

Abstract

This article reports the responses from a survey of 45 independent rural appraisers in 18 states and 1 Canadian province who have started their own independent business. All were members of the American Society of Farm Managers and Rural Appraisers in 2006 and held the ARA designation. When they started their own business, the respondents ranged from 25 to 62 years of age. Most engaged in some other services along with appraising. This purpose of this report was to gain insights into starting a rural appraisal business through a survey of independent rural appraisers who had started their own appraisal business and usually did not engage in farm or ranch management.

Starting an Independent Rural Appraisal Business

By Harold D. Guither, Ph.D., AAC

Background

Articles in this journal typically deal with specific decisions involving management or appraisal of farm, ranches, or rural property. Some examples with specific focus on appraising included: Two Philosophies of Value (2005)¹; Forecasting Agricultural Land Values in the Midwest States (2005)²; Real Reconciliations (2003)³; Appraising Land with Field Tile Drainage (2003)⁴; and An Appraisal Tool for Valuing Forest Lands (2006)⁵.

To focus on the operation of a farm management and rural appraisal services, Starting a Professional Farm Management/Rural Appraisal Business (2001)⁶ discussed the characteristics and experiences of members in Illinois engaged mostly in an independent farm management business.

Research Objective and Procedure

The purpose of this report was to gain insights into starting a rural appraisal business through a survey of independent rural appraisers who had started their own appraisal business but did not usually engage in farm or ranch management.

From the 2006 ASFMRA membership directory, 117 members holding the ARA designation were identified who appeared to be independent rural appraisers operating their own firm. The goal was to include sole proprietors and others who had started and owned their own business. Appraisers working for an appraisal firm, other business, or public agency as employees were excluded.



Harold D. Guither, Ph.D., AAC, is Professor Emeritus of Agricultural Economics at the University of Illinois at Urbana-Champaign.

An inquiry was also sent to ASFMRA chapter secretaries or other officers in California, Texas, Illinois, Iowa, and Indiana to further identify independent appraisers. A questionnaire was sent to 111 members by e-mail and 6 by U.S.P.S. who did not have an e-mail address on record. Responses were received from 45 individuals in 18 states and 1 Canadian province. No one in the sample was retired when the survey was administered in April and May 2007 (Table 1).

A Profile of Independent Rural Appraisers

All survey respondents had formal education beyond high school. Of the 45 respondents, 43 had earned a bachelor's degree, 9 a master's degree, and 2 an associate degree. More than half majored in agriculture. Others reported business, education, real estate, or other majors.

A majority of respondents were under 40 when starting their business (Table 2). The most frequent experience before starting an independent appraisal business was working for a bank, farm credit service, or related financial business (Table 3). Although all began appraising farm, ranch, or rural lands, most also expanded to include services such as appraising agribusiness facilities, commercial and residential property, consulting on property business decisions, selling real estate, and operating their own farm or ranch (Table 4).

Most frequently respondents operated a sole proprietorship but some were incorporated or in partnership (Table 5). Office arrangement varied from having an office in their home, renting space in an office building, or owning their own building (Table 6). When asked about the employment of other appraisers, 38 percent said they did; 62 percent said they did not.

Reasons for Starting

Respondents most frequently listed independence, the desire to have control over their business decisions, and the ability to "be my own boss" as reasons for starting an appraisal business. Several admitted they were dissatisfied with being an employee or faced termination in their employment. Others felt that previous experience gave them confidence that they were qualified to do a good job.

Among older respondents, a few had reached retirement in their employment where they had done appraisal work. They stated

that with good health and the desire to remain active, they decided to operate their own business.

The need for appraisal services in their area encouraged several to start their own business. Closely associated with their decision, some respondents expressed interest and enjoyment in making property appraisals. Their desire to live in a specific location motivated a few. Only one believed he could make more money on his own. Another viewed appraising as a means to supplement other income.

Advice for Those Starting an Appraisal Business

Respondents agreed that establishing a successful appraisal business takes time to develop. The following advice was offered:

Income

- Expect lower income until you acquire experience and an established reputation.
- During the first years, income will be lean so it's good to have another income source.
- Be patient while your business is growing.
- Be committed and prepared to work long hours until a client base is established.
- Work harder for yourself than you ever did for your former bosses.
- Work out of your home for a few years and avoid hiring employees for a number of years to save money.
- Buy office furniture from a retiring appraiser.

