

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

A. Appraisal Organizations

10. 1978-1979

- a. "Fair Market Value Appraisal at the
Watershed", SREA Philadelphia Chapter 2,
February 23, 1978

Dinner Meeting
Society of Real Estate Appraisers
Philadelphia Chapter 2
Thursday, February 23, 1978

Marriott Hotel, Philadelphia

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FAIR MARKET VALUE APPRAISAL AT THE WATERSHED

- I. Appraisal of property at fair market value is becoming a part-time profession and for some may regress to a trade of building inspection. Appraisal societies need to face up to the fact that events are pushing them to the necessity of restructuring their procedures and policies or be passed over by a post-industrial society.
 - A. A Saturday Evening Post once argued that the dinosaur would come back when it got hungry. Appraisal may come around when it, too, gets hungry.
 - B. There are a number of trends which are reducing the market for fair market value appraisal, and employment for independent appraisers.
 1. Clients are asking more specific questions. One of Philadelphia's appraisers, Charles Seymour, said it best with the observation that "more and more of my decisions are valueless."
 2. Real estate appraisers can serve their clients better by signing their analytical work as counselors than as appraisers.
 3. Accounting, engineering and architectural firms are packaging their services from valuation through construction management as real estate consultants. These take the low frequency, high fee items.
 4. The appearance of organized quality data banks such as the SREA data center ultimately means better appraising of class properties (single family, filling station, small industrials, lots) at lower cost on a volume basis.
 5. Historical fee patterns will force the true independent appraiser out of mortgage lending and security registration. He is responsible to one party for objectivity but must be paid by those who do not want objectivity, they want an advocate. The refusal of lending institutions to be responsible for appraisal fees related to loan submissions continues to leave the appraiser in an impossible position. The appraisal societies must correct this glaring structural flaw before moving forward toward professionalism. Their fees should be court costs, mortgage fees, or liens upon the real estate.
 6. As real estate investment becomes institutionalized and accounting is pressured to report fair value as well as historical value, appraisers must bring their terminology and their definitions into a unified financial terminology with the accountants and the security analysts or the latter will establish their own appraisal fraternity.
 7. Careful property analysis requires multiple disciplines leading to partnership with land planners, architectural engineers, or consumer research specialists.

- II. The recent action of the federal court attacking appraisal and lending societies for fostering trained incapacity with predilection for discrimination was perhaps the most unproductive, counter-productive and disastrous blow to appraisal reform that might have been undertaken.
 - A. The suit setback merger, unification of educational standards and material, and a major overhaul of appraisal theory by ten years because now the appraisers won't work with government, and government must have a role in restructuring since its regulations ultimately define the appraisal functions.
 - B. Prof. Kahn of Yale has made a strong case in a recent book The Next Two Hundred Years, Kahn, Brown, and Martell. William Morrow & Co., New York, 1976 that the doomsday boys are in error and overstating their case. Resources are available to continue our prosperity so long as we are not guilty of mismanagement of critical issues.
 - C. Since government is always capable of mismanagement of critical issue it follows that appraisal societies must tend to appraisal with great statesmanship. Personality differences must be submerged in order to merger, but more particularly to advance a restructuring of the appraisal process.
 - D. Once before appraisal was at the watershed following the disaster of 1928-34. The result was that a group of vested interests, the brokers, the financial institutions, and the government hammered out an agreement on the basic standard for the appraisal philosophy.
 - E. Once again we have reached that watershed and once again the appraisal societies, the financial institutions, the government including the SEC, and the courts must convene and define contemporary elements of the appraisal structure.
- III. As a small actor in the Revolution, I have become the assessor of Maple Bluff, a rich Republican suburb who has allowed a social land exponent in the back door as assessor.
 - A. The system was designed to be administered by a part-timer in the future. The community is virtually built up with no more than a dozen lots remaining.
 - B. It is designed to avoid multiple regression valuation and retain market comparison to selected comparables. Major adjustments are based on market data, minor adjustments reflect appraisal judgment. judgment.
 - C. All of the output can be read by the taxpayer in layman's language.
 - C. Procedures for updating are simple and for a community of 600 parcels, can be done once a year.