INTERNATIONAL VALUATION STANDARDS COUNCIL

The Valuation of Trade Related Property

DISCUSSION PAPER

Comments on this Discussion Paper are invited before 31 October 2012. All replies may be put on public record unless confidentiality is requested by the respondent. Please send comments as an email attachments to:

CommentLetters@ivsc.org

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INTRODUCTION

The IVSC first published GN 12 *The Valuation of Trade Related Property* in 2005 and updated it in 2007.

In 2009 IVSC commenced its Standards Improvements Project which involved reviewing all previously issued IVSC publications. The Standards Board originally proposed to update and replace GN12 with a new standard, IVS 232[1] *Trade Related Property*, and an Exposure Draft was released for public comment in June 2010, along with drafts of all the other standards that the Board was proposing to update.

The Board did not approve the draft IVS 232 for publication for reasons explained later but instead agreed a project to undertake a review of the particular valuation issues raised by TRP and to decide the nature and extent of any future pronouncements that IVSC should make in relation to this class of asset. This Discussion Paper sets out a number of issues identified by the Board on which respondent's views are invited.

This discussion paper seeks to establish whether "Trade Related Property" (TRP) represents a distinct asset class that presents unique valuation challenges, whether there are procedures that differ from those in the existing IVSs that should be regarded as mandatory and whether guidance is required on the application of different valuation approaches to TRP.

Notes for respondents:

In order for us to analyse and give due weight to your comments please observe the following:

1. Responses should be made in letter format, where appropriate on the organisation's letter heading.
2. Comments should not be submitted on an edited version of the Exposure Draft.
3. Unless anonymity is requested, all comments received may be displayed on the IVSC website.
4. Comments letters should be sent as an e mail attachment in either MS Word or an **unlocked** PDF format and no larger than 1mb. All documents will be converted to secured PDF files before being placed on the web site.
5. The e mail should be sent to commentletters@ivsc.org

[1] In the Exposure Draft of June 2010 this was designated IVS 303.04. In the Staff Draft of February 2011, it was renumbered along with all the proposed new standards and was redesignated IVS 232.

OVERVIEW OF GN12 and DRAFT IVS 232.

1. TRP was defined in GN12 as *"any type of real property designed for a specific type of business where the property value reflects the trading potential for that business."* The GN went on to give hotels, theatres and fuel stations as common examples of TRP. The rationale for the GN was that because TRP was often exchanged at a price that reflected its future earning potential for the business for which it was designed guidance was required on the valuation principles needed to reflect this. It indicated that TRP was typically valued on the basis of its potential earnings before interest, taxes, depreciation and amortisation (EBITDA), based on the trading of a "reasonably efficient operator". It also drew attention to the need to distinguish between the value of a TRP valued as part of a going concern and one that did not have the benefit of a business in occupation. It also identified different components of a business in occupation that may need separate valuation.

2. The draft IVS 232 carried forward these elements of GN12. In comparison with GN12 it also indicated that the market approach could be applied to TRP and slightly expanded the discussion in GN12 on capitalising the estimated EBITDA. It also did away with the terms "personal goodwill" and "transferable goodwill" that had been used in GN12 because the intention was to value only the property interest and not any other elements of the business.

3. The Board did not approve this draft for the following reasons.

   a) After reconsideration of the standards generally in the light of the comment letters received on the draft and feedback from the Round Tables, the Board clarified the criteria for a standard and within each standard the distinction between the mandatory part of the standard and any associated supporting material included to help aid application of the mandatory provisions or to understanding them in context. This process raised questions as to whether there were requirements that should be mandatory for Trade Related Property that were not already covered in IVS 230 *Real Property Interests* or IVS 200 *Businesses and Business Interests*

   b) The distinction between valuing a real property interest and a business in occupation of that property was confused in both GN12 and the proposed IVS 232. Is the valuation of a business covered by IVS 200 and the real property interest an allocation thereof, or is the real property interest capable of separate valuation?

   c) If a separate standard was created for Trade Related Property, this could create a precedent for creating individual standards for a wide variety of asset sub-sets, eg different standards for different types of business or for different types of plant and equipment. Apart from the practical implications of managing a potentially huge diversity of topics, such fragmentation of the standards would run contrary to the objective of reducing diversity in practice by identifying and promoting common valuation principles.

