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## How much longer can we hold on?

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Almost no one has been spared the impacts of the current economic woes which are global in magnitude. Real estate vacancies are increasing, particularly in the retail sector. Unemployment rates are rising. Companies are announcing layoffs and closings. Auto dealerships are going out of business due to not only declining sales volumes but also the inability to obtain lines of credit from financial institutions for inventory purchases. It's not a pretty picture, and our elected officials are warning that the situation will get worse before it gets better. I keep asking myself how much worse can it get. Apparently quite a bit.

Of course, the appraisal industry is part of the economy. In my discussions with other appraisers, those of us who focus on single family valuations are more active now than in the recent past primarily with home refinancing at record low mortgage rates and foreclosure work. Nothing quite like the refinancing and purchasing frenzy of yesteryear, but they are making a living, kind of. Those of us who specialize in the commercial sector are feeling the pinch a bit more. How much longer can we hold on? I'm not sure.

In addition, everyone is looking for a bargain. I received a call from a client the other day. Our company did an appraisal on a property owned by this client and his partner back in December 2006. His partner died this past year, and he wanted me to write a letter suitable for submission to the Internal Revenue Service for estate settlement purposes stating that the value of the property has not changed since the 2006 valuation. He also thought that I should not charge for writing the letter.

I gently told the client that my time is valuable so I would not write the letter for free plus before I could write the letter I needed to do the necessary analysis based on solid market evidence to be able to make the claim that the value had not changed. As way of explaining, I asked my client if he owned any stock in December 2006. He said yes. I then asked him if his stock was worth the same today as it was then. He said no. Fortunately we were able to come to an agreement but it took some negotiating.

According to some estimates, about \$400 billion worth of commercial real estate mortgages will come due by the end of 2009. With the current economic situation characterized by higher vacancies, the value of many of these properties may be inadequate to support the existing mortgages. Hopefully this commercial property refinancing as well as the stimulus package before Congress will generate work for appraisers.

In these tough times, it is important to look at the bright side. The price of gas remains low in comparison to the high of more than \$4 a gallon this past summer even though we have no place to drive. In addition, the projected labor shortage as a result of all those baby boomers retiring probably isn't going to happen. We'll all be working hard into our dotage making up for the losses to our retirement plans during this recession.

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