



## **Technology rules the appraisal roost. Trying to get appraisal process streamline - by Bill Pastuszek**

November 10, 2017 - Appraisal & Consulting

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Technology rules the appraisal roost. Everyone is trying to get the appraisal process streamline. Even appraisers are putting away their IBM selectrics and desktops in search of more efficiency and better solutions.

Blindly adopting technology without knowing the consequences is much like jumping into a swimming hole without knowing about any rocks below the surface. Let's consider some of the issues in applying quantitative techniques to the appraisal process.

Appraisers all have had some experience with Statistics. And many agree with Mark Twain that statistics are right up there with BIG Lies!

Appraiser mistrust statistics and often misuse them. With some good reason, as percentages, statistics seem infinitely capable of distortion, manipulation, and misunderstanding. That doesn't need to be so, however, if a basic understanding is obtained. This is sometimes harder than it seems. Misunderstanding abounds!

Take something as simple as the mean, the average. Tantalizing easy to calculate, woefully inadequate to explain data. Applying simple means, averages and regression analysis to small data samples tends to turn off critical thinking. Appraisers' minds are fully capable of processing small data samples!

Think also about all the services out there waiting to fill out reports for you. Where is the line

between administrative function and significant professional assistance? By using a service, are you assigning away tasks that require appraisal judgment (and thus appraisal competency)? These tasks might include: rating a property's quality or condition, estimating remaining economic life, and selecting comparable data. How do you feel about disclosing assistance and the extent of that assistance in your certification? And, there might well be confidentiality issues created in farming out such work.

Competency includes being familiar with an analytic method, among other things. USPAP (and common sense) does not allow appraisers to state that the "software" made me do it (wrong)! Like an automobile, a mechanic's knowledge is not necessary but you need to know the difference between smooth running and problems.

Newly issued USPAP Advisory Opinion 37 provides some additional guidance. This Advisory Opinion addresses an appraiser's obligations when relying upon adjustments, trend analyses, or other information generated by software or various online services. Two examples are covered, Regression Analysis Tools and Multiple Listing Service.

Users' demand for more and more sophisticated market and comparable sales adjustment data analyses have spawned various programs both standalone and part of appraisal software packages. Previously, these tools would have been out of the financial reach of many appraisers. Affordable software is now available to meet market demand to provide regression analysis or software generated matched-pair analysis. Residential form software vendors have integrated these capabilities as part of their solutions. Multiple Listing Services now provide integrated ability to perform such analyses.

So all is good. So far. For a small cost and seemingly minimal effort, appraisers can fulfill the needs of their clients, get more assignments, and have more fun.

However, there are ramifications! Enhanced capabilities bring increased responsibilities.

The Advisory Opinion's summary tells us: Computer assisted valuation tools that are available to the appraiser are often used in developing value opinions in concert within one or more approaches. And, the output of computer assisted valuation tools is most often used as an

analytical tool within one or more approaches to value.

Further, the information generated by these tools, once calculated by hand, is now automated. “Appraisers may find analytic tools useful for supporting their adjustments.” Just because it is automated, it is not a substitute for an appraiser’s judgment.

Here are some admonitions. The appraiser is responsible for the entire analysis including the controlling input, calculations, and resulting output. It doesn’t matter the choice of tools.

In using these solution, appraisers “must be proficient in the use of their chosen technology to ensure that they have correctly selected and input appropriate parameters.” With having control of appropriate parameters that are not correctly entered into the program, credible assignment results may not result.

To the point of having a grasp of the basics, appraisers need to must have an understanding of statistical analysis and “not employ terminology and/or methodology with which they are not familiar.” The controlling input needs “to be consistent with market evidence and prevailing market attitudes” and tested/checked for errors and consistency. In the end, Information retained in the workfile must be sufficient to support the analyses.

Don’t be scared off by USPAP. The Advisory Opinion is written to provide guidance to appraisers and users and to dispell some of the myths surrounding.

Don’t be initimidated by technology. One needn’t be a tech wizard to successfully utilize analytical tools. Some knowledge of how the program works and some common sense applied to the results will go a long way towards determining the validity, on a assignment-specific basis, of quantitative analysis. Recognizing inappropriate data, weak relationships between variables or poor correlation will give appraisers the ability to “calculate” the weight given to quantitative analysis results.

Ultimately, appraisal depends on small sample analysss. If appropriate tools can be utilized to help analyze smaller samples through the use of larger scale datasets and analytics, progress has occurred. But, technology has not come so far as to replace the critical thinking of a skilled

appraiser. Appraisers need to realize though that competency and willingness to utilize new analytical tools are part of the skill set needed to go forward in a changing and evolving world of real property valuation.

December Column. More on Appraisers and changing roles in the Marketplace. And remember, 2018 USPAP will become effective January 1. A great way to celebrate the New Year. Face-to-face USPAP is much better than on-line. Give it a try. Stay tuned for some continuing education on quantitative analysis.

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