4. The former GN12 and the draft IVS 232 are annexed to this Discussion Paper.

Question 1

a) Are you familiar with the former GN12?

b) Is GN 12 used in the valuations that you provide or receive?

c) If you have answered yes to either of the above, what are the elements of GN 12 that you find useful in either reporting or interpreting valuations?

WHAT IS TRADE RELATED PROPERTY?

5. As indicated in para 4 above, GN12 listed hotels, theatres and fuel stations as common examples of TRP. Other types of property commonly regarded as falling into this category include healthcare property and bars, clubs and certain types of leisure property. It is argued that the common link between all these types of real property is that they comprise buildings or other structures that are purpose built for a specific type of business activity. Because the building can only be used for that activity the value of the property interest is normally intrinsically linked to the trading potential for that activity in that location, unless some alternative use is more valuable.

6. By way of example a hotel building typically can be used only as a hotel without extensive alterations, and therefore the value of the building will be closely correlated with the potential profitability of a hotel business operating from it. In contrast, although a modern open plan office building may also only be used as an office it can be so used by a wide range of different types of business. There is therefore a low correlation between the value of the building and the potential profitability of any business in occupation.

7. The opposing view is that there is no bright line that determines when the potential profitability of a business in occupation becomes a prime indicator of the value of the real property interest. It is therefore misleading to attempt to distinguish TRP from other types of property. Proponents of this view point out that many industrial buildings are purpose built and not easily adapted for a different type of industrial activity. Real property as diverse as ports, utility supply installations and agricultural land may all have unique features that mean that the cash flows that they can generate are the best indicator of value. Some retail premises are only suitable for a limited sub sector of retailers and therefore the value of the property is intrinsically linked to the typical profitability profile of that sub sector, not that for retailers at large. They point to the fact that many restaurants or bars operate from conventional retail properties and compete with the other retailers for the rights to those properties. They argue that the degree of specialisation or fungibility of any asset is a factor that an experienced valuer should take into account when considering the appropriate valuation approach or method to adopt.

Question 2
Do you consider that it is a) practical and b) necessary to define a distinct category of real property for valuation purposes based on the degree to which the buildings or any other structures are specialised?

Question 3
If you have answered yes to Question 2, do you consider that the term "Trade Related Property" adequately conveys the particular characteristics that may lead a valuer to adopt a different valuation method as compared to other types of property?

Question 4
If you have answered yes to Question 2, please also indicate the types of real property that should be included in distinct category.

Question 5
If you have answered no to Question 2, are there any other characteristics other than the specialisation of the buildings or structures that you believe may require Trade Related Property to be separately categorised from other real property for valuation purposes?

VALUATION METHODS

8. For the purpose of this part of the paper we assume that TRP includes the types of real property identified in GN12, ie hotels, theatres and fuel stations, together with others such as bars, restaurants, casinos, clubs, healthcare properties etc. The discussion is only concerned with methods to determine the value of the real property interest, not the value of any business in occupation or other assets that may be utilised in that business.

9. Both GN12 and the draft IVS 232 recognised that a distinct valuation method under the income approach was frequently used for TRP. This involved determining the EBITDA of a hypothetical business in occupation based on the performance of a reasonably efficient operator and then either using this as the basis of forecast cash flows in a discounted cash flow model or applying a capitalisation factor to determine the value. This method was tentatively referred to in the draft IVS 232 as the "profits method" and its underlying objective is to determine the approximate amount that would be available for the purchase of the property after deduction of all typical outgoings associated with the type of business in occupation.

10. Advocates of this method argue that it is well established in many markets as a basis of both analysing transactions and undertaking valuations. Like all valuation, its application in practice requires the valuer to have relevant experience and a thorough understanding of the type of asset being valued. While often the actual trading figures of the business in occupation of the property may form a starting point, the skill of the valuer is in knowing when these are atypical of the sector and adjusting to reflect over or under performance. Because the profits method uses a hypothetical business to replicate a market participant's likely view of the trading potential of an interest in the real property rather than a valuation of the business actually in occupation, it can be applied to unoccupied or proposed new buildings, as well as to those occupied by going concerns.

