

Valuing Diversity Conference 2016

Valuing Unique Properties

Overview

- Review of what makes a property or assignment unique or challenging from a valuation perspective;
- Case studies – actual assignments completed;
- Presentation is meant to be interactive – that means audience participation;
- Speakers do not have all the answers;

Unique Assignments

- Unique: *being the only one of its kind; unlike anything else*
- Challenging: *testing one's abilities; demanding*
- What makes a property unique (and challenging) from a valuation perspective?
 - Location
 - Market area/sector
 - Purpose/use
 - Construction
 - Land use controls or lack thereof
 - Terms of assignment/scope of work
 - Lack of local market evidence
 - Other?

#1 Former Power Generation Plant



±9.0 Acres

Rural Zoning

26 Km south of Port Hardy

±7,700 square foot steel
frame building (former gas
turbine building)

Ancillary office, shop and
site improvements

What Makes it Unique (and difficult to value)?

- Location
- Use/Construction
- Lack of Zoning, Land use controls
- HBU????
- Market conditions

Approaches and Issues:

- Cost Approach
 - Land Valuation
 - Replacement Cost
 - Quantification of Depreciation??
- Direct Comparison Approach
 - Overall versus Unit of comparison (price per square foot);
 - Estimate Land value and Building residual
 - How to quantify functional/external depreciation factors?

#2 Control Tower



+/- 14,169 sf, 2000 control tower,
135' height, 11 levels

+/- 36,372 sf-not separately titled
– part of 1315 acre site with some
500+ improvements

DND 1.1, CFB Comox zoned

Appraised for the contributory
market value of the improvement

What Makes it Unique (and difficult to value)?

- Location
- Use / Construction
- Highest and Best Use
- Market Conditions / Demand
- Lack of Any Comparables
- Land Value Component

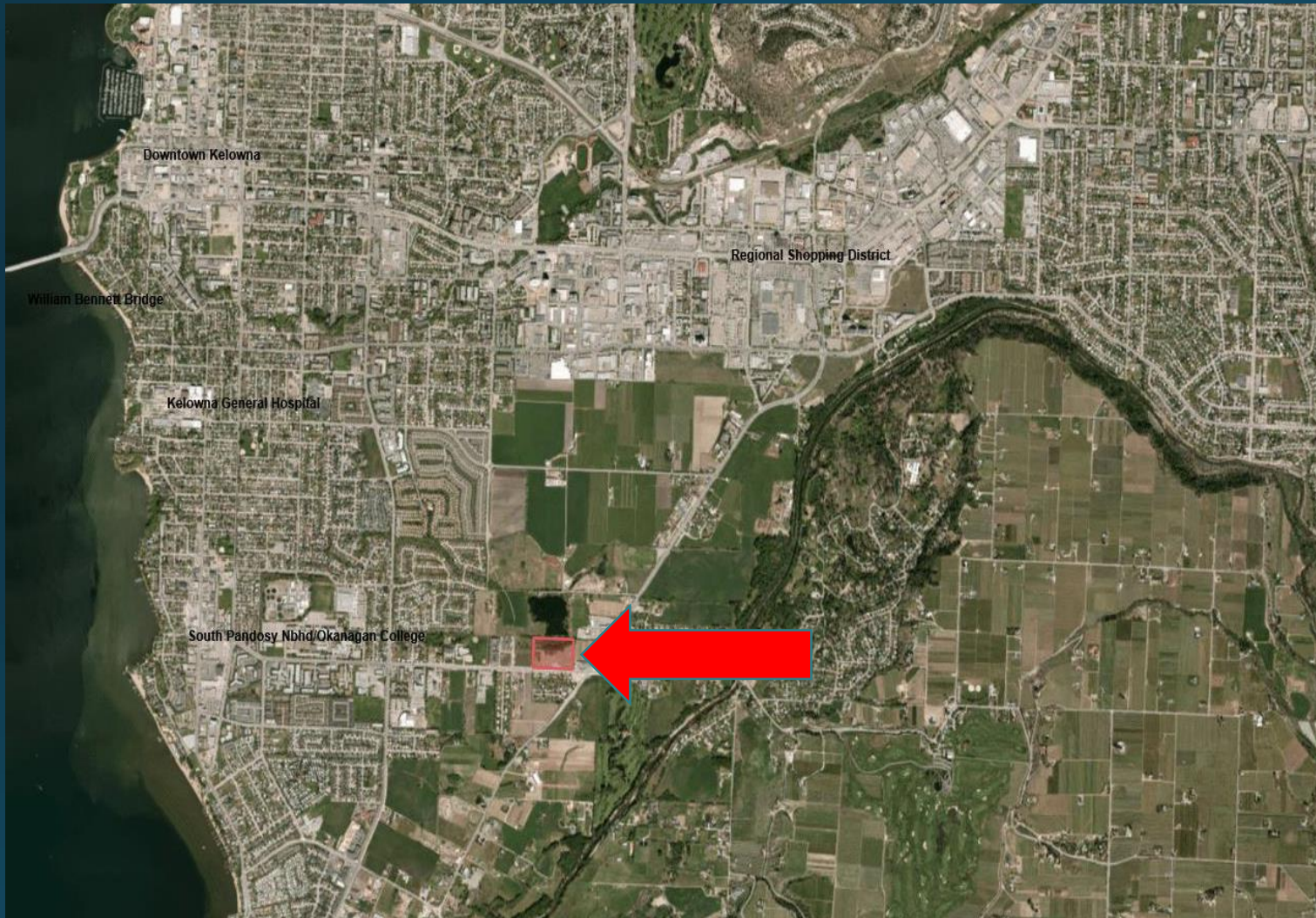
Approaches and Issues:

