

# 2010 REVALUATION

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## VALUATION OF SHOPS

<b>SUBJECT INDEX</b>		<b>Page</b>
1	Introduction	3
2	Subjects Included	3
3	Survey	5
4	Measurement	5
5	Zoning	5
6	Reduction Factors Ground Floors	6
7	Reduction Factors Basements, First Floors and Above	9
8	Reduced Areas	11
9	End Allowances and Valuation Adjustments	11
10	Quantum	15
11	Pertinents	15
12	Devaluation of Rents	15
13	Precinct Rates	16
14	Precinct Book	18
15	Final Value and Rounding Off	18
16	Miscellaneous Considerations	18

## 1 Introduction

This instruction deals with the survey and valuation of all shop types, the application of the zoning principle, the use of reduction factors, the application of end adjustments and the selection of precinct rates.

## 2 Subjects Included

### 2.1 Shops (ie Class 1 Units)

All properties having the physical characteristics of a shop and generally used for retail trade ie supplying the general public or "the trade" with goods or services. Access to the premises will be directly from the pavement, or by steps up or down. There usually will be one or more display windows or display cases. Internally there will usually be a counter or pay desk and goods displayed for sale. Such properties will generally, although not necessarily, have planning permission for Class 1 use (Shops). This includes post offices, ticket sales, travel agencies, hairdressers, funeral directors, laundrettes, dry cleaners, pet shops and shops selling cold food for consumption off the premises.

### 2.2 Offices (ie Class 2 Units) - occupying retail type properties in recognised shopping locations.

Properties which physically resemble shops are frequently used for "office" purposes such as banks, building societies, solicitors, architects, accountants. These require Class 2 (office) planning permission and may have been adapted for this purpose to a greater or lesser degree.

In general, the shop level of value will represent the base level of value for such units. In some instances it is possible that a higher level of basic rate will be applied than to adjacent units with Class 1 use, this will depend on the rental evidence. However, before considering whether or not an enhanced basic rate is merited it is essential that proper cognisance is taken of any superior frontage or internal finishes in accordance with section 9 below.

### 2.3 Restaurants, Cafés (Class 3 Units) and Hot Food Take Aways - occupying retail type properties in recognised shopping locations.

Frequently subjects which physically resemble shops are used as Restaurants, Cafe's etc for the consumption of food on the premises. These will require Class 3 planning consent in which case they should be valued by reference to LVJB instruction *Valuation of Restaurants*, however, in so far as that instruction utilises the methodology for the valuation of shops, the terms of this instruction will apply.

Hot Food Take Aways are considered a "sui generis" use and should be valued in terms of this instruction with regard to section 9.3 below.

### 2.4 Supermarkets & Superstores

Large supermarkets and superstores are to be valued on the gross internal method of valuation. However, clearly there is a grey area between properties which should be valued on a zoned valuation and those which should be valued on a gross internal valuation. The final choice of approach will depend upon the particular size and shape of a unit in relation to the norm for that area.

#### 2.4.1 /....

**2.4.1** Supermarkets with extensive car parking and which are situated away from high street locations will be readily distinguished from shops. These will generally have a gross internal area clearly in excess of 1,000m<sup>2</sup> and should be valued on the gross internal basis in line with SAA PN 13. It will not be necessary to undertake a zoned valuation for these properties. The valuation code **CSS** should be applied whether the description “Shop” or “Supermarket” is adopted.

**2.4.2** In non central, suburban or county locations it is possible that supermarkets in high street locations with a GIA as low as 250 - 1000m<sup>2</sup> should be considered for valuation on the gross internal basis. These should be valued on both a zoned approach in terms of this instruction and also on a gross internal approach in terms of the above PNs. The valuation code **CSH** should be applied whether the description “Shop” or “Supermarket” is adopted. The final choice of which approach to apply will depend upon individual circumstances and the advice of a Divisional Valuer should be sought in all cases.

This dual approach to valuation should apply to stores which are clearly larger than and out of character with the norm for that location. Generally these will have a GIA in excess of five times that of the standard shop units in the area. However, this is not intended to apply to situations where two or more standard shops have been knocked together to form a single unit. These will continue to be valued on a zoned basis. Similarly in modern shopping centres, units notably larger than the norm (ie other than a number of standard units knocked together to form a single unit) should be approached on this dual basis.

## **2.5 Large Shops & Department Stores**

Large shops and department Stores will be valued on a gross internal basis in accordance with SAA PN 37. However, again there is a grey area between properties which should be valued on a zoned valuation and those which should be valued on a gross internal valuation.

