

Why get an agricultural appraisal?

We have been completing agricultural appraisals since 1971 for various types of clients including: grain farmers, ranchers, mixed farmers, investors, financial institutions, lawyers, government agencies to name a few. Why should you consider an agricultural appraisal?

a. Increased Market Values- With increasing values over the last decade very small differences in value add up very fast. A 1% difference in value on \$500,000 worth of farmland is \$5,000, 2% is \$10,000, 5% is \$25,000 – you get the picture. With bigger dollar values there is obviously more at stake.

b. The trouble with ‘Rules of Thumb’ You wouldn’t sell your house based on the average price of homes in your City would you? Would you sell your farmland based on a general sale to assessment ratio (assessment multiple), or average price per acre? Similarly, you shouldn’t rely on average market reports to price your farmland. The FCC farmland values report is meant to provide an overview of what is happening in general terms across the country. It is not meant to be used as a comprehensive appraisal guide to farmland valuation. Furthermore, as these values are based on certain ‘benchmark’ properties – your property may or may not be similar. Finally farmland tends to sell based on the prices paid in an immediate market area which may be a small geographic region of a few miles, or it may encompass the subject RM and some neighboring RMs – but not necessarily based on average prices for land paid between Unity and Green Lake west to the Alberta border.

c. Due Diligence- The most important part of decision making when it comes to real estate, financial planning, retirement planning, estate planning is due diligence. Having a professional appraisal completed by our P.App designated appraisers provides peace of mind that you did your due diligence and consulted with the experts beforehand. As we have appraisers who have been qualified as expert witnesses in Court of King's Bench (formerly Court of Queen's Bench), and regularly have our appraisals used in legal proceedings – we know the importance of having a thorough, fair, unbiased appraisal reports.

d. Lastly and most importantly; Posterity- At some point down the road the decisions made today regarding farmland may be brought up. Having a formal appraisal completed by our firm allows you to provide support of these decisions both now and in the future. This is particularly important as farms transfer to future generations or as land gets willed or sold to family members.

It's important to know exactly what is reasonable and realistic in today's market. Rely on an appraisal to ensure you are accepting a reasonable amount when selling, making a fair offer when purchasing, or assigning appropriate values when completing retirement or estate planning. Our appraisal team consist of licensed Appraisal Institute of Canada members, who only complete real estate appraisals – we do not sell farmland, nor are we actively purchasing farmland – as such we are only concerned with providing a fair, unbiased professional report so that our clients can make the best possible decisions.

Meet the Appraiser**David A. Fortier, AACI, P.App, Bcomm (Dist.)**

David A. Fortier grew up on a grain, beef and bison operation outside of Edam, SK and attended Lakeland College in Vermillion, Alberta. He began working with Mattila Appraisals Ltd. in May 2008, working with Howard Mattila, AACI, P.App, P.Ag up to 2013 when he purchased the company from Howard and Jack Mattila. David has diplomas in Appraisal and Assessment and Advanced Business Administration (both with Honors) from Lakeland College, a Certificate in Real Property Assessment from the University of British Columbia, and a Bachelor of Commerce Degree (with Distinction) from Athabasca University. David has completed agricultural assignments across Saskatchewan for various financial institutions, government authorities, and has successfully testified in Court of King's Bench (formerly Court of Queen's Bench) regarding agricultural property values in Saskatchewan. He has been a guest speaker at the Saskatchewan Ministry of Agriculture Valuation Seminar and at Lakeland College.

Alex Scheidt, CRA, P.App, Bcomm

Alex Scheidt grew up in the Luseland-Kindersley, SK area where her family operated a grain farm. Alex draws on a background in agriculture and a strong understanding of business, economics and real estate through her University training. Alex has a diploma in Appraisal and Assessment from Lakeland College, Certificate in Real Property Assessment from the University of British Columbia, and a Bachelor of Commerce Degree from Athabasca University. Alex joined Mattila Appraisals Ltd. in 2012 and works alongside David Fortier in completing agricultural property appraisals across Saskatchewan.

Appraisal Institute of Canada (AIC) - Founded in 1938, the Appraisal Institute of Canada (AIC) is Canada's leading real property valuation association with over 5,600 members across the country and around the world. For the last 80 years, AIC has worked collaboratively with its 10 affiliated provincial associations to grant the distinguished Accredited Appraiser Canadian Institute (AACI™) and Canadian Residential Appraiser (CRA™) designations.

