



CELEBRATING
55 YEARS

nerej

Appraisal experts foresee a strong 2020 for the appraisal industry - by Thomas Sweeney and David Widmann

March 27, 2020 - Spotlights

Thomas Sweeney

David Widmann

Appraisal experts foresee a strong 2020 for the appraisal industry. The profession continues to evolve, and so does the demand for different types of appraisals. Demand in general remains high, and an appraiser who anticipates trends, and stays front of mind, can do well in the long term. There is an increase in demand for Evaluations and Desktop appraisals in both residential and commercial valuations. More lenders are ordering “non-traditional” types of appraisals and appraisers are becoming more specialized in these types of valuations as well as new technology. On the

residential side of appraising there are two segments of appraisals: mortgage origination and everything else, which includes estates, tax appeals and expert testimony. As the baby boomer generation is getting older and passing away, there's an uptick in personal estate work over the next decade or two.

The number of transactions gives a good indication of the market at any given time. When sales volume is high it is usually a good indication that rates are low and money is cheap, as well as a demand for the inventory that is in the marketplace. Low treasury rates and low unemployment rates lead to higher consumer confidence, which in turn leads to more spending. With lending rates low and consumer confidence high, it gives businesses the ability to hire more employees, invest in new technologies to make them more efficient, or expand the physical footprint of their company, if not upgrade to a new space.

The increase in sales volume has increased the pool of comparable sales that are considered in an assignment. The more sales you have that sold in similar market conditions relative to the effective date of the appraisal the more reliable the final appraisal value is. The closer you get to the subject property in location, size, land area, room count, condition, etc. the more accurate your opinion of value is. Having more comparable sales to work with helps achieve this more reliable result. Conversely, when the market is down and there isn't an abundance of sales to choose from, the less reliable the concluded value can be.

Consumer confidence is generally optimistic, and the housing supply is short, especially for first-time home buyers. The national economy is healthy currently with the unemployment rate at, or near historic lows. There are some that believe there will be downturn in the economy as it has been expanding for a long period of time. As 2020 is a Presidential election year it is unlikely the Fed will make any drastic moves regarding interest rates.

Interest rates, in general, remain low and in the first week of March 2020 the average rate of the 30-year fixed rate mortgage dropped to a staggering 3.29% according to Freddie Mac, eclipsing the previous low set back in 2012. One year ago, mortgage rates were hovering in the mid-4% range after almost touching 5% at the end of 2018. With these ups and down of mortgage rates comes a boom in refinancing activity and the need for appraisals. In the first week of March, Quicken Loans reports the largest single-day volume of mortgage applications in the company's history. The 10-year Treasury note, which influences values and economic conditions, remains low (0.767% as of March 8, 2020). Traditionally, Treasuries under 1.7% trigger a refinancing boom, which in turn makes appraisers busy.

While, in general, the economy is healthy as stated above, the Coronavirus is currently threatening the U.S./World economy. March 9th the Dow Jones Averages dropped 2,013.76 points or 7.79% for the day. The decline was the worst one-day point decline ever for the Dow. The March 9 selloff, which caused major averages to be temporarily halted due to volatility, caused the New York Federal Reserve to increase its daily cash injection into the banking system to \$150 billion from \$100 billion. The virus is causing a lot of cancelations of sporting events, most recently being the remainder of the NBA season. Many mass gatherings, on a local, national and international level

have been canceled. Multiple state governors have declared “states of emergency” which will allow the state to supplement local resources in preventing or alleviating damages, loss, hardship or suffering. The travel industry is really feeling the effects with people cancelling planned trips and airlines cancelling flights to various locations throughout the globe. The long-term effects this will have on the economy is still to be seen. If the stock market is any indication, there are a lot of fears currently in the market.

Tom Sweeney, SIOR, is president, and David Widmann is vice president of Sweeney Real Estate & Appraisal, Providence, R.I.

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