The final choice of approach will depend upon the particular size and shape of a unit in relation to the norm size of unit for that area. It is recommended that units whose reduced area exceeds five times the norm reduced area for that precinct should be considered using a dual approach as at section 2.4.2. The advice of a Divisional Valuer should be sought in all cases

## **2.6 Retail Warehouses**

Retail warehouses are usually readily identifiable as a separate type of retail property. They benefit from Class 1 planning permission but the Planning Authority can and does place special restrictions on these properties in terms of parking and other requirements. These should be valued in line with instruction SAA PN 6 Valuation of Retail Warehouses.

However, again grey areas exist between what is truly a shop and a retail warehouse. Where a shop is out of character with the norm for that location and resembles to some degree a retail warehouse then a valuation on both the zoned approach and the retail warehouse approach should be considered. In cases of difficulty a Divisional Valuer should be consulted. These may be described as either “Shop”, “Showroom” or “Retail Warehouse” and a valuation code of **CSC** applied.

2.7 /...

## 2.7 Tradesmen's Workshops Etc

It is clear that retailing in tertiary locations is in decline. In some cases this has resulted in shops being used as tradesmen's stores, workshops, or even for manufacturing purposes. In standard shop type units used for these purposes the shop level of value normally will prevail as there is unlikely to be significant competition for any alternative use. These subjects may be valued on the basis of this instruction with appropriate adjustments for quality where necessary. However, if the property has been extended or is otherwise out of character with standard shops then it may be the case that a valuation on an industrial basis will be more appropriate.

If the actual rents are up to the shop level, these should be followed out in the valuation.

## 2.8 Descriptions and Valuation Codes

Care should be exercised to ensure that all properties which fall within the above definitions have a description and valuation code from the list shown on Survey Guidance Note 1.

## 3 Survey

The details to be obtained when surveying a shop are noted in **Survey Guidance Note 2**.

## 4 Measurement

Properties which are to be valued in line with this instruction should be measured on the basis set out in **Survey Guidance Note 3**.

## 5 Zoning

The comparative principle of valuation as used for the valuation of shops attempts to recognise that some parts of a building are consistently less valuable than others. Retailers consider that the front space of a shop is usually of considerably higher value than areas to the rear. Similarly accommodation on basement, first floor or upper levels is considered to be of relatively low value.

"Zoning" has developed as a method of accurately attributing different levels of value to the various parts of the ground floor of a property. It should be applied to all areas which are to be treated as ground floor accommodation. However, it is not appropriate to zone truly basement, first floor or upper floor accommodation which is not accessed directly from the principal sales floor.

Shops in which the principal sales floor is located at basement or first floor level and has no retail frontage whatsoever should be referred to a Divisional Valuer.

5.1 The zones to be calculated are Zone A, B, C, D.

5.2 Zoning should commence from the building line as noted in **Survey Guidance Note 2**. Zone depths should be calculated taking no account of the presence or otherwise of internal walls, passages or voids.

5.3 /....

### 5.3 Zones Depths

For the purposes of LVJB all zone depths will be calculated to **9.0m**

### 5.4 Zone Reduction Factors

The following factors will be applied to all accommodation falling within each zone.

<b>Zone "A"</b>	<b>1.0</b>
<b>Zone "B"</b>	<b>0.5</b>
<b>Zone "C"</b>	<b>0.25</b>
<b>Zone "D"</b>	<b>0.125</b>

## 6 Ground Floor - Reduction Factors

In some instances it will be necessary for reduction factors to be applied to parts of a property in addition to those reflecting the appropriate zone. These will fall into one of two categories:

- (i) those reflecting **physical disabilities**, such as steps, situation behind structural walls, masking etc, and
- (ii) those reflecting **the quality of the accommodation** ie where an area is fitted out to a standard which is markedly below that of the sales space within the unit.

### 6.1 Physical Disabilities

Clearly physical disabilities will have an impact upon the trading potential of different parts of the unit. Due to the very high proportion of value placed on the Zone A area it is unusual to find any significant physical disabilities in this part of a shop. Only in extreme cases should any reductions be made to reflect physical disabilities in Zone A.

