

VALUATION CASE STUDY BROAD STROKES

The Challenge

How do you provide a preliminary estimate of value on a vast area of remote land located in Canada's Northwest Territories ... and in a cost effective manner? Fools rush in where angels fear to tread: we answered the call.

Turner Drake's Approach

The property was in a remote location, about two days' driving time north from Edmonton, Alberta over a mainly dirt road. It was also very large, about 6,500 km², so a roadside inspection would yield little information. Average year round temperature was only -1°C but the short summer was warm reaching an average high of 23°C in July, the happy event celebrated by hosts of hungry blackflies and mosquitoes. There was a small hamlet in the middle of the land with a dirt airstrip but the parcel was relatively featureless rendering it problematic to reference information from aerial surveillance. The high resolution, three dimensional photographic service we utilise elsewhere was not available so Hobson's choice dictated we rely on high definition satellite imagery. Our in-house Geographic Information System (GIS) team superimposed the site boundaries onto it. They were also able to use a map layer, provided by our client, which showed the various types of vegetation and forest cover including wetlands, other waterbodies, non-forest vegetation and exposed bedrock to calculate the various areas involved. Resource land is valued by the Direct Sales Comparison approach i.e. by comparing it against the sales of similar properties. Our proprietary information technology platform CompuVal®, uses a purpose designed algorithm to disaggregate each sale into 27 value contributing components: land (type, vegetation, timber maturity, area), water frontage (type, length), road frontage (length). Because parcels of this size do not transact frequently we had to expand our data search countrywide and amalgamate the value contributing components into four categories. Each of these component categories was then adjusted to reflect the differential characteristics (date of sale, location, motivation, size) between each sale and the subject property to arrive at its Market Value. The value of each differential characteristic was calculated utilising methodology we have developed inhouse and refined over our 40 plus years undertaking property valuations.

Winning Results

We furnished our client with a Letter of Opinion Report with a detailed logic path to the preliminary estimate of Market Value conclusion anchored by market data, for their exclusive, internal use as an input to broad decision making.

