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## **After all that, are we better off? The nature of real estate and real estate appraising**

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Feast or Famine, it's the nature of real estate and real estate appraising. After years of a brutal housing market with low sales and refinancing activity, rates crept down to historic lows, spurring a refinancing boom of semi-historic proportions.

Remember the ReFi Madness that preceded the Great Crash? Now that was a boom to end all booms. Irrational Exuberance and all that!

Rates for 30 year fixed rate loans were 8% in 2000 and had fallen to slightly less than 6% in 2003. Rates hung around this level through the downturn and began their decline in 2009-2010.

Mortgage volumes followed interest rate movements and the refinancing markets were very strong. This activity took place under stringent, if not unrealistic, mortgage underwriting standards and a dragging housing market. Both factors prevented many from taking advantage of favorable rates.

Appraisers were well-occupied during this period, at the very least those that remained after the sorting out that took place during the housing bust and recession. Relatively few appraisers came into the business during this time despite demand.

In fact, the number of credentialed appraisers went down during this period. Currently, the ASC website notes that they are slightly greater than 100,000 appraiser credentials, which doesn't mean that there are 100,000 appraisers, since many appraisers hold more than one license.

According to a 2010 study done by October Research, the average age of an appraiser is 50 years, with some 20% over the age of 60 (productivity generally declines after age 60). Increasing lender demands caused some older appraisers to exit the profession.

A 2011 article in Inc. named real estate appraisal as one of a half dozen attractive industries. The article noted that "this area should be among the first to improve." The article noted the prospect of positive revenue growth and low barriers to entry. A couple points of disagreement: it's not an industry, but a profession that serves an industry. Further, maybe it's easier to become an appraiser than it is to become an accountant, but changes since 2008 have created significant barriers to entry. In addition, continued obstacles to the use of trainees do not create attractive entry level opportunities.

Rates bottomed out at the end of 2012 at about 3.5%. The 30 year fixed has moved up to 4.5% since the middle of the year. Rising rates had an effect on refinance activity, as did the satiation of demand. Lending volume subsided; while sale markets have been healthy (and appear to be improving), the volume does not make up for a quieter refinance landscape.

Appraisers have complained bitterly (and with some cause) about the imposition of arbitrary, burdensome, and, in many cases, nonsensical requirements on their ability to conduct impartial, objective, and independent appraisals. It's as if the entire profession, due to the lack of an effective voice, is being punished for all the ills of the housing bust. Few other professions would allow or

stand for such meddling, except that it's to the interest of many interested parties to keep the profession in check.

Indeed, the profession seems to lack a certain foresight and clarity and ability to respond to marketplace needs. The survival of the profession and its continued relevance are factors that the leadership of the profession cannot leave to chance.

Oh, note also that there is great dissension and disagreement among the leadership organizations over turf. Seems trivial considering the stakes involved.

I don't have any brilliant answers. I see an aging, static in numbers, tradition bound profession allowing interest parties to dictate to it. But I see opportunity for leaders to lead a critical profession forward. Will that happen? Can it happen? When?

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