11. Some consider this is simply a business valuation using a profit analysis. The contribution of intangible assets such as the brand of an operator or the contribution that a developed sales and marketing infrastructure to the turnover is therefore reflected in the profits and that the value of the real property interest in isolation can be overstated. Proponents of this view consider that the

property interest is just one of many components that contribute to the overall value of the business in occupation and that because many TRPs are exchanged as part of businesses exchanged as going concerns, the starting point should be the value of the business with the value of the real property being an allocation of this total value.

12. In each case the potential of the real property for other uses needs to be considered, as the use that may generate the highest value in the market may be different from the current use, thus rendering the trading potential of that use irrelevant to the value of the interest.

Question 6
Are you familiar with the "profits method" as outlined above to value TRP? If so please indicate the types of real property where you are familiar with its application.

Question 7
What methods do you normally use to allocate value to the real property interest? Do you apply the same method regardless of the type of real property involved?

Question 8
In your experience what sources of data are available to support the use of either the profits method or an allocation to the real property from the value of the business in occupation? How reliable are these?

IDENTIFYING CONTRIBUTORY ASSETS

13. In the IVS *Framework* it is stated[2] that where a valuation is required of assets that are held in conjunction with other complementary or related assets, it is important to clearly define whether it is the group or portfolio of assets that is to be valued or each of the assets individually. If the latter, it is also important to establish whether each asset is assumed to be valued:

    a) as an individual item but assuming that the other assets are available to a buyer, or

    b) as an individual item but assuming that the other assets are not available to a buyer.

14. IVS 101 *Scope of Work* requires that where an asset is utilised in conjunction with other assets, it will be necessary to clarify whether those assets are included in the valuation, excluded but assumed to be available or excluded and assumed not to be available. IVS 103 *Reporting* contains the same provision.

15. TRP is often intrinsically associated with a specific type of business activity and it is often transferred as part of a transfer of a going concern. Because of this identifying which assets are to be included in the valuation requires particular attention to both ensure that this is appropriately reflected in the selected valuation method and properly explained to prevent misunderstanding or misuse of the valuation provided. For example, the furniture in a hotel necessary for its operation would not form part or the real property interest but fixed equipment such as bars, cooking ranges built in chill rooms etc may be. Even where equipment is permanently fixed to the building, it may be subject the third party rights that exclude it from the real property interest. And although the loose furnishings may be excluded from the valuation of the real property interest, their presence is essential to the cash flows, so how is this contribution measured?

[2] IVS Framework para 25

Question 9

Do you consider that the general provisions in the IVSs concerning identification of the asset to be valued and clarification of the assumptions made about complementary or associated assets are sufficiently clear for application to TRP or do you believe that the IVSs should provide more specific guidance? If you believe that more specific guidance is required, please indicate the types of TRP where you believe that this is needed.

Question 10

Please indicate any techniques with which you are familiar for ensuring that the value of the real property interest excludes any value attributable to other assets.

GOING CONCERN ASSUMPTION

16. Confusion is often caused when reference is made to a real property interest being "valued as a going concern". The IVSC Glossary defines "Going Concern" as "a business enterprise that is expected to continue operations for the foreseeable future." A piece of real estate, or an interest in it, cannot be a going concern, but a business that occupies it may be. Although one of the characteristics of TRP is that frequently transferred as part of a transfer of the business in occupation, this is by no means exclusively the case. TRP is regularly transferred independently of the business in occupation, for example where the operating business and the real property interest are in different ownerships, if the property is new or if it is vacant following the closure of a business in occupation. Consequently a TRP can be valued either on the assumption that it is an asset within a business that is transferred as a going concern, on the assumption that it is to be transferred independently of any business currently in occupation or that it is transferred following the closure of any business currently in occupation.

17. It is generally accepted that the value of the real property interest is affected by which of these alternative assumptions is made, even although the valuation should disregard value properly attributable to other assets employed within the business. This may be observable by comparing the prices paid for TRP with a going concern in occupation with those paid for vacant TRP, but is more usually observable by comparing the potential trading income when applying the "profits method" or another method under the income approach. If a TRP has a going concern in occupation it will have an established level of trading. In contrast, a buyer of a vacant TRP will need to spend time and money in equipping the building with the other assets required to operate a business, and will often also need time to build up trade to an optimum level. Likewise, the discount rate or capitalisation factor used may need to be adjusted to reflect the additional risk associated with the lack of a recent trading history.

