

## LATENT AND HIDDEN VALUE HOW TO FIND IT PART 1 - LEASEHOLDS



We recently inventoried the extensive leasehold improvements made by a client, including something not found in many offices.

Laundry rooms.

The plumbing, drainage, electrical and ventilation expenses related to these laundry rooms were higher than normal because of the building's unique configuration and the elaborate style of installation chosen by the practice owner.

When it comes to leasehold improvements, our standard approach is to count everything. Yes, we count every plug, light switch, and pot light.

We consider every compressor, vacuum/suction, air dryer, and amalgam separator hookup – the list goes on.

This laundry room installation was not in our template, but it was unique and it was valuable, so we included it in our appraisal.

We then modified our standard list of items to look for when appraising professional practices.



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## **This is the art and science of uncovering latent and hidden values.**

We take pride in finding hidden value and our appraisal methodology is rigorous in this regard.

This means counting plugs and toilets and dishwasher connections and... and every other detail that makes your office a turnkey configuration.

I have examined the appraisals made by many of our counterparts as we are often asked to critique them for matrimonial litigation and other contentious issues.

In this instance, I am only speaking about tangible assets (you may recall my article about why toilets matter) but these items must be factored into the investment made by the owner to assemble a turnkey-condition practice.

Most appraisals today are exclusively based on financials and do not include leasehold improvements. Companies who do consider leasehold improvements typically calculate their value using a very simple formula that takes the total square footage of the office, applies a cost per square foot and subtracts depreciation.

When I am asked to critique leasehold improvement calculations used by other appraisers, I often find them incomplete because they have not bothered to count the plugs, light switches, and toilets.

Yes, that takes time.

Yes, it costs money to have a detailed inventory performed.

But this level of detail reveals hidden values that will substantially exceed the expense of commissioning the empirical, gold-standard appraisal.

Latent and hidden values can reside in many places.

## **It is up to the appraiser to uncover it, not you.**

If you own a business and are ready to find your hidden value, rely on someone who knows how to count the plugs, toilets and plumbing connections.

**TEXT me @ (416) 520-7420 with your thoughts.**

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