

VALUATION CASE STUDY BIG BOX RETAIL

The Challenge

This Big Box Retail store owned by a national chain straddled two lots on a five lot site. The store was located in a small town in Atlantic Canada. Prudent asset management dictated that the chain know the Market Value of properties in their real estate portfolio. They retained Turner Drake to complete the assignment.

Turner Drake's Approach

Potentially, there are three methods for calculating Market Value; colloquially referred to as the Cost, Income and Direct Sales Comparison Approaches they *all* rely on the availability of adequate and reliable information on the sale and rental prices of comparable properties. Unfortunately the Maritime Provinces in particular, and Atlantic Canada in general, are data deprived. Whilst sales information is in the public domain in the remainder of Canada and has been for decades, the provincial governments of Nova Scotia, Prince Edward Island and New Brunswick who own the data, only grudgingly started to release it during the past decade (Newfoundland has provided access to sales data for many decades but it has to be acquired via a cumbersome and expensive registry office search). The three Maritime Provinces now provide bulk downloads to our data centre but the information is limited to the sales transaction and contains no details about the buildings. It is also very "dirty" and has to be cleaned ... it is quite common for several properties to be included in a single transaction for example. We therefore enrich it with information gathered by our Valuation, Property Tax, Counselling and Brokerage Divisions and from other sources such as the MLS©, brokers, owners, vendors and purchasers. The information is further enhanced by extracting information from "site inspections" using high definition satellite and ultra-high resolution, three dimensional photography. Rental, operating expense and vacancy data is not public knowledge: it is gathered by our various Divisions as part of their work assignments. Our Economic Intelligence Unit also conducts structured semi-annual office and industrial surveys... as well as parking, apartment and other rental surveys on an annual basis. The information is then captured and analysed by our leading edge information technology platform CompuVal®. This IT system includes analytical tools to benchmark the sales and rental data, operating expenses (by category) and discount rates, and to run trend line analyses. It includes a purpose designed module to analyse investment property sales (shopping centres, office buildings, industrials, hotels, apartments) and extract six types of discount rate from each transaction. Armed with the foregoing, a member of our valuation team inspected the site and boundaries, reconciled the survey plan with the provincial on-line property database, measured and inspected the exterior and every interior space in the building, gathered information on the assessment and zoning, interviewed the municipal Development Officer on potential planning changes, and valued the property using all three Approaches to Value.

Winning Results

Turner Drake furnished the client with a comprehensive Valuation Report containing a detailed logic path (anchored by market data) to the Market Value conclusion, for use in their asset management.

