



REVALUATION 2017

LOCAL PRACTICE NOTE

SUBJECT: Factories, Warehouses,
Workshops and Stores

REPORT NO.: Local Practice Note

CATEGORY: Industrial Properties Committee

1.0 Introduction

This Local Practice Note applies to the valuation of factories, warehouses, workshops, stores and similar, valued on the comparative principle and should be read in conjunction with the **Scottish Assessors' Association Industrial Committee Practice Note 1 – Valuation of Factories, Warehouses, Workshops and Stores**.

2.0 Basis of Valuation

The basis of valuation is the Comparative Principle based on a consideration of local rental evidence.

Subjects are measured on a gross external basis and valuations proceed on the basis of applying an appropriate rate/m² derived from analysis of rental evidence.

The approach adopted is that of applying a basic rate/m², which relates to a standard building specification. Any appropriate adjustments are then applied to reflect the actual subject being valued. (See paragraph 4 for an outline of the building specification).

Additions may then be added to the value to reflect excess yard and any rateable items of plant and machinery.

3.0 Rental Analysis

Rents have been adjusted in terms of the **Scottish Assessors' Association Basic Principles Committee Practice Note 1 – Adjustment of Rents** and have been adjusted to reflect variations from the standard building specification.

4.0 Building Specification

The Building Specification, as referred to above, is described as:

A modern single storey unit with steel or concrete frame, walls of modern insulated cladding or masonry equivalent, insulated roof and granolithic or power-floated load bearing floor. The eaves height will be in the range of 4.00-6.00m. There will be average quality heating and lighting of a standard permitting conventional factory work. Yardage and circulation space will vary depending on the type of property but should be at least of adequate amount.

Where the building construction is considered to be inferior to that of the standard specification (and the rental analysis has determined a rate based on the standard specification), then an allowance to the basic rate should be granted to reflect the differences. The allowances applied to the most common variations are summarised in the table below:

Construction		Adjustment
Standard Building or equivalent		Nil
Slightly inferior to standard construction	(a) with 1m high dado:	-2.5%
	(b) with no dado:	-5%
Corrugated Asbestos Cladding	(a) with 2m high dado:	-2.5%
	(b) with 1m high dado:	-5%
	(c) with no dado:	-7.5%
Single Skin walls with no wall insulation, but with roof insulation	(a) with 2m high dado:	-10%
	(b) with 1m high dado:	-12.5%
	(c) with no dado:	-15%
Single Skin walls with no wall insulation and no roof insulation	(a) with 2m high dado:	-20%
	(b) with 1m high dado:	-22.5%
	(c) with no dado:	-25%
9" Brick walls with an insulated roof		-7.5%
4 1/2" Brick walls with no roof insulation		-17.5%
Concrete Panel walls with insulated roof		-10%
Ancillary and inferior buildings, ranging from standard "portakabins" to timber garage with no services		-40% to -80% (depending on building type)

5.0 Offices

The treatment of offices attached to or within industrial subjects is one that applies an increased adjustment to the basic rate to reflect the standard of finish. Where such offices are present, an addition to the standard rate of between 25% and 50% should be applied, as shown in the table below:

Code	Type / Quality	Adjustment (%age)
U (1)	Outspan Office (standard)	+50%
U (2)	Outspan Office (inferior)	+35%
U (3)	Outspan Office (poor)	+25%
V (1)	Inspan Office (standard)	+50%
V (2)	Inspan Office (inferior)	+35%
V (3)	Inspan Office (poor)	+25%

6.0 Clean Rooms

The treatment of clean rooms attached to or within industrial subjects is one that applies an increased adjustment to the basic rate to reflect the standard of finish. Guidance for the valuation of Clean Rooms is provided in the **Scottish Assessor's Association Industrial Properties Committee Practice Note 5 – Valuation of Subjects Containing Clean Rooms**. Where such clean rooms are present, an addition to the standard rate of between 50% and 100% should be applied, as shown in the table below:

