



Renfrewshire Valuation Joint Board

Revaluation 2017

VALUATION OF RESTAURANTS

1.0 Introduction

There are a large number and variety of restaurants with Renfrewshire Valuation Joint Board. This instruction identifies the best method of valuation for each subject where food is prepared for consumption by customers on the premises.

2.0 Subjects Included

Restaurants and cafes, licensed and un-licensed properties that hold Class 3 planning consent, which is “use for sale of food or drink for consumption on the premises”, or properties operating on a similar basis.

Reference to restaurants throughout is deemed to include all of the above.

3.0 Subjects Excluded

Those restaurants which are in isolated/standalone locations should usually be valued with reference to turnover as detailed in SAA Commercial Committee Practice Note 19 - Valuation of Licensed Premises.

Free standing and drive-through restaurants should be valued in terms of SAA Commercial Practice Note 23 – Valuation of Freestanding Restaurants.

Hot food takeaways, should be valued with reference to the Valuation of Shops.

Subjects included in shopping malls should be valued with reference to passing rents within the development. Examples within RVJB would include those properties situated within The Avenue, The Oakmall and Braehead etc.

4.0 Licensing

The Licensing (Scotland) Act 2005, which was effective from 1 September 2009, governs the licensing situation for all establishments licensed to sell liquor in Scotland.

The Operating Plans contain information relating to the proposed operation of the premises, and copies should be available from Licensing Boards. The plans combined with knowledge of how the premises are actually being used, may have a bearing on the appropriate valuation method.

5.0 Approach to Valuation

Valuation will be arrived at by application of the comparative principle, having regard to the available restaurant rental evidence and in accordance with the relevant part of this instruction.

5.1 Area Rate Basis

The majority of restaurants will be found in or near shopping thoroughfares or in the midst of busy commercial centres or close to centres of public entertainment etc. Many will have the characteristics of shops, although in some cases lacking a shop frontage. Some will be found in office locations. The majority may be licensed, however this is not a prerequisite for the application of this Practice Note.

Restaurants should be measured on a variation of net internal basis, including all toilets and circulation space. Zoning is not appropriate.

5.1.1 Reduction Factors and Allowances

All accommodation on each floor will be included, regardless of use and irrespective of the location within the premises e.g. behind a permanent wall. This includes circulation space, toilets, storage etc.

For Restaurants operating in ground floor premises the following reduction factors will apply:-

Specification	RF for Stair access
Ground floor	1.00
Subsidiary floors	
Basement – with permanent stair access	0.40
Basement - with trap door access only	0.125
Mezzanine floor	0.70
First floor	0.40
Second floor	0.20

Restaurants operating from a basement or first floor location are more valuable to a restaurateur than they are to a typical retailer. Rental evidence suggests that restaurant operators are more interested in the general location of their business rather than its particular situation within a street. Accordingly, for a restaurant situated on the basement or first floor with stair access only, the RF will be 0.70 for that floor and any GF accommodation taken at 1.00. A higher RF will be appropriate where there is lift or escalator access.

No allowance will be made for frontage, shape and layout etc. since factors of this nature do not adversely affect the restaurant value.

Where an establishment spans 3 storeys an end allowance may be appropriate. Reference should always be made to the rent before application to establish if it is merited. Reference should always also be made to the initial analysis to establish if other 3 storey establishments have been used to set the rate. In this instance an allowance will not be justified.

5.1.2 Planning Restriction

In general there are two relevant types of restriction; opening hours restrictions and cooking restrictions. An allowance will be appropriate only where the rental value of the property would be impacted. The allowance applied will depend on the severity of the restrictions and the impact on the operation in comparison to the comparable properties.

No allowance should be applied in a situation where a particular occupier chooses to close early or has placed self-imposed limits on their menu, actions that the Hypothetical Tenant would not do.

5.1.3 Quantum

Quantum allowances should generally be made in accordance with the following table, with no interpolation:-

Reduced Area	% reduction
Up to 125m ²	Nil
125.10 – 130m ²	-1.00%
130.1 – 135m ²	-2.00%
135.1 - 140m ²	-3.00%
140.1 – 145m ²	-4.00%
145.1 – 150m ²	-5.00%
150.1-155 m ²	-6%
155.1-160 m ²	-7%
160.1-165 m ²	-8%
165.1-170 m ²	-9%
170.1-175 m ²	-10%
175.1-180 m ²	-11%
180.1-185 m ²	-12%
185.1-190 m ²	-13%
190.1-195 m ²	-14%
195.1-200 m ²	-15%
200.1-205 m ²	-16%
205.1-210 m ²	-17%
210.1-215 m ²	-18%
215.1-220 m ²	-19%
>220m ²	-20%

5.1.4 Outdoor Seating

Where outdoor seating is present and is not included in the rate an addition of between 2.5% and 10% should be added depending on the position and extent.

5.1.5 Prominent Site

Some restaurants have clear advantage over others due to their situation on a corner site or in a particularly prominent location. An addition of up to 15% may be applied in these situations.

5.1.6 Secondary Site

In Section 3 “Subjects Excluded” it is stated that subjects which are in an isolated position should usually be valued with reference to turnover as detailed in SAA Commercial Committee Practice Note 19 Valuation of Licensed Premises. If this approach is not appropriate deduction may be applied in these situations (where the rent merits this). Before application, reference should always also be made to the location of the rented properties used in the analysis to derive the rate. If the properties used to establish the rate are similarly outlying then no adjustment will be necessary as the location will be deemed to be reflected in the rate applied.

5.1.7 Air Conditioning

Where air conditioning is present and is not included in the rate it should be added for at a rate of £7/m².

6.0 Subjects Retailing Food for Consumption off the Premises

Sandwich bar, or other shops selling cold food for consumption off the premises, fall within Planning Class 1 Shops. Such a property does not cease to be a shop as a result of it retailing a proportionately small amount of hot drinks, or where minimal seating is provided.

In normal circumstances these properties should be valued as shops. However, where the operation is more akin to that of a café or restaurant then it should be valued in terms of this instruction. The actual use, e.g. the proportion of the property given over to the seating and service of customers, and/or the physical circumstances, e.g. the presence of customer toilets or of kitchen facilities, will determine the valuation method.

7.0 Valuation Roll Description

In *Glasgow City Assessor v Monti Marino (Glasgow) Limited*, their lordships stated that there may be no need to distinguish restaurant and café as separate categories for valuation purposes. It may be that the description “restaurant” is wide enough to include “café.” However, for the purposes of the 2017 Revaluation the description for any subject valued in terms of this instruction will be limited to “**Restaurant**” or “**Cafe**”.

8.0 Confidentiality of Drawings

Valuation staff must respect the confidentiality of drawings supplied to the RVJB. Particular drawings should only be discussed with ratepayers and their agents and not disclosed to third parties. If other subjects are referred to by ratepayers, discussions should be limited to generalities and specific differences between the properties.