***AACI, P.App (Accredited Appraiser Canadian Institute, Professional Appraiser)** The AACI, P.App designation is the highest designation achievable through the Appraisal Institute of Canada. AACI members are qualified to offer valuation and consulting services and expertise for all types of real property including agricultural and commercial property. The AACI designation requires an undergraduate degree, 15 real estate courses through the University of British Columbia, completion of a guided commercial or agricultural case study, two years in the Applied Experience Program and completion of both a written examination and oral interview. Individuals must also complete AIC's mandatory Professional Practice Seminar and the introductory We Value Canada workshop.

Appraisal Uses

Our agricultural reports are commonly used for:

- Financing (1st mortgage, new builds, purchase, refinancing) by banks, credit unions, mortgage brokers
- Insurance claims (Actual cash value, replacement cost) by insurance companies
- Resale (Vendor pre-marketing, purchase negotiations) by sellers and buyers
- Estate (Preparation, Settlement) by owners, executors, family members
- Litigation (Divorce, Foreclosure, Arbitration, Expropriation) by lawyers and legal representatives.
- Tax Assistance (Capital gains including retrospective valuation) by owners and family owners
- Purchase negotiations (Crown Lease Land) by Saskatchewan Ministry of Agriculture and lessees

Our office has designated agricultural appraisers approved by national financial institutions and regional and local credit unions. Our accredited and approved appraisers complete work for various municipal, provincial and federal government organizations including Saskatchewan Department of Highways, Saskatchewan Ministry of Agriculture, Public Works and Government Services Canada. We also complete litigation assignments and expert witness testimony for various local, regional and national law firms. David Fortier, AACI, P.App has been qualified as an expert witness by the Court of King's Bench (Former Court of Queen's Bench) and successfully testified in open court on multiple occasions.

The Agricultural Appraisal Process

We take pride in providing the highest quality agricultural appraisals we can. In order for us to provide a report that adheres to the Appraisal Institute of Canada (AIC), Canadian Uniform Standards of Appraisal Practice (CUSPAP), and our own corporate standards we undertake the following steps:

1- Preliminary Consult – Our valuation team will consult with the client to ensure a thorough understanding of the project, scope, timelines and property. It's important for us to know which properties, where they are located, what are the physical details, who needs the report, for what purpose, what is the deadline, who is paying for the report. With mortgage financing, each lender has specific appraisal requirements and we try to present the most cost effective solution to meet those requirements. We offer all inclusive pricing which includes travel, inspection, mileage and report writing with the cost of the project is based on the total projected amount of work involved. After the preliminary consult a contract will be drafted and once the signed contract is received a site visit is scheduled.

2- Site visit –The appraiser complete a site visit generally accompanied by the occupant, owner, or a site contact. The appraiser will generally send a list of questions for the occupant or owner to answer so that the appraiser has all the necessary information to complete the appraisal. The appraiser will be taking photos, measurements and notes regarding the location, land, improvements. A site visit excludes soil testing and may take between 50 and 130 minutes depending on the property type, # of outbuildings, etc.

3- Area and Economic Analysis - After completing the inspection the appraiser will analyze and compile economic and area information to present a thorough understanding of the various micro and macro economic forces at play as of the effective date of the appraisal. This includes interest rates, the Canadian Dollar, inflation, farmland values on a provincial and national level, agricultural commodity prices.

4- Subject Analysis and documentation – The appraiser will reconcile the information gathered from the site inspection, available land titles, assessment, soil maps, topographic maps, aerial maps, and MLS information into a summary of the subject property.

5- Land Valuation - In agricultural appraisals the first step is going to be to value the raw land, which involves several steps:

1. Order, filter and review title transfers for the Subject Rural Municipality (RM) and for neighboring adjacent RMs provided they fall within a 30km radius of the subject +/- for a 2 year period +/- the effective date of the appraisal.
2. We cross reference these title transfers with available MLS data, auction sales and in-house records.
3. We contact the local rural municipality to verify which transfers are actually arms length.
4. We then complete additional analysis into the remaining arms-length transfers including: aerial map, location map, SAMA assessment field sheet, ISC audit, ISC parcel picture - and key that information into our master database.
5. We then compare the researched and verified arms length transactions to the subject property and select the properties considered most relevant in valuing the property based on geographic proximity, agricultural productivity, proximities to urban centres or lakes, and sale date.
6. We analyze the master dataset using various statistical methods including mean, median, standard deviation, quartiles and regressions to determine any relevant trends/outliers and develop a final dataset.
7. After determining the final dataset we compile a table of the comparable sales complete with legal description, # of acres, agricultural productivity, SAMA Assessment Value, sale date, sale price, sale price per title acre, allocated value per cultivated/pasture/waste acre, Sale to SAMA Assessment Ratio.
8. Finally at this point we can value the land. In valuing agricultural land we would consider the following techniques; Gross Price per Title Acre, Allocated Price Per Acre (Different values for cultivated, pasture and waste acres), Sale to SAMA Assessment Ratio. The subject property type and the comparable sales data will ultimately determine which approaches will be employed.