#### 6.1.1 Physical Disabilities Affecting Sales Accommodation

Beyond Zone A it may be appropriate to write down sales space by an appropriate RF to reflect any major physical disabilities which may exist. Common examples of these include: separation from the main sales space by steps, brick/structural walls, masking or even a length of passageway etc. These are clearly matters of judgement and the RF to be applied will depend upon the individual circumstances. **However, at all times care should be exercised to ensure that the final RF applied is not lower than that which would have been applied had the area been used as ancillary accommodation such as an office or stores.** No allowance should be granted for tenant installed features ie steps.

For the avoidance of doubt, restaurant kitchens and serveries which are open to the sales area should be treated as sales space. Toilets and toilet lobbies along with associated cleaners' cupboards which are provided primarily for the use of the public should also be treated as sales space.

#### 6.1.2 /....

## 6.1.2 Physical Disabilities Affecting Ancillary Accommodation

The reduction factors noted at para 6.2.2.2 below applicable to ancillary accommodation already reflect the fact that such accommodation is normally located in offset situations, behind permanent structural walls and will generally be of inferior quality to the main sales space. It will not normally be necessary to apply any further reduction factors to reflect physical disabilities.

## 6.2 Quality

The question of whether or not to apply reduction factors to areas which are fitted out to a lesser standard than the sales space is not straight forward and will vary depending on location.

### 6.2.1 City Centre Shops and Other Areas of High Value

In city centre areas and other areas of high site value, it would be inappropriate to apply reduction factors to reflect inferior quality of either sales space or ancillary accommodation on the ground floor.

For this purpose high value areas should be taken as including the city centre and all shopping centres.

### 6.2.2 Shops Outwith the Above Locations

Outwith the locations noted above an appropriate RF may be applied to either sales space or ancillary accommodation which is fitted out to a standard markedly below that of the main sales space and is located behind a permanent wall or non-structural partition.

#### 6.2.2.1 Sales Space

It may occasionally be necessary to apply an RF to parts of the sales accommodation which are inferior in quality to the main sales area. This is clearly a matter for judgement, however, **at all times care should be exercised to ensure that the final RF applied is not lower than that which would have been applied had the area been used as ancillary accommodation such as an office or stores.**

#### 6.2.2.2 Ancillary Accommodation

It will frequently be necessary to apply an RF to ancillary accommodation. The reduction factors to be applied are noted below and these are designed to cover both physical disabilities and quality. It must be stressed that such accommodation will invariably be separated from the main sales area either by permanent partitions or by stud partitions. It will frequently be located in a masked area or even up a number of steps and will usually be of an inferior quality to the main sales accommodation. All of these factors are assumed to be reflected in the RFs noted and normally it would be inappropriate to adjust these RFs further, other than by the appropriate Zone RF.

/....

6.2.2.2/

DESCRIPTION	BEHIND PERMANENT PARTITION RF (PERCENTAGE) DEPENDANT ON FINISHES	BEHIND NON PERMANENT PARTITION RF (PERCENTAGE) DEPENDANT ON FINISHES
Offices - standard equivalent to sales space or better	90 or more	100 or more
Offices - good to poor	90 – 70	100 – 80
Restaurant Kitchen & Servery - separated from sales area (according to quality)	100 – 70	110 – 80
Staff Canteen, dining room & kitchen (ranging from moderate to only fair standard)	90 – 70	100 – 80
Staff rooms, Cloakrooms etc	90 – 70	100 – 80
Public toilets & lobbies thereto	90	100
Staff toilets & lobbies thereto	Nil	Nil
Storage Accommodation (assuming basic finishes)	80 – 60	90 – 70
Cupboards	50	60
* Switch Room ) <i>of markedly</i> * Plant Room ) <i>inferior standard</i> * Boiler Rooms ) <i>to the stores above</i>	Nil	Nil

**\* Areas of plant rooms etc used for storage should be valued using the proportion of the accommodation capable of being used for that purpose multiplied by the appropriate storage RF.**

### 6.3 Masking

Masking is a feature where sales space is located in an offset or masked position and therefore is at least partially obscured from the frontage.

Generally masking will occur in more modern shops. In traditional tenements the provisions indicated in para 6.2 above will be sufficient to deal with most situations.

Where it is considered that masking should be applied then this should be undertaken in accordance with **Survey Guidance Note 4** Masking. Again it is essential that any allowance for masking does not exceed the RFs noted in para 6.2.2.2 above to be applied to ancillary accommodation and which already reflect the fact that such accommodation will be in a masked position or behind permanent walls.

### 6.4 Return Frontage

Where a shop occupying a corner site has display windows to two streets this is known as return frontage from which the property may derive additional value. This is likely to occur only in the most prominent locations and it is therefore intended to consider the value effect only where shops are located on the corners of two principal shopping streets.

