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Economic conditions are improving...Really

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Without a doubt, this economic recession has been challenging for every industry with very few exceptions. The appraisal industry has been particularly hard hit. In January 2008 I noticed that incoming assignments were down about 25% from the prior year. I initially disregarded this as nothing more than a normal irregularity in the course of business - in the past an unusually slow month was typically followed by an unusually active month. But when the decrease in the number of jobs coming through the door persisted, I knew something was amiss.

The fact that other appraisal firms were in similar circumstances offered some comfort, but did not improve the situation. As time progressed, the problem became all too clear. A year ago, the economic news just kept getting worse. The companies that were too big to fail were failing and receiving government bailouts to keep them afloat. No appraisal firm fit that category, and certainly not my firm.

In addition to the slowing economy, appraisers had to cope with increasing regulations including the Home Valuation Code of Conduct (HVCC), increasing errors and omissions insurance premiums, increasing licensing fees, and increasing scrutiny by regulators. How did we respond? As any business would. Some appraisers left the field. The ones that remained did what had to be done to survive. That meant cutting staff, reducing costs, reducing waste, renegotiating leases and any other activity that improved the bottom line without sacrificing quality. One cost saving measure we undertook was to print our reports double sided. As simple a measure as that sounds, the amount of paper used has been significantly reduced with the added benefit of a decline in postage costs. Our bottom line improved and the environment benefited.

Appraisers are not the only ones closely examining how to make operations leaner and more efficient. This has happened across the board with very positive effects. Recent economic news supports this notion. Bailout funds are being repaid. The rate of job loss is slowing down. The rate of productivity has increased due in large part to cost cuts. The stock market remains volatile but is trending in an upward direction. The downward housing spiral is slowing and even reversing within some markets and the backlog of inventory being absorbed. All these things need to happen before a full-fledged recovery can be declared.

We can expect the unemployment rate to continue to creep upward before it reverses. One forecast predicts that reversal will not occur until well into 2010. Consumer spending, considered to be the backbone of the economy, remains sluggish at best. The flip side is that members of the public are finally learning to live within their means and even save, a far cry from the free spending days when home equity accounts were treated as ATM machines and the nation as a whole experienced a negative savings rate.

Of course, naysayers exist that warn of a false recovery and of a potential backslide into phase two

of the recession. We obviously have a long road to travel before we can say that this recession is behind us. That being said, I'm going to take the positive outlook and say the glass is half full.

Patricia Amidon, MAI, is principal of Amidon Appraisal Co., Portland, ME.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540