



By Joel Leininger, LS

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Valuing a Surveying Business

From time to time I receive calls from parties interested in selling their surveying business (or their late husband's business).

Invariably the caller mentions the twenty or so filing cabinets filled with a lifetime of work, and is certain they are sitting on a gold mine.

I am not an appraiser (as most of you know), nor do I buy and sell businesses for a living. I have watched the surveying market for many years, however, and I have bought a firm and the records of other firms. I have also advised others who have done the same.

Business valuations are conducted using some of the same factors as those of real estate, for instance, comparable sales, the demand of the market, condition of the property, etc. Unfortunately (or fortunately, depending on your

As I see it, there are two factors uniquely affecting the value of surveying firms, in addition to all the other elements having an impact on the value of a company: the state of the indexes for the records, and the type of surveying market existing in the locale covered by those records. I'll explain each.

The Records

There is little excuse, given the computing horsepower typically at our elbow, for not having comprehensive, geographic indexes of our projects. (By geographic indexing, I mean all projects tied to a known reference, such that a query to that reference would list all records in the immediate vicinity. The PLSS seems to me to provide a ready-made reference; we in the colonial states need to resort to tax maps or other artificial reference system.) Our ancestors, perhaps, could

those other surveyors must be able to identify the records of interest, and do so without too much trouble. If you think your records are worth \$100,000, and they aren't geographically indexed, subtract the cost of a knowledgeable person *looking at every record*, figuring out what it is, where it is, and coding that into a database, to find the true value of those records. With collections of any size, the cost could easily exceed \$50,000.

Several years ago our firm purchased the records of a 50-year-old firm in our area, and we paid less than ten percent of what the records are probably worth, because the files were unindexed. We are still indexing those files, and have probably spent upwards of \$25,000 in the effort. The records ultimately are worth the cost, but I suspect the principals of the other firm would rather have gotten the \$25,000 than for us to spend it in labor. (I hasten to add that I assume for this essay that the quality of the work performed by the seller is high. Firms with dubious reputations in the surveying community will probably not fetch *any* serious offers from local practitioners.)

The Markets

There are three distinct markets in which surveying firms operate. I call them the "development," the "maintenance," and the "government" markets.

The development market occurs when there is a robust land development market in the locality. Because of the approval process in place for land development, and because much of that process concerns non-surveying activity, this market tends to be dominated by engineering/surveying firms.

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Surveying records are valuable because of the insight they provide

perspective), surveying firms are not offered for sale very often, and so "comparable sales," if available anywhere, are not likely to be *truly* comparable. Appraisers who lump surveying firms in with engineering or architectural firms obviously don't grasp the differences in market or in the nature of the firms themselves. Neither engineers nor architects generate records of interest to other practitioners during the course of their practice; surveyors do.

claim that maintaining metadata was time consuming and without present value, but the effort for the modern surveyor to ensure that current work is tied to the reference is trivial. Yet, I doubt that more than 20 percent of all firms currently index their work. Well-organized does not equate to indexed.

Surveying records are not valuable as fine art; they are valuable because of the insight they can provide to other surveyors about a particular area. But

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Most of the surveying being conducted is an adjunct to the development engineering process. Depending on the size of the development market, a considerable number of firms can be supported, and such a market can last 50 years or more. Life is good—that is, while there is available land to develop. When that runs out, either because of restrictive environmental or zoning policies, or because the developed area comprises nearly the total land area, most of the engineering/surveying firms will simply dry up and disappear. A few will be able to transition to other geographic markets, but success is notoriously difficult. Surviving the fallout will likely be one or more surveying firms, much smaller in size than the development firms, but sustainable in a market dominated by bank-required surveys, the occasional boundary dispute, and the like—the maintenance market.

Maintenance markets are dominated by surveying firms, have less volume of activity, and are generally perpetual unless the population actually abandons the area. This market will only support perhaps a tenth of the number of surveyors that a development market will support.

The government market can cushion the engineering/surveying firm from the ill-effects of free-falling development markets. The downsides of government work are that, in general, it is less profitable, and it is subject to political considerations. The upside is that it is immune to the factors spelling death to the development market.

The Value

These markets bear on the value of surveying firms because of the timing of the sale. Obviously a surveying firm offered for sale in the last throes of a development market has a seriously diminished value; firms in that situation with unindexed records may actually be worth *zero*. In contrast, firms at the beginning of a development market, or one of the few firms in a maintenance market, with well-indexed records, may be worth a considerable amount to a prospective surveyor.

Thinking of buying a firm? Consider the factors outlined above. If the records are unindexed, factor in the cost to you to index them.

Selling a firm? Index your records before you turn away would-be buyers. Your wallet will thank you. *A*

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