It is not intended to apply return frontage additions to properties in suburban locations which return on to relatively minor side streets. These properties may, however, be considered for a situation enhancement under para 9.2 below.

In/....

- 6.4/ In cases where an addition is to be made to reflect return frontage, this should be undertaken in accordance with **Survey Guidance Note 5**.

In the situation where a shop has an entrance and display frontage to two or more streets but no corner situation, then each section should be zoned backwards from each street until the point where the values equate. Staff confronted with this situation should consult their Divisional Valuer for guidance.

## 7 Basements, First Floors and Above : Reduction Factors

### 7.1 General

Retailers now attach less value to the potential benefit which can be derived from trading on basements, first floors and above. This can be seen by the very limited use to which these areas are often put. It is often the case that this space is leased and kept in adequate repair merely to allow the tenant to trade from the ground floor unit.

### 7.2 Storey Reduction Factors

All accommodation located on basement, first floor or above should be reduced by the following storey reduction factors. Mezzanine floors should be interpolated between these factors as appropriate. Care should be taken to ensure that the correct storey code is applied. Lifts solely for use by wheelchairs should be treated as goods lift.

Specification	Stair Only Code 'S'	Hoist Code 'H' +2.5%	Goods Lift Code 'GL' +5%	Public Lift Code 'PL' +10%	Escalator Code 'E' +20%
Basement	0.125	0.128	0.131	0.138	0.15
First Floor	0.125	0.128	0.131	0.138	0.15
Second Floor	0.062	0.064	0.065	0.068	0.074
Third Floor	0.031	0.032	0.033	0.034	0.037
Fourth Floor	0.016	0.016	0.017	0.018	0.019
Fifth Floor	0.016	0.016	0.017	0.018	0.019
Sixth Floor	0.016	0.016	0.017	0.018	0.019
Seventh Floor	0.016	0.016	0.017	0.018	0.019

### 7.3 Access

The above factors assume that there is reasonable stair access to all floors. If the access is poor, then an additional reduction factor may be applied.

They will not apply to shops which have public access from two or more levels. These will require to be treated individually on their own merits.

They are intended to apply to shops which have their principal sales floor at ground level. They will not apply to shops which have their principal sales space at an upper or lower level. These will require to be treated individually on their own merits.

### 7.4 /...



#### **7.4 Sales Space**

Sales space on basements, first floors and above should be valued at the above storey reduction factors. Additional reductions may occasionally be made to reflect the presence of physical disabilities or areas of poor quality as suggested in para 6.2. above. Again, it is essential that care is exercised to ensure that the RF applied does not fall below that which would have been used for ancillary accommodation.

In exceptional cases, outwith the city centre and high value areas noted at para 6.2.1, there may be sales or other accommodation on the basement or first floor of a property which is quite out of character with the norm for its location eg some banks or building societies. In such cases a quality increment may be added to the whole floor.

#### **7.5 Ancillary Accommodation**

As before, ancillary accommodation will be valued by applying the appropriate storey RF, and by multiplying an appropriate RF which reflects both physical disabilities and quality (as noted at para 6.2.2.2 above). Reference should be made to **Survey Guidance Note 3** for the method of measurement of basements, first floors and above, and for the treatment of fire corridors.

#### **7.6 Tenant's Mezzanines**

In cases where the tenant has installed a mezzanine floor as a fitting, then this may be valued using the normal storey reduction factors.

#### **7.7 Basements With Trap Door Access**

Basements which have access via a trap door from the ground floor are only of marginal value. These should be valued at the appropriate storey RF multiplied by a further RF to reflect both the nature of the access and the quality of the accommodation. For example, a suburban basement with trap door access which is dry but of unlined stonework, open to the joist above with barely adequate head room and a simple single strip fluorescent light should be valued at 0.125 for storey x a quality RF of 0.25 = final RF of 0.031.

#### **7.8 Excessive Basements, First Floors and Above**

The storey RFs noted above are intended to relate to basements, first and upper floors where the total NIA of each floor (ie excluding plant rooms and other areas taken at nil value) does not exceed the total NIA of the ground floor.