Question 11

Please indicate for what purposes you consider that a valuation of a TRP should be made on the assumption that it is part of a going concern and for what purposes it should be made on the assumption that there is no business in occupation.

Question 12

Do you agree that the value of the real property interest is affected by whether or not there is a business in occupation?

Question 13
If you are a user of valuation reports, in your experience, is the distinction between the business and the property interest normally clear from the reports that you receive?

Question 14
If you are a provider of TRP valuations, what steps do you take to distinguish the business from the real property interest?

GENERALLY

18. Copies of the former GN12 and the draft of IVS 232 that was not approved are appended to this paper. It would be helpful if you could indicate whether you are supportive or otherwise of the content of these papers, or how they may be improved, see question 1.

19. The IVSC is interested in learning of any other problems or variations in practice that you experience with valuations of the genre of real property interest that can be intrinsically linked with either the business in occupation or the type of business for which the building is designed. It would also be helpful to indicate the nature of any guidance that you believe IVSC could produce that would help

INTERNATIONAL VALUATION GUIDANCE NOTE 12– VALUATION OF TRADE RELATED PROPERTY (REVISED 2007)

1.0 Introduction

1.1 Trade Related Properties (TRPs) are individual properties, such as hotels, fuel stations, and restaurants that usually change hands in the marketplace while remaining operational. These assets include not only land and buildings, but also fixtures and fittings (furniture, fixtures and equipment) and a business component made up of intangible assets, including transferable goodwill.

1.2 This Guidance Note provides direction on the valuation of TRPs as operating assets as well as the allocation of TRP value into its main components. Component values are usually required for depreciation and tax purposes. This Guidance Note should also be read in conjunction with the Guidance Notes cited in para. 2.1 below.

1.3 Some concepts involved in the valuation of a business not classed as a TRP (see GN 6, Business Valuation) must be distinguished from those involved in the valuation of *Trade Related Property*. (Also see paras. 5.6 and 5.7.2 below.)

2.0 Scope

2.1 This Guidance Note focuses on TRP valuation. For further insight into the application of valuation principles, the following IVSs Guidance Notes should be consulted:

2.1.1 GN 1, Real Property Valuation,

2.1.2 GN 3, Valuation of Plant and Equipment,

2.1.3 GN 4, Valuation of Intangible Assets,

2.1.4 GN 5, Valuation of Personal Property,

2.1.5 GN 6, Business Valuation,

2.1.6 GN 10, Discounted Cash Flow Analysis for Market Valuations and Investment Analyses.

3.0 Definitions

3.1 *Capitalisation.* At a given date the conversion into the equivalent capital value of net income or a series of net receipts, actual or estimated, over a period.

3.2 *Discounted Cash Flow.* A financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. The most widely used applications of DCF analysis are the Internal Rate of Return (IRR) and Net Present Value (NPV).

3.3 *Goodwill*.

3.3.1 Future economic benefits arising from assets that are not capable of being individually identified and separately recognised. (IFRS 3, Appendix A)

3.3.2 *Personal Goodwill*. The value of profit generated over and above market expectations, which would be extinguished upon sale of the trade related property, together with those financial factors related specifically to the current operator of the business, such as taxation, depreciation policy, borrowing costs and the capital invested in the business.

3.3.3 *Transferable Goodwill.* That *intangible asset* that arises as a result of property-specific name and reputation, customer patronage, location, products and similar factors, which generate economic benefits. It is inherent to the trade related property, and will transfer to a new owner on sale.

3.4 *Reasonably Efficient Operator*, or *Average Competent Management.* A market based concept whereby a potential purchaser, and thus the Valuer, estimates the maintainable level of trade and future profitability that can be achieved by a competent operator of a business conducted on the premises, acting in an efficient manner. The concept involves the trading potential rather than the actual level of trade under the existing ownership so it excludes personal goodwill.

3.5 *Trade Related Property. Certain classes of real property, which are designed for a specific type of business and that are normally bought and sold in the market, having regard to their trading potential.*

4.0 Relationship to Accounting Standards

4.1 Under International Financial Reporting Standards (IFRSs), like other types of real property, a TRP may be carried on an entity's balance sheet at either cost or at fair value (see IVA 1). It may be necessary to allocate the value of a TRP between its different components for depreciation purposes.

5.0 Guidance

5.1 This Guidance Note describes that category of property referred to as TRPs and explains how

TRPs are valued in accordance with International Valuation Standard 1, Market Value Basis of Valuation.

