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Challenges and opportunities for the valuation profession

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The year ahead will hold many changes, challenges and opportunities for both residential and commercial real estate appraisers. We are in the midst of a worldwide economic meltdown that challenges our personal and professional lives. For appraisers, these economic difficulties are compounded by regulatory changes that impact the way residential and commercial appraisers conduct their business. I think appraisers have soldiered on through the confusion because we are a time-tested profession. The average age of a certified appraiser in the Commonwealth of Massachusetts is in the mid-50s. Appraisal Institute designated members have an average age slightly older. Experience makes a difference when you need a credible appraisal.

In 2011 the commercial real estate market started the year with a boom and ended with a whimper. After a two year slump the commercial real estate showed some life in the 1st half of 2011 as the market experienced rising values in top-tier markets for trophy properties. Unfortunately it was a bifurcated market and secondary and tertiary markets and properties were largely ignored by this activity. In this type of market no one pays a premium for uncertainty. And thus by the end of the year the market slowed with the possible impending collapse of the Euro and sovereign debt defaults beginning with Greece.

The residential real estate market continued to limp along throughout the year, suffering the excesses of the housing boom. Too much product and a public suffering from housing angst don't make a healthy market. For housing the money was available but underwriting standards have become more rigorous. The popular wisdom that housing is a "no lose" investment has been sorely tested (until the next boom).

Appraisers will continue to be challenged by a limited amount of work related to new financing in 2012. They will also be challenged by continued fee compression in the short term. However, one of the most significant challenges will be appraising in a market that continues to offer limited comparable data. Sale and rental data will be limited in many market segments and questions will abound with respect to capitalization and discount rates.

However, looking toward the positive, opportunities for appraisers will also abound. The troubled real estate inventory is burning off and new business is again rising. Now is the time for appraisers to educate themselves as to appraising in these market conditions, and to spend time marketing and diversifying their client base.

Appraisers should also consider the fact that there will be a flight to quality over the next year. Regulators, bankers and borrowers will be seeking quality appraisals by experienced appraisers who know how to appraise in a slow market with limited comparable data. They will be looking for appraisers with designations that show their commitment to the profession and that indicate they are well educated and have completed continuing education requirements. The MAI and SRA designations are the most recognized and respected professional designations in the industry. Now,

more than ever, appraisers should consider membership in the Appraisal Institute. Existing members are urged to become involved and work to make the organization even stronger.

Rest assured, the Appraisal Institute is working hard for its members in these challenging and uncertain times. We offer new courses reflecting high interest subjects. We also offer seminars on a regular basis that cover the current economic climate. The Appraisal Institute's national office continues to lobby on Capitol Hill for legislators to recognize the need for quality appraisal and valuation services. The Appraisal Institute is the first bulwark in Congress for the appraisal industry. Our national office is on top of all legislation impacting appraisers and making sure appraiser concerns are heard. At the state level the chapter is a voice that is heard on regulatory issues both in the legislature and at the administrative level.

Barrie Gaman is the 2012 president of the Mass. Chapter of Appraisal Institute and vice president at Bank America, Waltham, Mass.

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