

VALUATION PRACTICE NOTE – DEPARTMENT STORES

Version 1.0

1. Property Description

1.1. This practice note applies to the valuation of Department Stores Large Department Stores are typically single or multi-level stores that have distinct “departments” and may also have franchised retailers trading within the store. Generally Department Stores anchor the larger shopping centre developments in town centres, at edge of town centres or out of town.

1.2. There are two principal types of Department Stores:

Large Department Stores:

In the Republic of Ireland large department stores can be said to be in excess of 6,000sqm GIA. They offer a wide range of goods including perfume, fashions, household items, food, furniture, carpets, electrical items, sports items etc. They may also include a cafe and/or restaurant. The locations of these large stores are usually in city/town centres or regional shopping centres and they are an attraction in their own right. In South Dublin County Council area there are two large department stores, Marks and Spencer in Liffey Valley Shopping Centre (12,000m²) and Dunnes Stores (10,500m²) in The Square SC.

Other Department Stores/Large Shops

Although smaller, such stores still offer a good range of product lines in distinct “departments” capable of standing alone or anchoring smaller sized shopping centres. They generally range from 2,500 m² GIA to 6,000m² GIA and will typically be occupied by Boots, Next, New Look etc. They usually serve a smaller catchment area.

In recent years operators are increasingly moving into larger and more varied premises (e.g. ‘Next’ in Liffey Valley SC and Westend Retail Park, Blanchardstown and Penney’s in Swords). In addition to the traditional department store operators, there has been a recent trend for new operators to come to the market for larger space, predominately entering at the bottom end of the size range (e.g. New Look, TKMaxx etc).

2. Rateability

2.1. Department stores are rateable Relevant Property in accordance with Section 15 and Schedule 3 paragraph 1 (a) of the Valuation Act, 2001 - 2015.

3. Basis / Methodology of Valuation

3.1. The valuation of a property for Revaluation purposes is carried out under section 48 of the Valuation Act, 2001 – 2015.

3.2. The valuation of a property for Revision purposes is carried out under section 49 of the Valuation Act, 2001 – 2015.

3.3. The valuation of a retail unit for Revision purposes is determined by the use of the Comparison Method of valuation.

3.4. A rate of value is applied on a per square metre basis to retail and ancillary space. Consideration should be given to the following elements in order to arrive at the Net Annual Value of the property:

- The size and character of the sales area.
- The construction type and age of the building.
- The amount and positioning of the space allocated to stores relative to the sales area.
- Location and Access.
- Loading facilities.
- Ease and adequacy of parking.

4. Survey / Inspection

4.1. The following information will be noted:

- Property Location
 - The suitability of the location for this particular use.
 - The market rating of the location such as prime, secondary etc.
 - Accessibility.
 - Predominant adjoining uses e.g. retail, mixed commercial, residential.
- Nature of the retail space and facilities.
 - Open plan, partitioned, solid wall cellular, location of pillars, shadow areas, stores, WCs etc

- Size of floor plates
 - Rear access/Loading facilities
 - Displays
 - Lighting
 - Lifts- Goods and Passengers
 - Escalators
 - Floor finishes
 - Eaves Height
 - Ceiling Heights
 - Structural division walls
 - Mezzanine level Heights
 - Mezzanine Specification
 - Air handling / Heating type
 - Concessions within the Store
 - User clauses
 - Car / Bike parking spaces – see paragraph 9 below.
- Measurements – see paragraph 5 below.
 - Any other factors that are considered to affect the annual letting value of the property
 - Lease or purchase details.

Any statutory or local planning provisions in force that may have an impact on rental are also to be noted.

5. Measurement

5.1. Department Stores are generally measured on a gross internal basis (GIA) in line with the Valuation Office Code of Rating Measuring Practice and the SCSI Code of Measuring Practice.

6. Valuation Considerations

6.1. Considerations

- The area and use of each floor, including mezzanines
- Profile and frontage of the department stores.
- The total retail sales area

- Area and use of ancillary accommodation
- Position of structural walls within the supermarket
- Type and location of access to upper floors and basement areas
- Size and position of permanent features, such as staircases, columns, lifts, etc.
- Details of any shared entrances

6.2. Fit Out - Large Supermarkets spend considerable sums fitting out stores. Most stores are held freehold and are assessed at values based on shell and core rents therefore an addition will be made to convert a shell valuation to a fully fitted out valuation.

6.3. There will be situations where areas such as stores/offices etc which are ancillary to retail areas will be contained within the same structure. The value attributed to these areas will be the same as that adopted for the retail element.

7. Car Parking

7.1. Car parking arrangements associated with retail units will be dealt with as follows:

- Common car parking facilities serving retail units will be reflected in the rent passing. Under these circumstances these facilities will be reflected in the passing rent.
- Where the building occupier occupies car spaces at a physically separate location then they will be valued as a separate relevant property with a description of 'carpark'.

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