



# REVALUATION 2023

## Staff Guidance Note

### Industrial Properties Comparative Principle

#### 1.0 INTRODUCTION

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

#### 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. The analysis will be based on what was rented to the tenant and will exclude improvements carried out during their occupation. The valuation however will reflect what has been let plus the rateable improvements the tenant has made. 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 in accordance with section 6.0 below to ensure like with like comparison.

As in all classes of lands & heritages use will be an important factor in consideration of value. A range of different users will occupy properties which physically fall into the category "industrial". While it remains a basic principle in valuation for rating that subjects should be valued in their proper category and that such categories should not be minutely subdivided the analysis of rents should give consideration to whether or not different users pay different levels of rent. Where there is sufficient evidence that this is the case then it will be relevant to the valuation of that type of user. In most industrial estates all users will pay the same level of rent but there may be circumstances where higher or lower levels of rent can be attributed to a particular use. In particular consideration should be given to whether or not there is any evidence that "manufacturing" users pay a different level from storage/distribution users. Where there is an element of retail use this will also need to be considered. In considering use and its possible effect on value consideration should be given to the planning use class of the property and for let subjects the use clause in the lease. Current use classes are covered by the Use Classes (Scotland) order 1997. Classes 4, 5 & 6 will be most relevant to subjects valued under this guidance note.

### **3.0 VALUATION ROLL DESCRIPTIONS**

All descriptions must conform to the '*List of Categories, Class and Subject Types*' currently held in the Northgate system. Request for new descriptions should be raised with a Divisional Assessor.

### **4.0 MEASUREMENT**

All buildings are to be measured on a gross external basis.

### **5.0 RATES TO BE USED**

Rates to be applied will be derived from an analysis of rental evidence at, or adjusted to, Tone Date. (*cf. SAA Report No. 1 - 'Adjustment of Rents'*).

### **6.0 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 1990 to date.** If it is identified that in a particular location that this range requires further division based on age or construction please make a request (through a Divisional Assessor) for a new classification to be introduced.

#### 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 single skin

#### Class 1D

As 1B with single skin

#### Class 1E

As 3A however constructed post 1990

#### Class 1F

As 1A with no DPM

#### **Class 2**

**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 1989.**

#### Class 2A

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

#### Class 2B

Walls and roof are full height double skin insulated sheeting.

#### Class 2C

As 2A with single skin

#### Class 2D

As 2B with single skin

#### Class 2E

As 3A however constructed between 1970 and 1989

### **Class 3**

#### **Brick buildings with sheeted roof on steel trusses.**

##### **Class 3A**

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 1960's. Refurbished buildings may have replaced asbestos sheeting with modern profiled sheeting.

##### **Class 3B**

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

##### **Class 3C**

4.5 inch brick walls with corrugated sheeted roof on light steel trusses. It will be rare to find such buildings in Class 3. Most will be pre 2<sup>nd</sup> World War and be in Class 7.

### **Class 4**

#### **Siporex Buildings.**

In Cumbernauld Siporex was used in the construction of many industrial buildings in the 60's and 70's. Generally the buildings will have a steel portal frame with 8 inch Siporex<sup>1</sup> paneling infill. The walls are often coated externally (Tyrolean) and plastered internally. Properties are likely to have corrugated sheeted roof with insulation and concrete floor. Many of these buildings have been extended and refurbished, bringing them in to line with modern quality construction.

### **Class 5**

#### **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 6**

#### **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 7**

#### **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 steelworks, 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

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<sup>1</sup> Siporex is a lightweight autoclaved aerated concrete which is completely cured, inert and stable form of calcium silicate hydrate. It is a structural material, approximately one quarter the weight of conventional concrete, composed of minute cells which give the material light weight and high thermal insulation properties. It is available as blocks and pre-cast reinforced units, i.e. floors, roofs, wall and lintels.

those which are not very popular with landlords on good quality estates. Individual, stand alone, buildings can also be found in this class.

### **Class 8**

#### **Lock-up type properties.**

These are generally small units (usually less than 100m<sup>2</sup>) 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.

