



Renfrewshire Valuation Joint Board

Industrial Subjects Practice Note

REVALUATION 2017

Comparative Principle

1.0 INTRODUCTION

This practice note applies to the valuation of factory/workshop and warehouse/store style properties valued on the comparative principle.

Where there is any doubt about how to apply any of the recommendations in this Practice Note they should be referred to your Divisional Assessor

2.0 BASIS OF VALUATION

The basis of valuation is the comparative principle based on a consideration of local rental evidence. As with all applications of the comparative principle, the most relevant evidence will be found locally and values will be established by analysis of this local rental evidence. 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. For the purpose of valuing buildings which are unlet (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.

Rental analysis is undertaken in accordance with SAA Basic Principles Committee Practice Note 1, Adjustment of Rents. Local rental and cost evidence is used to determine rates applied and adjustments to value.

Measurement is on a Gross External Basis.

3.0 INDUSTRIAL CLASSIFICATION

Class 1

Modern steel portal frame building with concrete floor and profiled sheeted walls and roof. Will normally have been built with around 10% to 25% in span office / toilet space. Built from around 1970 to date. There is some evidence that more modern (1990s onwards) units let for more than the 1970s equivalent. This may reflect higher maintenance/repair costs associated with the older units. In any event it will therefore be important when making comparison to know the age of the units being compared. Do not adopt a rate from 1990s units and apply to a 1970s building (or *vice versa*) without great care.

Class 1A

Brick/block dado wall to around 2m with double skin insulated sheeting above.

Class 1B

Walls and roof are full height double skin insulated sheeting.

Class 1C

As 1A with further insulation panels lining walls and roof.

Class 1D

As 1B with further insulation panels lining walls and roof.

Class 2

Brick buildings with sheeted roof on steel trusses.

Class 2A

Traditional brick cavity wall (or brick/block) building with low pitched roof covered with corrugated asbestos sheeting (double or single skin). Likely to have a concrete or steel portal framework. Office accommodation will vary quite considerably but most buildings will have at least 10%. These buildings were built for the most part from around the end of the Second World War up to the late 1970's. Refurbished buildings may have replaced asbestos sheeting with modern profiled sheeting.

Class 2B

9 inch brick walls with corrugated sheeted roof on light steel trusses.

Class 2C

4.5 inch brick walls with corrugated sheeted roof on light steel trusses. It will be rare to find such buildings in Class 2. Most will be pre 2nd World War and be in Class 5.

Class 3

Refurbished buildings

Buildings in this class have been refurbished. This may include complete or considerable re-cladding of the outer walls, and re-covering of the roof with fully insulated plastic coated profile metal sheeting. The services will have been modernised and the floor might also have been re-screeded. The work carried out will go beyond good maintenance. Original construction in the period between about 1930 and 1970.

Class 4

Older reasonable quality buildings of usually brick or stone construction

Buildings in this class will be older buildings built around the beginning of the last century. They will, however, be buildings which at the time of their construction were of a high quality specification both as regards structure and internal finishes. They may not originally have been constructed as industrial buildings, but with some adaptation have been made readily suitable for their current industrial use. Likely forms of construction are brick cavity wall or solid brick/stone wall with pitched roofs covered with slate.

Class 5

Older inferior buildings of various construction types

The buildings in this class will be either much older buildings the useful life of which is coming to an end, or buildings of considerably inferior standards of construction. They are most commonly to be found in old shipyards, engineering works and other complexes where letting is carried out on a very flexible basis i.e. short tenancies, non FRI conditions, no restrictions as to use, etc. The landlord will have carried out very little or nothing by way of improvement. Uses are likely to be those which are not very popular with landlords on good quality estates. Individual, stand alone, buildings can also be found in this class.

Class 6

Lock-up type properties.

These are generally small units (usually less than 100m²) of a variety of constructions and ages (many however brick) found in back lanes and other secondary locations. They will usually be occupied by small local businesses as workshops or stores. Railway arches and Nissan huts will normally fall into this class.

