



nererj

The Market and the market: Bridging the gap - Part 2

August 07, 2008 - Appraisal & Consulting

Quantitative Analysis

Most appraisers do not have great facility in quantitative analysis. It's a basic statistical tenet that small data sets are prone to errors in analysis and misinterpretation.

While many appraisers have nothing good to say about AVM technologies (and with good reason, given their tendency toward misuse in the marketplace), the existence of the technology suggests a need for this type of methodology as an analysis tool. The more appraisers that become interested in making this technology usable, the better the technology will become and the more useful it will become for practitioners.

For most appraisers, the methodology is viewed with scorn, suspicion, and derision. It doesn't need to be. But so far, appraisers feel threatened.

Historical Data. Sales

Resales analysis is a powerful way to understand market changes. This information isn't always available. It's always interesting to look at comparables' sales history and see what sort of change has occurred over 2 - 5 years: in and of itself, this type of primary data can give strong support to a market analysis. Further, comparing sales volumes and median and mean prices is another way to support trends.

With small data sets, these type of data are essential to providing the context for the localized, micro analysis that appraisers engage in and to bridge the gap between the market and The Market.

The Market and the market

Have no fear, The Market will recover. Markets will recover where needed and will continue to operate in their own manner, sometimes in concert with The Market and other time out of step. This recovery and stabilization may be painful and slower than expected but it doesn't last forever. It's simply a fact of economic life.

Good News. Much of the news in residential real estate is not overly positive. The good news for appraisers is that this is not a time to sugar coat the news. Many clients are listening closely and getting "second" opinions. Accurate information and valuations are good news for most clients. Appraisers who give clients objective valuation opinions supported by relevant and sufficient facts and analyses bring good news and should take pride in that despite whatever else is going on out there. Keep at it, something good comes of it.

William Pastuszek, Jr., MAI, SRA is principal at Shepherd Associates, Newton, Mass.

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