6- Improvement Valuation - The next step in agricultural appraisals is to value the improvements:

Direct Comparison Approach – Recent sales of improved properties are analyzed and compared directly to the improved subject property. For improved properties; location, age/condition, building size, design are of particular importance when selecting comparable sales. These sales are then compared to the subject property and adjusted for differences. The adjustment reflects the likely market reaction to the difference between the subject and each of the sales. After adjusting each of the indicators a final estimate of value is determined.

Cost Approach – The estimated cost to construct the building(s) is/are then determined through analysis of current construction costs. The contributory value of the extra features is then estimated though a comparison of cost and market indications. An appropriate depreciation rate is developed and applied to arrive at a final estimate. The depreciated value is then added to the value of the raw land that was estimated using the Direct Comparison Approach.

Income Approach – In this approach, the actual and market rental revenue streams of a property are analyzed. Vacancy, bad debt and typical expenses are subtracted to estimate net operating income. Comparable sales are identified to which the relationship between sale price and income is analyzed. A market derived capitalization rate or income multiplier is applied to the subject to estimate market value. In farmland appraisals the value influence of oil and gas related surface leases are considered by analyzing the impact of leases on recent sales.

7- Reconciliation - A final estimated value of the raw land is determined, and a final estimated value of the property 'as improved' is determined. For each property we would clearly indicate: Legal Description, RM, Title Acres, SAMA Assessment, Estimated Value 'as if vacant', Estimated value 'as improved.' See below for an example:

Final Market Value Conclusions "As Improved" as of XXXX, XX, 2023								
#	Legal Description	Rural Municipality (#)	# of Acres	2019 SAMA Land Assessment	Value of Site "as if Vacant"			Value of Site "as improved"
					Final Estimated Market Value "as if vacant"	Equivalent Indications Sale-to-2019SAMA Assessment Ratio	Value/ Title Acre	
1	NE XX-XX-XX W3 Ext. 0	North Battleford #437	160	\$275,000	\$481,000	1.75	\$3,006	\$625,000*
2	NE XX-XX-XX W3 Ext. 0	North Battleford #437	159	\$245,000	\$426,000	1.74	\$2,679	
Totals			319	\$520,000	\$907,000	1.74	\$2843	\$1,051,000*

*Subject #1 is improved with a single-family residence, grain storage and outbuildings. Value of the raw land is \$481,250 and total value is \$625,000 leaving a residual value of \$144,000 to the improvements.

8-Report Compilation and Submission – An Agricultural Appraisal is typically completed in a narrative format. The finished report including addenda may range in size from 25 to 60 pages or more depending on complexity of the file and number of parcels. A typical agricultural report will include:

- Cover Page, letter of transmittal, executive summary
- Overview of current National, Provincial and Local Economies and national and provincial farmland values
- Overview of farmland assessment system in Saskatchewan and soils
- Analysis and description of the building(s) and site improvements
- Highest and best use analysis of land "as if vacant" and subject property "as improved"
- Value of Site as if Vacant - based on sales/listings of raw land
- Direct Comparison Approach to Value – based on sales/listings of similar properties
- Income Approach to Value* – based on market rents and capitalization rates
- Cost Approach to Value* - Raw Land Value + Cost of Improvements LESS Depreciation
- Exposure time estimate (based on recent sales activity)
- Final estimated market value conclusion (signed by Professional Appraiser – AACI, P.App)
- Addenda items typically include:
 - Assessment Sheets (SAMA) - Parcel Picture (Via ISC) - Declared Value Summary (Via ISC)
 - Title Audit History (Via ISC) - Subject Photographs - Subject Leases*
 - Subject Location Map(s) - Aerial Map(s)* - Subject MLS History
 - Building Sketches/blueprints* - Map of Comparable Sales - Comparable Sale Photos

*May or may not be included based on availability of data and relevance to report

Once the appraisal is finalized and signed, a digital copy of the appraisal and paid invoice are sent (both in pdf format).

