

VALUATION CASE STUDY ALWAYS FRESH

The Challenge

This free standing, purpose built Tim Hortons restaurant with a drive through was situated on a leased pad, part of a Strip Plaza, located in western Ontario. The lease term was about to expire: the tenant was interested in renewing their lease. In order to facilitate the rental negotiations the landlord wanted an independent opinion of the Market Rent. They retained Turner Drake to complete the assignment.

Turner Drake's Approach

A member of our valuation team analysed the existing lease and noted that it was on a "net absolute to landlord basis" i.e. the tenant paid the property taxes and all operating expenses. The new lease was to be on the same basis. Our team member secured a site plan of the original pad lease and confirmed that it was congruent with the property plan obtained from the Strip Plaza property manager. He then completed a site and boundary inspection to confirm that conditions on the ground were consistent with the land actually leased and that the land area was the stated 2,450 ft.². The interior and exterior of the building was inspected, measured, photographed and inventoried in detail. The tenant was interviewed to determine if there were latent or non-apparent building or site defects. Assessment, zoning, planning and other pertinent data was obtained from the appropriate authorities. Market Rent in this instance was *"the estimated amount for which the property should rent on the lease renewal date, assuming a willing lessor and lessee, on a net absolute to landlord basis in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion"*. The Direct Comparison Approach, whereby the property was benchmarked by comparing it with the rental rates obtained for similar property, was utilised to determine Market Rent. Fortunately rental rates are more readily available in Ontario than Atlantic Canada and our team member was able to generate rental information on comparable properties from leasing brokers, landlords and public sources in sufficient detail to reliably establish the Market Rent of the property.

Winning Results

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