The vast majority of industrial buildings should fit comfortably into one of the above classes. If you come across a building which doesn't please consult with your DA. It is not intended that we have any building classified as say Class 4/5 or similar.

4.0 VARIATIONS TO SPECIFICATION

4.1 General

The classification of buildings is primarily determined by their physical construction. Variations in specification must therefore be measured against the norm for the particular class within which a building falls. **Where possible, all such variations to the standard specification should be reflected in the valuation in accordance with local rental evidence.**

In general, since we are comparing like with like, differences for which adjustments have to be made should be small. The most likely variations for most classes will be in services. For example many Class 1 subjects will be let with lighting but no heating.

The valuation rate will reflect this and subjects with heating will require to be valued at a higher rate. If the standard unit in an area/estate however is let with heating and lighting then a unit without heating will require to be valued at a lower rate. Similarly with yard space / parking, if the units from which the valuation rate is being derived have adequate yard space and/or parking then units with limited or no such facility will require to have an appropriate allowance.

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

Care should be taken in particular when making any adjustments to Class 5 and 6 properties. It is likely, given the nature of these subjects, that there will be very little differentiation in rent rate between different styles of construction, different finishes etc. Similarly within Class 4 some of the “superior” internal finishes may be effectively redundant as far as attracting additional rent is concerned.

4.2 Services

4.2.1 General

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. For assistance in this matter reference should be made to the SAA paper “*Interpretation Guidance: Class 2 Table 2(b) The Valuation for Rating (Plant and Machinery) (Scotland) Regulations 2000*”.

4.2.2 Heating

If the basic rate assumes no heating, an addition of up to 5.00% (subject to a maximum of £2.50/m²) should be made if there is good heating.

Similarly, if the basic rate assumes good heating a deduction of up to 5.00% (subject to a maximum of £2.50/m²) should be made where heating is poor or absent altogether.

Further additions may be made for specialised installations. Refer also to paragraph 4.2.1.

4.2.3 Lighting

If the basic rate assumes adequate lighting, a deduction of 5.00% should be made in buildings without lighting and 2.50% where the only lighting is from isolated pendants. An addition of 2.50% should be made for excellent lighting. Further additions may be made for specialised installations. Refer also to paragraph 4.2.1.

4.2.4 Air Conditioning

Where items of plant and machinery contributing to air conditioning are also present then additions may be made from the following table. Refer also to paragraph 4.2.1.

Specification	Addition where rate assumes adequate heating	Addition where rate assumes no heating
Ducted AC system capable of heating, cooling, ventilating and humidity control but without filtration	+15.00% as an extra-over to a basic rate which already reflects average heating (subject to a maximum of £7.50/m ²).	+20.00% as an extra-over to a basic rate which reflects no heating (subject to a maximum of £10.00/m ²).
Simple mechanical ventilation systems inducting fresh air from outside or suspended cartridge systems providing chilled air only.	+5.0% as an extra-over to a basic rate which already reflects average heating (subject to a maximum of £2.50/m ²)	+10.00% as an extra-over to a basic rate which reflects no heating (subject to a maximum of £5.00/m ²).

4.2.5 Sprinklers

The following addition is recommended but should be considered in the light of information contained in the SAA/VOA Rating Cost Guide. Refer also to paragraph 3.2.1.

Specification	Addition
Normal hazard system (to include ancillary plant but not any water storage tank or lagoon).	+5.00%

4.3 Structure

4.3.1 Floors

In general the normal specification for the subjects with which comparison is being made will be a screeded concrete floor. The adjustments below are by comparison to this norm. **In classes 5 & 6 in particular the norm may be poorer and adjustments should be applied accordingly. For example an earth floor where the norm is cobbles would be -10.00%.**

