



Revaluation 2017

Guidance Note

Valuation of Day Nurseries

1.0 Introduction

This guidance note deals with the valuation of day nurseries.

Day nurseries generally offer a full time service for 50 or 52 weeks of the year. Day care will be offered typically during business hours from 8 am to 6 pm. Ordinarily the service will be offered to a range of ages from babies to age 5.

Providers of day care facilities require to be registered with the Care Commission. Properties are registered for a specific number of children, with this total number usually being split into specific age groups. Factors taken into account when calculating the number of children allowed include the floor area of those parts of the premises where the children are accommodated, the ratios of staff to children and the provision of adequate toilet and kitchen facilities.

Over the past decade there has been a large increase in the number of day care nurseries. The provision of day care for children has evolved from small family run units, which were often part of the provider's home, to professionally run operations in larger dedicated properties. Consequently a range of rental evidence is now available.

Rental levels are influenced by a number of factors. The operator's income is clearly dependent on the number of children the nursery can accommodate, however comparison by this method is not felt to be appropriate as the maximum capacity is affected by the individual operator's business model – e.g. their decision on what mix of children of differing age groups to accommodate, staffing levels and toilet/kitchen provision. The maximum capacity is therefore a "fluid" number and any analysis of rentals on this basis would clearly be unsound.

In general, the type of building in which the nursery is located does not appear to be an influencing factor, although size of accommodation will clearly determine the child numbers permissible.

The specific location of the nursery is perhaps not of paramount importance, however close proximity to parents places of work and locations within residential areas are obviously desirable.

2.0 Approach to Value

Day nurseries should be valued by application of the comparative principle in accordance with this instruction, except in the following circumstances:- Local authority Nursery Schools adjacent to or within the grounds of school properties or forming part of the school property and providing the pre-school education for the associated school should be valued in terms of SAA Public Buildings Committee Practice Note 5 – Valuation of Schools.

3.0 Rates to be Applied

Nurseries situated in properties which, by virtue of their character or location (or both), have an obvious alternative use will have to compete with other potential occupiers. Rental analysis shows that the landlord will expect to receive a rent equivalent to the character of the property. In such situations the property should be valued in line with the prevailing rental levels for the appropriate alternative use. This is most commonly (but not exclusively) to be found in retail, office and industrial type properties /locations.

Out with these situations a rate of £42.50 per square metre should be applied to the GEA.

Day Nurseries situated in accommodation in the form of portable buildings or timber Medway style pavilions should be valued at a rate of £35 to GEA.

4.0 End Allowances

Where multiple allowances are appropriate they should be applied in sequence as given below.

4.1 Multi Floor Properties

Where nurseries have accommodation over a number of floors the following adjustments may be applied to each building

| No of Floors | Allowance |
|---------------------|------------------|
| 2 Floors | -2.5% |
| 3 Floors | -5% |

4.2 Primary Entrance not on Ground Floor

In some instances nurseries operate from premises where the primary entrance is not at ground floor level eg: basement or first floor. Where this is considered to have a detrimental effect on value an allowance of up to 10% may be applied.

4.3 Layout

Where it is considered that the layout of the property has a detrimental effect on the subjects, for example where the nursery operates from a number of separate buildings, then an end allowance of 2.5% to 5% may be granted.

4.4 Outdoor Space

It is assumed that some degree of outdoor space will be available. In circumstances where there is a complete lack of any outdoor space with the nursery then an allowance of up to 5% may be granted.