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## **Maine Chapter of the Appraisal Institute presidents message - by Russell Barrows**

January 12, 2018 - Appraisal & Consulting

Russell Barrows,  
Dirigo Valuation, Inc.

I am fortunate to be the incoming 2018 president of the Maine Chapter of the Appraisal Institute and have been requested to comment on the status of the appraisal profession in Maine. I am honored to have received such a request from this publication. I have been appraising in Maine (and parts of New Hampshire) since 1986 and consider myself to be a proponent of this industry. I have also benefited from the mentoring, knowledge and relationships of many of those still in the field, as well as those who have unfortunately departed. To that end, I think that it is incumbent on me (and others) to maintain as well as advance this industry. Please note that the following comments are my own and may, or may not reflect the positions of the Appraisal Institute. In true appraiser fashion, these comments will follow the Strengths, Weaknesses, Opportunities and Threat (SWOT) analysis process. As is often the case, there is overlap between these points. These points are not intended to be all encompassing, but rather address the specific, discussed topics.

**Strengths:** Depending on one's location, area(s) of practice and expertise, there has been, and continues to be generally strong demand for appraisal services. The number of appraisers licensed and certified appraisers continues to follow national trends in that there are fewer. This, in-part, helps explain why it's good to be an appraiser in Maine right now.

Commercial lending activity requiring commercial appraisal services continues at a steady pace resulting strong demand for related appraisal services. The Greater Portland / Southern Maine market continues to set the pace for the entire state, but there is also continuing, commercially oriented activity in the Greater Bath-Brunswick, Lewiston-Auburn, Greater Augusta and Bangor areas. This activity is driven, in-part, by continued favorable interest rate environment, capitalization rates that (for the most part) make sense and reasonable lending regulatory environment. It appears that the recent, modest increase in interest rates enacted by the Federal Reserve has not had an adverse impact on commercial lending activity.

Residential lending activity also continues at a very strong pace, assisted by the continued interest rate environment. 30-year fixed rates are in the sub 4% range with shorter term (10 & 15-year) rates being lower (and continue to be a popular refinance product). Again, most appraisal activity is

located in the southern and coastal areas of Maine with Cumberland (Greater Portland), York (southern-most county), Androscoggin (Lewiston-Auburn), Kennebec (Greater Augusta), Penobscot (Greater Bangor) accounting for the majority of activity. Some lenders & AMC's continue to express frustration in the limited number of appraisers in some of the more rural areas of the state. One related question is: Is the fee that they're expecting to pay in-line with local market expectations? Sometimes yes and sometimes no.

**Weaknesses:** The declining number of appraisers, largely related to retirement, is presenting service and competency challenges. The median age is approaching 60 years (which is slightly above the national average). There is considerable talent and experience that will be leaving the industry in the next 10-15 years and there are substantial challenges related to replacing, or maintaining in some effective and efficient manner, these abilities. Presently, there are 246 (42.9%) Certified General Appraisers, 173 (30.2%) Certified Residential and 154 (26.9%) Licensed appraisers for a total of 573 appraisers in Maine (ASC National Registry). Nationwide, 13% of appraisers are age 66+; 49% are between the age of 51-65 and only 10% are 35 or younger (U.S. Valuation Fact Sheet, 12/2016 Appraisal Institute). The appraisal industry, particularly in Maine, has historically been of a nepotistic nature. It is very common for there to be multiple generations, siblings, family members or close friends working in the typical small appraisal office environment. The number of appraisers (Certified General or Certified Residential) who are willing to take on the responsibility of training the next generation of appraisers is, unfortunately, limited. Many do not want to take on the liability, "opportunity" cost of lost income (as the training process directly impacts the supervisor's earning impacted, costs associated with hiring a trainee, potential liability and the notion that one is training their future "competition." This aspect is present in nearly any industry or profession. Additionally, many appraisers appear to be unwilling to expand their education and ability by exploring different and potentially more challenging course work. I challenge residentially oriented appraisers to take a "commercially" oriented Land Valuation or Highest and Best Use course. Alternatively, I can also see where an appraiser who works almost exclusively in the commercial segment would benefit from taking courses where individual adjustments are supported or "proven," rather than employ +5%, -10% adjustments that are often seen in commercial reports. Residential appraisal reports are frequently scrutinized to a higher degree than commercial appraisal reports.

**Opportunities:** The Appraisal Qualifications Board (part of the Appraisal Sub-Committee, or ASC, which regulates the appraisal industry) is in the process of revising and updating licensure requirements. While some may take issue with these proposals, it is my opinion that, in general, these revisions will benefit the profession and assist in being a viable part of the financial services industry. Required non-appraisal related education alternatives will, hopefully, assist in making the profession more attractive to potential candidates.

The residential "trainee" process in many parts of the country is very challenging due to a combination of appraisal fee and unwillingness of some lenders and AMC's to accept trainee work. Fortunately, these limitations appear to be less present in Maine, based on recent experience. Addressing this situation is often determined by individual client relations. Maine currently (2017) has 17 "trainee" licenses, which is an increase from 10 in 2016 and 5 in 2015. I have had a few trainees over the past nine years. Some have worked out well and are continuing their participation

in the appraisal profession. Others didn't work out too well. Still, there is a "net" benefit.

The current appraisal business environment, as noted above, continues to be active. An over-looked segment is non-lender work. There is a small, but important segment of work available to appraisers who are willing to expand their skill set. Estate planning, tax / IRS, expert witness, review and other avenues are often overlooked. Trade credentials such as SRA, MAI or other designations are often desired by the clients providing this type of work (although credentials do not always translate to ability, they certainly don't hurt).

Threats: There is an increasing trend from the secondary market (Fannie, Freddie, etc.) to employ Automated Valuation Models (AVM's) for residentially oriented lending work, particularly if there is a recent (usually within the past 3 years) appraisal report in conjunction w/ higher than typical borrower credentials. Nationwide, this will likely reduce the demand for some residential, mortgage related appraisal work. However, this will not likely have a significant impact in most Maine market areas due to the highly fragmented nature of Maine's residential housing stock. Still, it is an important item to note. Commercial lenders are also employing valuation tools that are less than a "full" appraisal, usually in the form of an "evaluation" or some similar instrument. These alternative tools are, in-part, a reaction to efforts related to decreasing lender / borrower related costs, decrease time frames and simply "streamlining" the lending processes. Appraisers need to be cognizant of these trends and act accordingly. Sometimes an appraisal is more than what's required for a loan. Other times, it is essential.

As noted above, the stable to declining numbers of appraisers are a concern. If users of appraisal and valuation products are unable to get their needs addressed in a timely and reasonably cost-effective manner, then they'll employ alternative tools.

Summary: My experiences that being an appraiser in Maine is a challenging and generally rewarding professional endeavor. We live in a beautiful part of the county and should not take this special place for granted. The lack of property conformity is actually of benefit, for it helps keep us in the fore-front of the valuation industry. It is important that we understand and acknowledge the challenges of our industry as well as those of our clients. I encourage those of us who are able, to consider what their individual part can be in helping to enhance and promote this profession.

Russell Barrows, SRA, is 2018 president of the Maine Chapter of the Appraisal Institute and president of Dirigo Valuation, Inc., Portland, Maine.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540