

VALUATION CASE STUDY SHEDDING LIGHT

Fisheries and Oceans Canada's Challenge

In 1730 the French erected the first lighthouse in Canada to guide shipping through treacherous shoals to their great fortress of Louisbourg. Today, Fisheries and Oceans Canada is the often reluctant custodian of many of the 170 lighthouses that dot Nova Scotia's rock bound coast and its inland sea, the Bras d'Or Lake. Technology is rendering obsolete these ancient sentinels of the night. Many count as their home, sites of spectacular beauty, objects of desire for wealthy individuals seeking summer refuge from the heat, dirt and bustle of Toronto, New York or Boston. The Federal Government however, mindful of the lighthouse's role in the nation's fabric, prefers to donate them to non-profit community groups committed to preserving them for posterity. Fiscal prudence demands that they first be assigned a market value. Lighthouses at Gabarus and Gillis Point were declared redundant. Fisheries and Oceans Canada turned to Turner Drake for advice.

Turner Drake's Approach

It is the nature of the beast that lighthouses are built in exposed and inaccessible places ... and that, for reasons known only to those who commission them, valuation assignments are frequently scheduled in the depth of winter. Gabarus Lighthouse was located on an island in the Atlantic Ocean reached by a causeway accessible only on foot, across which the howling wind hurled snow with demonic fury. Gillis Point Lighthouse was built at the tip of a peninsula thrusting out into the frozen Bras d'Or Lake, inhabited now only by deer, rabbit and fox; an endless trek through thigh high snow. Doubly unfortunate then, that our intrepid valuer only realised he had left the lighthouse key in his car, after he had reached his goal. Following these inspections, the hard work began. Uniquely in Canada, sales information is not public knowledge in the Maritime Provinces. Turner Drake has built the most comprehensive sales inventory in the region: their Compuval™ family of databases contains 160,000 transactions. However each valuation assignment is unique: Compuval™ must be supplemented with sales generated by diligent enquiry of purchasers, vendors and sales agents; prised from their frequently reluctant lips by youthful charm and guile, together with generous bribes of Tim Horton's coffee and caramel glazed donuts. Since the majority of the properties' value lay in the land, the main focus of the research was on locating sales of similar waterfront parcels. Turner Drake has developed a valuation methodology for disaggregating the waterfront benefit from the raw land value, thus allowing their valuation staff to extract the maximum amount of data from disparate sales information. Each new sale had to be inspected and catalogued: inaccessible parcels were viewed using aerial and satellite photography. The two lighthouse properties were accessible by land only across adjacent ownerships, and the dimensions of one site relied upon a handwritten deed dating back to 1889. The status of these rights of way was researched and the boundaries of each property were transferred to plans sufficiently accurate that their site areas and dimensions could be computed. Given the age of the lighthouses, consideration too had to be given to the possibility of environmental contamination from lead, PCBs, mercury, asbestos and petroleum products. Turner Drake also researched lighthouse construction costs and life expectancy to determine the current value of each structure.

Winning Results

Turner Drake calculated the market value of both properties for divestiture purposes. Their youthful valuer survived both wintery inspections with most of his fingers and toes intact.