Case Studies

Case Study A - Landowner who had cultivated land had received an offer to purchase 2 quarters and wanted to confirm what the properties were worth prior to accepting an offer. The appraiser reviewed the offer, inspected the properties, analyzed comparable sales and listings and completed a narrative agricultural appraisal report which indicated current market value and confirmed that the offer was well below market value. The landowner chose not to sell the property at that time. A few months later the landowner accepted an offer very similar to appraised value and much higher than the initial offer.

Case Study B - Updated market value appraisal required to determine change in market values in 2 years. Opposing party argued Farm Credit Canada (FCC) annual percent changes in farmland value should be applied to the previous appraised values. Appraiser reviewed the most recent confirmed sales from the subject RM and surrounding adjacent RMs to support a current market value conclusion arguing that the FCC percent change estimate is not specific enough to be applied uniformly to all properties in an area.

Case Study C - Oil company offered compensation to a farmer for lost acres resulting from oil well on their land. The oil company offered the farmer a set rate per acre based on the total value of the entire quarter section divided by the number of title acres. The appraiser determined that the acres being used for the surface lease were actually the highest quality on the quarter section as they were Class 2 cultivated. Furthermore, a ravine and adverse topography affected parts of quarter section. The appraiser considered BOTH the market value of the property as a whole with the entire 160 acres, and what the value per acre was for just the cultivated component. The appraiser concluded a value of \$300,000+/- for the entire quarter section (\$1875/title acre), but concluded the land taken for the surface lease was actually worth \$3000/acre.

Why Choose Fortier Mattila Appraisals?

Our office has served western Saskatchewan as a full service real estate appraisal firm since 1971 (52 years). Together our firm builds upon the knowledge and legacy built by Howard Mattila while taking advantage of new and exciting tools, analysis and methods introduced by David Fortier and associates. David Fortier, AACI, P.App, Bcomm (Dist.) has been a member of the Appraisal Institute of Canada since 2009 and has completed hundreds of agricultural appraisals with most being for estate settlement, divorce settlement, or other legal purposes. David has been qualified as an expert witness and successfully testified in court on multiple occasions. Why do people choose us?

1. We listen - Each situation is unique, as is each client. We listen to our clients to understand how we can best assist them. When we provide a quote we are careful to ensure we understand the client, the appraisal problem, the property, the deadline, the intended user/users, potential conflicts of interest, points of contention. In that way we can ensure that we are able to provide the best possible solution.

3. We Are Fair - We work hard to ensure we arrive at fair and well reasoned conclusions. Regardless of the client, the scope of work, the purpose - we just want to be fair. We don't list farmland for sale, nor are we actively buying or selling farmland, in that sense we have no interest in the property - it doesn't matter to us what the property value is - as long as it's fair.

3. We Pride Ourselves on Quality - We take pride in providing the highest quality appraisals we can and always striving to improve our work. We are constantly monitoring the agricultural real estate market and work hard to make sure that the value conclusions are well supported by market evidence. We listen to feedback from lenders, lawyers, farmers to improve our work and take pride in walking the reader through each step of the process so that they have a thorough understanding of the local market, the comparable sales, why we choose them, how we came up with our value conclusions and why. We work hard to provide maps, visuals, charts to better aid the reader as well as clearly indicating calculations and rationale for those calculations.

4. We put our name on it - Howard Mattila started appraising in the Battlefords in 1971 and trained and mentored David Fortier for 5 years prior to him acquiring the company in 2013. When a report is signed at Fortier Mattila Appraisals Inc. we put both the Fortier and Mattila family name on the line, every time - that is something we take seriously. Perhaps using a family name in your company name is outdated, or a thing of the past - but we feel you are only as good as your name. We are proud of our company history, the work we provide for our clients and we're also confident enough to stake our names and reputations on it.



David Fortier and Howard Mattila Accepting 'Heritage Business Award' at Battlefords Business Excellence Awards



Alex Scheidt and David Fortier Accepting 'Best New Business Award' at Kindersley Business Excellence Awards



Geri Krelow 'Customer Service Star' nomination and David Fortier 'Young Entrepreneur of the Year Award' winner at Battlefords Business Excellence Awards