

**NON DOMESTIC REVALUATION 2003**

**CLASS 252/253**

**OFFICES**

**SPECIALIST**

**(BANKS AND BUILDING SOCIETIES)**

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## **1.0 DESCRIPTION**

This practice note refers to Banks and Building Societies, etc.

They have been included in the Shop and Office (bulk class) batches.

A first pass valuation will be applied to these properties when Computer Assisted Valuation (CAV) is run.

Valuers will then be required to review the CAV results and make any adjustments considered necessary.

### **1.1 Class 252 versus Class 253**

By now most Banks etc will have been placed in the correct classification which accurately reflects their physical characteristics, this will ensure that CAV applies Shop, rather than office, pricings where this is more appropriate.

However, 'traditional' Banks etc. (those not having the physical characteristics of a Shop), will remain, with ordinary office blocks occupied by banking and other financial institutions, under Class 252 (Offices) and will be valued on the same basis as Offices, on the first pass (CAV) valuation.

Special attention to the CAV result will, therefore, be necessary for traditional Banks etc, particularly where they are situated in locations which are primarily retail in character. This matter is explained in more detail below.

### **1.2 ATMs**

Automatic Teller Machines (ATMs), remote from bank premises are also in Class 252 but are the subject of a separate practice note.

## **2.0 DISTRICT RESPONSIBILITIES**

District Offices are responsible for the valuation of these properties, as they fall to be valued in accordance with locally established tones.

## **3.0 BASIS OF VALUATION 4<sup>TH</sup> REVALUATION**

The approach to these valuations should be by reference to rents.

## **4.0 5<sup>TH</sup> REVALUATION BASIS OF VALUATION**

The approach to these valuations should be by reference to rents.

The structural characteristics vary considerably for premises used as Banks etc. instances will be found of similarity with Shops or with Offices and some will have been purpose built. Most important is the correct identification of the source of demand for the particular hereditament and whether comparison may be made more appropriately made with Shops or Offices. In determining this question, the physical characteristics and the situation of the premises are paramount.

### **4.1 Premises Structurally similar to a Shop situated in a Shopping Area**

The basis for this category of property is the same as at 4th Revaluation. However Valuers should note the points raised during List Defence. Banks in this category should be valued by reference to shops, however they do have a variety of typical non retail bank frontages characterised by small windows, part curtain walls, etc During 4th Revaluation the Scheme was interpreted as allowing no deduction for these frontages.

The range of bank frontages is large with varying areas of glass/ concrete almost on an individual basis. Even the “normal” range of retail frontages is wide and no allowances are made for bookmakers or restaurants. In high rental value areas the premises suffer no reduction in rental value due to these specialist “institutional” frontages.

To assist the Valuer in this matter the following procedure is recommended.

1. The initial default must be the Scheme baseline i.e. no deduction is appropriate to reflect the presence of these frontages.
2. If on closer investigation the frontage is a genuine structural wall of integral importance to the fabric of the building then consider the possibility of recasting the value in terms of office levels on the same basis as a traditional bank in a retail location. Clearly the surrounding retail levels, areas of glass in place, etc will influence the retail uplift given to “office” pricing.
3. If the frontage is clearly a decorative facade (even if it is a sturdy one) then any reduction should be viewed as unlikely. Consideration should however be given to prevailing shop levels and comparing the cost of replacing the existing front with something more “retail “ in nature.

In any event on the “shop” approach, no deduction greater than 15% should be given (beyond that questions must be asked about the underlying basis of valuation).

#### **4.2 Premises Structurally Dissimilar to a Shop but Situated in a Shopping Area**

The basis for this category of property is the same as at 4th Revaluation. The following points should be taken into consideration when considering whether an allowance would be appropriate for insufficient window space to enable passer-bys to look into the property. If the frontage is in a retail location and a shop valuation is being considered, then a valuer should consider the need for an allowance to reflect this disadvantage.

