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Mass Appraisal Institute President's message: Appraisers, blacksmiths and the future

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About 10 years ago I was inspecting a car wash property as part of an appraisal I was completing. The older gentleman showing me the property could hardly contain his glee regarding his son's recent accomplishment of attaining a professional license to be a blacksmith. The gentleman was sure that his son's financial future was secure. While wanting to be polite, I just couldn't shut my mouth for long and eventually blurted out the question: "How much demand can there be for blacksmiths in our automobile society?" He laughed politely and said that with so few blacksmiths, but a moderate amount of recreational horseback riding in the area, accredited blacksmiths were making six figure plus incomes! This was ten years ago.

I recall this story as I think about today's residential real estate appraiser and the future. The residential appraiser has been under fire from several different directions for a few years. First, there has been constant downward pressure on fees from lenders and appraisal management companies. In the meantime lender-clients have greatly increased the requirements from a technology standpoint on the residential appraiser, thereby increasing costs while cutting fees. How does this relate to my blacksmith story? More on that later.

And if the working conditions put on the residential appraiser recently is not bad enough, they are getting a much too large a share of blame for the ongoing mortgage market crisis. The true cause of the mortgage market crisis is that lending standards were too loose. An appraiser saying a property was worth \$410,000 instead of \$400,000 in 2005 is hardly the cause of the meltdown.

And this gets me back to the future of residential appraisers. A lender friend of mine agreed, 'off the record', that to expect increases in quality from appraisers while at the same time constantly squeezing fees and setting ridiculous time pressures, is unreasonable. Quality people will leave the profession. And it is more likely that in the future mortgage loans will be secured via appraisals done without the human element, and with automated valuation techniques.

And now back to the blacksmiths and the 'utopia' I see coming for the truly professional appraiser. When lending practices change and the demand for the "two forms a day" residential appraiser dissipates, the biggest demand for residential appraisal services will be from those clients truly in need of a professional appraiser. Attorneys, governmental agencies, land trusts, and private homeowners will be the clients. Low fees and quick turnaround times will not be the primary consideration of hiring a residential appraiser. But rather professional qualifications and reputation will rule the day. So just like the market for blacksmiths, the pool of clients will be smaller, but so will be the pool of appraisers. But this pool of appraisers will be judged on their professionalism and their qualifications, not low fee and quick turn around times. Their compensation will coincide with the professionalism of their work product.

If you wish to be one of the residential appraisers doing business in this future 'utopia' there is truly only one appraisal organization that can lead you there - the Appraisal Institute. Its designations, the MAI, SRPA, and SRA are known globally as the gold standard for excellence in the appraisal professional. Don't believe me? Do just a bit of homework. Ask a top-notch attorney, loan officer for a major development, a CMBS lender, or the chief appraisers of any of the 10 largest banks in the U.S. which appraisal designations mean the most. It will be those from the Appraisal Institute - universally. Review a handful of commercial leases that call for a fair market rent estimate or a purchase option price estimate. In almost all cases if there is a call for a professional appraiser designation it will be for the Appraisal Institute.

The future of the industry is for increased professionalism for those continuing to do business. Now is not the time for just any designation after your name. It is time to pursue a designation with the Appraisal Institute. For more information please visit www.appraisalinstitute.org or www.ma-appraisalinstitute.org.

Chris Bowler, MAI, SRA, is the 2008 president of the Mass. Appraisal Institute, Malden, Mass.

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