



# ***Renfrewshire Valuation Joint Board***

***Office Practice Note***

***Revaluation 2017***

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## 1.0 General

These instructions apply to the valuation of office and office type subjects and should be used in conjunction with the Scottish Assessors Association, Basic Principles Committee Report No. 1 – Adjustment of Rents. It is likely the types of subjects to be covered will include:-

- a) Purpose built offices and office developments.
- b) Subjects converted and/or adapted for office use.
- c) Subjects that are by reason of their location and physical characteristics similar to offices eg clinics, upper floor premises used as doctor/dentist surgeries or salons etc.
- d) Class 4 offices located on office/business/mixed use parks.
- e) Large standalone offices, usually located on Greenfield sites or on mix use parks.
- f) Offices at new housing developments.
- g) Local Authority Offices located in commercial locations. These should be valued in comparison with commercial properties of similar size and character. Only in situations where no rental evidence is available, or cannot be derived, should the Contractor's Basis of Valuation be employed.

This practice note does not apply to properties occupied for office purposes which are situated in "shop type" properties situated in shopping locations or adjacent to shopping locations. Such subjects may be described in the Valuation Roll as "Office" but should generally be valued using the RVJB Shop Practice Note.

The valuation of Office subjects will be on the Comparative Principle based on an analysis of rental information for similar classified subjects in each locality.

The process will involve an analysis of the rents passing to establish a unit of comparison normally expressed as a rate per square metre. This rate is then applied to the notional net internal area of the offices covered by the analysis.

The analysis will normally determine the extent to which any variances from the norm such as better/poorer parking or lift/no lift provision 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.***

When analysing the rental evidence the valuer will make various assumptions. If eg, the rental evidence includes heating, then no addition at the valuation stage should be made. If you have one office which does not have heating it may be appropriate in that case to grant an allowance.

## **2.0 Valuation Roll Descriptions**

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

## **3.0 Notional Net Internal Area/Notional Net Lettable Area**

The Notional Net Internal Area/ Notional Net lettable Area is the NIA adjusted, if appropriate, for storey level. To arrive at the NIA or NLA you should follow the RICS Code of Measuring Practice 6<sup>th</sup> Edition.

## **4.0 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 expressed in pounds and pence and will be applied to the *notional net internal area/notional net lettable floor area.*

## **5.0 Measurement**

All offices are to be measured on a net internal basis. However the calculation of the net lettable area will follow the RICS Code of Measuring Practice 6<sup>th</sup> Edition. All areas should be measured and areas calculated irrespective of whether or not they are eventually included in the valuation.

Areas of ancillary buildings will be calculated on actual use of the space.

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

## 6.0 Areas to be excluded from Valuation

This is for **guidance** only and not exhaustive. The RICS Code of Measuring Practice 6<sup>th</sup> Edition should be followed.

- a) Those parts of entrance halls, atria, landings and balconies used in common.
- b) Toilets, toilet lobbies, bathrooms, cleaners' rooms, and the like.
- c) Lift rooms, plant rooms, tank rooms (other than those of a trade process nature), fuel stores, and the like.
- d) Stairwells, lift-wells and permanent lift lobbies.
- e) Corridors and other circulation areas where used in common with other occupiers.
- f) Permanent circulation areas, corridors and thresholds/recesses associated with access, but not those parts that are usable areas.
- g) Areas under the control of service or other external authorities including meter cupboards and statutory service supply points.
- h) Internal structural walls, walls enclosing excluded areas, columns, piers, chimney breasts, other projections, vertical ducts, walls separating tenancies and the like.
- i) The space occupied by permanent and continuous air-conditioning, heating or cooling apparatus, and ducting in so far as the space it occupies is rendered substantially unusable.
- j) Areas with a headroom of less than 1.5m.

## 7.0 Floor Reduction Factors

These should generally be derived from local rental evidence. The type of access will be a significant factor in the use which can be made of floors above and below ground level.

In the absence of any evidence the following table can be used as guidance. *The adjustment recommended below should not be applied blindly where local evidence suggests something to the contrary.*

	With Elevator	No Elevator
Basement	60-80%	50%
Lower Ground	90-100%	80-90%
Ground	100%	100%
First	100%	90%
Second	100%	80%
Third	100%	70%
Fourth & above	100%	60%

## 8.0 Lack of Finish

Like all allowances or additions these will only be appropriate where the applied rate assumes a particular standard of finish. Again any allowance granted should be in line with the assumptions that have made in the analysis and the resultant analysed rate.

In the absence of any evidence the following table can be used as guidance. *The adjustment recommended below should not be applied blindly where local evidence suggests something to the contrary.*

Finish	Allowance
Totally Unfinished	-10% maximum to the rate applied

## 9.0 Additions/Deductions

- 1) Heating/ Air Conditioning - only the difference from the typical office should be reflected here.

	<u>Rate per sq.m.</u>
Heating	£5.00
Air conditioning	£7.00

In many modern offices the air conditioning comes as standard and should be reflected in the analysed rate. In other locations air conditioning will normally be a tenant's improvement and will therefore not be reflected in the analysed rate and the above addition should be made to the area served by the system.

- 2) Sprinklers - depending on whether or not the typical office has sprinklers deduct £3 per sq.m. for lack of, or add £3 per sq.m. for having, **to the area affected.**

## 10.0 Quantum

This is very much a matter where consideration of the local rental evidence is paramount. Demand for different sizes of offices will vary from location to location. An office in Hillington Industrial Estate may command a significantly different rent than an office in Clarkston or Port Glasgow. The level of quantum for a given office area will be dependent on the rental analysis for that area, and whether or not quantum should be applied.

## 10.1 Inverse Quantum

As for quantum this is a matter where consideration of the local rental evidence is paramount. The level of inverse quantum for a given office area will be dependent on the rental analysis for that area, and whether or not inverse quantum should be applied.

Where there is no reliable definitive evidence from general analysis in the locality, or in the valuation area if the office is particularly large you should case your net wider in an effort to establish a quantum scheme.

*If it is considered appropriate to apply quantum or inverse quantum the calculation should be based on the NIA not Notional NIA area after the floor reduction factor has been applied.*

## 11.0 Valuation Tools

In the interest of consistency of valuation, all office premises should be valued using "Alpha 5" valuation tool. While some more unusual premises will be beyond the scope of the application, it is expected that the large majority will be valued by this method.

## 12.0 General Comment

There may be exceptional circumstances which are not covered by this report and which require special treatment. Such cases should be reported to the Internal Office Working Group and if it was felt necessary circulated to all members of the valuation staff to make them aware of the issue.

Above all it should be remembered that these instructions are not written in stone and are for guidance only. There will be circumstances where the valuer must exercise his/her own skill and judgement, *although instances of this should be reported to the Internal Office Working Group and if it was felt necessary circulated to all members of the valuation staff to make them aware of the issue.*

*This will promote consistency of approach to similar issues.*

## **13.0 Plant and Machinery**

Any plant in these subjects which is rateable in terms of the Valuation for Rating (Plant & Machinery) (Scotland) Regulations 2000 as amended, should be valued by reference to the relevant cost guide e.g. CCTV.