

**NON-DOMESTIC REVALUATION 2003**

**CLASS 321**

**THEATRES**

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## **1.0 DESCRIPTION**

This section deals with theatres.

Properties presently valued in this category are limited in number in Northern Ireland, but diverse in nature, style and quality, ranging for example from the prestigious and relatively commercial Grand Opera House in Belfast, through facilities operating from converted premises, to purpose-built civic facilities, usually owned and operated by District Councils in the interests of promoting arts and culture in their area. The latter may be part of multi-purpose buildings incorporating a Theatre element. However, they are all subsidized to some degree by the Arts Council, which itself operates the Grand Opera House, and often by District Councils or other sponsorship.

## **2.0 DISTRICT RESPONSIBILITIES**

District Valuers are responsible for all aspects of the inspection and valuation of such properties in their area.

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

There was and is a general lack of reliable market rental evidence to apply to the valuation of this class of property. In addition, as described at 1 above, such is the diversity in the types of building involved and their very reason to exist, that valuation methodology is equally varied in application to this class. The majority currently valued have been assessed on the basis of rental comparison, presumably in consideration of the rent the hypothetical tenant would pay for premises in the area having the same physical characteristics as the subject. Clearly, however, where the property is purpose-built and has, for example, raked seating, the Contractors or perhaps Profits method of valuation will be more appropriate, reflecting its specialist nature and the lack of genuine market transaction evidence relating to the type. Some Theatres have been valued on the Profits basis.

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

The general methodology remains as for 4<sup>th</sup> Reval, exhibiting the same range of differing methods. The Valuer must initially decide which method is the most applicable having inspected and judged the particular circumstances of each case.

In order of general preference, where possible valuers should seek to apply the rental comparison method, bearing in mind that this is unlikely to be suitable in respect of highly specialist, purpose-built and civic facilities. In other words, where there is bona fide market evidence as to rental value for that purpose, or if the subject property can reasonably be compared with bulk-class properties in the area which have the same physical characteristics, then inspect, reference and value the subject in accordance with that information or the procedure used at those comparables. Rateable specialist plant and equipment added, if any, will need to be considered in arriving at a final valuation if not included in the actual or comparable rent. The question/test to be applied should be: did the hypothetical tenant have to compete with alternative users in order to secure the subject property? If so, then valuation reflecting the alternative bulk-class should be deemed appropriate and is the clear preference. If not, then another method should almost certainly be adopted.

The Contractor's basis may prove to be the only viable method in many cases, for the reasons indicated above. The established five-stage approach should be applied in such instances, as detailed elsewhere and decapitalised at the prescribed rate. Relevant pricings will be indexed from the present levels and established where required during the 5<sup>th</sup> Reval assessments by VLA HQ.

Finally, in exceptional cases in the NI context it may sometimes be possible and appropriate to resort to the Profits method. Note that it is often not practicable because, for example, the subject is a District Council facility originally provided and run at subsidized cost. Where applicable, a shorthand method can be developed during the 5<sup>th</sup> Reval assessments, based on a typical percentage of the gross receipts. If usable, the gross turnover should reflect all forms of annual income, including all subsidies received, on the basis that the hypothetical tenant would enjoy all the same forms of financial assistance. Various adjustments may still be considered necessary by the Valuer if, for example, the pricing policy and potential for ancillary income is not being fully exploited, perhaps deliberately. Eventually, analysis of this and other valuation methods may allow direct application of a shorthand valuation per seat basis. However, comparison on a valuation per seat basis with cinemas is to be avoided, in view of the rather different pattern of gross receipts, charging policies and commercial potential.

## **5.0 VALUATION APPROACH**

Surveys will normally be required on a GIA or NIA basis, probably in accordance with whatever exists at present where relevant, unless a revised valuation method is to be employed. Otherwise, new properties and alterations should be referenced and surveyed to the extent required in accordance with the valuation method selected, and

carried out by the local District office in the normal way by appointment with the occupier.

## **6.0 FORMS OF RETURN**

Rental or accounts information will be sought where considered appropriate but this is unlikely in most cases.

## **7.0 CONTACTS**

In the first instance enquiries should be directed to the District Valuer of the relevant VLA office.