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Addressing bias in appraisals - by Bill Pastuszek

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As professional real estate appraisers, we proudly point to the accomplishments that the profession has made over the past half century. We look to the ongoing development of high performance standards for our various practice areas, in part through the continued evolution of USPAP. We continue to enhance appraisal education for practitioners and those seeking to enter the field.

Appraisers are required by USPAP and other industry guidelines to perform their assignments objectively, impartially, and without bias. Many, perhaps most, appraisers believe—with some justification—that they do so. But with the heightened focus on social justice and equity during this past year, the real estate industry and appraisers have once again come under scrutiny. It is right to ask, do we, can we do better?

USPAP defines bias as “a preference or inclination that precludes an appraiser’s impartiality, independence, or objectivity in an assignment.”

The Standards of Valuation Practice define bias as: “not reasonably supported, and favoring or promoting the cause or interest of the client, one’s self, or another.”

USPAP tells appraisers not to be biased.

The Ethics Rule states an appraiser “must not perform an assignment with bias.” It further states that appraisers “must not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.”

These admonitions have always been a part of USPAP. But USPAP tells us what we should do; USPAP does not tell how to do it. Does our somewhat tacit acceptance of these responsibilities mean that we are therefore without bias?

We observe and interpret market behavior, and base our opinions on the results of observations, data, and analyses. Our decisions and opinions influence the markets we work in and thus make us part of the market. There is good documentation showing that over the past 40 + years there still is a huge amount of built-in, systematic bias in the real estate industry. Is there pervasive, overt, and/or unconscious bias in appraisal practice? The issue bears much closer examination than has been given to date.

As real real estate professionals, we need to examine –with an open mind and in light of emerging studies– how we interpret the data we find in the marketplace. We need to examine–very deeply–the assumptions and habits we are bringing to that data.

Do we need to, and how will we:

- Question and interrogate the sources of the data that we use?
- Recontextualize–think differently–about the data we find, and examine it in different and expanded ways?
- Better understand how we select and adjust the data we use to arrive at our market and value opinions?
- Understand better the types of data bias and our own biases that affect our results?

There are many forms of bias that are built into our professional and personal environments. We are the products of our environment, and our past training, experiences, assumptions, and habits.

It is time for a fresh look, for new kinds of professional and self-education, and for the deep conversations that will identify and address any biases driving our profession.

Uncomfortable with these lines of inquiry? I am. We should be. Events of the recent past have provided much needed urgency to dig more deeply into these issues.

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