

NON DOMESTIC REVALUATION 2003

CLASS 841

DEFENCE PROPERTIES

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1.0 INTRODUCTION/DESCRIPTION

- 1.1 This Practice Note sets out the basis of valuation for hereditaments occupied by the Ministry of Defence.

2.0 DISTRICT RESPONSIBILITIES

- 2.1 A coordinated approach to the inspection/valuation of these properties, involving a limited number of people is considered appropriate.

There is currently an MOD asset exercise underway, involving a specialist team and it is recommended to make use of their knowledge and expertise with regards to any inspection and valuation for Reval purposes.

- 2.2 The production of a Scheme is the responsibility of the Lisburn Office.

3.0 4TH REVAL BASIS OF VALUATION

- 3.1 The method of valuation is based largely on the contractor's test.

4.0 5TH REVAL BASIS OF VALUATION

- 4.1 The contractor's test is to provide the principal method of valuation for all specialised MOD properties. Their specialised nature may arise from the construction, arrangement, size or location of the hereditament or a combination of these factors, or from the function or purpose for which the hereditament is used.

It is expected that non-specialised MOD hereditaments would be valued using the rental comparative method.

- 4.2 Referencing of hereditaments valued on the contractors test, should be on the basis of gross external area (GEA).**

5.0 VALUATION APPROACH

5.1 Costs

- 5.1.1 The costs as shown in Appendix I shall be taken to represent the Estimated Replacement Cost (ERC) for the key categories of buildings.

5.2 External Works

- 5.2.1 The following additions should be made to the ERC of all buildings. In most cases it is assumed the benchmark figure would be adopted but

this could be subject to variation within the range to reflect the specific nature of the site being valued. These levels may be subject to upward variation for hereditaments, which require additional site works due to the particular function of the establishment or downward variation for sites with basic infrastructure. For sites such as ranges, training areas and others where the site works do not bear a direct relation to the ERC of the buildings, consideration will need to be given to the separate valuation of each element of external works.

% Range	% Benchmark	Description of Property
5 – 15%	12½%	T A Centres
10 – 15%	12½% 15%	Small/Medium size Barracks, Camps, Bases, etc. Larger Barracks, Camps, Bases, etc.
12½% - 17½%	15%	RAF Stations
17½% - 22½%	20%	Naval Dock Yards

5.3 Plant and Machinery

5.3.1 Any rateable plant should be assessed in accordance with the appropriate Plant & Machinery regulations.

5.4 Contract Size

5.4.1 The aggregate of building costs, costs of rateable plant and machinery and external costs should be subject to contract size adjustment as set out in Appendix 2.

5.5 Professional Fees

5.5.1 Professional fees and charges will be added to the total costs of permanent and temporary buildings in accordance with the following scale:

Total Cost (£)	Fee as a %
Up to £500,000	13%
£500,001 - £2,000,000	11%
Over £2,000,000	9%

5.5.2 In each case the percentage addition will be made after locational adjustment, the addition of the cost of associated external works and contract size adjustment.

- 5.5.3 The additions may be increased by up to 6% for sites comprising wholly, or substantially, of buildings of a more specialised nature.

5.6 Age and Obsolescence

- 5.6.1 An age and obsolescence allowance shall be made for individual buildings within the hereditament. Allowances will be made according to the following age related scale. In the instances where a building has been the subject to some significant refurbishment, consideration should be given to adopting an allowance between the date of construction and the date of refurbishment.

Year of Construction	Allowance
1900	50%
1950	45%
1955	40%
1960	35%
1965	30%
1970	25%
1975	20%
1980	15%
1985	10%
1990	5%
1995	2½%

- 5.6.2 In most cases these levels of allowance should adequately reflect the physical and functional obsolescence associated with the age and construction of buildings.
- 5.6.3 Allowances in excess of the age related scale may be considered in appropriate circumstances. Examples could include greater physical obsolescence due to accumulated lack of maintenance, greater functional obsolescence of buildings constructed for a specific purpose or function and disadvantages associated with buildings, which were constructed to standards significantly inferior to their modern counterparts (assuming these have not been specifically reflected elsewhere, ie 5.6.5 below).
- 5.6.4 Any buildings, which are either physically redundant or are surplus to operational requirements and which have been fully vacated with no intention to re-occupy, will attract a nil value.
- 5.6.5 For system built structures the allowance given may be increased by a further 10% where the block was built before 1975 and by a further 7½% where the block was built between 1975 and 1985.

