

VALUATION CASE STUDY PORTFOLIO REVIEW

The Challenge

Our client, a government agency created to kick start the revitalisation of the downtown area of a small but historic city, had focussed its initial efforts on the waterfront, developing a campus of office and apartment buildings in 1978. This and subsequent ground breaking efforts paid off, encouraging economic activity and the active participation of the private sector throughout the downtown area. As part of an on-going process the agency periodically reviewed its now much expanded property portfolio and turned their lens on their waterside campus. They retained Turner Drake to provide valuation advice.

Turner Drake's Approach

The campus consisted of 7 buildings containing 64,000 ft.² of retail and office space, and 91 apartments, spread over 3½ acres. One building, a masonry structure built in 1857, had been tastefully restored and now housed a pub/restaurant with office space above on the second and third floors. The remaining buildings, though erected in 1978 over a plinth containing an underground car park and district heating system, were designed to blend in and compliment the historic neighbourhood with its many restored structures. The agency had recently erected a conference centre nearby, extending into the harbour. The waterfront campus anchored the southern end of an extensive harbour front development, a melange of restored and new buildings housing an eclectic mix of uses: pubs, restaurants, boutiques, offices and marinas. Our Valuation Division inspected 100% of the commercial space and 22% of the apartments (a randomly drawn sample which nevertheless included all apartment types), using a purpose designed survey instrument to comprehensively and efficiently capture the building data. They read every commercial lease and a random sample of the apartment leases to verify the accuracy and completeness of the lease synopsis provided by the property manager. A random sample of the commercial suites were measured to determine the veracity of the rentable areas shown in the leases. The exterior of every structure was measured. The lease rents and vacancy rates were checked against those pertaining in private sector buildings, to determine if they were at market. (Our Economic Intelligence Unit undertakes a survey of office rents every six months). The actual operating expenses were benchmarked against comparable properties. CompuVal® our proprietary information technology platform harvests sales, rental and expense data on a daily basis. Its analytical tools allowed our valuation team to compare each expense category by unit area and percentage of effective gross income, and to run trend line analysis. CompuVal® also analyses sales of income generating property on a per unit (ft.² or apartment) basis and extracts six types of discount rates for each transaction. The foregoing were utilised to value the property using the Direct Sales Comparison and Income Approaches.

Winning Results

Turner Drake furnished the client with a comprehensive Valuation Report with a detailed logic path to the Market Value conclusion anchored by market data, for use in their portfolio review.

