



nerej

Good, low, bad, high appraisals: Getting meaning from the market on a strange planet

August 08, 2013 - Appraisal & Consulting

Not so long ago, appraisers were faced with the challenges of a market desperately seeking buyers and a bottom. As this strange planet that we are on turned, but a little, we are now faced with the challenge of markets driven by unfathomable buyer demand. Buyers act as if the normal principles of sane real estate behavior were left on the planet they abandoned to travel to a world where listing prices are irrelevant and the rationality of markets have no meaning.

Before this group of home buying space travelers arrived, they were preceded by a group of immigrants coming here with the idea that cap rates as a measure of performance was a quaint and outdated notion, one from a galaxy far far away (and maybe long long ago!).

But, we are on this world where appraisers have to figure out value based on a set of alien principles. This is a challenging endeavor under the best of circumstances. Today, we are faced with trying to make sense out of a market that is upside down in reverse. (Surely you remember borrowers being upside down during the crisis?) And we have to learn an entirely new way of doing math on this planet.

There are many different appraisers on this planet that have to deal with these otherworldly realities. Let's review some of these appraiser types.

I am Appraiser. There is a school of appraising that says "I am the appraiser, therefore I am of course right!" And that goes, even if the appraiser is wrong. This appraiser type often wears sunglasses indoors. But this is becoming somewhat a quaint notion in today's appraisal arenas. Today, it is more like, "We are appraisers, therefore we are second guessed." All the time. We are never right until we are told we are.

The Obsequious Appraiser. There's another school of appraisers out there that says, less confidently, "Quite so, we're never quite right until the client tells us we are." This is the bullied, cowed appraisal group. They are so eager to please and have been so worked over by clients, they only want to stop the madness and please their clients.

Making Nice Appraiser. Eager to please, this appraiser will end up with a value that looks right in a nicely done report. It may or may not be ultimately supportable but it all looks pretty good and there's always a little of... "I know you're not supposed to tell me, but ...what value would please you?" Constantly loses sunglasses.

Go Anywhere, do Anything for a Fee Appraiser. Have computer will hit the value. Pass GO, collect fee. No scruples, no regrets. Attracts a certain type of client, too. Mirror aviator sunglasses.

Regular Appraiser. Takes sunglasses off before going inside. Open, but steely gaze, looks people in the eye with a strong handshake. Comes up with values that reflect the market. Captain America

and all that.

The Clueless, but Happy, Appraiser: Here's an appraiser you might know... Don't Worry, Be Happy Gets through life between the bullets and the raindrops. Maybe clueless is the way to do. Rose colored sunglasses, of course.

Where do you fit in? How do we operate in this summer of superheated markets? How do we go from the bottom to the top so quickly?

Hope you are not bringing too much of I am Appraiser to this party. Tough markets require listening and watching carefully. Try not to Make Too Much Nice. That will hurt in the end. You might think Clueless is the best way to be: it isn't. Don't go anywhere and do anything for a fee. That just attracts a strange group of clients and fellow travelers.

Be that Regular Appraiser. Low appraisals are not bad, if they are supported. The value is supported by the data in the market. Use it.

Enjoy life on this planet. Try your best to make sense of it. Try to take some time off. Enjoy the rest of the summer. Protect your eyes, wear sunglasses.

William Pastuszek, MAI, SRA, MRA heads Shepherd Associates, Newton, Mass.

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