- Cost Approach
 - Land Valuation
 - Reproduction Costs
 - Depreciation
 - Physical
 - Functional
 - External
- Income Approach
 - Net Income Estimate
 - Capitalization Rates

#3 10.28 Acres Within City of Kelowna







±10.28 Acres in City of Kelowna
A1 Zoning and in the ALR

Property actively farmed for
over 100 years by same family
(6.22 acres)

Improved with a single storey
home on full basement (1,522
sf on main floor plus full
basement) circa 1976 (2016
assessment value - \$213,000)

Farm stand building (3,200 sf
+/-) circa 1950 (2016
assessment value - \$7,250)

What Makes it Unique (and difficult to value)?

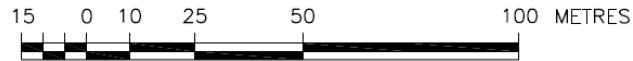
- ALR Land and farm classification
- Conservation interest in northern forested land
- Location at edge of growth development
- Market conditions
- H & B Use

Approaches and Issues:

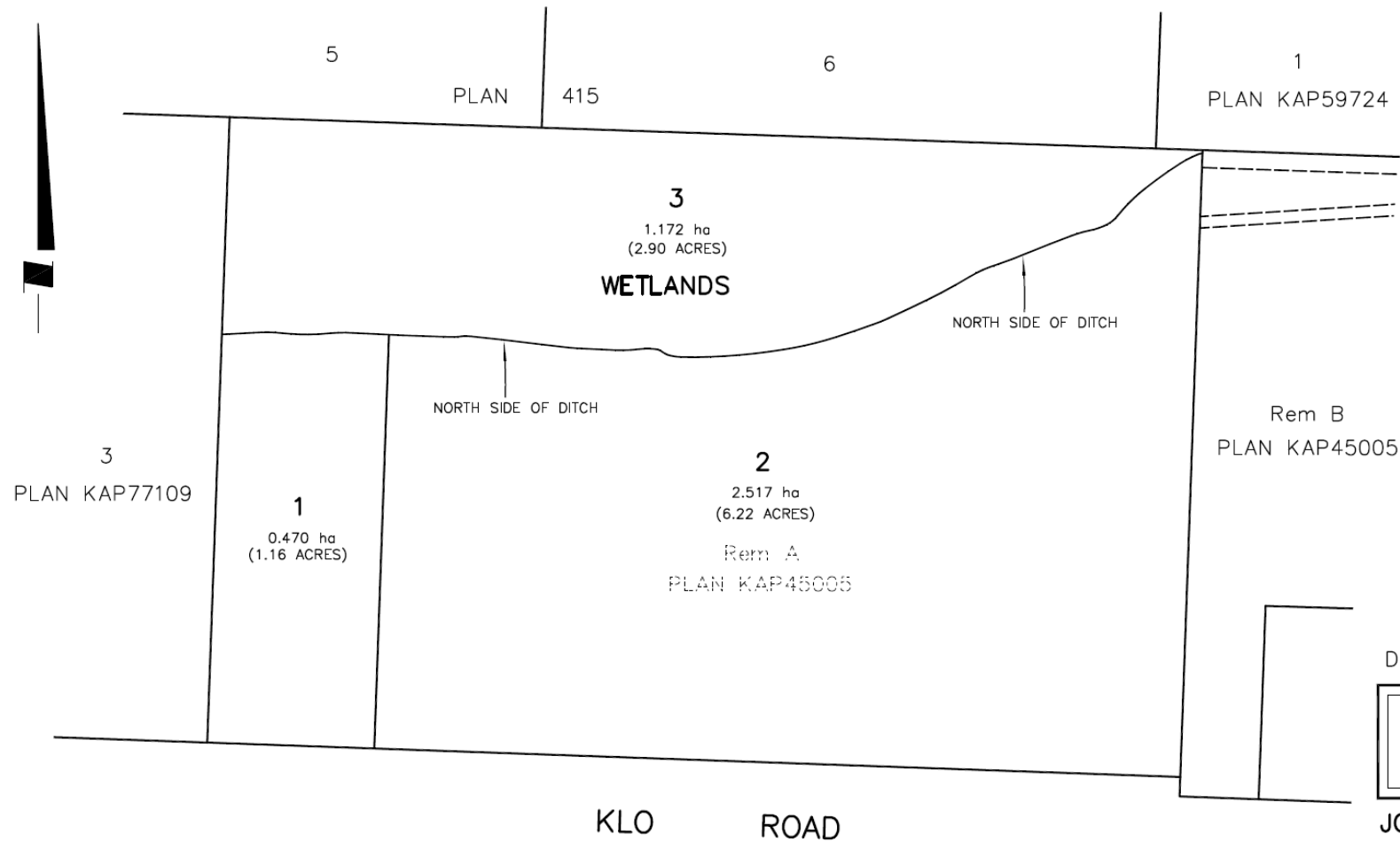
- Cost Approach? Land Valuation (comparable sales)
- Replacement cost of home and farm stand
- Income Approach? Farm lease income (\$9,000/yr)
- Home rental income (estimated at \$2,500/mo)
- Direct Comparison Approach: Estimate land value
- Contributory value of buildings in place:
 - Residential home
 - Farm stand building

