

VALUATION CASE STUDY FUEL FOR THOUGHT

The Challenge

Our client owned a large portfolio of service stations, most with associated convenience stores, fast food outlets and car washes; distributed over several provinces. They and their accountants, wanted an idea of each property's current Market Value without undertaking a valuation of every property in the portfolio. They therefore selected a cross sectional sample: our Valuation Division went to work.

Turner Drake's Approach

The retail fuel facilities at each location sold an internationally branded product. The pumps, all protected by canopies, were mostly arranged into the older "Four Square" configuration. Some service stations employed the more efficient "Starting Gate" layout. Every property had a fast food restaurant, generally of the "self serve" variety, a convenience store and single bay car wash. All had been built between 1993 and 2001, had been upgraded and were well maintained.

We inspected each property using a survey form purpose expressly designed to comprehensively and efficiently capture neighbourhood and property specific information on service stations with convenience stores. Our client provided us with survey plans thus allowing us to verify the site boundaries during our inspections. This factual information was compiled into a report. We have developed seven distinct valuation reports, 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). Since the purpose of the exercise was to arrive at market values for each property which could be extrapolated to the remainder of the portfolio, and also to capture the worth of the asset as a going concern, we measured Market Value (Value in Use) rather than Market Value (Highest & Best Use). There are three potential methods for calculating value, the Cost, Income and Direct Sales Comparison Approaches. All rely at least in part, on information extracted from the sales of similar properties. The Direct Sales Comparison (DSC) Approach is entirely dependent on the availability of reliable sales information; without it any opinion of value is just a guess. The DSC Approach benchmarks the value, utilising a unit value for comparative purposes. Although service stations make most of their profit from the fast food and convenience store facilities, rather than fuel sales, the latter drives business to the former. Annual fuel throughput typically "explains" 50% of this type of property's value.

Winning Results

We provided our client with comprehensive Commercial Form Valuation Reports on each property in the sample so they could extrapolate the value conclusion to the remainder of their portfolio.

