

VALUATION CASE STUDY COMMUNITY SHOPPING CENTRE

The Challenge

This 142,000 ft.² Community Shopping Centre was part of a family owned and managed portfolio of properties. The owners wanted to determine its value as part of a regular review of their assets. They requested that the valuation exercise be undertaken in the most cost effective manner, without sacrificing accuracy.

Turner Drake's Approach

We have developed seven distinct valuation products, each tailored to fit the purpose of the assignment, to minimise superfluous information and cost. All comply with the Royal Institution of Chartered Surveyors' Global Valuation Standards (RICS Red Book), the International Valuation Standards (IVS), the American Uniform Standards of Professional Appraisal Practice (USPAP) and the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP). We are one of the very few real estate valuation and appraisal firms in Canada with a quality system registered to the international ISO 9001 standard: all of our work is carried out in accordance with this system: quality is our cost; not our client's. Since the client was very familiar with the property they agreed that our *Concise Report* best met their requirements by providing the necessary information at the lowest cost. This report contains a statement of our findings and value conclusion but our notes and working papers are held on file rather than being in the report. Its use is therefore *restricted to the client, or their professional advisors*. The actual conduct of the assignment (property inspection, data acquisition, analysis and valuation conclusions) is not limited in any way: this is a *complete* assignment, not a high level opinion. A member of our valuation team undertook a comprehensive inspection of the site to verify that the site size (10 acres) and physical boundaries matched the legal description; the deed measurements were corrected if they were inaccurate. The interior and exterior of all buildings were inspected and inventoried. A sample number of tenant suites were measured and their gross leasable area (GLA) was compared with the respective leases to confirm that they fell within a 5% tolerance. The rental data synopsis provided by the owner was compared with a sample of the leases to verify its accuracy. The actual rents received were compared with those being achieved at other properties to ascertain if they were at, below or above market. The actual operating expenses for the last three years were analysed on a category by category basis to determine trends... and were also benchmarked against competing shopping centres. The property was then valued using the Income and Direct Sales Comparison Approaches. Although the Income Approach was the most reliable because it mimicked the buying method used by typical purchasers, the Direct Sales Comparison Approach was also a useful indicator of value since it relies on different data points and hence *explains* decision criteria which is not captured by the other method. This Approach is heavily dependent on the availability of complete and reliable sales information on other transactions involving comparable property. CompuVal[®], our leading edge information technology platform, acquires, integrates and analyses sales and rental data on a daily basis. We discarded the Cost Approach because the age of the property rendered it unreliable.

Winning Results

Turner Drake furnished the client with a *Concise Report* containing their *Market Value* conclusion, for use by the property owner in their asset management decisions.