PLAN OF PROPOSED SUBDIVISION FOR HOMESITE SEVERANCE OVER PART OF LOT A DISTICT LOT 131 ODYD PLAN KAP45005 EXCEPT PLAN KAP78655

SCALE: 1:1250 METRES



OPTION 2



DATE: JANUARY 7, 2014

Ferguson Land Surveying & Geomatics Ltd.

B.C. AND CANADA LAND SURVEYORS
404-1630 PANDOSY STREET, KELOWNA, B.C.
TELEPHONE (250) 763-3115 FAX (250) 763-0321

JOB No 19550-WETLAND-2

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DRFTD BY: CF

Sale Price Breakdown

- Property owners applied for farmsite severance with Agricultural Land Commission
- City of Kelowna was consulted by ALC and would only support the subdivision (severance) if property owners sold 2.9 acres to City to enhance recently acquired Munson Pond parklands
- Negotiated with City of Kelowna/Conservation Group and eventually agreed to sell 2.9 acres at $\$125,000/\text{acre} = \$362,500$
- Farm land area of 6.2 acres sold for \$1,075,000
- Property owners retained home and 1.16 acres with an estimated value in the \$650,000 at the time of subdivision

#4 Freestanding Restaurant on Foreshore



±1,700 square foot restaurant building

No zoning

Lund Harbour

Situated on foreshore (license of occupation – renewable on a yearly basis with the LHA) \$1,500.00/year

Leased to independent operator @ \$1,400.00/month (NNN)

What Makes it Unique (and difficult to value)?

- Location
- Use/Construction
- Limited zoning/land use controls
- Tenure

Approaches and Issues:

- Cost Approach – Land Valuation –
 - Determine if there is a leasehold interest in the site – what method would you follow?
 - Length of term of the license of occupation;
 - Replacement Cost; Quantification of Depreciation?? (adjustment for risk of tenure?)
- Income Approach –
 - How to quantify risk in the cap rate?
 - Is it mortgagable given length of term of license?
 - Collateral loan versus mortgage – differing terms
- Direct Comparison Approach –
 - Overall versus Unit of comparison (price per square foot);
 - Estimate Land value and Building residual;
 - How to quantify functional/external depreciation factors?
 - Sales of other properties in similar situations – how far abroad would you go?

#5 Hangar



+/- 245,996 sf, 1950's aircraft maintenance hangar with workshops, offices and hangar space
+/- 19.77 acres – not separately titled – part of 1,315 acre site with some 500 + improvements.
DND 1.1, CFB Comox zoned.
Appraised for the contributory market value of the improvements.

