

Sometimes the answer is staring you right in the face

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Appraisal is a complex mix of gathering information from a wide variety of sources and making sense of it. Sometimes appraisers get lost in the process of gathering the data, and sometimes they get lost in making decisions about the data gathered. Oftentimes the confusion results between the expectations an appraiser brings to an appraisal problem, and the actual data sharing the appraiser in the face.

An example: Analysts spend a lot of time doing market analysis. Sometimes this market analysis applies to the general market but not to the subject's particular market. This is a problem: correct analysis for the wrong property. This goes back to a critical determination an appraiser makes early on in the process: problem identification.

In appraising, if the problem is not initially identified correctly, nothing good will come up of the subsequent appraisal. Commonly the analyst will have to start over after having engaged in "wheel spinning." Appraisers too often are in that spinning class!

As appraisers know, Scope of Work determination is a central decision made early on in the appraisal process. Most appraisers also know that a determination made at the outset of an assignment may not hold up as the process unfolds. An appraiser may arrive at the subject property to find out it is not the property anticipated. Or an appraiser may anticipate using a certain set of comparable properties only to find they are not comparable at all.

Appraisers sometimes assume an appropriate Scope of Work before they ever get the assignment. There are plenty appraisers out there still operating with the "one size fits all" mentality in terms of development and reporting. This is true for commercial or residential practice areas.

Appraising is dynamic enterprise. Unknown or unanticipated factors will undoubtedly arise in the course of even a "normal" assignment. [Let me know the next time you get a "normal" one; I don't get them very often.]

An appropriate scope of work is one that is flexible enough for the appraiser to be able to arrive at a supported value opinion and to react to changes in scope along the way based on factors that arise in the course of the assignment. For example, determining the comparables based on a price range before market analysis is undertaken is a very real - and serious - problem.

There are a large number of other questionable appraisal practices that defeat the whole notion of an appropriate scope of work.

Indeed, determining the value before doing the analysis (appraisers don't do that, do they?) or assuming that the price shown in the purchase and sales agreement is in fact market value is another very common fault.

Providing adjustments that are not logical, not supported, or do not reflect the market in order to minimize the magnitude of the adjustments, or to "back" into a value, is another common fault.

Another common fault is not explaining either what was done or what was not done, if what was not

done was expected to be done. It's a matter of anticipating the expectations and questions of users. But with the proper development of the scope of work, and collection and analysis of appropriate market data, the market value answer may be staring the appraiser in the face. Too often appraisers are so fixed on the predetermined outcome, or so committed to a particular data set, that they simply don't see the answer the market is actually providing.

There is no template that fits all situation. There are appropriate courses of action for many relatively "ordinary" scopes of work. Approaching an assignment with preconceived notions with respect to methodology, analysis, data, or report will do two things: 1/ create unnecessary work; and/or, 2/ create assignment results that are not credible and a report that could very well be misleading. Breathe. Apply some fresh thinking. And never overwrite a report.

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