

VALUATION CASE STUDY THE GRAVEYARD WATCH

The Challenge

It's 2:00 am; the graveyard watch. Your security company phones with news you dread to hear, one of your buildings is burning. Your first thought is for your tenants ... did they get out safely? It is only later, glumly surveying the still smouldering wreckage in the grey light of dawn, that the fiscal impact hits home. How do I clean up the mess? Is the building a write off? Is the fire insurance adequate? Will our insurer invoke the co-insurance clause? Why am I doing this: surely there must be a less stressful way of earning a living?

Insurance companies typically require professional fire insurance valuations at least once every five years, or they will invoke the co-insurance clause. Regardless, they will invoke the latter if the building is under-insured, even if the actual loss is less than the insured value.

Keeping current with fire insurance is just one of many tasks property managers face in an increasingly sceptical and litigious world. Our client, a condominium corporation responsible for 79 townhouses in Halifax turned to us for advice.

Turner Drake's Approach

Although only 2% of fires result in total loss, damage from fire, smoke and water often render it difficult to establish the state of the building before the fire. Inspecting a damaged structure is a dispiriting and sometimes dangerous, experience. In addition the original building plans and specifications are often no longer available because they have been mislaid or destroyed, sometimes in the fire. In any event they may be irrelevant because of structural or cosmetic alternations. It is therefore essential to establish a baseline inventory. This is particularly pertinent with condominium buildings because the corporation usually only insures the units to their original specifications ... owner installed finishes above baseline specs are the condominium owner's responsibility. We therefore thoroughly inspected all of the buildings internally and externally, measuring all exterior walls and interior partitions. We catalogued all structural components together with all floor, wall and ceiling finishes, plumbing, heating and electrical installations. The information was captured in our computerised costing system and utilised to generate the Replacement Cost New. The information was then provided to the client in a comprehensive, hardcopy (it was 2003!) format. It is now available online, anytime, through their personal Client Area on our web site www.turnerdrake.com.

Every year subsequent to that initial valuation, we prepare an updated Replacement Cost New. This is done very cost effectively since it is not necessary to inspect the interiors of each unit. We carry out an external inspection of the buildings and interview a knowledgeable member of the condominium corporation to verify that they have not undertaken work not evident externally. Our costing system then generates a current Replacement Cost New which we provide to our client in hardcopy and electronic format via their personal Client Area on our web site www.turnerdrake.com.

Winning Results

Each year our client receives an updated Replacement Cost New, cost effectively ... one less item to worry about!