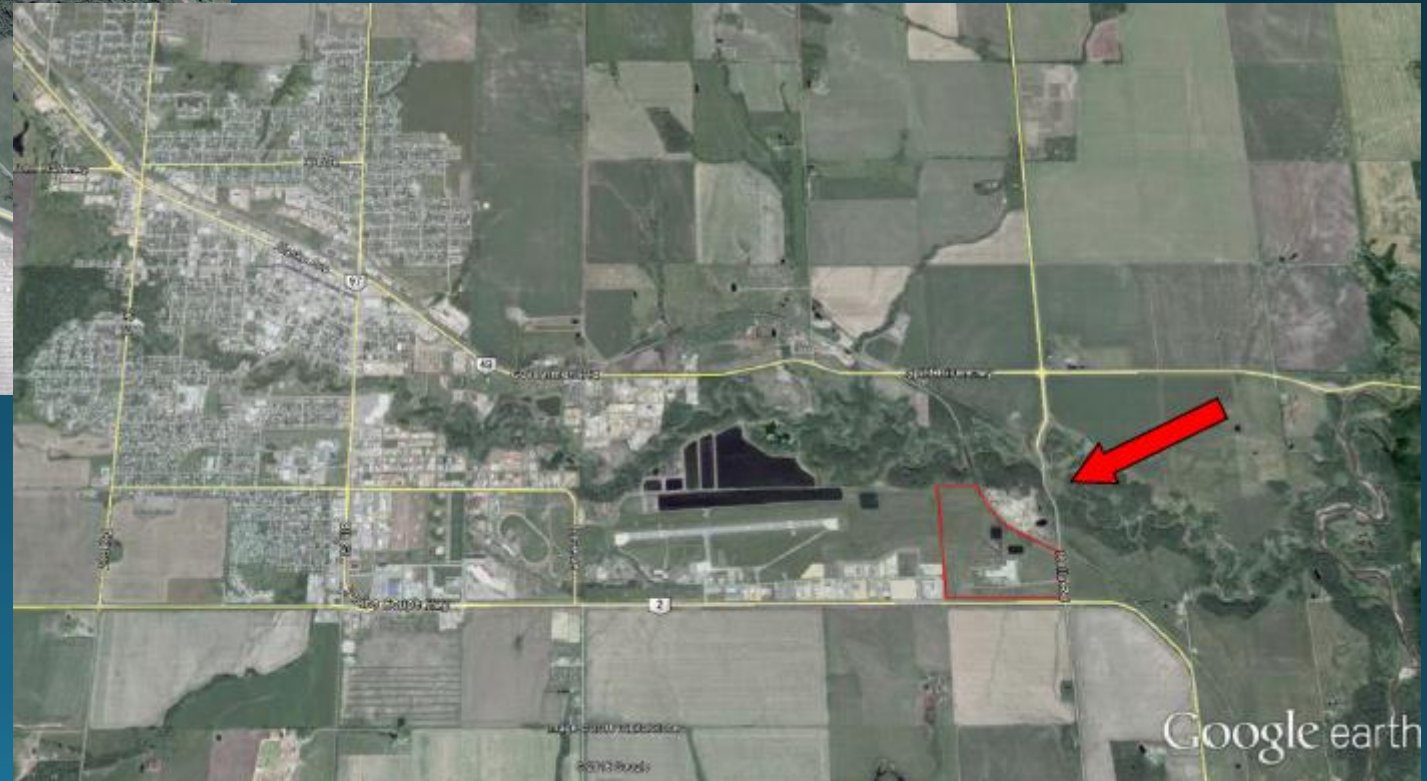
What Makes it Unique (and difficult to value)?

- Location
- Use / Construction
- Highest and Best Use
- Market Conditions
- Limitations to Use of Comparables
- Land Value Component

Approaches and Issues:

- Cost Approach –
 - Land Valuation – land area imputed to the building and its valuation
 - Reproduction or replacement costs
 - Depreciation
 - Physical Depreciation – effective age / economic life
 - Functional Depreciation – curable and incurable
 - External Depreciation
- Income Approach
 - Net Income Estimate
 - Vacancy / Collection Losses
 - Over Operating Expenses
 - Capitalization Rates

#6 Heavy Industrial Site, Dawson Creek



- East end of Dawson Creek abutting Airport lands
- 113.66 acre industrial zoned parcel with a large industrial building (137,000 sf steel frame construction)
- Originally built by Louisiana Pacific in 1999 for a proposed veneer plant to secure timber tenure but never opened
- Purchased by Greensmart Manufacturing in July 2005 for manufacturing modular camp trailers for resource industries
- Greensmart ran into financial challenges 2010/2011 and eventually forced into receivership in 2013

What Makes it Unique (and difficult to value)?

- Special purpose built improvement that was adapted once already
- Land size
- Building size
- Market conditions
- Location next to airport restricts potential development
- Land servicing requirements to develop excess land
- Large fire suppression reservoir ponds requiring remediation
- Potential access issues

Approaches and Issues:

- Cost Approach
 - excess land component valuation
 - replacement cost of special purpose building; quantifying all forms of depreciation
- Income Approach
 - determination of potential lease rate for large special purpose built improvement; cost to demise and lease up period;
 - quantifying risk in the cap rate analysis; excess land servicing costs; industrial land lease rates;
- Direct Comparison Approach
 - properties in similar situations – how far away would you consider sales;
 - excess land values; airport flight path impact; costs to service land and realign road access.

Questions?



Thank You!