check the zoning of the shop as the disability may already be reflected in the zoning of the unit.

In the absence of local evidence

- 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 whole area behind structural wall that is affected, allow 10%.
- 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 level are a design feature.

- 4) Pillars - only 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 if this has not been taken account in the zoning.
- 6) Blank frontage – only if structural an allowance of 10% should be made to the area behind the blank frontage.

9.0 Additions/Deductions:

Prior to any additions/deductions the valuer should check the zoning of the shop as they may already be reflected in the zoning of the unit.

In the absence of local evidence

- 1) Corner/Return Frontage - Add up to 10% to the total sales area affected to reflect the estimated worth of the particular situation. In certain circumstances it may be appropriate to make an addition to the whole shop. .
- 2) Escalators - add 15% to the value of any floor fully served by escalators i.e. up and down. For single escalators add 10% to the value of the floor served.

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 - only the difference from the typical shop should be reflected. See table at the end of section 9

In some locations the air conditioning comes as standard with the unit and should be reflected in the Zone A rate. In other locations air conditioning will normally be a tenant's improvement and will therefore not be reflected in the Zone A rate.

Additions for air conditioning etc which are calculated by reference to costs should not normally attract adjustments for quantum, layout etc and should be applied to the measured area.

- 4) Fitting out – where a unit has been let as shell and then fitted out by the tenant, an addition should be made for this.
- 5) Modernity - For a modern shop in a stretch of older shops an addition of up to 10% may be made. For an old shop in a modern stretch a deduction of up to 10% may be made.

A deduction of 10% will normally only apply to a shop with a built up house or office type frontage in an area of modern frontage shops.

- 6) Rear loading - depending on the typical shop an addition or deduction of 5% may be made for having/not having rear loading. It should be clear that in most locations the existence or absence of good front or rear loading facilities will be reflected in the zone A rate derived from passing rents and any adjustment will only be merited where the shop differs from the norm.
- 7) Toilet facilities – the zone A rate derived from rents will reflect whether or not the standard shop in the area has a toilet or not. An addition or deduction of up to 5% may therefore be appropriate where the shop to be valued differs from the norm for that area. Care should be taken in a location where the area of toilets is to be excluded from valuation that the value of a shop with a toilet is not lower than a similar unit without a toilet.
- 8) Pertinent – Items such as car parking or out buildings which are not reflected in the basic rate applied, nor reflected in the reduced area of the shop, should be valued in accordance with local evidence and added to the valuation as a separate item.
- 9) Sprinklers - depending on whether or not the typical shop has sprinklers, deduct or add the rate detailed in the table at the end of section 9 **to the area affected.**

Additions for sprinklers which are calculated by reference to costs should not normally attract adjustments for quantum, layout etc.

Item	Rate
Air Conditioning (Cassette System)	£7/m ² (to the area affected on a Measured Area basis)
Sprinklers	£3m ² (to the area affected on a Measured Area basis)

10.0 Quantum

This is very much a matter where consideration of the local rental evidence is paramount. Demand for different sizes of unit will vary from location to location.

11.0 Plant and Machinery

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