



Valuer-General Victoria and Municipal Group of Valuers  
**Specialist Property Guidelines  
for Petrol Stations**

August 2011

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## Valuer- General Victoria and Municipal Group of Valuers

### Guidelines on Valuation Methodology for Petrol Stations

#### Introduction

These guidelines are to be used when valuing Petrol Stations for rating and taxation purposes.

The guidelines need to be used in conjunction with the *General Provisions for Specialist Guidelines*, which refer to the general requirements, legislation and procedures relating to all statutory valuations.

#### Definition

An acceptable definition for service station and freeway service station is included in the Victorian Planning Scheme Provisions<sup>1</sup> as follows:

- **Service Station** is defined as land used to sell motor vehicle fuel from bowsers, and lubricants. It may include the:
  - a) selling of motor vehicle accessories or parts;
  - b) selling of food, drinks and other convenience goods;
  - c) hiring of trailers;
  - d) servicing or washing of motor vehicles; and
  - e) installing of motor vehicle accessories or parts.
- **Freeway service centre** is defined as land which has direct access to a freeway and is used to provide essential services and facilities which encourage drivers to stop and take an effective break in the interests of driver safety.
- **Kiosks** are usually associated with supermarket petrol station pad sites and have a Gross Lettable Area (GLA) of up to 75 square metres.
- **Convenience Shop** - a building with a GLA of between 75 and 150 square metres, used to sell food, drinks and other convenience goods. It may also be used to hire goods such as trailers.
- **Convenience Store** - a building with a GLA of between 150 and 450 square metres, used to sell food, drinks and other convenience goods. It may also be used to hire goods such as trailers.

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<sup>1</sup> Victorian Planning Provisions Clause 74 land Use Terms  
*Guidelines on Valuation Methodology for Petrol Stations*  
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## Other definitions and industry terms

- **Car wash** – Car washes in the context of petrol stations are deemed to be in association with a petrol station i.e. a component as opposed to a stand alone facility.

A car wash is a facility used to clean the exterior and in some cases, the interior of motor vehicles. While there are many different types of car washes, most fall into the following main groups:

- hand car wash facility where the owner provides coffee while the car is cleaned;
- self-service facilities, that are generally coin-operated;
- in-bay automatics, which consist of an automatic machine that rolls back and forth over a stationary vehicle, brush or touch free (laser) wash;
- ‘tunnel washes’, which use conveyors to push or pull the vehicle through a series of fixed cleaning mechanisms.

- **Contaminated site information systems** – The Environmental Audit System has been established by the Environment Protection Authority (EPA) as an authoritative means by which planning authorities, site owners, purchasers and others are provided assurance regarding the condition of a site and its suitability for use, frequently in the context of site redevelopment. In the event a site has a change of use to residential a Certificate of Audit or a Statement of Audit is required.

These systems are designed to assist in management of contaminated sites and provide information and assurance to the public regarding the condition of certain sites.<sup>2</sup>

- **Priority Sites Register (PSR)** – The EPA maintains the Priority Sites Register (PSR) as a listing of all priority sites. The PSR is not a listing of all contaminated sites in Victoria, nor is it a list of all contaminated sites of which the EPA has knowledge.

The Priority Sites Register does not list sites managed by voluntary agreements or sites subject to management by planning controls (for example sites managed in accordance with Section 173 agreement under the *Planning and Environment Act 1987*).<sup>3</sup>

A site is listed on the PSR when the EPA issues a clean-up notice or a pollution abatement notice (relevant to land and groundwater). A notice is a means by which the EPA formalises requirements to manage pollution.<sup>4</sup>

More information is available on the EPA website [www.epa.vic.gov.au](http://www.epa.vic.gov.au) > Land > Access to the PSR.

