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## **Appraisal Report: Appraising for a Group Move**

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A group move involves a number of unique challenges to everyone involved, including the appraiser. The typical problems occurring with one relocation appraisal may be magnified many times, depending on the size of the group and the timing of the move.

ERC research has shown that a group move is not the same as a number of individual relocations over a longer period. It is likely that there will be different corporate policies and procedures for the group move. Some unique characteristics are as follows:

- The transferee's existing job at the same level, without promotion, usually is being relocated, so the employee is moving to keep his or her job. This leads to greater questions regarding job security.
- There is a much greater impact on the community and the real estate market, both at the departure and destination locations.
- Transferees' fears and concerns are magnified, and they always have more questions.

Appraisers need to be aware of the tendency toward greater-than-normal transferee anxiety in a group move, and respond accordingly in their interactions with these employees. While appraisers may look forward to multiple assignments during a group move, proper planning and a commitment to service will be required to meet the client's needs. There may be different guidelines with regard to turnaround time, and the appraiser must use his or her "window of time" efficiently.

While a complete and comprehensive appraisal report is required in a relocation assignment, it is especially critical in the group move.

### **Accuracy of the Valuation**

The appraiser should select and analyze the most comparable market data. Analysis of competing properties may be more significant than comparable sales, due to the impact of a group move on housing

inventories. It is possible the appraiser will have more than one assignment in a particular neighborhood, and will be able to use certain sales and competing properties in multiple reports. This makes the data selection process even more critical, and time actually will be saved in the long run by thorough research and a comprehensive verification process. The appraiser should be encouraged to consider sale properties that he or she may have appraised in the past. This will ensure accuracy of the data. Corporate sales are an additional resource, as the appraiser is able to judge his or her analysis of a property based on the price at which it actually sold.

Consideration of homes that currently are under contract also is imperative, as these transactions will offer market evidence of how buyers already are reacting to the anticipation of increased competition and increased inventories. A comparison can be drawn between the price levels of past comparable sales and price levels of competing properties. Any difference may indicate a change in the direction of the market.

The accuracy of the valuation begins with the accuracy of the data analyzed. This data will allow the appraiser to identify any anticipated rates of absorption, to understand the mood of the market and what type of house is selling, and to make the appropriate adjustments in the valuation process.

### **Simplification of the Review Process**

Fifty transfers yield at least one hundred appraisals for review by the corporation or relocation management company. Consistent data will help facilitate the process, and this begins with consistent information describing the subject property. Special care should be taken to accurately measure and calculate gross living area, and to thoroughly describe the improvements and market conditions in the appraisal report. Ensuring that these sections of the report are completed accurately will save time by reducing callbacks and eliminating unnecessary questions. A high level of consistency should be maintained throughout the appraisal report, particularly in the description of comparable sales. The use of common sale properties is very likely, and the accuracy of the data will directly impact the ease of the review process.

### **Reducing the Number of Appeals and Third Appraisals**

Surveys have shown an increased number of appeals during a group move. A proactive approach should be taken, and only the most comparable sales and competing properties should be analyzed. This will greatly reduce transferee concerns about the appraisal process and a comprehensive, well-written appraisal report will help to increase their

level of understanding. Consistency and accuracy of data may help in reducing the number of third appraisals required, and this will keep the group move on schedule.

### **Identifying Problem Areas**

By thoroughly analyzing supply and demand characteristics, the appraiser not only will be able to identify a problem property, but will be able to identify a problem market. A neighborhood that already has an oversupply of homes or extensive competition from new construction may be significantly impacted by additional inventory from the group move. Any problem areas or concerns should be communicated directly to the client, as specific information may be shared with others involved in the relocation process.

### **Accuracy of Adjustments**

Certain property characteristics may be more significant than others when appraising in a group move market, and these items may require additional consideration. Property condition always is a concern, but with the anticipation of additional competing properties, a home with excessive deferred maintenance may require a larger adjustment than usual for repairs and improvements. Personalized decor or custom improvements may have a more significant negative impact on appeal and marketability, considering increased levels of competition; an adjustment made for a specific characteristic in a market with a normal inventory may be different than the adjustment for that same item in a market with increased inventory from a group move. The appraiser must remain objective in identifying those features that require adjustments.

The techniques of the appraisal process, and the format of the ERC Residential Appraisal Report provide the tools for the appraiser to accomplish these objectives.

Analyzing market trends and developing a forecasting adjustment represent a real challenge to the appraiser during a group move. The forecasting analysis is similar to appraising in any changing market--the group move simply represents a quick change. Certain characteristics can readily be identified that lead to a changing market, such as increased number of listings, increased or decreased interest rates, job layoffs, foreclosure activity, extended marketing periods, or changes in listing prices and sales prices. The one major change in a group move market is the significant increase in listings, which impacts supply and demand.

The appraiser must stay current with market activity. Begin with the macro-market and use available MLS statistics. The appraiser should track the relationship of homes listed to homes sold, and the number of

expired and withdrawn listings, the number of pending sales, changes in listing prices and length of time on the market, and any changes in concessions paid by the seller, and should review prior sales of both competing properties and comparable sales. This procedure will lead to an analysis of each micro-market by refining these statistics to individual neighborhoods, and will provide a clearer picture of market absorption rates, what type of home is selling, the number of potential buyers for that particular neighborhood, and price range. It is important to stay in contact with brokers working in these market segments to obtain an immediate sense of how buyers are reacting to any market changes. This analysis should provide evidence of potential buyers' reactions to increased levels of competition. It also is important to identify those homes that should sell readily, as they will likely set the standard for continued resale activity as the inventory of homes increases.

Other considerations basic to any relocation appraisal must be emphasized. Defining the subject neighborhood or market segment will help to identify potential buyers. The appraisers should determine if the area will appeal to another transferred buyer, what the impact of new construction will be, and whether or not there will be any seasonal market influences. The level of sales activity and competing properties over the past 120 days can be analyzed to project market activity during the upcoming 120-day period.

Competition in a particular market segment must be identified. Other competing areas also must be considered, and those amenities that will attract buyers can be determined.

The positive and negative characteristics of a specific property should be identified. Investigate the good points of homes that have recently sold, and attempt to ascertain those desirable common characteristics that appeal to the market. Prospective buyers generally will react more negatively to property deficiencies, such as needed repairs and improvements, or negative external influences when there is a large supply of homes from which to choose.

The appraiser must find the proper mix of objective and subjective analyses to reflect the impact supply and demand will have on market conditions when appraising for a group move. The anticipation of a large number of homes being placed on the market can influence buyers' attitudes toward price levels greatly. The appraiser must understand that the transferee reacts differently during a group move than he or she would during a more typical move, and that the housing market will be influenced by different factors. What must not change is the appraiser's emphasis on a comprehensive market analysis leading to an accurate valuation.

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