4.3.1.1 Floor construction

Construction	Adjustment
Ash	-20.00%
Cobble	-10.00%
Earth	-20.00%
Flag stone	-10.00%
Heavy reinforced concrete	+5.00%
Inferior timber	-10.00%
Lightweight concrete	-5.00%
Sleeper	-10.00%
Tarmac	-5.00%
Timber	-5.00%
Un-screeded concrete	-2.50%

4.3.1.2 Floor finish

Finish	Adjustment
Cork tiles	+5.00%
Epoxy resin	+2.50%
Hardwood strip	+10.00%
Parquet block	+10.00%
Quarry tiles	+5.00%
Steel plate on concrete	+10.00%
Surface drainage	+2.50%
Terrazzo	+10.00%
Vinyl tiles	+2.50%
Vinyl tiles (anti-static)	+7.50%

4.3.2 Walls

Generally since subjects are being classified by their physical construction there should be few instances where a variation under this heading will arise. However in such rare cases the following tables may be of assistance. Again care should be taken in particular when making any adjustments to Class 5 and 6 properties. It is likely, given the nature of these subjects, that there will be very little differentiation in rent rate between different styles of construction, different finishes etc. Similarly within Class 4 some of the “superior” internal finishes may be effectively redundant as far as attracting additional rent is concerned.

4.3.2.1 Wall construction

In Class 1 where the norm is double skin insulated cladding.

Construction	Adjustment
Uninsulated modern cladding	-20.00%

4.3.2.2 Wall finish

Finish	Adjustment
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%

4.3.3 Roof

Generally since subjects are being classified by their physical construction there should be few instances where a variation under this heading will arise. However in such rare cases the following tables may be of assistance.

4.3.3.1 Roof construction

Where the norm is an insulated roof.

Construction	Adjustment
Inferior roof insulation	-2.50%
Lack of roof insulation	-5.00%

4.3.4 Wall-head height

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 in particular with Classes 4 & 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. Any addition greater than 10% should be treated with caution. Only where the valuer is satisfied that the additional height has value to the hypothetical tenant should such an addition be made. If in any doubt consult your Divisional Assessor.

Wall-head height	Adjustment
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%

4.5 Offices

As noted above 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. Typical in-span space in excess of this 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. Valuers should be aware however that the basic level for offices derived from any rental analysis is likely only to reflect the quality of office accommodation associated with typical letting units. Many subjects, particularly those erected for owner occupation and used as corporate headquarters, may have considerably higher standards of finish, which should be reflected in valuation. A check against planning “Use Class 4” office rates should be made for such offices.

There will be circumstances where a modern office, equivalent to the standard provided at Class 1 developments, has been added to an older development. Any addition for offices should reflect this better quality and should reflect the rate it would attract as a Class 1. For example, if a Class 2 property has a basic rate of £30/m², the rate for offices would normally be between £40/m² and £45/m². If the nearest Class 1 rate is £50/m² offices would normally be valued at between £67/m² and £75/m². A Class 1 office at a Class 2 subject should be valued in the range £67/m² and £75/m² although an allowance may be appropriate under 7.8 below.

4.6 Ancillary accommodation

The following approach is recommended for the treatment of minor buildings and elements frequently associated with industrial subjects.

Item	Approach to valuation
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 10.0.
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. What you should clearly be able to demonstrate is that the value of Building A without a mezzanine is £x and the value of Building B (identical to A but with a mezzanine) is £x + £y (where £y is the “extra over” value of the mezzanine).

5.0 MULTI-STOREY BUILDINGS

The following tables of adjustments provide guidance where there is no conclusive local evidence. Such subjects should be rare and should be valued on own evidence where it exists. **Any such subjects must be discussed with the Divisional Assessors to ensure consistency of approach.** The allowances are not suitable for business centres or Planning Use Class 4 style developments where an office approach may be more appropriate or in the case of industrial subjects with vertical process systems where allowances may be abated or withheld or a cost basis considered.

5.1 Production/Warehouse space

Floor	Separate passenger & goods lifts	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

5.2 Offices

Floor	Lift	Stair access only
GF	100%	100%
1F	95% -100%	90%-100%
2F	90%-95%	80%-90%
3F	90%-95%	70%
4F & above	90%-95%	60%

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

5.3 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.

