

What will the spring market bring for appraisers?

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After what seems like one of the longest winters with record breaking snow storms in New England, the spring market is around the corner. Things are normally pretty dismal from December through February in most areas. However, we are hearing from many real estate professionals that there is a lack of inventory for their buyers. If this continues into the spring market, there is enough pent up demand coupled with record low interest rates to cause values to go up in areas that have been hovering at the bottom for a few years. There are areas of the state, mostly towns in the eastern area, that have already seen market appreciation over the last couple of years. They will continue to see appreciation in these areas. From December through March people will be hibernating like bears for the winter. They just don't want to run around looking at properties in lousy weather. The market in general is stalled. So overall, things are a little depressing. The prediction for the spring market is optimistic. If the spring is anything like last year that will be a good thing. While many towns remain stable with regards to market value, many will continue to have increasing values, especially if the demand exceeds the supply of certain types of homes.

Although rates inched up a little last year, they are still very low, enabling buyers to get more house for their money. Refinances are still down substantially which is literally putting many appraisers and mortgage brokers out of business. Appraisal Management Companies (AMCs) are still the norm for mortgage companies to obtain an appraisal. This third party system of trying to obtain an honest, unbiased, quality appraisal has mostly backfired. Like many ideas, it sounded good in theory, but doesn't work in the real world. Everything is money driven. As long as appraisers are not offered customary and reasonable fees and forced to do appraisals at lower rates or not get the work, there will be some that will take appraisal assignments in order to try and survive what is a major residential appraisal downturn. The result is poor quality work by inexperienced, poorly trained, often incompetent appraisers, who are often not even familiar with the town they are appraising in. So the once "great idea" to fix the system of obtaining appraisals has had somewhat of an opposite effect. Local banks and credit unions have primarily kept control of the appraisers that are approved to do their work and rotate them. Often they are lending their own money and want to make sure of the quality of their appraisals. They are the smart ones and have traditionally had far fewer losses than the lenders who use AMCs.

In addition, these lenders will have local investors who will buy their foreclosures and this should allow them to again have a smaller loss than a big lender, who is so far removed from the process that every decision they make is irrational and causes a larger loss than necessary. And who pays for these bad decisions? We all do. Borrowers are expected to be financially responsible and qualify to borrow money but the large financial institutions often handle short sales and foreclosures in what every real estate professional (brokers, appraisers, investors, etc.) agree is the stupidest (forgive me for saying it) way possible. I could go on forever about the whole system, but it is good news for

investors who will continue to pick up great real estate deals. Cash is still king and will bring bigger rewards than if financing is needed.

Apartment rents are stable to increasing in many areas, with the demand for apartments increasing, as more and more people have lost their homes and need to rent for a while. Availability of mortgage money for people with credit problems is still a barrier for people to buy and live the American Dream.

Appraisers have their work cut out for them to keep up, on a weekly basis, with what is happening in each market area. Every town may be different, and low-end housing may be different than high-end housing. New construction may be in a world of its own and under everything is the land, which really should be in demand more than ever. However, financing has been an issue for many who want a piece of the earth. Networking with other real estate professionals and attending meetings of professional appraisal organizations such as The Mass. Board of Real Estate Appraisers and The Appraisal Institute can really help appraisers stay current.

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