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## **Mass. Appraisal Institute: Keeping up with the times**

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The Appraisal Institute, and more specifically the Massachusetts Chapter, continues to work to keep its members up to date with what is happening in the real estate world, as well as educate and equip them with the tools needed to appraise in this difficult environment.

Valuation for Financial Reporting (VFR) and Valuation During Market Decline, a 2 hour seminar was offered by the Chapter on May 14th. The seminar was paneled by four of the nation's leading real estate and accounting professionals. The panelists and some of their comments included:

Douglas Poutasse, executive director of NCREIF - By January of 2010, the U.S. will most likely be able to look back at a lost decade of job growth. This potentially will be the first decade in the past seven with no net job growth. Poutasse went on to discuss the fact that new supply only results in vacancy increases when we see no job growth. Overall, valuation frequency is up and cap rates are increasing. Out of 6,200 properties in the NCREIF Property Index, there have been only 19 sales since first quarter 2008 - sales volume has disappeared.

Jeff Kiley, PriceWaterhouseCoopers - Kiley discussed the roles of auditors and appraisers with respect to investment real estate and more specifically their roles in US GAAP Fair Value Financial Reporting. The discussion turned to FSP FAS 157-4 Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. A good dialogue followed between Kiley and the other panelists relating to FAS 157 concepts and issues.

Mark Bates, MAI, CRE, FRICS, Integra Realty Resources - Mark continued this discussion with a focus from the appraiser's point of view. He provided an introduction to VFR and FAS 157 as well as their impact on appraisers and the potential opportunities for appraisers. He opined that mark to market is here to stay and that appraisers need to find the opportunities to take advantage of this move in accounting regulations. He further pointed out that the SEC has proposed that in 2011, the largest 20 public companies in each SIC code should report assets at fair value. If this goes well, it would be mandatory for all public companies in 2014.

Ted Anglyn, MAI, Forge Capital Partners - The seminar was rounded out by a lively presentation by Anglyn regarding valuation during a market decline. Anglyn, being an investor, provided first hand insight into the real estate market, the lack of available debt capital, new loan underwriting standards, and loan term patterns. Anglyn then turned to valuation concepts in a distressed market environment, including the need to focus on investor expectations such as utilization of actual vs. proforma NOI, the need for more incentives, lower rent growth forecasts, longer sell-out/lease-up forecasts, and higher yield requirements. Anglyn finished the discussion with an enlightening Profit Incentive Concept.

Anglyn's discussion was a brief overview of his recently written course entitled Appraising Distressed Commercial Real Estate. The Mass. chapter offered this course on June 2nd and it was

well attended by appraisers, lenders and institutional investors. Attendees commented that the broad attendance from these various groups led to a lively discussion and an excellent educational opportunity.

The chapter's Emerging Leaders have also remained active. Their most recent event was the first Breakfast Series on May 8th. Elizabeth Garner, attorney at Brennan, Dain Le Ray, Wiest, Torpy & Garner, provided an insightful discussion of lease arbitration and extension clauses and the process involved with relation to appraisers. The meeting was attended by several young chapter members and also several local attorneys.

Upcoming educational events include:

- \*Appraisal Curriculum Overview - June 11-12

- \*Appraisal Curriculum Overview - Residential - June 11

- \*General Appraiser Report Writing and Case Studies-June 17 - 20

Upcoming social events include the annual Red Sox Summer Social and a social cocktail hour at the rooftop Terrace Bar at the Hyatt Regency Boston. The cocktail hour is being hosted by the Emerging Leaders and will be held on June 10th and all are invited to attend.

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