

2013 Real Estate Appraisal Outlook

Appraisal Institute Research Department

Real estate appraisers generally believe their local real estate markets are stronger now than a year ago – particularly local residential markets. Demand for real estate valuation services has increased markedly in the past 12 months especially for residential valuation services. Overall, appraisers have a positive outlook for their businesses because they are cautiously optimistic that demand for appraisal services will remain strong for the next one- to two-years. The survey findings show that opinions vary on the strength of the real estate market and direction of future demand for appraisal services depending on whether an appraiser focuses primarily on commercial or residential appraisals.

Outlook for Appraisal Services Demand

- Nearly one-half (46 percent) of commercial appraisers surveyed said their local commercial real estate market is strong. By comparison, a clear majority (84 percent) of residential appraisers surveyed had the same opinion about their local residential markets.
- A slight majority (55 percent) of commercial appraisers and an overwhelming majority (86 percent) of

residential appraisers said demand for appraisal services is strong.

- Nearly one-half (49 percent) of commercial appraisers said there is currently more demand for commercial appraisals than a year ago. In contrast, nearly all (95 percent) of residential appraisers surveyed said present demand is greater than it was this time last year.
- Commercial real estate appraisers are more optimistic than residential appraisers are that future demand for appraisal services will be greater in the next one- to two-years than at present. Nearly half (45 percent) of commercial appraisers said demand would be greater compared to 32 percent of residential appraisers surveyed.
- The survey asked valuation professionals to describe the outlook for their businesses for the next one- to two-years considering their expectations for future demand for appraisal services. Strong majorities of commercial and residential appraisers surveyed (78 percent and 80 percent, respectively) said their business outlook is “Somewhat Positive” or “Very Positive”.

Outlook for Trainee Hiring

Trainee hiring will remain relatively weak for the next one- to two-years. While commercial real estate appraisers comprise less than one-third of practicing appraisers in the US, they disproportionately employ more full-time appraiser trainees. Commercial appraisers

also hired more trainees in the past 12 months than residential appraisers did, and commercial appraisers said they would hire more full-time trainees in the next one- to two-years than residential appraisers would hire.

- Nearly one-half (49 percent) of commercial appraisers surveyed said they employed one or more full-time appraiser trainees in the past 12 months. By comparison, less than one-third (29 percent) of residential appraisers employed one or more full-time trainees.
- Of the residential appraisers who employ trainees, an overwhelming majority (93 percent) employs one to three trainees – only 7 percent employs four or more trainees. Comparatively, slightly more than one-fifth (21 percent) of commercial appraisers employ four or more trainees.
- Strong majorities of commercial and residential appraisers surveyed (75 percent and 80 percent, respectively) said the number of trainees retained in the past 12 months did not change. Concerning recent new hires, 14 percent of commercial appraisers said the number of trainees retained increased over the past 12 months. Comparatively, only 5 percent of residential appraisers hired more trainees.
- Significant majorities of commercial and residential appraisers (59 percent and 67 percent, respectively) said the number of trainees retained in the next one- to two-years would not change. Comparatively, one-fifth (20 percent) of commercial

appraisers said they would decrease or were not sure how the number of trainees would change. Nearly one-quarter (24 percent) of residential appraisers were of the same opinion.

- Regarding the outlook for future trainee hiring, about one in five (21 percent) of commercial appraisers surveyed said they would add full-time trainees. In comparison, only 9 percent of residential appraisers said they would hire more trainees.

Opportunities for Future Growth

The survey asked appraisers to indicate areas of potential growth in the next one- to two-years. Overall, appraisers anticipate continued growth in mortgage lending appraisals, the primary type of valuation service for a vast majority of real estate appraisers, as the real estate market recovery continues. Appraisers also anticipate continued growth in specialized areas of consulting such as valuation analysis in support of litigation, marketability studies, and market studies.

- Commercial appraisers said the top five areas of growth in the next one- to two-years (in order of potential) are mortgage lending appraisals, land valuation, litigation valuation/forensic appraisal, real estate consulting (fee-based), and right-of-way/easements. In contrast, residential appraisers said the top five areas of growth are mortgage-lending

appraisals, review appraisal services, real estate owned/foreclosures/short sales, litigation valuation/forensic appraisal, and land valuation.

- Sizeable percentages of commercial appraisers anticipate more demand for summary appraisals (44 percent) and limited/restricted use appraisals (33 percent) during the next one- to two-years. Similarly, residential appraisers anticipate more demand for summary appraisals (37 percent), and limited/restricted use appraisals and desk review appraisals at 29 percent each.
- Significant proportions of commercial and residential appraisers anticipate less demand for complete/self-contained appraisal reports, 31 percent and 21 percent respectively.
- Substantial proportions of commercial appraisers anticipate more demand from financial institutions (47 percent), law firms/lawyers (33 percent), and government agencies (25 percent). Residential appraisers anticipate a different mix of business predominantly from AMCs (36 percent), financial institutions (34 percent), and property owners/buyers directly (33 percent).
- Major proportions of commercial appraisers also anticipate growth in specialized areas of valuation consulting such as valuation studies that provide support for litigation (24 percent), due diligence analysis in support of client acquisition or sale decisions (24 percent), and market studies (23 percent). Residential appraisers anticipate more

demand for property inspections (16 percent), marketability studies (13 percent), and market studies (12 percent).

About the Survey Sample

The Appraisal Institute conducted the study May 31, through June 17, 2013. The survey represents a randomly chosen sample of 591 real estate valuation professionals with a sampling error of +/- 4.0 percentage points at the 95 percent confidence level. A significant majority (71 percent) of the survey sample is self-employed and 29 percent is an employee of a company or organization. A strong majority (81 percent) owns or works for an appraisal services firm. One in ten works for a financial institution and 6 percent work for a government agency. A strong majority (80 percent) of respondents selected "fee appraiser" as a primary occupation. Other noteworthy occupations are "staff appraiser/chief appraiser" (8 percent) and "review appraiser" (7 percent). A strong majority (84 percent) has been in the real estate valuation profession for 10 years or more. About 70 percent of respondents had an affiliation with the Appraisal Institute; 30 percent had no affiliation.