As an initial step do two quick valuations comparing the subject to both shops and offices. A dramatic variation in value between the two approaches will alert the valuer to a possible problem. In many cases it is likely that the “office” value will be considerably lower than the “shop” value.

Given a retail location then the first thoughts are to value by reference to shops adopting existing allowances BUT the physical characteristics of the subject bank, together with purely localised supply/demand characteristics, may drive one to the conclusion that, vacant and to let, the subject has more in common with the local office market and should be valued with reference to local office levels, albeit with an uplift to reflect a limited retail potential. In all cases valuers should feel free to take the most appropriate route. The aim is to produce a balance between the two approaches, not a complete coming together.

#### **4.3 Premises Structurally Similar to Offices and not in a Shopping Area**

It is proposed to use the basis of valuation adopted at 4th Revaluation. The assessment of these premises should be derived from rental evidence and/or the levels of value adopted for comparable office properties or similar sites.

#### **4.4 Premises where a Direct Comparison is Difficult**

The basis of this category of property is the same as at 4<sup>th</sup> Revaluation. Premises occupied by Banks etc are often situated where no direct comparison can be made with shops or offices by reason of the premises being too physically dissimilar or situated other than in a shopping or office area (eg in rural areas). In these cases

the assessment should be based upon local circumstances and rental evidence.

## **5.0 INSPECTION PROCEDURES**

In accordance with the VLA Code of Measuring Practice for Rating Purposes, Net Internal Area (NIA) is the preferred basis of measurement.

## **6.0 VALUATION APPROACHES**

The valuation approaches to be adopted for properties in this group have been outlined in general terms in Section 5. Those general recommendations should be implemented as follows.

### **6.1 Premises to be valued by Comparison with Shops**

These are premises structurally similar to shops and traditional banks located in frontages, which are primarily retail in character. The ground floors of these premises should be zoned and valued by comparison with adjoining shops.

The values adopted for the upper floors should follow shop pricing, with care being taken to adjust for better quality finish, where appropriate.

Where there is separate access to upper floors they should be valued in accordance with their actual or potential use (e.g. offices).

The following adjustments may be made to reflect matters affecting bank etc premises.

#### **6.1.1 Frontage Allowance**

- |                                                                               |                                             |
|-------------------------------------------------------------------------------|---------------------------------------------|
| - Traditional style frontage.                                                 | Allowance at valuers discretion, up to 10%. |
| - Traditional style frontage, but also with access difficulties (e.g. Steps). | Allowance at valuers discretion up to 15%   |

#### **6.1.2 Strongrooms, Bookrooms and Vaults**

Most Strongrooms and bookrooms were constructed before the advent of centralised cash handling and new technology. The need for this specialised accommodation has largely disappeared and it is not normally provided in new premises. In consequence, a

hypothetical tenant would not bid more for premises having such accommodation.

### **Class 253 Properties**

If the strongroom forms part of the structure of the building and is located within the Zoned area, then it will be valued at the price level for the lowest Zone.

If the strongroom is not a structural part of the building and it is located in the zoned area, then it will be valued at the price level for the Zone in which it is located.

If a strongroom is to be valued under Class 252 and the valuer considers the strongroom not to be a structural part of the building, then it should be valued at office pricings.

If the strongroom is structural in nature and is being used as a strongroom, then value at office pricing.

If the strongroom is structural in nature and is being used for purposes other than as a strongroom ie a bookroom the pricing should be reduced as per the 4th Reval scheme (20%)

### **Vaults**

Vaults or other extremely secure accommodation located in bank premises should be valued as per the scheme as outlined above for 252/253. However for certain purpose built vaults, such as those stand alone cash handling facilities, for example Securicor depots, the following price per metre can be used.

GIA @ £55.00 per m<sup>2</sup>

## **6.2 Premises valued by Comparison with Offices**

These premises should be compared with adjoining offices and no additions made to reflect bank etc. occupation.

## **7.0 CONTACTS**

For further information contact Colin Murphy, Belfast District  
028 9054 3816.