#### **Other Categories of Properties**

The following categories of properties should be valued on the comparative basis with the level of value reflecting local rental evidence from comparable subjects:

1. Vehicle Auction Marts
2. Vehicle Tiers Exhausts and Repair Centres; and
3. Builder's Merchants

However, in certain circumstances, the available rental evidence may point towards a higher level of value than the standard industrial comparative properties within the surrounding area. Where such evidence exists, it may be appropriate to consider valuing these subjects on the basis of their particular evidence.

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 make a request (through a Divisional Assessor) for a new classification to be introduced. It is not intended that we have any building classified as say Class 6/7 or similar.

## **7.0 VARIATIONS TO SPECIFICATION**

### **7.1 General**

The classification of buildings is primarily determined by their physical construction and age. 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 7 and 8 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 6 some of the “superior” internal finishes may be effectively redundant as far as attracting additional rent is concerned.

## **7.2 Services**

### **7.2.1 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, and 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*”.

### **7.2.2 Heating**

If the basic rate assumes no heating, an addition of up to 5.00% should be made if there is good heating.

Similarly, if the basic rate assumes good heating a deduction of up to 5.00% 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.

### **7.2.3 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.

## 7.2.4 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	+20.00% as an extra-over to a basic rate which reflects no heating
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	+10.00% as an extra-over to a basic rate which reflects no heating

## 7.2.5 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%

## 7.3 Structure

### 7.3.1 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 7 & 8 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%.**

#### 7.3.1.1 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	-10.00%
Sleeper	-10.00%
Tarmac	-5.00%
Timber	-5.00%
Un-screeded concrete	-2.50%

### 7.3.1.2 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%

### 7.3.2 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 7 and 8 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 6 some of the “superior” internal finishes may be effectively redundant as far as attracting additional rent is concerned.

#### 7.3.2.1 Wall construction

In all classes where the norm is double skin insulated cladding.

Construction	Adjustment
Uninsulated Wall cladding	-10.00%

#### 7.3.2.2 Wall finish

Finish	Adjustment
Ceramic tiles	+10.00%
Mahogany faced plywood	+5.00%
Plaster on hard	+5.00%
Plasterboard	+5.00%
Half Plasterboard	+2.50%
Terrazzo	+10.00%
Wipe-clean wall finish	+10.00%
Part Wipe-clean	+5.00%

### 7.3.3 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.

### 7.3.3.1 Roof construction

In all classes where the norm is double skin insulated cladding.

Construction	Adjustment
Uninsulated Roof cladding	-10.00%

### 7.3.3.2 Ceiling Finish

Construction	Adjustment
Suspended Acoustic Ceiling	+7.50%
Plasterboard	+5.00%

### 7.3.4 Wall-head height

**In general any adjustment under this heading should be based on local rental evidence.**

Adjustments for wall-head height will depend on the norm height adopted for subject groups based on location, age or other factors. It is desirable that local evidence is critically examined to determine appropriate height relationships but in the absence of local evidence, it is suggested that rates be increased by up to 2½% for each additional metre above the norm and reduced by 5% for each additional metre below the norm. The maximum addition should not normally exceed 20.0%.

## 7.4 Offices

As noted above many classes of industrial subjects are let with an amount of office/toilet space as standard. In addition to this, many occupiers will increase the office accommodation to meet their own requirements. This may be by the creation of either in-span or out-span offices – and will not necessarily be restricted to the ground floor. It should not be automatically assumed that all in-span office space in excess of the letting norm adds to rental value.

Analysis of available rentals will be required to establish at what point the extra office accommodation can be seen to increase the rental of the property. Such evidence will generally be found in the following two circumstances.

Firstly, units which have had extra in-span accommodation erected by the previous tenant, and subsequent to their vacation of the subject the property has been re-let with this extra office accommodation. Secondly, units which have been pre-let on a bespoke basis, where the office accommodation is in excess of the letting norm.

Analysis should be carried out by location, and by class within location. It may be appropriate to import evidence from one location to another but only for properties of the same class.

