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Appraising: Partnering Building an A-team

May 1997

By Hank Fontes, SCRP

In Brief...

Shared information can result in more effective analysis of home values. One appraiser offers his suggestion as to how this can be accomplished.

A session that took place at the 1994 Relocation Appraisers and Consultants (RAC) meeting stimulated a lot of interest in an A-team concept. Several companies that regularly order appraisals requested additional information about it and over the last two years, I have heard people say that the A-team would work well with various ideas. I also have heard people say that the A-team would not work because of an appearance of collusion; nothing, however, could be further from the truth.

Let me describe the concept behind the A-team. The A-team would allow brokers and appraisers to trade information that would help each in his or her independent effort to estimate the value of a transferee's home.

Assume, for example, that two appraisers have been asked to estimate the value of a transferee's home, and (as happens in most corporate moves) a real estate agent has been asked to offer a broker's price opinion on the same home as a cross check against the appraised value. The A-team would consist of the two appraisers and the real estate agent, a relocation management company or in-house person who orders and reviews appraisals and broker market analyses (BMAs), and a person from the company who initiates the transfer. Ideally, these people all should have their CRP™ or SCRP™ designation.

The appraiser and real estate agent would do their work as they always have, and since they do not know each other (unless by chance), in most cases they would not speak to each other. The relocation management company or in-house person would coordinate getting the data from the appraiser and agent, giving the appraiser the broker's marketing strategy, and giving the agent the appraiser's answers to questions raised by the agent.

With all of the e-mail and electronic data interchange that is available, this transmission of data could be done with a few keystrokes, without any delay in the valuation process. It would give each party more data for a more accurate analysis. The individual with the corporation transferring its own employees would oversee the entire move.

Collusion? No! High-tech analysis? Yes.

The A-team concept would take advantage of the growing professionalism in the relocation industry. It is not unusual today to find appraisers and real estate people who have been in relocation for 20 to 30 years. Many of these people have fine-tuned their appraisal and real estate skills to meet today's relocation challenges, but the valuation process is still fragmented.

Appraisers attend various appraisal seminars and workshops around the country as well as ERC conventions. They have increased their skills in technology, upgraded their computers, and have increased access to the real estate community via multiple listing and online database services.

Real estate agents have done much the same, embracing technology and attending ERC conventions and all the seminars available to them in their area. Many appraisers and brokers have achieved their CRP™ or SCRP™ designation along the way. These are skilled people, but do transferring employees know what these designations mean? Do they care? How many times have you been asked during an interview with a transferee whether you are a CRP™ or SCRP™? Probably never.

A couple of years ago, I was asked to review BMAs by a pre-marketing company "just to keep things honest." In reviewing those BMAs, I found some really innovative marketing strategies.

Most real estate agents who know their markets know what it takes to sell homes--and they are not afraid to be creative to generate buyer activity. Creative real estate salespeople are not reluctant to ask appraisers how to adjust for things they are not sure of, such as the impact on value of homes backing to freeways, power lines, or bad views, and how such adjustments change with market conditions. Appraisers share their knowledge with real estate people and, if they were asked, real estate people would, in turn, share their market knowledge with appraisers.

During the course of an appraisal, appraisers have to call real estate agents to obtain accurate data on the listings and comparable sales they are using in their appraisal analysis. Most of these agents are not from the company that has been asked to do the BMA. This is an accepted practice in the real estate industry and clearly does not constitute collusion between the appraiser and the real estate agent.

If the appraiser had access to the broker's marketing strategy and the real estate agent had access to the appraiser's knowledge of paired sales analysis and adjustments for things that are unclear to real estate agents, we would have a more accurate value from both appraisers and real estate agents.

The A-team, by designating a relocation counselor as a conduit for information exchange would make this possible. Clearly this would no more constitute collusion than would appraisers' current practice of fact checking.

Not only would the accuracy of value estimates be improved but transferees also would feel more confident about the valuation process. Today, most transferees are given a list from which they can select an appraiser. Unfortunately, most transferees have never heard of any of the appraisers and usually will ask a real estate agent if he or she can recommend anyone, or they take a chance and make a selection based on their conversation with the appraiser.

Transferees rarely ask appraisers how accurate they have been in their previous appraisals. The A-team concept would allow the person with the transferring company to offer the transferee the services of a group of professionals with a proven track record for accuracy, timeliness, overall performance, and with CRP™ and SCRP™ credentials.

The end result would be that appraisers and real estate professionals could perform in their respective roles and not cross into unclear areas, as each would have a clear agenda. Real estate valuations would be more accurate and fewer homes would go into inventory.

The process no longer would be fragmented. Rather it would have taken the combined knowledge from the best and most dedicated appraisers and real estate agents in the business to arrive at market value.

The last issue deals with statistics. Most relocation management and in-house companies rate an appraiser's performance by how close the appraised value came to the actual selling price. We all know there are many reasons why homes are sold for more or less than the accepted tolerance given to appraisers.

When appraisers get report cards showing poor performance, they all scramble around trying to find out what went wrong, as they were certain of value when the report was sent to the client. When appraisers get a good report, however, it probably gets stuck on a bulletin board for several days.

The problem with these statistics is that appraisers take the rap for accuracy when they have no control over the selling price. Rarely are they called on to determine if a company should accept an offer that is no where near their appraised value.

Companies have the right to sell their homes at any price they choose, but why not make the statistics issue a bit more equitable and fair? Why not rate the entire A-team on a performance valuation basis?

Fact, fantasy, or real change? The A-team concept represents an opportunity for the latter, for real change that can benefit all the parties to the transaction. It is an idea worth considering.

Hank Fontes, SCRIP, is president of Fontes, Appraisals, Costa Mesa, CA, and has been active in relocation appraisal since 1970. He was on ERC's original Appraisal Standards Council and is a founding member of the Relocation Appraisers Consultants and its 1992 president.