

VALUATION CASE STUDY

TIME TO RETIRE?

The Challenge

The property, located in a rapidly developing area, was leased to a strong regional tenant at market rent for its use as a tire centre and automotive repair facility. After one of the co-owners had passed away, his partner indicated an interest in purchasing the deceased's share with the intention of retaining the rental property as an investment. But was this the highest and best use? The deceased's Estate turned to Turner Drake for advice.

Turner Drake's Approach

Turner Drake had provided the owners with property tax and valuation advice on the property for over two decades. Our property Tax Division had reduced the tax load to a dull roar and we had also provided rental and valuation advice. The building though no longer new, was still in reasonable repair and was purpose designed for its current use as a tire centre and automotive repair facility. It was well located to capture this type of business and the tenant represented a strong covenant. Its corner location provided the site with high visibility and easy access. However the neighbourhood was in a state of transition. The very factors which rendered the lot attractive as a tire centre, its proximity to the downtown, argued well for high rise residential development with a ground floor retail component. Our Valuation Division called on the assistance of our on-staff planner to investigate the impact of the new development plan proposed by the municipality. That plan, now at an advanced stage, emphasised "densification" of the area, a process that was already in progress with high rise (16 to 20 storey) residential towers embodying ground floor commercial space. Our Valuation Division also noted the benefit of a 33% interest in a right of way over a contiguous property. They deployed our proprietary CompuVal® Knowledge Base to determine the value of the land for re-development i.e. its Market Value (Highest & Best Use), by comparing it with comparable sites that had sold for development. The property's Market Value (Value in Use) as an automotive tire centre was established by capitalising the rental stream.

Winning Results

The valuation demonstrated that the property had an incremental value of \$1.5 million for redevelopment, over and above its value as a tire and automotive repair centre. The owners were able to utilise our report in their subsequent decision on the future of the property.