Once the break point has been established, only that amount of office space in excess of that figure should be valued. In the absence of conclusive evidence break point of 25% should be adopted

## **7.5 Valuation of Excess Offices**

### **In-Span Offices**

These should be valued at 30% “extra over” unless the accommodation provided is markedly inferior to the general standard provided in that Class of property. The difference in wall construction (e.g. concrete block or timber stud partition) should not in itself guide the valuer towards the appropriate rate to be applied.

### **Out-Span Offices**

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.

In general, and unless local evidence suggests otherwise, out-span offices should be valued at 50% “extra over”.

Care should be taken however in certain 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 circumstance where a modern out-span office, equivalent to the standard provided at Class 1 developments, has been added to an older development. Any addition for such offices should reflect this better quality and should reflect the rate it would attract as a Class 1.

For example, if a Class 3 property has a basic rate of £30/m<sup>2</sup>, the rate for excess out-span offices would normally be £45/m<sup>2</sup>. If the nearest Class 1 rate is £50/m<sup>2</sup>, excess out-span offices would normally be valued at £75/m<sup>2</sup>.

In this situation, the out-span Class 1 office would be valued at £50/m<sup>2</sup> with any excess at 50% “extra over” although an allowance may be appropriate under 7.8 below. The basic rate applied to the Class 1 portion should be with respect to that appropriate to a Class1 subject of a GEA equivalent to the entire property to be valued.

The valuer should exercise some judgment in these instances where the additional area of superior class represents less than 10% of GEA.

No allowance should be granted to upper floor accommodation where the office accommodation extends to ground &/or 1<sup>st</sup> floors only. This type of situation should not be confused with that envisaged at 5.2 below which relates to offices on more than 2 floors.

## 7.6 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 40.00% for more substantial structures that include services.
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 +15.00% if it has been constructed out of timber and +30.00% if it has been constructed out of steel. The addition should be an “extra over” of the basic rate.

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).

## 8.0 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 a Divisional Assessor 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.

### 8.1 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

### 8.2 Offices in Multi Storey Buildings

Floor	Lift	Stair access only
GF	100%	100%
1F	100%	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.

### 8.3 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.

## 9.0 AGE & CONDITION

### 9.1 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.

### 9.2 Condition

Condition will 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 7 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 subjects where the rental rate has been derived.

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.

## 10.0 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. An example would be where the valuation rate has been derived from an estate where there is no disability and you are applying that rate to something with a 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.

<b>Disability</b>	<b>Detail</b>	<b>Allowance</b>
10.1 Bad shape and / or layout	To an individual building	Deduct up to 10.00%
10.2 Excessively thick stone walls		Deduct up to 5.00%
10.3 Liability to flooding		Deduct up to 10%
10.4 Narrow bays with columns	3.00 metres 9.00 metres apart 15.00 metres apart	Deduct 10.00% Deduct 5.00% No allowance
10.5 One wall open to yard		Deduct 15.00%
10.6 Poor access		Deduct up to 5.00%
10.7 Variation in floor levels	Within a building.	Deduct up to 2.50%

<b>Disability</b>	<b>Detail</b>	<b>Allowance</b>
10.8 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%

## **11.0 QUANTUM**

### **11.1 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
Lan1	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 10,000m2 will be collated and used to value all larger industrials.

## **12.0 YARD SPACE & CAR PARKING (see also Car Parking PN)**

In general the basic rate for a Class of building in a particular location will reflect the typical yard space / car parking provision. The proportion will be determined by examination of local evidence.

In the absence of local evidence, yard space should be valued at 50 pence per square metre up to 10 times the GEA of the buildings. Yards in excess of 10 times should be considered on an individual basis. It might be more appropriate based on the location and characteristics to value them as a yard.

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.

## **13.0 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.

#### **14.0 VALUATION CHECK**

At the end of the day 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 / authorization 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.

#### **15.0 GENERAL COMMENT**

There may be exceptional circumstances *that* are not covered by this report and which require special treatment. Such cases should be reported to a Divisional Assessor *for consideration*. Above all it should be remembered that these instructions are not to be followed blindly and are primarily for guidance. There will be circumstances where the valuer must exercise his/her own skill and judgement and vary from this guidance, **although instances of this should be reported to a Divisional Assessor so that all staff can be made aware of the circumstances. This will promote consistency of approach to similar issues.**