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Technology in the time of COVID-19 - by Bill Pastuszek

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In this jumbled, unreal, and hard time world, after a long, uncomfortable lock-down, we yearn for some semblance of normalcy. As we start to come out of the lock-down, we think about doing things that we haven't done or haven't been allowed to do.

It's been an interesting few months for appraisers. The profession in all of its disparate practice areas have had to come to terms with how the COVID environment has affected not only markets but also how appraisal is conducted under these conditions.

Inspections have been a highly affected part of the appraisal process. Viewing and inspecting the real estate is a critical piece of the appraisal process both residentially and commercially. Prior to this uncertain period, a continuing debate about inspections has been ongoing. More specifically, obtaining relevant subject physical characteristics continues to be debated, which is really the point of conducting personal inspections.

During the lock-down, appraisers in many parts of the country have been active, when allowed. And, there has been a surprising amount of real estate activity. In order to accomplish inspections where required, and relying on third party information where not required or not possible, some creative solutions have emerged.

Where some client groups have set up a binary approach to appraisers' reliance on sources for relevant physical characteristics, the market in general has responded in a constructive manner to solve this issue.

Reliance on Third Party Information. Many appraisers and clients have become comfortable with "non-interior" inspections. (Remember USPAP does not require an inspection: inspection is a requirement by the client or a choice by the appraiser). With an exterior viewing and information provided by owner, tenant(s), broker(s), prior appraisals, and other sources, the market has found some creative solutions. Appraisers often choose to employ an extraordinary assumption.

The inspection issue is less of a problem in commercial practice. It is, however, in all cases, the appraiser's responsibility to make the determination if the source and quality of the information about relevant characteristics allows for an acceptable scope of work.

Inspection technology has evolved to meet the needs of remote inspections. Vendors have fashioned solutions to allow appraisers to "see" the interior with various means to establish veracity and reliability of the transmitted results. The solution is thus to use web-based platforms, and real-time imagery. While legitimate concerns have been raised, the brokerage and construction communities have been using virtual tour technology for some time.

This trend may be a good result out of the COVID crisis. The industry will have to work through the ramifications of this technology.

High Level Data. There is a flood of economic data that washes over us, real estate data not an exception. Much data generated is often read and written about out of context. The amount of data we are exposed to regularly has grown exponentially; our ability to sift the data often has not kept pace.

Real estate operates on a long term view. Appraisal relies heavily on retrospective data; appraisers try hard to make sense out of historical data in the context of today, which is challenging but not impossible.

High level data viewed in the short term can lead one to, perhaps, correct in the short run, conclusions. Acting on that type of data is reactive and not in line with buyer and seller thinking. Understanding impacts of data and behaviors, short- and long-term, is what an astute market analyst is about.

Drones. “New opportunities in using unmanned technologies in real estate have arisen from the COVID-19 pandemic,” a drone expert notes. Aerial drone inspections can produce “additional and unique data for appraisers.”

Why isn’t drone technology in appraisal more widely used? USPAP addresses the issue, suggesting that the technology is another useful appraisal tool, like GPS. In many cases, drones can provide perspective and information not otherwise obtainable.

By itself, a drone inspection does not constitute a personal appraisal inspection. But it can be part of the appraiser’s overall data gathering process.

Expect to see some further evolution of this technology. While many appraisers utilize the technology in various ways, expect also to see more widespread use as an adjunct to other forms of data gathering.

Will appraisers be expected to become drone pilots? I know one person that won’t be doing that. There is a robust cadre of operators that will fulfill this need, which raises the reliance on third parties’ issue again; this will get worked out. There are also regulatory issues that need to be solved. The expert further notes that “real estate appraisal firms have barely scratched the surface” of drone technology capabilities.”

Remember the slow adoption of GIS technology? It was very forbidding at the beginning, a steep learning curve. It is now ubiquitous, used not only by experts but by the general public. The big online retail giant is just waiting to introduce drone technology, with voice recognition as well.

The appraisal profession has attempted – mostly with success - to respond to the challenges presented by a truly exceptional time of crisis. The challenge will be to ensure that the integrity of the process is preserved coming out of difficult times. Avoiding expedient solutions and preserving public trust is more important today than ever.

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