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<sup>2</sup> [http://www.epa.vic.gov.au/land/contam\\_site\\_info.asp](http://www.epa.vic.gov.au/land/contam_site_info.asp)

<sup>3</sup> Ibid

<sup>4</sup> Ibid

## Additional Victorian legislation and cases applicable to petrol stations

The following Acts are also relevant to this topic:

- *Planning and Environment Act 1987*
- *Environment Protection Act 1970*
- *Dangerous Goods Act 1985*

Other relevant material:

- *Guidelines on the Design, Installation and Management Requirements for Underground Petroleum Storage Systems* (EPA Publication 888) - [www.epa.vic.gov.au](http://www.epa.vic.gov.au)>Publications and Library
- Australian Institute of Petroleum Guidelines - <http://www.aip.com.au/>
- Australian Institute of Petroleum Best Practice (CP4 2002)
- Land and Groundwater Unit - <http://www.epa.vic.gov.au/>
- Australian Petroleum Agents and Distributors Association
- Petroleum Industry Contractors Association - <http://www.pica.net.au/>

**Identification of properties**

**Australian Valuation Property Classification Codes (AVPCC)**

To appropriately categorise service stations in a municipality, refer to the Australian Valuation Property Classification Codes (AVPCC) available at <http://www.dse.vic.gov.au/valuation>.

The following codes apply:

**Fuel outlet/Garage/Service Station (AVPCC 215)**

**Multi purpose fuel outlet(fuel/food/groceries) (AVPCC 216)**

The petrol station industry operates on a three-tiered market:

1. **Primary Tier (AVPCC 216)** – the primary category is divided into two sub-categories:
  - a. *Super sites* – very large petrol stations or service centre truck stops usually located on freeways, major highways/arterials. These sites cater for large transports i.e. B-doubles and semi trailers and frequently have fast food outlets available i.e. McDonalds, KFC, plated food and amenities.
  - b. *Primary sites* – large main road sites, generally with starter gate canopies, larger convenience stores and other uses, with oil company or larger independent branding.
  
2. **Secondary Tier (AVPCC 215)** – the secondary category is divided into two sub-categories:
  - a. *Neighbourhood Sites* – smaller sites often with older improvements and limited facilities. Can include 7-Eleven sites.
  - b. *Shopping Centre Pads* are driven by supermarket discount vouchers and are frequently located within shopping centre complexes or without prime exposure. While the Supermarket Pad sites have been separately categorised it should be noted that these sites may need to be further grouped into Primary Pad sites and Secondary Pad sites.
  
3. **Marginal** – older sites with limited facilities and old tanks. Primarily utilised as auto service/workshops or similar. Value generally driven by underlying land value after deduction for demolition and remedial costs.

Within these categories it is important to distinguish the construction material of the tanks.

Since 1993 most tanks have been constructed with fibre glass. Prior to this, steel tank construction was the norm, which is more conducive to contamination issues. Major oil companies have generally undertaken full tank replacement programs in recent years, at all owned and some leased sites.

The matrix below summarises the general categories for petrol stations for valuation purposes. The valuer should determine which segment applies to the subject property. The categorisation is also used in analysing sales to compare ‘like with like’ and in applying analysed results and benchmarks.

	Steel Tank	Fibre Glass Tank
Primary – Super Site/Service Centre		
Primary – Main Road		
Secondary – Neighbourhood		
Secondary – Pad Sites		
Marginal		

**Additional to the general request for rental information, the following is a guide to the specific information required for petrol stations**

Station Brand e.g. Shell/BP etc: \_\_\_\_\_  
 Gross Building Area: \_\_\_\_\_ M<sup>2</sup>  
 Number of Petrol Bowsers/Dispensers: \_\_\_\_\_  
 Number of Fuel Tanks: \_\_\_\_\_  
 Total Capacity of Fuel Tanks: \_\_\_\_\_ Litres

