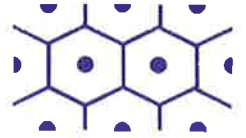


newsletter



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Introduction

Turner Drake & Partners Ltd. was formed in October 1976 to offer real estate consulting and appraisal services throughout Atlantic Canada. From its inception the emphasis was on a *professional* approach, with excellence and integrity as the prime objectives. Since the accuracy of any appraisal work is dependant upon the accurate analysis of the property market a comprehensive resource and data base was established. The Company is heavily orientated towards a scientific, rather than a 'seat of the pants', approach so personnel are trained in the use of statistical, as well as innovative, valuation techniques as part of their day to day operations.

In April 1978 the Company established *COMPUVAL*, the first computerized appraisal system in Atlantic Canada. '*Compuval*' was registered as a Canadian trademark and Turner Drake & Partners Ltd. joined a handful of firms in Canada who, at that time, were using computers as part of their appraisal operations.

The Appraisal Process

There are potentially three different basic approaches by which a property may be appraised, i.e. the *Cost Approach*, the *Income Approach*, and the *Direct Sales Comparison Approach*.

Not all approaches are applicable, though generally at least two are used in each appraisal. The type of approach used, and its reliability, will depend on the type of property being appraised. A single family home, for example, will be appraised using the *Cost* and *Direct Sales Comparison* Approaches. An income producing property, such as an apartment building, will usually be appraised by the *Income*, *Direct Sales Comparison*, and possibly the *Cost Approach*.

The Cost Approach

This consists of calculating the cost of the building as if new, deducting therefrom obsolescence due to physical, functional and locational causes and adding the resultant depreciated reproduction cost to the land value.

We access the Marshall and Swift computerized costing service using our own computer terminals, and the Datapac package switching network, to calculate the building cost. The obsolescence is calculated with the aid of our own *Compuval Appraisal System (CAS)*. We also use *CAS* to search our *Compuval* data banks to identify comparable land sales, to use as an aid in calculating the land value.

The Income Approach

This consists of ascertaining the gross income the property is capable of generating and deducting therefrom the operating expenses to arrive at the net income. The latter is then treated as an investment and capitalized at an appropriate "capitalization rate", to arrive at the market value.

Of the three items, i.e. gross income, operating expenses, capitalization rate, necessary to arrive at market value; gross income is generally the easiest to ascertain.

The operating expenses, eg: management, heating, electricity, water, legal and audit, real estate taxes, snow removal, etc., can be obtained from the owner. However, for a multitude of reasons they may not be reliable and they have to be checked against the operating histories of other buildings. We use CAS to consult the computer data banks and calculate the various operating expenses based on a comparison with other buildings. CAS also computes the capitalization rate given information on the financing and the expected return on equity.

The Direct Sales Comparison Approach

This consists of ascertaining the sale prices of other comparable properties. The subject property is then appraised by directly comparing it with these sales and adjusting for differences between the comparable sale and the subject property.

This approach is particularly useful for the appraisal of single family homes, however it depends for its accuracy on the availability of a large number of comparable sales. We have therefore established a number of 'on line' data bases for different property types. CAS will happily search through thousands of sales, identify those most comparable to the subject property, and print out the result in minutes. We also use CAS to identify the adjustments in value terms to be applied to the sale to make it truly comparable to the property being appraised.

Computers in Appraising

We have indicated just some of the ways in which we can harness the computers available to us to service the requirements of the mortgage market.

Our own *Compuval Appraisal System* (CAS) consists of a comprehensive system of analytical and appraisal software, together with a series of 'on line' data bases. The latter are used as feedstock for the analytical and appraisal programs and allow us to monitor property price movements in a rapidly changing marketplace. CAS is continually being enhanced and expanded. In addition to its use as a strict appraisal tool, it gives us access to variable iteration and multi-run techniques for in depth analysis and the testing of various solutions for real estate consultancy purposes.

What do we Charge?

Our Preferential Fee Scale is included as part of this appraisal kit. Despite the fact that we offer you the additional advantage of our sophisticated *Compuval Appraisal System* (CAS) we think you will find that our fees are competitive with those of other appraisal firms who do not offer this service.