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State of the appraisal industry - A real nail biter!

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Over the last several years as the economy has gyrated wildly, so has the appraisal industry. Looking back, 2007 was a great year. Appraisal assignments kept coming in; staff levels were at all time highs; everything looked rosy. Or so we thought. Then came along the Great Recession with an official start date of December 2007 and an official end date of July 2009. That being said, some folks, such as the chronically unemployed, feel that the Great Recession has yet to end. Since those good old days, the appraisal industry has experienced nail biting times.

My own appraisal business has endured unprecedented extremes and the nature of our work has shifted dramatically. Back in 2007, a good percentage of our work was ordered by financial institutions and government agencies. However, as credit tightened and government funding evaporated for many projects, this percentage shrunk considerably. Some of this work has been replaced by litigation assignments involving partnership disputes, divorce and eminent domain. I have testified in court more in the last six months than I have in the prior three years. For three months running very few assignments will come through the door and I'll wake up in the middle of the night wondering how to keep the staff busy. Then the next month so many assignments will come in that I'll wake up in the middle of the night wondering how all the work will get done in a timely manner. This fact is a sign of the times and one of the liabilities of being an appraiser and a business owner.

Other appraisal firms have experienced similar fluctuations. I was speaking with one of my colleagues who had so little work this past year that he was barely able to meet expenses, much less make a profit, who has become overwhelmed with work just in the last month or two. At the moment, due to mortgage rates now at the lowest levels in history, many residential appraisers are swamped with refinancing work.

With this background, let's look at the numbers comparing the 2007 with 2010 in terms of the numbers of appraisers in the state of Maine according to licensing level:

This chart is extremely revealing when the number of trainees is the focus of attention. Very few new appraisers are entering the field, and for three primary reasons. First, in January 2008 the requirements for becoming an appraiser increased significantly. Second, the demand for appraisers has decreased since 2007. Third and perhaps most importantly, once a trainee is brought on staff, there is no guarantee that the trainee will remain at the firm. I can testify from experience that training a person to be an appraiser is a very time consuming and expensive proposition. No business owner is going to take that risk in today's economic climate.

One thing that the chart does not reveal is the age of the licensed and certified appraisers, many of whom are at or approaching retirement age. When these appraisers are removed from the supply pool, those remaining will be well situated to be very busy indeed!

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