Retail Zoning for the Chartered Surveyor

Information Paper
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Information Paper
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SCSI Information Paper

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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.

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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 ±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 ±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 ±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 ±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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