5.7 Multi Floor Allowances

- 5.7.1 The following deductions should be made from the ARC's of individual blocks on the assumption that lift provision is adequate.

Number of Floors	% Deduction
Buildings with 4 main floors or less	0%
Buildings with 5-7 main floors	7½% Overall
Buildings with 8 or more floors	7½% on overall basis up to 7 th floor then 12½% on 8 th floor and above

5.7.2 Where the allowance is made on an overall basis, the percentage deduction will be made in respect of all floors of the building. In the case of the lower 4 main floors it will not be applied to an area larger than the footprint of the floor above the higher of these.

5.7.3 Where the building is constructed on a sloping site with multiple levels it will not qualify for the above allowances unless there is more than one main floor above the highest main floor with ground level access.

5.8 Land Value

5.8.1 The value of the developed land shall be determined by either taking a percentage of the aggregate of the ARC of all buildings, external works and professional fees after allowance for size of contract or by taking a price per hectare based on prevailing land values for the most likely alternative use in the location. When adopting the latter any land values are to be discounted to reflect the site being encumbered by the actual buildings that make up the hereditament.

5.8.2 Undeveloped land will largely consist of amenity land, including sports grounds and other recreational areas. It will not include areas in excess of that required for amenity use or areas used as car parks and roadways.

The value of this undeveloped land should be found from evidence of transactions in other amenity/sports field land.

5.8.3 In the case of land used for training/weapons ranges, it is expected the vast majority will be situated in rural locations. The value of this land should be found using a price per hectare derived from evidence of agricultural land value. Wooded areas, and other poor quality land where the nature of the terrain restricts its use will be subject to a discount to reflect any disabilities and further discounts may be applied to significantly larger sites or where land is deemed surplus to operational requirements. The normal allowance will be 50%, but it may be more or less depending upon the quality of terrain.

5.8.4 In the case of airfields the land used for the siting of runways, taxiways, aprons and perimeter roads is to be valued in addition to the developed land value. It is again assumed the majority of such hereditaments are situated in rural locations and in such cases, the prices per hectare should be found from evidence of agricultural land sales. For any airfields not situated in rural locations the price per hectare should have regard to prevailing land values in the actual locality.

5.9 Decapitalisation Rate

5.9.1 The appropriate decapitalisation rate should be applied. This may require determination under specific legislation.

5.10 End Adjustments

5.10.1 Any advantages or disadvantages which might affect the occupation of the hereditament as a whole should be reflected at this stage. Allowances under this head may be considered for dispersal of blocks within a hereditament, poor site layout, the size of the hereditament, under utilization of the site, piecemeal development and lack of integrated design. The amount of any allowance should only reflect the problems of the hereditament when compared to the modern substitute within that class of properties. An adjustment under this head should not duplicate adjustments made elsewhere, in particular questions of obsolescence addressed earlier.

6.0 Contacts

6.1 For further information and advice contact:

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APPENDIX I

1.0 RATES TO BE ADOPTED

- 1.1 The following overall costs expressed in £/m² shall be taken to represent the ERC for the key categories of buildings of permanent construction.

Building Type	Cost (£) per m ² GEA before external works, contract size allowance and fees				
	1 - 499m ²	500 - 999m ²	1,000 - 1,999m ²	2,000 - 9,999m ²	Over 10,000m ²
Workshops/Stores/Garages (Scale 1)	420	385	350	295	245
Workshops/Stores - Specialist (Scale 2)	660	610	565	475	395
Workshops/Stores - Hazardous	790				
Offices – Standard	570	535	495	440	375
Offices – Higher Quality	705 – 970				
Accommodation – Officers	530				
Accommodation – Other	420				
Kitchens/Mess/Combined Mess & accommodation blocks	580				
Guardrooms – Standard	Standard Offices Rate				
Guardrooms – Detention	790				

- 1.2 Specialist workshops/stores are defined as those buildings either purpose built or specifically adapted for the storage or processing of materials and equipment, which require maintaining in a specific condition. The function of such buildings would not normally represent an extreme hazard to the external environment in the event of an emergency.
- 1.3 Hazardous workshops/stores are defined as those either purpose built or specifically adapted for the storage or processing of hazardous materials. Such materials in the event of an emergency are likely to represent an extreme hazard to the external environment. The building would have been built to a standard that would minimize risk from internal or external sources or in the event of an incident, minimize collateral damage to the surrounding area.
- 1.4 Standard offices will usually be either single or two storey buildings but if on two or more floors may have a lift. They will usually be brick built with either a pitched, or flat roof and solid floors. The space will be expected to be heated, with perimeter servicing and will include areas used as stores, kitchens and toilets. Whilst the size scale

extends beyond 10,000m² typical blocks will usually be under 2,000m². This category will include classroom accommodation of a similar specification.

