

# VALUATION CASE STUDY DOWN AT THE FARM

## The Challenge

Nova Scotia's farming economy is the most diversified in Atlantic Canada. Its 3,500 farms offer a wide variety of products: hay and field crops, vegetables, fruit (blueberries, apples, grapes, cherries), beef and dairy, mink (fur), poultry and eggs, hogs ... the list goes on and on. This product mix is often reflected in the individual farms: some also combine traditional farming with U-Pick, Eco-tourism and roadside stands. Agricultural land is scarce and has limitations, or requires conservation practices ranging from moderate to severe. Sales information is scanty: most farms do not sell through real estate brokers or the Multiple Listing Service®. The average farm size in the province is 263 acres. The farm our client wished to acquire was much larger, its 700 acres was spread over a wide area in discrete parcels, utilised for berries, cash crops and hay production. There were 60,000 ft.<sup>2</sup> of buildings, two residences, machinery and equipment to be valued. Our client wanted to purchase the farm operation as a going concern. Our Valuation Division determined that the appropriate basis of valuation was Market Value (Value in Use). They rolled up their sleeves and went to work.

## Turner Drake's Approach

Acquiring verified, accurate and descriptive farms sales data is essential; analysing it in a meaningful manner, critical: without the foregoing any opinion of value is little more than a guess. Farm valuation is a specialised field so our Valuation Division has established a Farm Valuation Unit. It has compiled a database of farm sales throughout Atlantic Canada, designed a farm specific inspection and data capture procedure, developed farm valuation software, sourced soil survey, forest inventory and Canada Land Inventory map layers and integrated them with high resolution satellite and three dimensional aerial photography. With most property, the majority of the value lies in the buildings. However with farms that situation is reversed: the land typically contributes between 60% and 90% of the value. During the inspection therefore, it is important to inventory attributes such as soil type, texture, structure, consistency, fertility (crop yield), colour, pH, stoniness, topography, drainage and present use, on a field by field basis. We have designed a survey instrument to do so, as well as capturing information about the buildings. The three Maritime Provinces supply our Data Centre with sales information every month as a bulk download but it contains a minimal amount of information about the sale and virtually nothing on the property. We therefore enrich that information using software and map layers assembled by our Geographic Information System (GIS) team supplemented by site inspections using high definition satellite and ultra high resolution, three dimensional photography. The data is then processed by our proprietary CompuVal® information technology platform using a purpose designed algorithm to disaggregate each farm sale into 27 value contributing components: land (by type, area, vegetation cover, utilisation, development potential, contributing value), buildings (by type, utilisation, value), water frontage (by type, length, value), machinery & equipment (value) and marketing quota (value). This information was used by our Farm Valuating Team to build up a value for the subject property. The contributing value of the buildings was calculated by costing them and then deducting depreciation (physical, functional, economic). We contracted out the machinery and equipment appraisal to a farm machinery specialist.

## Winning Results

**Turner Drake's Farm Valuation unit furnished our client with a comprehensive Valuation Report, supporting sales data and a detailed analysis to enable them successfully conclude their purchase.**

