



Rural Valuation Topic #RVT 5: Area-Regional-Global Description

The area-regional information is “rooted in the social, economic, governmental, and environmental forces impacting supply and demand, and ultimately prices paid for real property. The appraiser is tasked to identify the ‘area’ with similar influences or delineating the ‘neighborhood’ of homogeneous uses in which the subject would compete. Within cities, this area tends to be much smaller than rural locations. Rural real estate markets tend to be geographically wider, possibly global, depending on the property type. As the ‘area’ of influence expands, the traditional information such as the local population, employment, household or median income, etc., has little bearing on large resource properties or agricultural operations in multiple states or countries. Once the competitive ‘market area’ is identified, other elements such as the buyer profile, national or global economic trends, and or evaluation of safe investment opportunities in the US by comparison to other countries require more complex levels of information and analysis”¹. *[Emphasis added by italics and underline]*

The objective of the area-regional-global description is to aid in defining the study area for developing the analysis. The geographical analysis allows the appraiser to describe and present the reader (client) with a complete picture of the market within which the subject property is located. Analysts should avoid using repetitive statistical or Chamber of Commerce information unless it can be correlated to supply and demand (including a buyer profile) for the rural property rights being valued. Valuers should consider addressing competitive supply and demand questions related to local, multi-county, statewide, multiple states, United States, or globally --- or extend the “market area” to the extent necessary to demonstrate market and marketability?

Identifying Small Town X with a population of 800, median average income, and lot sales the prior year has no bearing on a rural property that is regionally in a transition from historic agricultural uses to mixed ag, recreational, spot commercial/light industrial types where the majority of the buyers are from outside the area. The occasional demand along major access routes does not trigger a subdivision analysis for entire larger property. A simple observation of low population density and corresponding low demand would not trigger a “retail-tract” analysis that would take several decades to sell out. Large portions of the U.S. have rural properties in undefined transition(s) for several generations. Thus, the market reflects multi-tiered “influence” within each that can vary wildly from one neighboring property to the next. Any area-regional-global description should provide a concluding statement focused on “buyer profiles” for these mixed combinations.

ASFMRA Recommendation: After presentation of the area-regional-global discussion, simply ask, so what? Customize the discussion to address any “layers” and complexity (See “Complexity” versus Agricultural Value” Valuation Advisories), property homogeneity within that “market” supply, demand, buyer profile, etc.

¹ American Society of Farm Managers and Rural Appraisers: *Valuing Rural America*, 2019 Edition, (Denver, ASFMRA, p. 104).