In a very small number of cases a shop unit may extend over or under an adjacent property and thereby the basement or upper floors may exceed the area of the ground floor. In such circumstances it is reasonable to assume that some modification of the storey RF may be appropriate. Therefore the normal storey RF could be modified by the following:

7.8/

Area of Floor in Relation to Ground Floor	% of Storey Reduction Factor	Area of Floor in Relation to Ground Floor	% of Storey Reduction Factor
1.00	100	2.50	74
1.10	98	2.60	72
1.20	97	2.70	71
1.30	95	2.80	69
1.40	93	2.90	67
1.50	91	3.00	66
1.60	90	3.10	64
1.70	88	3.20	62
1.80	86	3.30	60
1.90	84	3.40	59
2.00	83	3.50	57
2.10	81	3.60	55
2.20	79	3.70	53
2.30	78	3.80	52
2.40	76	3.90 (or more)	50

**For Example :** If the total NIA of the first floor of a shop extends to 2.5 times the total NIA of the ground floor then, rather than applying the standard storey RF of 0.125, the appropriate storey RF will be  $0.125 \times 0.74 = 0.092$ .

## 8 Reduced Areas

Having established the reduction factors to be applied to each identified area within the retail unit, these should be multiplied to the net floorage area/m<sup>2</sup> for that part to arrive at the "reduced area".

The reduced areas will be added together to give total reduced area, and it is to this figure that the basic rate per m<sup>2</sup> shall be applied to give the initial total value.

## 9 End Allowances and Valuation Adjustments

### 9.1 General

It may be the case that an end adjustment is required to allow a property to be properly compared to others in the same area. However, it cannot be over stressed that **end adjustments should only be made where a feature exists which affects value and which is not present in the vast majority of other shops within the precinct or is not covered by the reduction factors applied.**

The following paragraphs indicate the more common value adjustments and end allowances that be considered:

### 9.2 Corner Situation or Prominent Site

In locations where it is held inappropriate to apply a return frontage enhancement to sales area, it nevertheless may be considered that a corner site or particularly prominent/....

9.2/ prominent location merits an end addition. If there is evidence to support such an addition then it may be made to the extent of 2.5% or 5%. The advice of a Divisional Valuer should be sought.

### 9.3 Hot Food Take Aways

Frequently planning authorities will restrict the number of hot food take aways that may operate in a given precinct due to the noise, smell, litter and other forms of nuisance that these units may create. The resultant scarcity in many situations enhances the rental value that units with planning permission for use as a take away may achieve. An end adjustment of 30% is to be applied to all units, unless particular circumstances exist to suggest otherwise.

For these purposes chip shops, pizza shops, Chinese & Indian takeaways should be assumed to have planning consent as a hot food take away. The planning situation is rather more confused where sandwich shops and high street bakers are concerned, particularly where the sale of hot food is ancillary to normal retailing (eg less than 10% of turnover) and greater leniency is granted where pre prepared food is re-heated rather than being cooked on the premises. In these latter cases, it will be appropriate to confirm the permitted planning use of the unit with the planning authority before making an addition.

### 9.4 Shop Front

An addition or deduction under this heading will depend entirely on what can be regarded as the "norm" for the precinct. If, in a particular case, the shop front is clearly superior or inferior to the norm, then an alteration to value is appropriate.

The major determining factor in deciding whether to make an adjustment for a superior or inferior frontage is the quality of display which the shop unit offers, and the ease in which goods etc. can be effectively shown to the potential customer. The nature of the frontage construction and its age are of less importance - a fact which any retailer will support.

The norm standard of frontage in a precinct should be taken as the style which forms the majority of frontages on which the basic rate is based. In cases where the proportions of new/superior and inferior frontages are similar, then the superior frontage should be taken as the norm and the inferior ones dealt with by deduction.

Additions or deductions should only be applied to cases where the benefits or disabilities which the frontage produces are clearly evident. In exceptional cases it will be appropriate to apply an end adjustment of + or - 2.5% or 5%. In very exceptional cases an extremely poor display frontage in a precinct of primarily modern frontages may merit a deduction of up to 10% a heavily built up former bank frontage offering negligible display potential, located in a precinct where the norm is modern frontages, may merit up to 20%.

This percentage should be applied to the basic initial value already calculated.

It is essential, that adequate adjustment is made to reflect superior/inferior frontages in the devaluation of shop rents **before** the determination of basic rates.

9.5 /....

## 9.5 Set Back

Another aspect which requires attention is the position of a shop set back from the pavement edge, with access to the entrance across a platt over an open area. The disadvantage of having the display windows remote from public scrutiny rendering them less effective may in extreme circumstances merit an end allowance of up to 10% (assuming a set back of 3m).