Code	Classification	Adjustment (%age)
CR 1	Clean Room Type 1	100%
CR 2	Clean Room Type 2	70%
CR 3	Clean Room Type 3	50%

7.0 Further Variations to Building Specification

Where the construction or finishes of the floor, walls and roof of buildings differ to that of the typical building specification and have not already been reflected, then further adjustments may be required in the form of an allowance or an addition. Examples of such adjustments can be seen in the following tables:

7.1 Floor

Description	Adjustment (%age)
Ash	-20.00%
Cobble	-10.00%
Earth	-20.00%
Heavy reinforced concrete	+ 5.00%
Inferior timber	-10.00%
Lightweight concrete	- 10.00%
Mixed	-2.50%
Sleeper	-10.00%
Tarmac	- 5.00%
Timber	- 5.00%
Un-screeded concrete	- 5.00%
Cork tiles	+ 5.00%
Epoxy resin	+ 2.50%
Quarry tiles	+ 5.00%
Steel plate on concrete	+10.0%
Surface drainage	+ 2.50%
Terrazzo	+10.0%
Vinyl tiles	+ 2.50%
Vinyl tiles (anti-static)	+ 7.50%

7.2 Wall

Description	Adjustment (%age)
Unlined	-5.00%
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%
Blast Freezer	+35.00%
Chill Freezer	+15.00%
Cold Store A (Standard)	+25.00%
Cold Store B (Inferior)	+20.00%

7.3 Roof

Description	Adjustment (%age)
Inferior roof insulation	-2.50%
Lack of roof insulation	-5.00%
Plaster lined	+5.00%

8.0 Wallhead Height

The typical range of wallhead height adopted for Ayrshire is 4m-6m. Where the wallhead height is outwith this range, the **Scottish Assessors' Association Industrial Committee Practice Note 1 – Valuation of Factories, Warehouses, Workshops and Stores** has been followed. The result is that the applied rate should be increased by up to 2.50% for each additional meter above the local norm and should be reduced by 5.00% for each meter below the local norm, with interpolation as required.

9.0 Heating

The standard building specification assumes adequate heating, therefore, any inferior or superior systems of heating may require to be reflected by way of an allowance or addition. Such allowances range from 2.5% to 10%, as shown in the following table:

Description	Adjustment (%age)
Background Heating	-2.50%
Poor Heating	-5.00%
No Heating	-10%

Where the heating is considered to be excellent, an addition of 2.50% should be applied. Further additions may be made for any specialised installations.

10.0 Lighting

The standard building specification assumes adequate lighting, therefore, any inferior systems of lighting may require to be reflected by way of an allowance. Such allowances range from 2.5% to 5%, as shown in the following table:

Description	Adjustment (%age)
Pendant/poor lighting	-2.50%
No Lighting	-5.00%

Where the lighting has been considered to be excellent, an addition of 2.50% should be applied. Further additions may be made for any specialised installations.

11.0 Air Conditioning

The building specification does not include air conditioning and, therefore, an addition should be applied where air conditioning is present. An addition of up to 15% should be applied.

12.0 Sprinklers

The building specification does not include sprinklers; therefore, an addition of 5% should be applied where sprinklers are present.

13.0 Floor Levels

13.1 Production/Warehouse Space

Upper floor accommodation, designed for manufacturing and storage purposes, is considered less desirable than ground floor accommodation. Each floor level should, therefore, be taken at a percentage of the ground floor. Such percentages typically range from 90% to 25%, as shown in the following table:

Floor	Sep. Passenger & Goods Lift	Goods Lift Only	Stair Access Only
GF	100%	100%	100%
1F	90%	85%	75%
2F	85%	80%	50%
3F	85%	75%	25%
4F & above	85%	70%	At discretion

13.2 Offices

Upper floor accommodation, designed for office use within an industrial building, may be considered less desirable than ground floor accommodation, but to a lesser extent than within production areas. Each floor level should, therefore, been taken at a percentage of the ground floor.

