



***Renfrewshire Valuation Joint Board***

***Industrial Practice Note***

***Revaluation 2023***

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## 1. General

**When making an allowance or addition the valuer's primary source of evidence should be the analysed rents or cost evidence, not this practice note.**

This practice note applies to the valuation of factory/workshop and warehouse/store type properties and should be used in conjunction with the Scottish Assessors Association, Basic Principles Committee Report No.1 – Adjustments of Rents.

The basis of valuation is the comparative method. This involves an analysis of passing rental information for similar classified subjects in each locality, to establish a unit of comparison, normally expressed as a rate per square metre. 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.

To establish building values for properties which are not let (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.

The rate per square metre is then applied to the gross external area of the industrial covered by that analysis.

This rate will reflect the characteristics of the normal industrial in the locality being valued. It is the analysis which will normally determine the extent to which any variances from the norm such as better/poorer facilities, which may add to or reduce the value of any particular property. However, to establish the allowance/addition the valuer must analyse the rents passing.

## 2. Valuation Roll Descriptions

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

### **3. Rates to be used**

Rates to be applied will be derived from an analysis of rental evidence at, or adjusted to, Tone Date. (Scottish Assessors Association, Basic Principles Committee Report No. 1 – Adjustment of Rents).

**All rates will be applied to the gross external area.**

### **4. Measurement**

All industrials are to be measured on a gross external basis.

Areas of similar use but with different finishes and/or services for example air conditioning, should be calculated separately.

All offices found within industrial buildings should be separately measured on a gross external basis.

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

### **5. Calculation of Areas**

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. As a rule of thumb however do not add for any in-span office/toilet accommodation under 25% of total floor space.

## 6. Floor Reduction Factors

These should generally be derived from local rental evidence.

In the absence of any evidence the following tables can be used as guidance.

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

**The adjustment recommended below should not be applied blindly where local evidence suggests something to the contrary.**

### 6.1 Production/Warehouse space

<b>Floor</b>	<b>Separate Passenger &amp; Goods Lifts</b>	<b>Goods lift only</b>	<b>No Lift</b>
Ground	100%	100%	100%
First	90%	85%	75%
Second	85%	80%	50%
Third	85%	75%	25%
Fourth and above	85%	70%	At discretion

### 6.2 Offices

<b>Floor</b>	<b>Lift</b>	<b>No Lift</b>
Ground	100%	100%
First	95% - 100%	90% - 100%
Second	90% - 95%	80% - 90%
Third	90% - 95%	70%
Fourth and above	90% - 95%	60%

### 6.3 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.

## 7. VARIATIONS TO SPECIFICATION

- 7.1 The classification of buildings is primarily determined by their physical construction. Variation in specification must therefore be measured against the norm for the class within which a building fall.

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

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

- 7.2 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.

**7.2 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 – 4.60 m. 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 with Classes 4 and 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.

<b>Wall-head height</b>	<b>Adjustment</b>
1.80 - 2.79 m	-10.00%
2.80 - 3.79 m	-5.00%
3.80 - 4.60 m	0.00%
4.61 - 5.60 m	+2.50%
5.61 - 6.60 m	+5.00%
6.61 - 7.60 m	+7.50%
7.61 - 8.60 m	+10.00%
8.61 - 9.60 m	+12.50%
9.61 - 10.60m	+15.00%
10.61- 11.60m	+17.50%

**7.3 Office accommodation which is larger than the norm, may be reflected in the valuation as a tenant's improvement. The addition to the valuation should be derived from rental evidence.**

Typical in-span space larger than the norm 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.

- 7.4 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 12.0.
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.

## **8. Age and Condition**

- 8.1 Since subjects are being classified by physical construction properties being valued will usually have been built in the same era. **Age will therefore be reflected in the basic rate for most classes.**
- 8.2 Condition will in usually be reflected in the general classification of a building.

## **9. Deductions/Additions**

The subjects are being valued using the comparative method, however there will always be exceptions to the norm and valuer’s judgement will require to be exercised in deciding when it will be appropriate to make a further allowance or addition.



The following table may be used for guidance in selecting appropriate allowances or additions.

**The adjustments recommended below should not be applied blindly where local evidence suggests something to the contrary.**

<b>Description</b>	<b>Deduction</b>	<b>Notes</b>
Bad Shape/Layout	Deduct up to a maximum of 10%	To individual building
Excessively Thick Stone Walls	Deduct up to a maximum of 5%	To individual building
Liability to Flooding	Deduct up to a maximum of 10%	To individual building
Narrow Bays with Columns	Deduct up to a maximum of 10%	3m apart
	Deduct up to a maximum of 5%	9m apart
	No Allowance	15m apart
One wall open to yard	Deduct 15.00%	To individual building
Poor Access	Deduct up to 5.00%	
Variation in Floor Levels	Deduct up to 2.50%	Within a building
Piecemeal Development	Deduct up to 10.00%	Site comprises a number of buildings of different classes, erected over a period of time, layout issues, configuration issues etc

<b>Description</b>	<b>Addition</b>	<b>Notes</b>
Air Conditioning	+15%	To area which benefits
Mechanical Ventilation	+5%	To area which benefits
Sprinklers	+5%	To area which benefits
Yard	+5%	Where yard is more than the norm

## 10. Quantum

The analyses of local rental evidence should establish the appropriate rate for units of a particular class/location/size range. Quantum will be reflected in the rate used.

Evidence for all units greater than 6,000m<sup>2</sup> will be collated and used to value all larger industrials.

#### **11. Yard/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. It is therefore not possible to state conclusively what addition/deduction should be made for yard space/car parking which varies from the local norm. As a rule of thumb however, a range of +/- 10% will be the likely maximum variation. Where yard space is out with the norm regard should be made to the use of the land and a cross check made against the yard guidance note to ensure that an appropriate level of value is applied.

#### **12. Plant and Machinery**

Any plant in these subjects which is rateable, and not included within the rate, should be valued by reference to the relevant cost guide e.g. CCTV.