



Revaluation 2017
Commercial Properties Committee
Practice Note 24
Valuation of Exclusive Use Venues

1 Introduction

- 1.1 This Practice Note should be used for the valuation of Exclusive Use Venues
- 1.2 Exclusive Use Venues are subjects whose typical uses include a venue for weddings, conferences, corporate entertainment and private parties. The key criterion is that the property, or significant parts of it, is rented out to a single hirer at any one time.

Subjects covered by this Practice Note, may provide facilities that range from purely a function venue, through to facilities that are similar to high quality hotels. The character of the property may range from function halls with little or no outlook, to marquees in scenic locations, grand rooms in historic homes and castles, to country houses and their associated estate. Some exclusive use venues will provide overnight accommodation either in the main building or in lodges at the property or a combination of both.

- 1.3 Properties used as short stay accommodation only, such as self-catering units (Commercial Properties Committee Practice Note 17), should not be valued as Exclusive Use Venues. Properties let out on a per room basis akin to hotels should be valued on the Hotel basis (Commercial Properties Committee Practice Note 20).

1.4 Licensing

Whenever liquor is sold on the premises an appropriate licence is required under the Licensing (Scotland) Act 2005. The operator of the Exclusive Use Venue may hold a Premises Licence to sell liquor, alternatively this could be fulfilled by obtaining an Occasional License where the licence is applied for as and when an event takes place. The licensing information could assist in establishing the trading activity at the property. 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 being run, will provide guidance on the appropriate valuation method.

1.5 Planning

Given the character of properties and the use, specific planning consent may not be required for this use. Where it has been applied for it may specify limitations on number of functions per year or other relevant factors, and this information could assist in establishing the hypothetical achievable turnover of the property.

2 Survey and Measurement

2.1 Survey should include such information as the type of premises, location, age, construction, services, the date when last refurbished, the size and capacity of rooms used for functions, number and type of bedrooms, type extent and quality of ancillary facilities, parking, details of WC facilities, the use of marquees and their permanence.

2.2 In some instances, the owner/occupier living at the property may decant temporarily from their residential accommodation in order to provide additional rooms for the function. Where this is the case full details of the extent and duration should be obtained. The extent of shared use of the property should also be established.

Details of the intensity of use should also be made including numbers of functions and whether catering is provided in-house by staff employed by the operator, or by a separate catering company, details of any commission and catering arrangements should be obtained from the operator.

A note should also be made of any non-domestic use other than functions, e.g. grounds being used for events, bedrooms being used as B&B accommodation, self-catering accommodation etc. Any brochures for the property should be obtained, these are often available online. Details of any planning consents should be obtained.

Details of any premises licence should be sought including information regarding the premises covered, a copy of the operating plan and details of the numbers and purpose of any Occasional Licences, these can be obtained from the licensing board or local planning department. Details of any Civil Licence should also be obtained including details of the rooms so licensed.

Full copies of audited accounts for at least 3 years prior to the date of valuation should be requested.

3 Basis of Valuation

3.1 It should be recognised by valuers that the essence of the valuation scheme is based on the hypothetical achievable turnover. The scheme is designed to enable valuers to ascertain “the rent at which the lands and heritages might reasonably be expected to let from year to year” on the statutory terms, by identifying a relationship between rents and turnovers which can then be used to arrive at Net Annual Value.

- 3.2 This Practice Note recommends a comparative principle valuation, applying a percentage to the hypothetical achievable turnover. However the subjects covered by this Practice Note are extremely diverse and therefore other valuations approaches may be more appropriate dependant on the individual circumstances. Where available, local comparable rental evidence should be considered, but in its absence the percentage to be applied to turnover at section 6.2 is recommended. This should be applied to the adjusted “hypothetical achievable turnover” which excludes VAT and is calculated on a gross of outgoings basis.
- 3.3 Businesses built around Exclusive Use Venues tend to focus on providing bespoke services to their clients, and as such often incorporate a range of income streams. Incomes, which are derived from the property and are receivable by the operator, must all form part of the hypothetical achievable turnover. In addition to the rental of function accommodation, these may include: commission from caterers and suppliers, accommodation, classes and lectures, outdoor activities (riding, quad bikes, shooting, archery, fishing etc.), advertising or promotional royalties, however this list cannot be exhaustive.
- 3.4 Where the valuer is attempting to determine if an Exclusive Use Venue entry should be made in the Valuation Roll, the level of turnover being generated by the operation may form a useful criterion in reaching that decision.

4 Rental Analysis

- 4.1 Rental analysis has been undertaken in accordance with the Scottish Assessors Association Basic Principles Committee Practice Note 1 (Adjustment of Rents).
- 4.2 The turnover adopted should represent the annual amount considered to be the hypothetical achievable level in the year to 1st April, 2015, having regard to the physical nature of the property and its location as at 1st January, 2017, on the assumption that the premises will be operated by a competent operator seeking to maximise profits. The statutory hypothesis assumes that the letting takes place in an open market, which includes prospective tenants who would recognise past and/or current good practices and operating techniques, and seek to at least replicate them.

5 Income to be Included

- 5.1 All income from the lands and heritages covered by the non-domestic element of the Valuation Roll entry (unum quid) should be included e.g.
- fees for hiring the property or rooms within it
 - fees for hiring a marquee or any other structure (permanent or temporary)
 - income from house tours
 - income generated from catering, liquor or any other miscellaneous source

- 5.2 The catering and liquor income stated may not represent the full amount traded at the property. It may be that the figure provided represents only a commission paid to the operator by an external catering company. If it is suspected that the catering and liquor amounts are in fact representative of a commission rather than the full catering and liquor income, either assume that the commission amounts to 20% of the total and gross up the figure to add to the accommodation and other income streams or alternatively, use 50% of the provided figure as a rental payment and add to the end value.

6 Valuation

- 6.1 The appropriate percentage should be selected with regard to the following criteria;

- Location (e.g. close to centres of population or areas of natural beauty or historic interest)
- The quality or suitability of the property for the present use
- Age, layout and character of the property
- The extent of adaptation to older properties originally built for domestic use
- The extent of residential use made of the property
- Upgrade of bedrooms to en-suite
- Operational restrictions

- 6.2 Percentages To Be Applied & Recommended Approach to Valuation

In the absence of local evidence, an appropriate percentage of between 7% and 10% may be applied to the Hypothetical Achievable Turnover, after consideration of the criteria set out in 6.1.

7 Other Factors

- 7.1 Over or Under Performance

It should normally be assumed that the hypothetical tenant will seek to maximise the hypothetical achievable turnover derived from the premises, however this may not always be the case for Exclusive Use Venues, as they may be set up purely to supplement the income of other activities such as being part of a working farm or country estate and as such are not always run on a full commercial basis. In these circumstances the valuer needs to carefully consider all the facts, having regard to planning and licensing constraints, and marketing of the property.

If, after careful consideration, there is clear evidence that the actual turnover is considerably different from the hypothetically achievable turnover, an adjustment to the supplied turnover may be appropriate.

- 7.2 Opening Period

Operators of these types of properties rely on advance bookings, which may be made months or indeed over a year in advance. Newly opened Exclusive Use Venues will take time to build up bookings and the initial turnover will not be representative of the potential income once the business has been established. For this reason, care must be taken when estimating the hypothetical achievable level of turnover.

7.3 End Allowances

End Allowances should not be applied to these subjects, as any factors or circumstances which might affect the value of the occupation of the lands and heritages as a whole, should already be reflected in the percentage and turnover applied.