**Average Monthly Sales**

	30/06/2007	30/06/2006	30/06/2005
Fuel	(Litres per month)	(Litres per month)	(Litres per month)
Convenience Shop	\$ per mth	\$ per mth	\$ per mth
Fast Food Outlet	\$ per mth	\$ per mth	\$ per mth
Auto Repairs	\$ per mth	\$ per mth	\$ per mth
Car Wash	\$ per mth	\$ per mth	\$ per mth
Other			

What is the construction material of the tanks?  Steel  Fibre Glass

When were the tanks installed/replaced? \_\_\_\_\_ Year

Is the site affected by contamination?  Yes  No

Is the site on the Contamination Register?  Yes  No

Has the soil/ground water been impacted by fuel leakage?  Yes  No

Has a recent EPA or other testing been carried out?  Yes  No

If Yes, please provide details:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**Property inspection – specific requirements applicable to petrol stations**

1. Investigate any site contamination issues – contaminated site register is available through [www.epa.vic.gov.au](http://www.epa.vic.gov.au) > Land > Access to the Priority Sites Register.
2. Inspect property and determine components of the property such as:
  - Canopy/pump map layout - number of fuel pumps/bays and types of fuel
  - Convenience Store – size and facilities, store front parking or not
  - Car Wash - type
  - Work Shop Bays/Auto Mechanic Servicing
  - Other Uses e.g. car rental depot.
3. The Internet is a valuable resource and the following sites maybe useful:

Environment Protection Authority – <http://www.epa.vic.gov.au>  
ExxonMobil – <http://www.exxonmobil.com>  
Australian Institute of Petroleum – <http://www.aip.com.au>  
BP Australia – <http://www.bp.com>  
Shell in Australia – <http://www.shell.com.au>  
Caltex Australia – <http://www.caltex.com.au>

## Methodology

### ➤ Site Value

When determining the site value the valuer needs to determine the highest and best use of the site in accordance with the following three categories:

1. Highest and best use is considered to be a petrol station (Primary and Secondary Tier)
2. Highest and best use is **not** considered to be a petrol station (Marginal) and
  - (a) the highest and best use is deemed to be for a commercial/industrial use
  - or**
  - (b) the highest and best use is deemed to be for a residential use

The significance of the categorisation is the varying implications contamination and the relevant standards of 'clean-up' pertaining to the alternate or continuing use of the site can have on the site value. For example if the site is to be remain a petrol station then the standards of clean up in relation to contamination may be different than if the use was to be changed to a more sensitive use such as residential.

Also regard must be had to the requirement of removing the underground tanks for any other use other than for a petrol station. An allowance for the removal of tanks and for any remediation of contamination can be made if the alternate use value is to be applied.

The majority of petrol stations established post-1993 have fibre glass tanks installed and, many older sites have had the steel tanks replaced with fibre glass tanks. In assessing the site value where the highest and best use is considered to be a petrol station, the valuer should consider the following:

- (a) an allowance for site works in accordance with the definition of improvements under the 15 year rule;
- (b) site remediation works associated with the changing over of the tanks.

### ➤ Capital Improved Value

The primary approach used is capitalisation of market rent. The primary evidence to use is that of recent sales of comparable properties *analysed by category* to indicate appropriate market rentals and capitalisation rates.

The Direct Comparison approach is useful as a check method although again it is critical that petrol stations are compared 'like with like', that is within the relevant category.

When categorising petrol stations it is important when analysing sales and applying rents and cap rates that the valuer is applying 'like with like', where possible. The following table (introduced under Categorisation of Properties on page 4) should be used when applying total rents and cap rates. Rents are normally net rents.