- 1.5 Higher quality offices are those providing accommodation more akin to purpose built commercial offices. Typically these will be of steel or concrete framed construction, ordinarily of two or more floors. Features may include some or all of the following: raised floors or trunking, suspended ceilings, double-glazing, air conditioning and lifts. In all cases the primary use of the space will be to provide office accommodation with limited areas given over to ancillary space. Typical blocks will usually be over 2,000m² in size. This category may also include any purpose built computer suites, conference halls and lecture theatres built to a similar specification.
- 1.6 For guardrooms to be valued at the higher rate, it is expected that they will have facilities over and above standard offices including functional detention facilities, which meet present standards.
- 1.7 The above refers to the main beacon categories of buildings.

2.0 TA CENTRES (RATES TO BE ADOPTED)

2.1 Main Building:

Non-purpose built	-	at standard office rate
Purpose built	-	£595
HQ/Offices	-	£705
Indoor Ranges (not integral to the main building)	-	£475 (or storage rate if unused)
Workshops/Stores/Garages	-	at main MOD rates

- 2.2 Within any category of buildings such as “workshops/stores/garages” within a TA Centre, the appropriate size band adopted for costing will be determined by calculating the aggregate floor area of such buildings.
- 2.3 Where a drill hall is not an integral part of the main TA Centre or is significantly larger than required an appropriate allowance can be considered at either Stage 2 or Stage 5 of the valuation.

3.0 EXCEPTIONS TO THE ABOVE COSTS ARE SET OUT BELOW:

- 3.1 For all buildings of a temporary construction a cost of £265 - £350 per m² GEA (before external works, contract size allowance and fees) should be adopted, depending upon the type and quality of accommodation. All portacabins or similar should normally be

assessed at the lower value whilst all modular or similar buildings should normally be assessed at the higher value.

- 3.2 Any problems of physical obsolescence or exceptional costs of maintenance associated with "System Built" forms of construction will be addressed in the level of allowances made at Stage 2.
- 3.3 Link Blocks and Subways, which are solely used as passages between adjoining blocks and were not an integral part of the design and construction of those blocks, should be left out of the costing exercise.
- 3.4 Whilst omitting these areas from value their existence should be reflected when considering any allowances for layout and dispersal at Stage 5.

1.0 CONTRACT SIZE ADJUSTMENT

1.1 The contract size adjustments are as set out below:

£500,000.00	10.00%
£600,000.00	8.00%
£700,000.00	6.00%
£750,000.00	5.00%
£800,000.00	4.00%
£900,000.00	3.00%
£1,000,000.00	2.50%
£1,100,000.00	2.20%
£1,200,000.00	1.90%
£1,300,000.00	1.60%
£1,400,000.00	1.25%
£1,500,000.00	1.00%
£1,600,000.00	0.80%
£1,700,000.00	0.60%
£1,800,000.00	0.40%
£1,900,000.00	0.20%
£2,000,000.00	0.00%
£2,250,000.00	-0.50%
£2,500,000.00	-1.00%
£2,750,000.00	-1.50%
£3,000,000.00	-2.00%
£3,250,000.00	-2.25%
£3,500,000.00	-2.50%
£3,750,000.00	-2.75%
£4,000,000.00	-3.00%
£4,250,000.00	-3.25%
£4,750,000.00	-3.75%
£5,000,000.00	-4.00%
£5,250,000.00	-4.25%
£5,500,000.00	-4.50%
£5,750,000.00	-4.75%
£6,000,000.00	-5.00%
£6,500,000.00	-5.25%
£7,000,000.00	-5.50%
£7,500,000.00	-5.75%
£8,000,000.00	-6.00%
£8,750,000.00	-6.25%
£9,500,000.00	-6.50%
£10,250,000.00	-6.75%
£11,000,000.00	-7.00%
£11,750,000.00	-7.25%
£12,500,000.00	-7.50%
£13,250,000.00	-7.75%
£14,000,000.00	-8.00%
£14,750,000.00	-8.25%
£15,500,000.00	-8.50%
£16,250,000.00	-8.75%
£17,000,000.00	-9.00%
£17,750,000.00	-9.25%
£18,500,000.00	-9.50%
£19,250,000.00	-9.75%
£20,000,000.00	-10.00%

