

Revaluation 2017

Industrial Properties Committee

Practice Note 13 Valuation of Car Showrooms

1.0 Introduction

- 1.1 This Practice Note provides recommendations for the valuation of both stand alone vehicle showrooms, and those which, along with ancillary buildings such as workshops, offices and toilets, form part of a larger subject.

2.0 Basis of Valuation

- 2.1 The basis of valuation is the Comparative Principle.

3.0 General

- 3.1 Showrooms typically range from modern purpose built properties located on prominent arterial road sites occupied by main dealers and national operators, to buildings converted and/or adapted for the display and sale of vehicles occupied by local second hand dealers.

Modern purpose built showrooms are generally situated on prominent stand alone sites, on retail parks and similar locations or clustered together in motor 'parks' or motor 'miles' as seen in urban areas.

- 3.2 A typical showroom built, converted or refurbished may have a double height display area often with a mezzanine used as sales offices or sales space. Showrooms built or refurbished to the same quality may also be of more modest proportions determined by the range of manufacturer's models or by exclusivity and image. The frontage is typically sheet glass, providing a prominent display. Showroom construction will be of steel frame and concrete base with refurbished space to the same quality. Internally the floor is tiled with plastered wall finishes. The standard of heating and lighting is very high. The showroom area will include offices and customer toilets with a similar standard of finish.
- 3.3 Older purpose built showrooms are typically single storey, with prominent glass frontage, and where occupied by a main dealer, or national operator, generally finished to a similar standard to an equivalent modern unit. The refurbished showroom, in terms of finish, may be indistinguishable from a recently constructed showroom. In contrast, unmodernised showrooms of a more modest size do remain and may be considered on their own merits.

- 3.4 Converted showrooms of modest proportion and refurbishment, predominantly found in tertiary locations and typically occupied by traders operating in the local area, are often developed from workshop accommodation, generally with poor retail display and finishes similar in quality to industrial offices.

4.0 Analysis

- 4.1 Rents for Car Showrooms should be analysed in accordance with SAA Basic Principles Committee Practice Note 1 (Adjustment of Rents).
- 4.2 Showrooms may be occupied together with workshop and garage accommodation used for the service and repair of vehicles. In these circumstances valuations are essentially hybrid in nature, with accommodation such as workshops and garages valued in accordance with the Industrial Properties Committee Practice Note 1, Valuation of Factories, Warehouses, Workshops and Stores and the showroom and offices/ toilets accessed directly off the showroom valued at a separate rate.
- 4.3 For analysis purposes where the showroom is part of a complex of buildings such as described above it is first necessary to value the industrial buildings and land by reference to the relevant local 2017 scheme of value. This value should be deducted from the rent to arrive at a notional rent for the showroom element.

This notional rent can be analysed to provide a rent rate for the showroom element.

5.0 Measurement

- 5.1 Showrooms and ancillary offices/toilets should be measured to gross internal area, in accordance with the RICS Code of Measuring Practice. Workshops, stores, workshop offices and other uses should be measured on the same basis as comparable industrial buildings.

6.0 Valuation

- 6.1 It is recommended that the subjects are valued by reference to local rental evidence. In the absence of local rental evidence reference may be made to comparative evidence in similar locations outwith the local valuation area.
- 6.2 The primary determining factor for the rate to be applied to the showroom element is the location of the subjects. For valuation purposes rental evidence may be grouped into one of four categories:
1. Motor Mile/ Motor Park/ Retail Park
 2. Prominent Main Road (including prominent stand alone sites)
 3. Secondary Main Road
 4. Tertiary site

6.3 Adjustments to Showroom Valuation

6.3.1 A showroom will normally face the main road, either directly or obliquely, and be visible from both directions along the road. Usually the location is behind a car display, or landscaped area. No allowance should be made for such a location.

Where a showroom is masked by other buildings and demonstrated to have an effect on the subject, then an allowance of up to 10% may be appropriate. In situations, such as a motor mile or complex, a symbiotic relationship may enhance the value and consequently an allowance would not be appropriate.

6.3.2 An adjustment may also be given where the showroom differs significantly, from the typical let showroom. The adjustment may take the form of an allowance or an amendment to the basic rate applied. The basic rate applied should not be less than the industrial office equivalent in that location.

6.4 Offices

6.4.1 All offices and customer toilets accessed directly from the showroom, and of a similar quality, should be valued at the same rate as the showroom. Where situated on a gallery floor an allowance of up to 10% may be given.

6.4.2 Offices not accessed directly from the showroom should be valued at the same rate as comparable industrial office accommodation.

6.5 Workshops & Ancillaries

6.5.1 The standard of finish in workshops and ancillary accommodation varies considerably from a basic industrial unit with painted floor and walls to near showroom quality with tiled floor and walls. It is recommended that the buildings should be valued on local evidence.

6.6 Sales Yards/Display Areas

6.6.1 Some areas of land are set aside as permanent sales areas. Display areas are typically situated in front of the building line or, where the showroom is situated directly on the road, to the side of the showroom having good display to a prominent road. Analysis of rental evidence indicates that the rate applied to this area is enhanced above local industrial yard rates. In the absence of local information an addition of 50% above the local yard rate is recommended in this situation.

6.6.2 Customer or staff parking provision on land where a sales and display area would normally be located should be treated as display and a similar uplift applied. Care must be exercised in the treatment of sales areas where there is insufficient storage/ parking land remaining.

6.6.3 See Appendix 1 for guidance on a typical layout of car sales yards.

6.7 Storage/ Parking Land

It is recommended that land used for parking and storage, and not situated where a sales and display area would normally be located, should be valued in line with local schemes of valuation for such subjects.

6.8 Quantum

6.8.1 For analysis purposes quantum should only be applied to the buildings valued on the relevant local industrial scheme of value. The quantum applied should reflect the floor area excluding the showroom element.

6.8.2 Only where analysed rates for the showroom element indicate that quantum is applicable within a local area should quantum be applied to the showroom at the valuation stage.

7.0 Plant & Machinery

7.1 Any items of plant should be dealt with in terms of the Valuation for Rating (Plant & Machinery) (Scotland) Regulations 2000 (as amended).