Such percentages typically range from 95% - 60%, as shown in the following table:

Floor	Lift	Stair Access Only
GF	100%	100%
1F	95%	90%
2F	95%	80%
3F	95%	70%
4F & above	95%	60%

14.0 Basements, Galleries, Attics and Lofts

This type of accommodation varies widely in quality, character and purpose and the final rate selected should reflect the relation to the principal floor served.

15.0 Mezzanine Floors

Mezzanine floors should be taken at a value of between 15% and 30% of the building in which they are situated, depending on strength and quality.

16.0 Age & Obsolescence

Where a general industrial unit is older than the standard building specification, consideration should be given to an age and obsolescence allowance to reflect the difference. In arriving at an appropriate scheme to apply, consideration has been had to local rental evidence together with guidance from the **Scottish Assessors' Association Basic Principles Committee Practice Note 2 - Contractor's Basis Valuations**.

In deciding on an appropriate allowance to apply, consideration must also be had to any refurbishments that may have taken place since construction and a "Notional Year" adopted.

The general allowances applied, where appropriate, can be seen below:

Year	Allowance
2016 - 2007	0.5% - 5%
2006 - 1963	6% - 49%
1962 and older	50%

Note that any allowances in excess of 50% should only be applied in exceptional circumstances.

17.0 Disabilities

Any adjustment for shortcomings which affect either an individual building or the whole of a “unum quid” entry should be made. Allowances have been adopted to appropriately reflect the most commonly found drawbacks to the occupation of industrial subjects. Such allowances, as those shown in the following table, should be considered:

Disability		Allowance
Bad shape and/or layout		Up to -10.00%
Excessively thick stone walls		Up to -5.00%
History of flooding		Up to -10.00%
Narrow bays with columns	3.00m apart	Deduct 10.00%
	9.00m apart	Deduct 5.00%
	15.00m apart	No allowance
One wall open to yard		Deduct 15%
Poor access		Up to -5.00%
Restricted yard space		Up to -5.00%
Subjects divided by public road with security/transport on-costs		Up to -5.00%
Varying Floor Levels		-2.5%

Note that the total of allowances for Age & Obsolescence in terms of paragraph 15.0 and for Disabilities in terms of this paragraph, should not exceed 80.0% for any building still capable of reasonably economic use.

18.0 Quantum

The concept of *Quantum* recognises that unit rates may reduce as size increases and increase as size decreases. A scale of quantum has been derived for Ayrshire, but note that not all industrial estates/locations have a quantum scheme applied, depending on the local rental evidence.

It has been determined that any general industrial unit of a size 380m² or larger should receive a quantum allowance, where supported by local rental evidence. The following table outlines Ayrshire's general quantum scheme:

Area (m ²)	Allowance (%)
0-379	0.0%
380	0.5%
1,500	7.0%
2,500	13.0%
3,500	18.5%
4,500	21.0%
5,000	22.5%

Area (m ²)	Allowance (%)
10,000	27.5%
15,000	32.5%
20,000	37.5%
30,000	42.5%
40,000	47.5%
50,000	50%

19.0 Yard Space

A reasonable measure of yard space has been deemed to be included in the rate/m² applied to industrial buildings. The proportion of yard included has been taken as 50% of the building area, with any additional yard space considered to be excess and attracting an additional value.

Excess yard space should be added at an appropriate rate based on local rental levels and is dependent on surfacing, size and location. The rates applied are considered to include fencing.

The basic rates for a yard in the main industrial locations of Ayrshire are as follows:

Surfacing	Rate/m ²
Tarmac	£5.00
Hardcore	£4.20
Un-surfaced	£3.50

For outlying areas, the rate applied may be taken at a reduced percentage of the basic rate, dependent on location.

For yard areas greater than 500m², a quantum allowance may be applied, based on local rental evidence.

20.0 Plant & Machinery

Any items of ratable plant & machinery, not already included in the rate applied, should be valued by application of the Contractor's Basis of Valuation with reference to guidance and replacement costs contained in the **Scottish Assessors' Association/Valuation Office Agency Rating Cost Guide**.