



CELEBRATING
55 YEARS

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Change is happening fast: Maybe at the point of upheaval

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One of the first principles an appraiser trainee learns is that of change. In the textbook *The Appraisal of Real Estate* published by the Appraisal Institute change, as applied to the appraisal profession, is defined as "the result of the relationship between cause and effect that affects real property value." In these times, change is happening so fast that we may be at the point of upheaval. Whether this is a good thing or disastrous depends on our reaction to the situation.

At the moment, the national economy appears to have hit bottom with the anticipation of a drawn out recovery accentuated by slow job growth. Without a doubt, the "Great Recession," as our current time has been dubbed, has precipitated radical changes in property value. Almost all areas of our country have witnessed declining real estate values, increasing numbers of foreclosed properties, and decreasing numbers of actual real estate transactions.

From recent statistics, the single-family residential sector exhibits signs of improvement. If economic conditions deteriorate further resulting in a continuation of relatively high vacancy rates and declining rents in the commercial and industrial sectors of the market, these sectors could take significantly more time to recover.

On the federal level, members of Congress are grappling with Wall Street reform and consumer protection in the form of HR4173. In summary, this proposed legislation includes an expansive amendment modernizing Title XI of FIRREA including grants to state appraisal boards for enforcement, AMC registration requirements, and separate disclosure of appraisal and appraisal administration charges.

The challenge for appraisers is to keep our fingers on the pulse of these changes. Not only do we need to have accurate data on our subject property and comparable sales, we also need to be very aware of the relevant trends in the marketplace. It is no longer adequate to know if values are stable, increasing or decreasing. We need to be aware of a much larger pool of data such as demographic trends, income trends, environmental and regulatory issues, and level of business activity, among others.

Although the value we provide is as of a specific date, we do our clients a disservice if we do not make them aware of market forces that impact value. A perfect example of such a market force would be declining population easily demonstrated by analyzing U.S. Census data. Such a trend would indicate that the demand for property, particularly residential property, is most likely going to decrease which may negatively impact values. If unemployment rates are creeping upward, the affordability of property may very well be headed in a downward direction, again with the potential to negatively impact values.

To maximize our usefulness to our clients, we need to keep abreast of not only changes in the marketplace, but also changes in our field. Innovations are occurring every day whether it involves a new technology, new USPAP requirements, or new methodologies. One of the ways of achieving

this is a professional association such as the Appraisal Institute.

Patricia Amidon, MAI, is president of Amidon Appraisal Co., Portland, ME.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540