

VALUATION PRACTICE NOTE – Purpose Built Private Hospitals
Version 1.0

1. Property Description

1.1. For the purpose of valuation, a private hospital is a hospital owned by a for-profit company or a non-profit organization and privately funded through payment for medical services by patients themselves, by insurers, or Governments through health insurance schemes.

2. Rateability

2.1. Private Hospitals 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 Purpose Built Hospital is determined by the use of the Contractors Method of valuation – refer to the RICS/IRRV *The Contractor’s Basis of Valuing for Rating Purposes a Guidance Note*. The valuation is undertaken in accordance with section 50 of the Valuation Act 2001 - 2015.

Stage 1 - Estimated Replacement Cost

Where possible the replacement costs used will be based on the reinstatement of the actual property. However, costs of an exact replacement of existing structures may not be possible in all instances. The costs used may be based on the actual cost of building the property or, through the analysis of all available actual costs, applying a notional unit cost to the property.

The replacement costs will include an estimate of the costs for all buildings and structures, site works, all rateable plant and professional fees for architects, supervisors, project managers, engineers etc.

This hypothetical replacement property or Modern Equivalent (ME) will be based on the provision of a new replacement and as such this will be built to modern standards and may not be identical to the actual property. Link blocks which are used solely for access between adjoining blocks are not included as these reflect the absence of an overall uniform integral design and are an attempt to reduce the drawbacks of building dispersal.

All costs used are adjusted by indexation to the valuation date.

Stage 2 – Adjusted Replacement Cost

Allowances are made for physical, functional and technical obsolescence. These allowances take account of the relative disadvantages between the ME building (stage 1) and the actual building.

- Physical Obsolescence – This reflects the age and wear and tear of the subject property.
- Functional Obsolescence – This reflects layout and design deficiencies relative to the new ME building. This will include the suitability of the actual building to meet modern health standards e.g. ward sizes. Other factors could include fire safety, heating, lighting, ventilation, etc.
- Technical Obsolescence – This relates to technological advances that affect the existing building or that make plant within the building redundant.

Stage 3 - Land Value

The land value of the site occupied is added to the Adjusted Replacement Cost. The land under all buildings, car parks, roadways and landscaping etc is included and valued in line with the market values at the valuation date assuming that all services are in place and planning permission exists for the relevant use.

Stage 4 – Decapitalisation

In accordance with section 50 of the Valuation Act, 2001 – 2015 a statutory decapitalisation rate of 5% is applied to the total cost to arrive at Net Annual Value.

Stage 5 - End Adjustments

Final adjustments are made to reflect the suitability of the overall property and take account of factors that it is not possible to include when valuing the individual buildings under Stage 2 above. Examples are piecemeal development, poor integration, poor layout, access, etc.

4. Survey / Inspection

4.1. The cost, details and dates of any building and improvement works is required.

4.2. The following will be noted for all buildings within the complex:

- Age of elements of substantial cost, such as heating and ventilation systems.
- Structure type and age.
- Mix of buildings e.g. Operating theatres, sterile areas, Pathology, x-ray cells, radiation bunkers, kitchens, dining rooms, plant room, wards, casualty areas and temporary buildings.
- Condition.
- Functional shortcomings with the buildings and complex.
- Compliance with modern health standards.

5. Measurement

5.1. The property is measured on a GIA basis in accordance with the Valuation Office Code of Rating Measuring Practice and the SCSi Code of Measuring Practice.

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