5.2 When performing a TRP valuation, the Valuer may also find relevant guidance in the six Guidance Notes cited in para. 2.1 above. If the valuation is for inclusion in a Financial Statement, the Valuer should refer to IVA 1, Valuation for Financial Reporting.

5.3 TRPs are considered as individual trading concerns and typically are valued on the basis of their potential Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA), as adjusted to reflect the trading of a reasonably efficient operator and often on the basis of either DCF methodology or by use of a capitalisation rate applied to the EBITDA.

5.4 Valuations of TRPs are usually based on assumptions that there will be a continuation of trading by a Reasonably Efficient Operator, with the benefit of existing licences, trade inventory, fixtures, fittings and equipment, and with adequate working capital. The value of the property including transferable goodwill is derived from an estimated maintainable level of trade. If the valuation is required on any other assumption, the Valuer should make such assumption explicit through disclosure. While the actual trading performance may be the starting point for the assessment of the fair maintainable level of trade, adjustments should be made for atypical revenues or costs so as to reflect the trade of a reasonably efficient operator.

5.5 Profit generated, in excess of market expectations that may be attributed to the manager is not included. The manager’s particular tax position, depreciation policy, borrowing costs and capital invested in the business are not considered for the purpose of establishing a common basis to compare different properties under different managers.

5.6 Although the concepts and techniques are similar to those often used in the valuation of a large-scale business, to the extent that the valuation of a TRP does not usually consider tax, depreciation, borrowing costs and capital invested in the business, the valuation is based on different inputs from those of a valuation of a sizable business.

5.7 The valuation conclusion may need to be broken down between the different asset components for the purposes of financial reporting, for property taxation or, when required, for property lending purposes.

5.7.1 The components of TRP entity value are typically:

5.7.1.1 land;

5.7.1.2 building(s);

5.7.1.3 fixtures and fittings (furniture, fixtures and equipment), including software;

5.7.1.4 inventory, which may or may not be included (this should be disclosed);

5.7.1.5 intangible assets, including transferable goodwill; and

5.7.1.6 any licences and permits required to trade.

5.7.2 Items such as working capital and debt are considered in valuing equity for businesses, but equity is not valued for TRPs. TRPs may, however, comprise part of a business.

5.7.3 An estimation of the individual values of the components can only represent an apportionment, unless direct market evidence is available for one or more of these components to isolate component value from the overall TRP value.

5.8 TRPs are by their nature, specialist assets that are usually designed for a specific use. Changes in market circumstances, whether structural to the industry or due to the local competition or another reason, can have a material impact on value.

5.9 It is necessary to distinguish between the asset value of a Trade Related Property and the ownership value of the business. In order to undertake a valuation of a TRP, a Valuer will require sufficient knowledge of the specific market sector so as to be able to judge the trading potential achievable by a Reasonably Efficient Operator, as well as knowledge of the value of the individual component elements.

6.0 Effective Date

6.1 This International Valuation Guidance Note became effective 31 July 2007.

IVS 232 Trade Related Property (DRAFT ONLY – NOT APPROVED)

Contents | Paragraphs

STANDARD

1. The principles contained in the General Standards and in IVS 230 *Real Property Interests* apply to valuations of *trade related property*. This standard only includes modifications, additional requirements or specific examples of how the General Standards apply for valuations to which this standard applies.

Scope of Work (IVS 101)

2. To comply with the requirement to identify the asset or liability to be valued in IVS 101 2(d) it shall be stated whether tangible assets other than the *real property* interest that form part of the operational unit, eg, furniture, equipment, licenses and permits, are to be either included in the valuation, excluded but assumed to be present or excluded and assumed not to be present.

3. To comply with the requirement to state the extent of the investigation and, the nature and source of the information to be relied upon in IVS 101 2(g) and IVS 101 2(h) respectively the sources of information on current and historic levels of trade and other financial or prospective financial information shall be confirmed.

4. To comply with the requirement in IVS 101 2(i) any assumptions or *special assumptions* all assumptions required to describe the property's trading state or trading potential shall be stated. Examples of *special assumptions* used when valuing this type of property include:

- in the case of a property that is not trading, eg, because it is under development or where trading has only recently commenced, a *special assumption* may be made that a defined level of trading performance had been reached on the *valuation date;*
- where the purpose of the valuation requires an illustration of the effect on value of business closure, a *special assumption* can be made that the current business had been closed, specified trade equipment removed and any necessary licences or permits have expired or are in jeopardy.

