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The real estate appraisal profession undergoing changes

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In 2006 real estate appraiser was #8 on the CNNMoney.com list of best jobs in America. Using "total compensation," "projected job growth over next 10 years," and "fulfilling and challenging" as the three primary ratings categories, real estate appraiser made the list along with software engineer, pharmacist, and college professor. Does it make the list in 2008? Well, no. Not even the top 20.

The industry is going through some significant changes in terms of the volume of business, legislation, type of assignments, and clientele. A few years back the CNNMoney.com ratings, which were based upon 2004 data, surely had the high volume of sales and refinancing at the time in mind when projecting future growth in the profession and total compensation potential. But things have changes significantly in the market and for the profession.

So is being a real estate appraiser still a good job? Let's look at the three categories for measurement from the aforementioned survey.

From the view of the typical residential appraiser, "total compensation" is either stagnant or down from a few years back, especially when one looks at net compensation. The lack of refinance and sales volume has put downward pressure on appraisal fees. Combine this with a significant rise in costs (gasoline was still below \$2 per gallon when the survey was taken and is now at \$4 per gallon) and most residential appraisers net compensation is down. For the appraiser who makes a living primarily from doing residential work based upon refinances and sales the short term outlook for compensation growth doesn't look good either.

In terms of "projected job growth," if an appraiser relies on assignments generated because of refinances or sales, the prospects, again, look bleak for the short term. However, for appraisers who have earned a solid reputation in the industry as a quality professional with excellent qualifications, it looks like there may be a substantial rise in assignments generated via foreclosures, workouts, and portfolio revaluations. Now, more than ever, those with portfolios holding real estate as collateral need quality, expert opinions of the value of real estate in those portfolios. Indeed there seems to be a flight to quality on the part of those seeking appraisal services from a few years back when low fees and quick turnaround times were a big factor in hiring an appraiser.

For the "fulfilling and challenging" category that CNNMoney.com lists in determining the best jobs in America, the current appraisers' job is off the charts when it comes to "challenging." Consider the following changes/challenges the typical appraiser has and is facing:

* Declining market conditions in the residential sector of the real estate market for the first time in nearly 18 years.

- * New legislation that will change the appraiser-lender relationship significantly and may create additional costs to the appraiser.
- * A lack of data needed to complete many assignments.

So, can being a real estate appraiser still be considered one of the "best jobs?" Well, probably not at the moment. Can it be considered a potentially lucrative, enjoyable, and fulfilling career? Absolutely, but there are conditions. Appraisers that are known in the real estate community as true professionals, with recognized credentials, will enjoy a volume of work from clients that are truly interested in knowing the value of a property in these rapidly changing economic times. But for those appraisers who have always competed on lowest fee and quickest turnaround time, the market for your services may no longer be needed.

In my opinion, the surest way to become one of the "needed" appraisers is by joining the Appraisal Institute. If you haven't yet, I urge you to join the Appraisal Institute as an associate or affiliate member with the goal of earning the SRA or MAI designation.

Please visit www.ma-appraisalinstitute.org or www.appraisalinstitute.org for further details.

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