

VP / I / 2 Approved for Publication March 2017

VALUATION OF NEST UNITS

1.0 General

- 1.1 The development of small industrial units became popular in the early eighties and the trend of constructing such units has continued to present times in order to satisfy the demand from small businesses. Developers include the various Councils, private companies and local initiative trusts who carry out new developments or conversions of redundant properties such as old schools.

2.0 Properties Included

- 2.1 The identification of groups of units suitable for valuation as nest units may not always be easy and care should be taken when nest units exist close to conventional units of slightly larger size. In view of their valuation treatment, it is crucial that they are correctly identified and their rental levels should be of assistance in deciding which subjects qualify. As a broad rule of thumb, the principle is intended to apply to cluster units that are generally under 175 m². The developments will normally contain terraced units of a similar size with communal access and yard space and the units may have a modern stylish appearance with extensive use of facing brick, colour matched profile cladding, prominent numbering, etc. Typical occupiers include printing services, body work repairers, small manufacturers and other service related trades. Forerunners of this style of development include redundant school buildings often simply converted to form workshop accommodation.

3.0 Rental Evidence & Basis of Valuation

- 3.1 The rental evidence for nest units has been examined and it is clear that such units generally attract higher levels of rent than normal small and perhaps more isolated units. This may be due in part to higher relative costs on account of each unit requiring an individual door, toilets, services, partition walls etc. relative to its size.

The rental evidence from each nest unit development has been analysed by dividing adjusted rent by the area of the unit. As a result, the basic rate for each location reflects features that are normally considered as part of an industrial valuation including heating, eaves height, age and condition and storey. It should be noted that the rental evidence indicates that no allowance should be granted where a unit has no heating.

Accordingly, where a property comprises a basic unit without any tenant's improvements such as internal offices, the valuation of the subject will be calculated by multiplying the gross external area of the unit by the appropriate basic rate.

No/...

- 3.1/ No further allowances should be granted without consulting a member of the Industrial Working Group.

The analysis of the rents has revealed a pattern that is broadly similar to the scheme applied at previous Revaluations. While the rental levels for nest units have generally continued to outstrip those of standard industrial units, there are different levels of value dependent upon location.

The basic rates should be applied to the **gross external area** of the entire unit.

When updating the Commercial Valuation System the valuer should ensure that the Nest Unit marker has been selected to ensure the correct application of the above rates. The toilet, which invariably will have been provided by the developer, should be included within the area calculation of the main warehouse area and not treated as superior unless it is finished to a very high standard.

4.0 Quantum Adjustment

- 4.1 There is no evidence to support a varying scale of Quantum/ Inverse Quantum. Accordingly, no additions or deductions have been made.

5.0 Tenants Alterations & Improvements

- 5.1 The valuer should bear in mind that the majority of improvements are unlikely to be of a particularly high quality and the appropriate industrial office class will in general be either OP (100%) or OW (115%) otherwise an over-valuation may result. Any previous practice of treating alterations or improvements as "extra-overs" should be discontinued.

6.0 Converted Schools

- 6.1 Any nest unit which comprises part of a converted school building or similar should be measured on a floorage basis and an addition of between 10% and 20% added to provide a notional overwall size.

Improvements to such properties rarely involve extensive structural alteration and are usually confined to rewiring, redecoration, stone cleaning and fire regulation requirements. The general character of such properties normally remains that of an old school or similar and, as above, unless there is ample rental evidence in the development to show otherwise, no allowances for age and obsolescence or storey should be granted. Similarly, additions for wall and ceiling finishes should be treated cautiously as in many cases they are of no real benefit to the occupier.

In most cases, the former school playground or yard area is retained for the communal use of all the occupiers although, in certain cases, spaces may be individually allocated. Where the availability of parking makes a substantial contribution to the worth of the unit, then the appropriate addition from the Lock-Up Garages and Car Parking Spaces Practice Note should be made. Note, additions should normally be made where spaces are allocated.

- 7.0 /...

7.0 Unum Quid Entries

- 7.1 Where an occupier rents a number of adjacent units, there is inter-communication and a *unum quid* entry is considered appropriate, a layout allowance may be granted. As a guide, an allowance of -2.5% may be given to two units, -5% for three units etc in recognition of the associated layout problems.

For the avoidance of any doubt, the *unum quid* should still be valued as a Nest Unit. Accordingly, even if the total area exceeds 175m² the Nest Unit marker on the Commercial Valuation System should be selected.

8.0 New Nest Unit Developments

- 8.1 A register of Nest Unit Developments has been established and if any amendments or insertions are necessary the documentation can be obtained from the chair of the Industrial Working group.

9.0 Rounding

- 9.1 All valuations should be rounded in accordance with the following table.

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 and above	5,000,000	5,000