	Steel Tank Rent/Cap Rate	Fibre Glass Tank Rent/Cap Rate
Primary - Super Site/Service Centre		
Primary - Main Road		
Secondary - Neighbourhood		
Secondary - Pad Site		
Marginal	Indicates potential for contamination	Indicates potential for contamination

When assessing the rent the valuer needs to ascertain the site facilities and apply a rental value per component. Examples are as follows:

- Estimated fuel (rental expressed as cents per litre)
  - in estimating the fuel litreage consideration needs to be given not only to the number of bowsers but also the configuration of the site and canopy to enable maximum flow through of cars such as the 'starter gate' grid pattern that enables cars to pass after refueling or where cars are 'locked in' until the car in front moves
  - the general layout of the site should be taken into consideration when determining the estimated fuel capacity per annum
  - surrounding competition
- Convenience Shop/Store (rent per annum)
- Fast Food Outlets (rent per annum)
- Workshop (rent per annum)
- Car Wash (rent per annum)
- Hire Facilities – usually included with Convenience Store/Shop

Passing rents should be compared to analysed current market rental evidence and if required adjusted accordingly. However where there is limited or no comparable current market evidence the passing rents can provide a useful guide.

Discount fuel sites which are linked with supermarket fuel vouchers may have fuel sales of 1.5 to 2 times the litreage of a similar service station that does not have the discounted fuel docket. In this circumstance the valuer needs to consider the following:

- adjust the litreage to reflect the volume of a non-discount petrol station
- adjust the cents per litre applied to reflect the increase in volume

Small pad sites are generally only viable because of the fuel discount and the kiosk may not achieve significant shop sales and is merely a pay station.

For petrol stations under the category of 'marginal' while the highest and best use of the land may be for a non-petrol station site; the remediation costs of the site need to be considered and the highest and best use value adjusted accordingly (this may vary depending on if the highest and best use is considered to be residential or commercial).

➤ **Sales Analysis**

- Note that fuel pumps are often leased or owned by the occupier. Similarly, above ground LP gas installations may be provided by the fuel supplier. Oil company signage is typically owned by the oil company.
- Websites for major oil companies and some independents may give a summary of products/services and facilities for each of their sites.
- It is recommended that the sales be analysed in line with the method of valuation applied by applying rentals to the respective components (shop, workshop) etc. to derive a 'petrol rental' or vice versa.

## **Industry information**

**Bowser** – A bowser is named after American inventor Sylvanus Bowser who is credited with inventing the automobile fuel pump. It has been adopted as an Australian term used to describe the structure that contains the fuel.

Bowser started to market his patented kerosene pump in 1885. The introduction of automobiles, mainly powered by gasoline, led him to develop it into the 'Self-Measuring Gasoline Storage Pump' which was launched in 1905.

Bowser's invention operated with a manual suction pump, which dispensed the gasoline into the car through a flexible hose. The 50-gallon metal storage tank, housed in a wooden cabinet, could be set up at the curbside in front of a store.

Under the banner of his company, S. F. Bowser & Company, this activity expanded to the measurement and handling of many commercial liquids. He opened branches around the world, and bowser became a generic term for fuel dispensers, then fuel tankers (especially on airfields), then finally for any kind of self-propelled liquid tanker with the ability to dispense direct to consumers. In New Zealand and Australia it is still a generic term for consumer fuel pumps.

**Dispenser** – is a bowser where the pump is a submersible pump within the tank, pushing out the fuel as opposed to a pump within a bowser which sucks the fuel out of the tank.

**Hose** – the device that dispenses fuel from the bowser to the vehicle.

**Nozzle** – is the handle at the end of the hose with a 'trigger' that acts as an on/off button for the flow through of fuel.

**Triple Interceptor** – Disposal of fluids into the sewer. There is a requirement to have an agreement with the water authority in accordance with the EPA Guidelines to dispose of fluids into the sewerage system.

**Starter Gate Canopy** – The configuration of the canopy design so that stationary cars face the petrol station shop (as opposed to being parallel) to enable multiple cars to queue for petrol at the same time. This configuration is preferable because it increases the flow through of cars and is less likely that bowsers will be unoccupied because other cars can't access the pump.

**Multi-product Pump** – has four or more hoses, with the suction pump inside the bowser.

**Multi-product Dispenser** – is a bowser with four or more hoses, with a submersible pump.