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Specialization of the appraiser - by Bill Pastuszek

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Appraisers are in the service business. Sure, professional services, but still in the business of making clients happy and satisfied.

Does an appraiser do a client, or for that matter the profession, a disservice by accepting an assignment for which he or she may lack an appropriate level of competence? There may be reasons why this scenario occurs, but is every reason to avoid this happening under any circumstance.

There is a strong streak of “low price, best price” thinking in the appraisal marketplace. There are plenty of clients who view an appraisal as a commodity, a necessary evil, a means to an end. There are plenty of appraisers who look at assignments as a day’s pay, a payday, or a commodity. Both sides are wrong.

While all appraisers may at birth be considered to be equal, ultimately there is some sorting out. There are “peers” and then there are “appraiser peers,” those appraisers who possess the same or similar competencies for an assignment. Think of a large hall with small groupings of appraisers. These could simply be randomly mixed groups; groups self-sorted on personal likes and dislikes; or groups aggregated by what type of work they do best. In my example, I would like to think it is the last grouping.

Clients should think that way too. Some clients will be happy walking into the room and gravitate toward faces or comfortable groups. However, in choosing appraisers, the last group is the one that will provide the best results.

Let’s have a look at the Competency Rule. Competency may apply to 1/ a specific property or asset; 2/ a market; 3/ a geographic area; 4/ intended use; 5/laws or regulations; 6/ an analytical method.

Let’s look at the intended use part of the Rule. Intended Use drives the appraisal bus. Not knowing the requirements of an Intended Use has put more than one client in a precarious situation due to an appraiser not being fully cognizant of what is required in a particular assignment. Those appraisers can be familiar with the property and even with techniques but not understand the

requirements of an intended use.

Consider also technical expertise. A commercial appraiser skilled in subdivision analysis may have a great deal of difficulty in competently developing a residential adjustment grid. A commercial appraiser used to capitalizing net operating income may not have sufficient experience and depth of understanding to be able to perform a multi-tenant discounted cash flow analysis.

Let us also consider laws and regulations. Many appraisers believe it is the client's responsibility to make sure the appraiser provides a compliant report, and to provide the appraiser with all necessary guidance and information. No, actually, it is the appraiser's responsibility to know all the laws and regulations applicable to an assignment. The appraiser is the professional who needs to know what to do in a particular situation even if there is no one else that has the faintest clue.

If the appraiser doesn't understand this responsibility (and counts on inspiration or improvisation), the result can have serious repercussions in the review phase, the legal arena, or even at the Appraiser Board level.

Now let's consider competency at the property, market, and geographical levels. Local knowledge is the stock in trade of many appraisers. As they work in their familiar markets day in and day out, over long periods of time, they develop invaluable, almost instinctive, insights and understanding of these markets. Sometimes there is difficulty in expressing their intuitive, hard won knowledge in reports. For many Generalist appraisers, the intuition and long experience is what clients desire.

For many assignments, however, a Specialist is what is needed. Generalist appraisers are the great heroes of the industry, for they are willing to take on assignments that require creative solutions. (Creativity is OK in appraising, writing fiction is not!)

But Generalists need to know their limits. There are plenty of Specialists out there who know theirs.

Certainly there are property classes that are best left to specialists in today's complex appraisal world. Lodging, health care, development work, unique homes, easements, condemnation, tax work, to name but a few Specialist areas, are probably best left to those who have the data, sources, experience, and familiarity with these markets and analytical methods. And Specialists would do well to stay away from those Generalist assignments that look deceptively easy but contain plenty of hidden traps.

While high prices won't necessarily guarantee quality, low prices and fast completion dates may not end up as a bargain! Now if we can just get clients to understand the concept.

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