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Keeping up with the real estate market - by Maria Hopkins

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As I head into my 37th year as a Real Estate Appraiser, it is evident to me that this real estate market continues to be the hottest I've ever experienced. I continue to encourage my colleagues to keep up with the market. Our clients pay us to tell them how buyers and sellers are reacting to the market. We do not set the market, we report it. Most areas of the market have been increasing through 2020 and 2021. Buyers and sellers know that, real estate agents know that. The media reports it. Statistics show it. Why then are there still appraisers not doing upward time adjustments when it is warranted? Two years ago, when I interviewed a few of them I got some disturbing answers, none of which made any sense or justified their position. Some appraisers have since figured out that they were inaccurately reporting. Others are still stuck behind the times, sometimes letting a stubborn ego get in the way. Over the last year I have discussed the issue with many lenders, underwriters and reviewers. Their concern is that if appraisers aren't keeping up and telling them that the market is increasing on reports and applying time adjustments, will they be able to recognize when the market is softening, stabilizing and ultimately declining as happens in the cycle of real estate. They want to have confidence in their appraisers to report the market accurately. Some appraisers think that if they are lucky enough to find sales that have closed in the last 3 months, they shouldn't have to do time adjustments, but if the market is continually rising every month, then that is still not good enough. I do a lot of appraisal reviews for lenders as well. Some appraisers have never worked in a market like this. A time adjustment must be applied to the date the seller and buyer agreed on the price, which is the date it went contingent. The marketing time should also be reported as of that same date. In MLSPIN it is the Days to Offer. Lenders have told me they have actually had to teach some appraisers how to apply a time adjustment correctly. This tells me that we need more timely education.

Appraisers would be prudent if they belonged to an appraisal organization and had discussions with their colleagues. We often get trapped in a bubble in our office, behind our computer and with the pandemic this became more of a problem. There is true value in networking with your peers and your clients. Communication is so important. Appraisal Management Companies (AMC) would do well to actually have discussions with appraisers instead of people who build computer platforms to figure out how appraisers work and how they can run their companies more efficiently in partnership with their appraisers. Most AMCs couldn't do more wrong to work efficiently and make more money. It is frustrating to watch. It is comparable to how most lenders handle foreclosures and short sales. They couldn't do more to lose money. The system is broken. Lenders and appraisers generally hate the current system. Necessary changes had to be made to stop the collusion and fraud by mortgage originators and appraisers. However, the current system has had a lot of negative unintended consequences. The market is now softening in certain pockets of the market. It is wise to actually get the other offers agents are stating they got on a property. Often there aren't as many as there used to be. There aren't as many people at some of the open houses. We have seen a lot of sales fall through and come back on the market, sometimes a concerning number of sales. Are they falling through at home inspection, are there cases of buyer's remorse, or did they lose financing? If so was it due to the appraisal or something else? Communication with sales agents is important to keep up with what is actually happening with the market. Most agents will disclose sale prices of

listings on deposit because the appraiser has to keep it confidential and this information is key to support the time adjustment used, in conjunction with other sales/price statistics in the town, either year over year or 6 months over 6 months. I am sad that we are not going to meet each other at the appraisal expo this year as the networking is not the same online.

Let's hope next year we will be in a better, safer place. Can't wait to see my colleagues in person and would like to meet those entering the field. Stay safe out there.

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