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The challenges of today - by William Pastuszek

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The real estate industry is adapting to fundamental changes. It's a painful, ongoing, adaptation.

Those truths always held to be immutable have melted away. Markets and positions always considered unassailable are not only vulnerable but have fallen to forces that have no appreciation for history or tradition or conventional ways of doing things.

The retail landscape has changed and will never look the same. Gone are the certainties. Customers simply do not shop the way they used to. So the old ways of delivering goods are gone.

Shopping habits no longer depend on driving in traffic, parking in vast parking lots, walking a mile, and then spending an inordinate amount of time in cavernous spaces, and, calling it shopping. The internet has radically altered habits, much more than anyone ever thought. And technology continues to disrupt habits and works against creating any order, except with an internal logic not always obvious, even in retrospect.

Wave after wave of strong franchises have not survived the onslaught of disruptive technology. Amazon turns up in many of these not happy ending stories, having disrupted books, general retail, and, now, even groceries.

A word on office space. Newer office users are using space in very different ways than the traditional office building is set up to deliver. And working habits seem to require less office space, or, at least different space. Thus, while not as obvious and profound as retail, a generational, can it be called millennial, shift is taking place in this sector as well.

Apartments are undergoing similar transformations. So much of the existing stock simply does not meet current apartment dweller needs. That's at least one reason why so much new product is being created and that this product contains features that would be impossible or expensive to retro-fit many existing units.

All these changes are fascinating to observe. How does the appraiser react to them?

We are fond of saying, “go to the market, the market will tell you.” Part of the shift affects how appraisers and real estate professionals access data and analyze it to come to conclusion.

We are swimming in a pool of Big Data. We are drowning in information and not having the means to make sense of it.

Changes of this magnitude require an appraiser to understand and stay current with current trends.

It comes down to competency. Appraisers need to possess it at property and market, and geographical levels. Local knowledge is the stock in trade of many appraisers. Working in their familiar environs markets day in and day out, the results are invaluable, nearly instinctive, insights and understanding of these markets.

How do these instincts and intuitions play out in a real estate world that continues to radically evolve? Gut feelings only go so far.

Professionals need to maintain competency by relentlessly educating themselves and ruthlessly putting the knowledge gained to solve valuation problems with current techniques and solutions. The old ways of doing things may no longer be enough. Real estate is going to be done differently going forward.

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