As in all cases of end adjustment care should be taken in the granting of an end allowance, particularly where the majority of units in a street are already set back. Where this is the case, the disadvantage of being set back may already be reflected in the basic rate adopted, in which case no further allowance should be granted.

Zoning in a set-back shop should be made from that particular shop's building line.

## 9.6 Steps Up or Down

It is not uncommon in suburban shopping thoroughfares to find that the front shop area is one, two or even three steps up from the level of the pavement and this presents little problem for either the occupier, or the customers who resort there.

Where the front shop is four or more steps up from the pavement, but the display windows are visible from the street some modification of value may be appropriate - say from 5% for four steps.

The most common circumstance is that properties are both set back and up or down a number of steps. In these cases, in the absence of rental evidence indicating otherwise, the percentage allowances may range from 5% - 25%, although if this is combined with a limited or inadequate display frontage, this may be extended to 35% maximum for the most severe situations.

Again care must be exercised in applying the above allowances, in particular to situations where the precinct rate determined by the analysis may already reflect the character of the shops - eg St Stephen Street. When this is the case no further allowance should be granted.

Where the shop is truly at **basement** level and has no frontage whatsoever the valuation should be referred to a Divisional Valuer.

## 9.7 Layout

If the shape or layout of a shop is considered to be so far removed from the normal rectangular unit and the reduction factors which are applied fail to adequately reflect the **overall** disadvantages, an allowance of up to 10%, in extreme cases, may be granted.

## 9.8 Inferior Construction

If the main walls of a shop are inferior, prefabricated cedar or similar construction, a quality deduction of 5% may be appropriate. Ordinary timber construction with lined walls - deduct 10%. If internal lining is absent, as in some timber buildings or Nissen huts - deduct 15% - 20%. The percentages quoted assume a sound structural condition. This allowance is most likely to be considered when dealing with shops in rural or isolated locations.

## 9.9 /....

## **9.9 Internal : Inferior Finishes**

In modern shopping developments the internal finish, apart from essential fitting out ie electric cabling, sanitary fittings etc. will be subject to the "corporate image" of the retailer in occupation at any particular time. It is a common feature of today's retailing, not just within modern developments, but any primary retail area of high value, that a change of occupier automatically involves the removal of all internal finishes and the creation of a "new look".

In such situations no allowance for inferior finish should be considered, on the basis that the style/nature of finish is irrelevant to the hypothetical tenant and would not influence rental bids.

In traditional suburban shopping thoroughfares however, it will be evident that within a precinct, a range of internal finishes, reflecting both materials and quality, will exist. Only where a particular shop quite clearly falls out with the apparent normal range for that precinct should an allowance be considered eg painted brick walls -5%. The maximum allowance is 5%.

## **9.10 Internal : Superior Finishes**

Superior internal finishes may or may not be associated with an improved front. As with shop fronts, appraisal should be through the eyes of the generality of hypothetical tenants. Such people will not pay more rent for specialist finishes, eg fishmonger's counters, but probably will pay over the odds for fittings with more general appeal, such as suspended ceilings and central heating.

A "standard fit" is dependent on the norm for the existing precinct. Variations from the norm usually are in the nil to 5% range, but seldom exceed 10%. An example of a subject which might merit a 10% addition could be a well finished building society unit (incorporating good quality partitioning, suspended ceilings, computer trunking, inset lighting and toilet facilities) in an otherwise plain street. Very extreme cases may warrant an addition of 15% but it will not normally be appropriate to make any higher additions.

### **9.10.1 Air Conditioning**

Air conditioning which is not a feature reflected in the rents of a standard unit in the location may be considered to warrant an addition; £7/m<sup>2</sup> should be applied, only to the actual area of the unit benefiting from air conditioning.

### **9.10.2 Sprinklers**

As with air conditioning, where sprinklers are not a feature reflected in the rents of a standard unit in the location, their presence may be considered to warrant an addition; £3/m<sup>2</sup> should be applied only to the actual area of the unit benefiting from sprinklers.

## **9.11 Irremediable Defects**

Defects which warrant a reduction in value should be serious and unlikely ever to be economic to correct. By definition, they are beyond normal repair. Common "hard cases" are damp floor slabs or poor load bearing floors. Allowances should not be granted lightly, but up to 20% applied to seriously affected areas may be appropriate. This may take the form of a subsidiary reduction factor.

## **9.12 /....**

## 9.12 Toilets

In modern shopping centres, lack of toilet provision within the unit is unlikely to be a major disadvantage, as public facilities will exist nearby; an allowance of 2.5% should be granted. In more modest areas the one-person shop operation is common and the lack of an exclusive WC within the shop may be counted as a disadvantage, normally at 5%. A complete absence of nearby facilities may merit a 10% reduction.

