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## Appraiser's perspective - by Bill Pastuszek

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I sit here in my comfortable office, able to work, feeling not all that essential but nonetheless classified as such, and worry about the human toll. I think about those that are sick, those who care for the sick, and those struggling with the crisis' social and economic ramifications. Digesting the news and views, and trying to make sense of the data and of those trying to make sense of the data. Appraisers ask and get asked a lot of questions. Here are some.

Q. Where's the data?

A. Market analysts and appraisers live for hard information, verifiable transactional data. Good market data is somewhat retrospective in nature. Fast-moving markets always present a challenge in getting timely data.

Q. When will the market recover?

A. Said famously, it depends. Research shows market perceptions on recovery based on location and property type and positioning.

Q. How long will it take for the market to recover?

A. Wouldn't we all want to know that? Real estate isn't one big market but a bunch of fragmented markets, all with their own quirks. The big institutional markets have their own gravities, as do localized, smaller markets.

Q. What will the market look like when it recovers?

A. Great question. No good answers. Again, it depends. Some markets are likely to bounce back and continue on in much the same way they did pre-COVID-19.

Some more pointed questions.

Q. How can appraisers operate under conditions of uncertainty?

A. Without seeming flip, appraisers do this all the time. Certainly, these particular market conditions pose special challenges due to the nature of the crisis. Consider 2008, conditions of extreme

uncertainty affected the economy and real estate. Valuations were made that stood up over time.

Q. Isn't an appraisal a prediction?

A. Appraisals are not predictions, or educated guesses: they are based on forecasts, which are opinions supported by facts of the market place, including market participant's perceptions.

Q. What's so special about the effective date?

A. The appraisal's effective date fixes the appraisal's opinions at a specific point in time, based on prevailing market conditions. Those conditions may be different the next day or a month from the effective date. The appraiser and the reader obtain a context with which to understand the value. What are you assuming as an appraiser? Many things are assumed – appropriately - in an appraisal, but assuming market conditions are normal without then defining what normal is can't be done. Abdicating responsibility for appraisal opinions by assuming normalcy is not an option; opinions have to be supported, based on the best information available at a moment in time. That information may be less definitive than that pre-COVID-19 but the information – more anecdotal, less clear cut - is there to be found and analyzed.

Interpreting markets that are not behaving rationally or are not providing clear signals as of a point in time, may well require the appraiser to say that.

Thus, warning language - not as an assumption - is appropriate.

I have my own thoughts about these matters. These will stay with me. I will check back with myself and see if I guessed right a number of time over the succeeding months. Real estate is a long-term investment and extreme, unprecedented short-term turbulence on a long-term investment class should not be a reason to jump to conclusions. It's not the stock market!

Take good care out there with yourself and others. Think about the principle of change. Go back to basics in times like these. Think and think some more. Draw supported conclusions about markets.

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