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## **Residential appraising in 2025 - by Bill Pastuszek**

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Residential appraisers are working through some challenging times. High interest rates, lack of transactional activity, upcoming changes in report, and continued assaults on the integrity of the profession have taken a toll. Many appraisers have changed careers or opted for retirement. Others

have expanded the scope of their services and have branched out into other practice areas.

**Market Trends.** A recent Warren Group report “shows that the median single-family home price rose 2.3% on a year-over-year basis to \$665,000.” This increase is pretty much in line with CPI data. The number of sales has increased over 2024, although that isn’t as meaningful as sales volumes have been very low in the past few years.

The Massachusetts Association of Realtors (MAR) reports a marginally higher increase in median price – 3.6% - increased number of sales (4%) and increased (7.2%) numbers of listings.

Both sources report declines in condominium prices and volumes. MAR notes a nearly 17% increase in condominium listings. The Warren Group data shows the trend both statewide and in the Greater Boston Market Area (within I-495).

The condominium market trends are of some concern. While the single family market is keeping pace with inflation, and condo markets are not, are there reasons to be concerned?

**New Forms.** The residential appraiser is going to be challenged by the new form that the GSEs have devised. While a change in reporting formats is long overdue, the new reporting protocols are going to present a somewhat steep learning curve with some fairly intensive training requirements.

The challenge appraisers face is in accurately depicting market activity relevant to the subject property and basing valuations on sound data and analysis, all the while accomplishing these analyses and others in an efficient and cost effective manner. While broad statistical data is useful, appraisers need to focus on trends specific to the subject. The GSEs have provided guidance in these regards but many appraisers will need to gear up to meet these challenges.

Rather than relying on straight line indexing such as the Warren Group and MAR reports above, appraisers are expected to report rate of change adjustments by comparing each comparable to the subject. Thus, each comparable will have a unique, individualized rate of change and market conditions adjustment. This type of approach better reflects seasonal variations in housing markets and is designed to improve the accuracy of the market conditions adjustment. However, this change requires enhanced data analysis in order to provide supported adjustments. In addition to selecting relevant comparables and making supported adjustments for factors such as location, age, condition and size, markets and market changes will be measured with a greater degree of accuracy.

**Appraisal Bias.** Allegations of appraisal discrimination has concerned the profession over the past five years. The issue has caused the profession to examine the appraisal process. Changes have taken place to address this uncomfortable issue. While the entire issue is probably not settled, appraisers are more aware of ways to eliminate, to the extent possible, the potential for bias – or the appearance of it – the development and reporting of their value conclusions.

Recent court case results seem to indicate that some lawsuits have been resolved in favor of appraisers. The Appraisal Standards Board provide changes in USPAP to address the issues of

discrimination and bias and give appraisers sound guidance in how to comply with law and to provide unbiased appraisal results. The end result is a profession that now has better tools to continue to provide valuation services competently, independently, impartially, and objectively.

**Expansion of Services.** As a consequence of reduced appraisal volumes due to lower mortgage activity, residential appraisers have branched out into other practice areas, such as litigation-related work, estate planning assignments, land-related appraisals, and other types of assignments that require different types of expertise.

Any appraiser entertaining work in a new practice area should be familiar with the Competency Rule of USPAP. The rule is presented on a single page of USPAP and provides excellent guidance on defining what competency consists of, how to gain competency, and what to do if competency is not achieved in a specific assignment. Required reading.

Appraisers seeking to expand their services need to be prepared to put the time in – with self study and coursework and possible affiliation with other appraisers with the requisite skills, at very least – to become competent at the start of an assignment, not during. Plunging into new practice areas without the necessary knowledge and skills can result in substandard work.

**Conclusions.** Since the Great Real Estate Recession, residential appraising has trended towards being an even more challenging and more regulated profession. I go back long enough to remember “back in the day” times when appraisers would pull a few comparable sales, make some adjustments to the sale, write up the report, send it and move on to the next. Yes, and I remember stick on arrows and map books and struggling for market information. Yes, those are days long gone. Enjoy the rest of the summer!

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