## 9.13 Loading Facilities

Rear loading facilities are standard in modern developments and are, like car parks, reflected in the levels of rent and value. In older established shopping areas where there is car parking at the kerbside, or yellow line parking restrictions or bus lanes have been introduced, there is a valuable advantage to the shop occupier who has secure and easy access to a loading bay within the premises. For this facility an increment of 5% may be applied. Alternatively the bay may be treated as a pertinent under 11 below.

## 10 Quantum

Adjustments for Quantum should be applied in accordance with **Survey Guidance Note 6**.

## 11 Pertinents

After adjusting values for quantum, where necessary, the final stage is to add any pertinents which are attached to the shop.

### 11.1 Garages and/or Stores

Any garage or store situated at a shop should be valued in accordance with the lock-up garage or warehouse schemes of valuation.

### 11.2 Car Park

A car park which is provided for the benefit of the customers of a particular shop, is contiguous with it and does not form part of the public street, should be valued at the same rate per car space as other attached car parks in the same zone. Dedicated car parks serving groups of shops should be separately entered in the valuation roll in the occupancy of the site proprietor or operator.

### 11.3 Loading Bays

Where it is not deemed appropriate to reflect the advantage conferred by the presence of a loading bay by way of an overall percentage addition, it may be valued as a pertinent; the rate to be applied is £40/m<sup>2</sup>.

## 12 Devaluation of Rents

By application of SAA Basic Principles Practice Note 1 Adjustment of Rents all rents in gathered relating to retail properties shall be adjusted to net terms, as defined by Section 6(8) of the Valuation and Rating (Scotland) Act 1956. These "adjusted" rents shall be analysed by using the reduced areas, calculated by the method outlined, to give rates/m<sup>2</sup>.

Note/....

12/ Note that the passing rent may not be for the property in its **current** state. It is essential that in analysis, rents are devalued for the property as it was let. Thus any internal alterations or replacement shop frontages which have been carried out since the rent was struck should be excluded from the calculation.

Modern shops, in particular, are usually let as shells which the tenant fits out, possibly even to the extent of adding mezzanine floors. Leases normally are structured in such a fashion that the tenant's improvements are not reflected in the rent.

### 13 **Precinct Rates**

As outlined, a precinct is an area within which the same general level of value - the precinct rate - should be applied, and it is recognised practice that shops and shopping locations be grouped into such precincts.

A precinct may comprise the whole of a street, or part of a street or possibly a "cluster" at a group of streets in the more suburban situations.

There should be a significant number of shops in each precinct and the "precinct" rate to be applied will be that proposed for the shops representative of the whole precinct. A "tone" for the precinct must be established. In rural situations where a single shop or a small number of scattered shops represent the retail trade outlets of the area a standard precinct rate may have little significance and various rates each related to the particular situation and property, may be determined.

While Valuers should be led by rental evidence to indicate the extent of precincts, there may be in certain locations, insufficient evidence to give clear indication where breaks occur. In these circumstances, such criteria as physical breaks, changes of shop style, and position within the overall pattern, ie start or end of a long shopping thoroughfare, should be taken into consideration.

In the absence of conclusive rental or sales evidence within any precinct, the Valuer may select a rate derived from the rent supported rate of a comparable precinct in the immediate vicinity or from a comparable precinct in a more remote but similar situation.

#### 13.1 **Adjustment of Precinct Rates**

There may be factors which affect a shop within a precinct that will be such that it is felt necessary to adjust the precinct rate/m<sup>2</sup> for that property.

This adjustment, which should not normally exceed 10% above or below the precinct rate and the reasons for the decision must be clearly stated in CVS notes.

#### 13.2 **Situation**

The most common factor which may affect a property, or small group of properties, within a precinct is situation.

The usual instances will be proximity to the best part of the street, and, in the case of a side street, proximity to the principal thoroughfare off which it opens.

To adjust the precinct rate for situation is known as "shading".

In/....

- 13.2/ In the first example, "shading" would have the effect of lowering the precinct rate for properties where it was felt that their distance from the main body of the precinct was such as to affect value. This may be indicated by such things as minor breaks in the overall frontage pattern of the precinct, deterioration in the quality of retail property. In such cases a downward adjustment of the standard precinct rate maybe appropriate.