Education and Professional Development

- Have an agricultural background and experience working in related appraisal work, a formal education, and take specialized courses to qualify for accreditation and state certification.
- Take continuing education courses to keep current.
- Learn about other disciplines, e.g., business valuation, finance, and accounting.
- Develop a niche specialization and become the most competent in the issues of that area/property type.
- A master's degree, ARA, or MAI are important.
- Association with related professional organizations can bring in more business than any amount of advertising.
- It takes a lot of continued training, association with other

appraisal organizations and trade groups, and marketing skills to develop your appraisal business.

- Participate actively in a professional organization.

Community involvement

- Establish contacts in your community through public service and networking with attorneys, real estate brokers, and local government officials.
- Join Rotary or other community service clubs to increase awareness in your community.
- Chambers of Commerce and Parks and Recreation boards get you in touch with lots of people.
- Farm communities are small and your reputation will precede you. An appraiser with a good reputation will attract good clients. It is also easier to obtain information on sales, lease and industry issues if you are respected in the community.

Business Strategies

- Establish a broad base of clientele and avoid dependency upon a single client or type of client.
- Don't get into business just for prestige and windfall profits.
- Have the right equipment and information you need before you begin.
- Subscribe to good data services, develop an efficient system for retaining and retrieving stored information.
- Stay away from the image of being a part time appraiser.
- Use technology to streamline and move quickly.
- If you discover that the assignment is something you really weren't prepared to do (inadequate education or experience) don't hesitate to go back and tell your client. They will understand and appreciate you for it.
- Present high quality, accurate and timely reports. Tell clients when you can start their job, about how long it will take and the approximate fee. Be truthful, be accurate, and don't be afraid to say "I don't know."
- Consistency is very important.
- Know what you are doing. Listen to the client. Be willing to seek advice. Be fair on charges. Provide the best product that you can every time.
- Bid on federal and state projects. Get on these lists. They are usually very competitive and require sharp pencil bidding, but they can help get a starting appraiser some notice.

Best Ways to Attract Clients

- Identify the organizations and people who need and use valuation services and get to know them.
- Research the potential market for your services. Make sure the market supports your findings. Visit attorneys, accountants and banks.
- Make contacts with key law offices that will occasionally need appraisals or consulting jobs done for their clients.
- Set yourself apart from the pack. Litigation related work is the best way to do this. Attorneys and accountants are used to paying the fees required to perform quality appraisals.
- Provide good service, constantly upgrade your education, state of the art relative to the technology that your business requires. Good service provides ample referrals.
- Do quality work in a timely manner at a realistic fee. Be a full time real estate appraiser. It often detracts from your practice if you attempt to be a realtor/appraiser/auctioneer.
- Specialize to build business. One respondent worked mostly with confinement livestock facilities and received many referrals from other appraisers who did not appraise these facilities. Another spends all his time appraising agribusiness facilities such as grain elevators, feed mills, fertilizer facilities and seed conditioning companies plus rolling stock.
- Develop a niche market where you get the call if the appraisal is important and not just a housekeeping matter. The clients are mostly attorneys or government bodies that recognize differences in qualifications and quality of work. To get started call on acquaintances in the lending, real estate brokerage, and legal professions

Marketing your business

- There are differing views on the value of advertising to attract clients. Some have used newspaper advertising, a Web site, a newsletter, or the yellow pages. Some strongly believe that referrals from satisfied clients are the most successful way to gain new business.
- Plan on spending at least part of each day talking or contacting prospective clients.
- Many respondents emphasize the value of networking. For many appraisers, nearly 100 percent of business comes by referrals.
- Advertising can help but never underestimate the power of direct personal contact. There is a tendency for clients to feel more comfortable doing business with someone they know.

- Marketing is a constant process, not one that you turn on and off. Several persons failed when starting their own business because they were unwilling to meet people face to face and continue the marketing process even when busy.
- Advertising may be most useful for the first year or two. Then referrals will provide most business.
- Market your services to the market that you want to work in.

