

# VALUATION CASE STUDY MILKING THE DATA

## The Challenge

The owner required a valuation of this complex dairy property expeditiously and cost effectively: they turned to Turner Drake for help.

## Turner Drake's Approach

Our Valuation Division was very familiar with the property having undertaken assignments for fire insurance, financing and balance sheet purposes during prior years. Nevertheless it was a complex assignment. The 165,000 ft.<sup>2</sup> building had been expanded multiple times over its 37 year life. The 72 acre site was no less complex, traversed by nine separate easements and rights of way, some to provide access to permanent and summer homes that had no other way to reach the highway. The dairy ran several product lines including milk, UHT (ultra high temperature processing) for milkshakes, and ice cream. Inspecting the plant therefore had its challenges: there was a chilled section where the milk was processed and a blast freezer whose - 41°C temperature took an early toll on our intrepid valuer's nose (he insists his other extremities survived intact). The valuation too had its moments of drama. Since the site size far exceeded that needed for the dairy, much of it was surplus to requirements. The plant was located on the periphery of the community in an area still largely undeveloped. It therefore had to be disaggregated into its various value contributing components so that its market value could be benchmarked against the sales of similar parcels. There are three potential methods for calculating the value of property (land and buildings): colloquially referred to as the "Three Approaches to Value", the Cost, Income and Direct Sales Comparison methods are inter-related; outputs and processes involved in each, often provide checks and balances to the other methods. It is therefore preferable to deploy at least two approaches to value. All three approaches rely for their accuracy on the availability of comprehensive and reliable data gleaned from sales of similar property. CompuVal®, our proprietary information technology platform, harvests this data on a daily basis. Purpose built properties such as dairies, are a challenge because they are either sold as a going concern, or for an alternate use. In the former case, the difficulty lies in accurately separating the value of the real estate from that of the equipment and goodwill. For that reason, the Direct Comparison Approach was employed in a supporting role to the Cost Approach.

## Winning Results

**Turner Drake furnished the client with a comprehensive Valuation Report with a detailed logic path to the Market Value conclusion anchored by verified data, for use in support of their loan application.**