In the case of a side street joining on to a street of greater retail value, those shops closest to the point of intersection may benefit from increased trade as a result, and a "shading" of the rate for the side street in an upwards direction, for those particular shops, is required. Retailers generally perceive that any shop in a side street more than 25m from the main street is unlikely to attract much extra benefit.

Within a precinct only a few properties should ever be subject to a "shaded" precinct rate. If, after close consideration of the rental evidence and the physical circumstances, staff feel shading should apply to a number of properties, they must reconsider the accuracy of the precinct limits already determined. A clear investigation may reveal that the formation of another precinct of different value is necessary and preferable.

### **13.3 One Off Shops**

In rural or isolated locations trade often is on the basis of need and tends to be more steady but of lower profitability. Comparison should be with other one-off's rather than looking for the nearest precinct rate. Individual rents tend to be relatively more reliable than in precincts.

### **13.4 Housing Estates**

Housing estates may contain individual or small groups of shops which originally were constructed by the local authority. Many are now likely to be owned by the occupier. District Council rents often are the only guide available and may appear low. They should be regarded as relevant unless evidence to the contrary can be found. Some estate shops are more successful than others and consideration should be given to vandalism, and the ability of the potential catchment population to shop elsewhere when fixing the rate.

## **14 Precinct Book**

For the 2010 Revaluation each Team should review the Precinct Books. This should be brought up to date and if a significant number of changes have taken place, then it may be appropriate to update photographs.

Divisional Valuers must ensure that an entry exists for every precinct of shops within their remit.

Extracts of the rental details and analysis, together with the basic rate determined and the reasons for arriving at that basic rate should be recorded in the appropriate revaluation folder.

The CVS basic rates table should be populated and kept up to date by Divisional Valuers.

15 /....



## 15 Final Value and Rounding Off

START VALUE	END VALUE	ROUND TO NEAREST
0	50	1
51	100	5
101	500	10
501	1,000	25
1,001	5,000	50
5,001	100,000	100
100,001	250,000	250
250,001	500,000	500
500,001	1,000,000	1,000
1,000,001	5,000,000	5,000
5,000,001 and above		10,000

## 16 Miscellaneous Considerations

### 16.1 First Floor Retail Premises

In some locations there may be retail users located only on first floors, who have retail planning permission. A wide variety of methods has been used in the past to value these premises. Now a more simplified approach should be adopted with fewer and lower allowances. As with any valuation, the starting point should be the rent. If possible, a reduction factor for first floor only premises should be calculated by comparing rents and areas between those premises and ground floor only shops.

In locations where there are also first floor office users it may well be the case that retail users are paying a premium. Again this should be established using rental evidence, but in these locations the overall rate adopted should not fall below the relevant "office" £/m.

If in doubt, staff should consult a Divisional Valuer.

### 16.2 Hybrid Valuation

In some instances it may be appropriate to undertake a Hybrid approach to the valuation of retail premises. In previous revaluations this has been restricted to clear cut cases, usually involving Building Societies located in the prime retail and office stretches of the city centre.

In the majority of cases, if not all, the occupier will own the retail unit and the floors of offices above. The offices above first floor are clearly of an office character and out of proportion to the type of ancillary accommodation normally occupied by retailers in the area. There will almost invariably be an alternative means of access to that through the shop. The user normally occupies the ground floor as a public office. The basement and first floor usually have good access from the ground floor and provide storage, staff/....

- 16.2/ staff, toilet and office accommodation servicing the public office similar to the ancillary accommodation found in a standard retail unit. The upper floors are generally self contained and of quite a different “office” character. Where there is a Building Society use, these areas are normally dedicated to the separate function of administering the Societies business within a district or regional area.

By valuing the ground, basement and first floors as a retail unit using the shop scheme of valuation and adding to that figure the value of the remaining floor calculated using the office scheme of valuation, the resultant hybrid valuation has been accepted as a means of appropriately valuing the Unum Quid. The same approach may be adopted in other similar circumstances, but only where there is a separate means of access, a clear distinction in the character of the accommodation and an obvious different function being performed.

### **16.3 Unum Quid**

Where property originally comprising two or more shops is in a single occupation and a slapping has been formed for the purpose of free passage from one to the other, it should be valued as a single subject. If the inter communication between the two shops is limited to a single doorway an allowance for layout may be merited in the order of 5%.

In cases where there is more than one proprietor, but a single occupier, and the ordinary standards of the law of unum quid are satisfied the subjects should be valued and entered as a unit in the Valuation Roll.