

## **Revaluation 2017**

### **Commercial Committee**

#### **Practice Note 26 Valuation of Theatres**

#### **1.0 Introduction**

1.1 This Practice Note applies to the valuation of traditional Theatres.

#### **2.0 Basis of Valuation**

2.1 Theatres are valued by application of the Comparative Principle with reference to rents as a percentage of Gross Receipts (excluding VAT).

#### **3.0 Adjustment of Gross Receipts**

All sources of Income taken should be totalled without adjustment except for the following:

##### **3.1 Artistes' Costs**

Where the Artistes Costs exceed the box office and grant income then consideration may be given to an allowance to the box office element only. The amount of adjustment to box office receipts will depend upon the amount by which the artistes costs exceed the total of box office and grant income. Under this heading an allowance of 15% would be the maximum.

##### **3.2 Lets to Production Companies**

Where the theatre operator lets the premises to production companies the amount taken at the box office from these productions will not normally be reflected in the total income returned as the production companies usually retain box office receipts. Adjustment will therefore be required to ensure that the gross receipts adopted for valuation purposes reflect the annual hypothetical achievable receipts.

##### **3.3 Lets & Franchises of Refreshment Areas**

Where income is generated from any café, restaurant or licensed bar and this part of the premises is in direct competition with nearby licensed premises and/or restaurants, consideration should be given to excising this element of income from the total receipts and valuing this part of the premises in comparison to similar subjects in the vicinity. In such cases resultant valuations may require adjustment to reflect the composite nature of the subject valued. Where income is received from any sublet or franchise of the café, restaurant or bar further investigation may be required to ensure that details of income from such sources are obtained and added to total receipts. Care should be taken in such cases to excise the income from the sublet or franchise to avoid any element of double counting.

## 4.0 Valuation

4.1 Certified Gross Receipts exclusive of VAT should be examined for the 5 year period to 2015 to establish the hypothetical achievable turnover for the property in the year to 31 March 2015.

To this figure, the appropriate percentage from Table 1 should be applied.

4.1.1 **Table 1**

<b>Adjusted Hypothetical Achievable Turnover</b>	
Less than £1,000,000	3.5%
£1,000,000 - £1,999,999	4 %
£2,000,000 - £3,000,000	4.5%
Over £3,000,000	5%

Where gross receipts are not known comparison may be made with similar subjects on an adjusted gross receipts per seat basis. A weighting should be applied to each section of seating in accordance with Table 2.

4.1.2 **Table 2**

<b>Part of House</b>	<b>Weighting</b>
Premium Seats	1.05
Front Stalls	1.00
Rear Stalls	0.90
Circle	1.00
Upper Circle	0.70
Balcony	0.50