

SCSI Professional Guidance

Retail Zoning for the Chartered Surveyor

Information Paper



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Information Paper

Published by
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Contents

	Page
Acknowledgments	4
SCSI Information Paper	4
Document Status defined	4
Introduction	5
Depth of Zone	5
Quantum discount for frontage to depth ratio	5
Kiosk/Cut Out Units	6
Unit Sizing	6
Number of Zones	6
Two level trading	6
Size limit zoning	6
Dual/Return Frontage	6
First floor rental	7
User	7
Masked or Shadow Areas	7
Angled or Irregular Shop Front	7
Evidence	7
Period Buildings/Non Standard Shopfront	7
Changing Levels	7

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SCSI Information Paper

This is an information paper (IP). Information papers are intended to provide information and explanation to SCSI members on specific topics of relevance to the profession. The function of this paper is not to recommend or advise on professional procedure to be followed by members.

It is, however, relevant to professional competence to the extent that members should be up to date and have knowledge of information papers within a reasonable time of their coming into effect.

Members should note that when an allegation of professional negligence is made against a surveyor, a court or tribunal may take account of any relevant information papers published by SCSI in deciding whether or not the member has acted with reasonable competence.

SCSI / RICS produce a range of standards products. These have been defined in the table below.

Document status defined		
Type of document	Definition	Status
SCSI practice statement	Document that provides members with mandatory requirements of the Rules of Conduct for members	Mandatory
SCSI code of practice	Standard approved by SCSI that provides users with recommendations for accepted good practice as followed by conscientious surveyors	Mandatory or recommended good practice (will be confirmed in the document itself)
SCSI guidance note	Document that provides users with recommendations for accepted good practice as followed by competent and conscientious surveyors	Recommended good practice
SCSI information paper	Practice based information that provides users with the latest information and/or research	Information and/or explanatory commentary

Introduction

It is apparent that while in general Zoning remains useful, there are a number of areas where clarification and guidance would be beneficial.

Zoning has become established as an accepted method of establishing rental values for the majority of retail premises. Originally confined to prime locations, its use has now spread beyond this.

In this document where figures or percentages are given, they are for guidance purposes only. They are not intended to be taken as rigid cut off points and valuers would be expected to use their professional judgement accordingly.

Where zoning is applied it is also recommended the premises be considered on an overall basis as there are instances where zoning produces an anomalous result.

Suggested approaches are as follows:

1. Depth of Zone

Consideration was given to varying the depth of each zone from the current 6.1 metres (20ft). It was concluded that the existing zoning depths should be retained.

2. Quantum discount for frontage to depth ratio

It has become apparent that the application of zoning can at times overvalue relatively wide premises and at the same time undervalue narrow deep premises.

In terms of frontage to depth a ratio of 1:3 is felt to be ideal.

For the purpose of discounting the Zone A rate it is suggested that a discount in the region of $\pm 10\%$ be applied to units with a frontage to depth ratio of less than 1:2.

This is a guideline figure only and will vary depending on the actual configuration of the unit. It is being suggested as a guideline figure and not as one to be applied rigidly.

For example where a unit is particularly wide and shallow, a substantially larger discount may be appropriate.

In conjunction with this, it is suggested that particularly deep units with frontage to depth ratios in excess of 1:4 could be loaded by up to $\pm 10\%$.

For the sake of clarity, it should be noted that the above suggests that where a particularly wide and shallow premises is being compared with a particularly deep premises the difference can be $\pm 20\%$.

3. Kiosk/Cut Out Units

There will be exceptions to the above where units are particularly small c.20m² and effectively trade as kiosks and where units are exceptionally narrow at 4.5 metres or less.

Cut out units can be zoned but where they are particularly small c.30m², caution should be exercised.

Freestanding kiosks and very small shop units of less than 20m² should be treated with caution.

In addition external retailing kiosks may pay additional rent to reflect their external trading ability.

4. Unit Sizing

It is suggested that greater weight be applied to evidence derived from units which are closer in size to the premises being valued. A guideline of $\pm 50\%$ is suggested.

5. Number of Zones

It is recommended that the maximum number of zones should be 4.

6. Two Level Trading

Where a unit has frontage to two trading malls it should be zoned from both malls with an appropriate end discount to reflect the two level trading.

7. Size Limit for Zoning

It is felt that in the region of 1,000m² of single level unit should be the limit for the application of zoning.

In exceptional circumstances up to 1,500m² on a single level can be considered but only when compared with similar sized units also on a single level.

8. Dual/Return Frontage

It is suggested that a premises with dual/return frontage should be zoned from the more valuable frontage with a loading if appropriate for the benefit of the return frontage/second frontage.

In some cases the added security and monitoring of a second entrance may outweigh the benefits.

If the premises has frontage to two areas of equal value it is not felt appropriate to have a large L shaped Zone A area or to have two separate Zone A areas.

Where a shop has dual frontage and the longest frontage is to the most valuable street, particular difficulties can arise.

9. First Floor Rental

The practice of valuing first floor or basement retail by reference to a rigid percentage of Zone A is not recommended as it does not take account of the relative quality of the non ground floor accommodation.

Notwithstanding the above, the practice of suppressing the non ground floor space to increase the Zone A rate should be discouraged and the rates applied should bear some relationship to the Zone A rate.

10. User

It is suggested that some users do not suit zoning. For example pubs and large restaurants do not derive the same benefit from the first 6.1 metres of the premises as retail outlets.

This will only apply where the premises does not readily suit or cannot be used for retail purposes.

11. Masked or Shadow Areas

It is not possible to give a definitive answer in relation to masked or shadow areas and valuers would be expected to use their own professional judgement.

In general, it is suggested that for slight or normal obstructions such as staircases no allowance be made.

12. Angled or Irregular Shop Front

In general it is suggested that each zone follow the line of the shopfront.

13. Evidence

Evidence should not just be given as an ITZA figure. The actual zones should be given in addition to the overall rate as a simple ITZA figure can sometimes be misleading.

14. Period Buildings/Non Standard Shopfront

Zoning is not recommended for period premises or those without a standard shopfront presence.

An example would be purpose built historic bank buildings.

15. Changing Levels

Where there are steps or a material change in levels within a premises this should be reflected in the zoning analysis.

The extent of the allowance will depend on the specific premises. For example a single step may not make a material difference whereas a number of steps may have a fundamental effect on the rent of the premises.

Where an allowance is made it should be related to the part not at street level.

Dating back to 1895, the Society of Chartered Surveyors www.scsi.ie Ireland is the independent professional body for Chartered Surveyors working and practicing in Ireland.

Working in partnership with RICS, the pre-eminent Chartered professional body for the construction, land and property sectors around the world, the Society and RICS act in the public interest: setting and maintaining the highest standards of competence and integrity among the profession; and providing impartial, authoritative advice on key issues for business, society and governments worldwide.

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