Implementation (IVS 102)

5. To comply with IVS 102 5 consideration shall be given to whether an alternative use of the property may represent the highest and best use. This may indicate that an alternative valuation approach is required.

Reporting (IVS 103)

6. There are no additional requirements for *trade related property* other than inclusion of appropriate references to matters addressed in the scope of work in accordance with paras 2 to 4 above.

Effective Date

7. The effective date of this standard is ## ##, although earlier adoption is encouraged.

COMMENTARY

Trade Related Property

C1. A *trade related property* is any type of *real property* designed for a specific type of business where the property value reflects the trading potential for that business. Examples include hotels, fuel stations, restaurants, casinos, cinemas and theatres. The essential characteristic of this type of property is that it is designed, or adapted, for a specific use and the resulting lack of flexibility means that the value of the property interest is normally intrinsically linked to the returns that an owner can generate from that use. The value of the property interest therefore reflects the trading potential of the property. It can be contrasted with generic *real property* that can be occupied by a wide range of different business types, such as standard office, industrial or retail. Another feature is that the ownership of the *real property* interest often transfers as part of the sale of the business in occupation, referred to in this standard as the "operational unit".

C2. The value of such *real property* reflects the trading potential, which may differ from the actual level of trade under the existing ownership. The assumed level of trade assumes that which could be achieved by a reasonably efficient operator, ie, a typical suitably experienced and knowledgeable market participant.

C3. Where a *trade related property* is currently trading, the value of the operational unit may include various components including:

- the property interest,
- furniture and equipment,
- operating licences and permits,
- *goodwill*.

If the valuation required is of the entire operational unit, reference should be made to IVS 200 *Businesses and Business Interests.*

Valuation Approaches

C4. The *market approach* and the *income approach* described in the IVS Framework can be applied to the valuation of a *trade related property*. The *cost approach* is not normally applicable.

Market Approach

C5. If using the *market approach*, reference should be made to the matters discussed in IVS 230 *Real Property Interests*. Additional matters that should be considered concern the different features of the comparable property and the property being valued that would impact upon the level of trade that could be generated. Because this type of property is normally designed for a specific type of trade, the main influence on value will often be the trading potential in a particular location rather than the physical characteristics of the building. Two physically similar properties may have totally different levels of trade potential due to their location. While analysis on a unit basis, eg, per bed space or per room, may assist it is essential that due consideration is given to the range and impact of different factors affecting trading potential. The *market approach* may therefore be a less reliable indicator of value than the *income approach* but can be a useful cross check on the *income approach.*

Income Approach

C6. The profits method is an application of the *income approach* that is commonly used in the valuation of *trade related property*. The profits method estimates the net operating profit, ie earnings before interest, tax, depreciation and amortisation (EBITDA) that could be maintained by a reasonably efficient operator. The EBITDA is then capitalised at an appropriate rate of return reflecting the potential risks and rewards of the property by analysis of comparable transactions. Where the valuation is required to estimate a *market rent* for the property, a further adjustment will be required to the EBITDA to allow for a reasonable return to the operator on its investment in the business.

C7. Where the property is currently trading, the actual trading performance of the current operator may be used as a starting point for assessing the trading potential of the property. However, because of the need to reflect the level of trade that might be achieved by a reasonably efficient operator, adjustments may be required for atypical revenues and costs to arrive at a fair maintainable trade. Examples of adjustments include:

- additional revenue or costs attaching to the brand or personal reputation of a current operator that would not transfer to a buyer of the property interest,
- advantageous or disadvantageous supply contracts that would not transfer to a buyer of the property interest.

C8. In the case of a vacant property, or a new *trade related property* that is planned or under construction, the trading potential will be determined by comparison with the trading performance of other similar properties. Depending on the purpose of the valuation, it may be necessary to provide a valuation on the *special assumption* that a defined level of turnover had been achieved by the *valuation date*.

C9. Although the buildings associated with a *trade related property* are by definition designed for the specific requirements of the related trade, it may be appropriate to undertake a cross check to see whether the land may have a higher value if the existing buildings were redeveloped for an alternative use.