Conclusions and Recommendations

More than 60 percent of independent rural appraisers started when they were between 30 and 50 years old. However, age seems less important than the amount of experience in previous employment and reputation for quality performance that made sole proprietorship appraisers successful. More than half had experience working in a bank, the Farm Credit Service, or related financial business. More than half of respondents operated as sole proprietors, and almost half have their office in their home.

Respondents in the survey spent an average of 68 percent of their time appraising farm, ranch, and rural land and associated facilities. Most provided some related services such as appraising commercial and residential property, selling real estate as a licensed broker, consulting on property business decisions, and operating a farm or ranch. As with many professions, appraisers also develop some specialization. They typically know more about a certain kind of property that sets them apart from other appraisers.

The appraisers in this survey agreed that to start and build a successful rural appraising business requires determination, hard work, a professional competence, ethical conduct, continuous personal contacts, and an established reputation for quality work in the community or area where the business operates.

References

- ¹ Two Philosophies of Value 68:1, 28-32, 2005.
- ² Forecasting Agricultural Land Values in the Midwest States, 68:1, 78-84, 2005.
- ³ Real Reconciliations 66:1. 37-40, 2003.
- ⁴ Appraising Land with Field Tile Drainage, 66:1, 84-87, 2003.
- ⁵ An Appraisal Tool for Valuing Forest Lands, 69:1, 81-89, 2006.
- ⁶ Starting a Professional Farm Management/Rural Appraisal Business, 64:1,43-48, 2001

Table 1. Location and number of respondents

REGION	NUMBER
West	
Arizona	1
California	8
Colorado	2
Idaho	2
Montana	1
New Mexico	1
Wyoming	1
South	
South Carolina	1
Texas	6
North Central	
Illinois	8
Iowa	3
Minnesota	2
Missouri	1
Nebraska	3
North Dakota	1
Wisconsin	1
North East	
Connecticut	1
Maryland	1
Ontario	1
Total	45

Table 2. Age when starting a business

AGE	PERCENT
Under 30	20
30-39	38
40-49	28
50-59	9
60 and over	5

Table 3. Prior experience

AGE	% REPORTING	YEARS, AV.
Management, Appraisal Co.	23	8
Bank, Farm Credit, Financial	56	14
Agribusiness firm	16	6
Farming, ranching	32	10
Government agency	24	9
Other	16	4

Table 4. Time allocation

AGE	% REPORTING	AV. % OF TIME
Appraising farm, ranch, rural land, facilities	100	68
Appraising commercial, residential property	42	24
Selling real estate as a licensed broker	30	36
Consulting on property business decisions	33	8
Operating own farm or ranch	23	19
Managing farm or ranch for absentee owners	7	10
Other	14	8

*Some reported several uses of time

Table 5. Business organization

ORGANIZATION	% REPORTING
Sole proprietor	52
Partnership	4
Corporation	38
Other	2
Not reported	4

Table 6. Office arrangement

ORGANIZATION	% REPORTING
Office in home	47
Rent in office building	22
Own office building	29
Not reported	2

Figure 1. Questionnaire

1. How old were you when you started your own appraisal business?

2. Before starting your business, what formal education did you have beyond high school: (check all that apply)
 - Associate degree from a community college B.S. degree from college or university, Major:
 - Master's Ph.D., Major field of study:
 - Professional courses offered by professional appraisal organizations

3. What kind and how many years of working experience did you have before starting your own business? (in years)
 - _____ independent management, consulting, or appraisal company employee
 - _____ bank, farm credit service, or other financial institution employee
 - _____ agribusiness firm
 - _____ farming, ranching
 - _____ government agency_____
 - _____ other_____

4. About what percent of your time is spent in these business activities?
 - _____ appraising farm, ranch, and rural real estate
 - _____ appraising commercial and residential real estate
 - _____ selling real estate as a licensed broker
 - _____ consulting with clients on property business decisions
 - _____ operating your own farm or ranch
 - _____ managing farm or ranch property for absentee owners
 - _____ other_____

5. What is the form of your business? Sole proprietor partnership corporation other:_____

6. What is your present office arrangement?
 - office in my home rent space in office building own office building

7. Are you a state-certified appraiser? yes no making application

8. Do you employ other appraisers in your firm? yes no

9. What were the main reasons you decided to start your own business?

10. What advice would you give others who want to start their own appraisal business?

11. What do you believe are the best ways to attract clients to your business?
(You may write more below if you need more space)