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The current state of appraisal - by Bill Pastuszek

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Where have all the appraisers gone? Where are the new ones coming from? Will technology take over the appraisal function? Why is it so difficult to become an appraiser?

During this strangest of six months, I have had a chance to ponder things. I have done some research and reading about the valuation process, the nature of value, the role of regulation, and of the effect of appraiser licensing on appraisers. As a result, I have a lot of questions about appraisal. I am not quite sure who to ask, so I will ask you, my readers to consider these questions. I have some thoughts.

I have an admission. More than ten years ago, the Appraisal Foundation's Appraiser Qualifications Board created upgraded educational standards for appraisers entering the profession. I, along with many others, thought this a laudable concept. What could be better than having well educated, ethical, and competent appraisers?

My admission is that I was wrong, along with many others. Not entirely incorrect, but the upgrading of entry requirements worked against the goal of creating more and better qualified appraisers. The high barriers to entry proved to be a strong disincentive to attracting talent to the profession, particularly.

Was this a case of unintended consequences? Wisely, the Appraiser Qualifications Board recently revamped some of the requirements for entry. For instance, college degree requirements for certain license categories were relaxed. This was in reaction to the realization that individuals seeking entry into an interesting line of work faced impossibly difficult entrance requirements for a long learning and pay curve. Together with the educational barrier, the cost and time necessary to acquire requisite qualifying and continuing education represent daunting obstacles.

In reaction to some of the excesses that led to the Great Real Estate Collapse, the whole system of gaining experience through supervisor/supervisory relationships created expensive and cumbersome outcomes. It's no wonder that the best feeder system for appraisers is through family businesses.

The advent of Appraisal Management Companies during the Great Recession further fractured the structure of the profession. Many appraisers ended up largely working solo and not enjoying the benefits and efficiencies of working in a firm as it was not economically feasible to do so.

Did we really need a college degree for much of the appraisal work out there? Why isn't appraisal taught at colleges? Why is so much appraisal education mediocre at best and downright misleading at worst?

Unfortunately, damage was done. There wasn't a flood of new appraisers, but a bare trickle. This old, white, and mostly male profession continues to be so. Who is coming into the profession? Why

isn't there more diversity in this profession? What will appraiser users do if there continues to be a deficit of qualified practitioners entering the profession?

Much of what has been discussed here relates particularly to residential valuation, which is much more tightly regulated than commercial real estate valuation. Residential appraisal is mostly about mortgage loan valuation and is tied to the requirements of the GSEs, Commercial valuation less so.

Valuation is a most interesting profession. Those of who practice valuation find appraisal as being of "part art, part science," a wonderful challenge, one that makes each day a fresh endeavor (most of the time.) Current practitioners find the regulatory requirements – or at least how users/clients interpret them - often irrelevant and enervating, contributing little to the disciplines involved in appraising.

A good summer read, if you are interested in summer reads, is Dispatches from the Cosmic Cobra Breeding Farm, by Jeremy Bagott and Annie J. Wu (Kindle and paperback). It's one of the few books I have come across, other than USPAP and The Appraisal of Real Estate, that is largely devoted to appraisers and their regulation. There is some heavy going but it's a fascinating take on the regulation of the profession.

Keep asking questions. It's necessary. If you have trouble getting anyone to answer your questions, let alone listen to them, you may find the answers yourself. There are a lot of questions in this article that didn't get answered. That's okay, the answers may come to me in a moment of contemplation. But, if you have answers, let me know.

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