6.0 AGE & CONDITION

6.1 Age

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.** Differences in valuation for age should therefore be small and be based on local evidence.

6.2 Condition

Condition will in usually be reflected in the general classification of a building. For example a Class 1 building will usually be in better condition than a Class 5 building. Subjects must however be valued in their "*actual state*" (see Armour 18-01 to 18-04). It may be appropriate therefore to adjust the valuation of a building where the actual condition varies significantly from the norm expected for the particular class within which it lies.

Only in exceptional circumstances however, should an addition or deduction for condition exceed 10% and care should be taken to ensure that there is no double counting if an adjustment is being made for age.

7.0 DISABILITIES

Again, since subjects are being compared like with like, disabilities will in general be reflected in the basic rate. There will always be exceptions however and valuer's judgement will require to be exercised in deciding when it will be appropriate to make a further allowance for a particular disability.

The following table may be used for guidance in selecting appropriate allowances for the most commonly found drawbacks to the occupation of industrial subjects. The list is not exhaustive but care should be taken to ensure that aggregated allowances are not excessive.

Disability	Detail	Allowance
7.1 Bad shape and / or layout	To an individual building	Deduct up to 10.00%
7.2 Excessively thick stone walls		Deduct up to 5.00%
7.3 Liability to flooding		Deduct up to 10%
7.4 Narrow bays with columns	3.00 metres 9.00 metres apart 15.00 metres apart	Deduct 10.00% Deduct 5.00% No allowance
7.5 One wall open to yard		Deduct 15.00%
7.6 Poor access		Deduct up to 5.00%
7.7 Variation in floor levels	Within a building.	Deduct up to 2.50%
7.8 Piecemeal development	Where subjects comprise a number of buildings of different classes erected on a site over a period of time there may be problems of layout, configuration etc.	Deduct up to 10.00%

8.0 QUANTUM / INVERSE QUANTUM

8.1 Introduction

The analyses of local rental evidence should establish the appropriate rate for units of a particular class in a particular size range (see indicative table below for example).

Estate Name	Class of Units	50 to 100 m2	101 to 199 m2	200 to 500 m2	500 to 999 m2	1000 to 3000 m2
Ren1	1A	£65	n/a	£50	n/a	£40

In most cases it will therefore not be necessary to establish an incremental table of additions or deductions for size.

Area bands will vary from location to location. Many industrial estates for example will have no more than 2 or 3 different sizes of unit within them. It will only be necessary to establish rates for units of those sizes on such estates.

Evidence for all units greater than 6,500m² will be collated and used to value all larger industrials.

9.0 YARD SPACE & 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 + or – 10% will be the likely maximum variation. In most cases where there is yard space in excess of 50% of the total building area but less than 2 times the total building area it will be appropriate to reflect this by rounding up the value. It will be very rare however for any such addition to exceed 5% of the total value. Where yard space is greater than 2 times the total building area regard should be made to the use of the land and a cross check made against the Ground / Yard practice note to ensure that an appropriate level of value is applied.

In some cases it may be appropriate to adjust for car parking in the analysis and add back parking at a rate per car space. This is most likely where office space is a significant part of the subjects and is usually associated with an estate / location with planning “Use Class 4” consent.

10.0 PLANT AND MACHINERY

Rateable items of plant and machinery not covered by the above guidance will be valued by application of the Contractor’s Basis of valuation with reference to guidance and replacement costs contained in the SAA/VOA Rating Cost Guide.

11.0 VALUATION CHECK

The test of a good scheme of valuation is if the valuations produced are in line with the generality of the rental evidence. At the checking / authorisation stage of the revaluation therefore all valuations will be checked against known rents.

Where all valuations appear out of line with the rents the basic rate may have to be reviewed. Where only some are out of line the assumptions / adjustments made in the valuation will require to be checked to see if they are insufficient / excessive.