

(Reprinted with the permission of Worldwide ERC from February 2006 issue of **Mobility**).

## COMMUNICATING APPRAISAL RESULTS:

### TIPS FOR IMPROVEMENT

**By: JAMES R. GARGANO, JR., IFAS, CRP**

***The appraisal process is one of the most important and often one of the most misunderstood aspects of relocation. Gargano outlines in great detail how appraisers can be more effective in communicating their results to the primary stakeholder they serve.***

The ability to communicate effectively is the cornerstone to any successful relationship, whether it be between spouses, parent and child, teacher and student, coach and player, or between an employer and employee. Simply stated, most relationships are negatively impacted when productive communication channels are not fostered. It is no exception to the Relocation Industry, as it relates to the Appraisal Process. The following items represent keys toward accomplishing the effective communication of the appraisal process.

1. ***The Accomplished and Savvy Relocation Appraiser Recognizes That he/she is Communicating an Appraisal to Multiple Parties.*** Various Segments of the appraisal analysis should cater to each potential reading segment. As stated within the Definitions & Guidelines of the Worldwide ERC Appraisal Form, the intended user of the appraisal report are the appraiser's client and the employer. A vast majority of corporations also allow their individual transferees to review the appraisal. The intelligent and accomplished relocation appraiser recognizes that his/her appraisal report potentially is going to be reviewed by a variety of users. The writing style and content of the report needs to recognize that each user may have a differing level of understanding for appraisal methodologies. Certain elements of the report should be geared directly to the relocation management company and/or corporate client needs, while other content should be aimed at the transferee.

For example, the relocation company and corporate client may desire more analytical elements, such as absorption studies/supply-demand analysis, detailed commentary of the particular home's décor and appeal, and a keen understanding of the rationale for the application of a forecasting adjustment. On the other hand, the transferee is potentially interested in more specific information related to the actual home. Including a detailed list of the transferee improvements made during the term of ownership, affirms to the transferee that the items were, in fact, considered in the overall valuation, (regardless of the actual contributory value of the improvements applied by the appraiser toward the anticipated sales price).

Additionally, when the transferee offers market data for consideration in the appraisal analysis, a thorough discussion should be dedicated toward explanation when such a property is not utilized as a primary value indicator. Offering detailed explanation as to the omission of transferee-offered market data, will give the employee a better understanding of the rationale behind the search criteria utilized in locating the most valid comparable data.

Furthermore, dedicating a section within the report detailing the positive and negative marketing aspects of the subject property and/or marketplace, may offer valuable insight to the transferee as to the overall rationale of the anticipated sales price.

2. ***The Professional Relocation Appraiser Avoids the “Form-Filler Syndrome”.*** Quite a few appraisers fall prey to this condition, leading to a predictable and “robotic” style of writing. Appraisers in general need to be more creative, analytical, and descriptive in their appraisal presentation. The accomplished appraiser attempts to reinvent his/her style periodically. Generating the same type of analysis year after year, is not a trait of a dedicated relocation appraiser. Simply checking the boxes of the form, and adding little detail and substance to the areas of the appraisal form, does not add value to the appraisal process. In general, clients tend to appreciate a more detailed and descriptive analysis, adding substance to the adage that the appraiser truly represents the “eyes and ears” of the client.

Along those same lines, the accomplished relocation appraiser avoids the use of “canned commentary” throughout the body of his/her appraisal. Each transferee needs to feel that the appraisal being performed on his/her residence specifically addresses the location and physical attributes of the home. Commentary concerning market conditions should never be based purely on seasonal expectations. There have been many instances when particular markets actually are robust between November and January - the heart of the holiday season. Similarly, the beginning of the Spring Market does not automatically translate into an active market environment. Markets also can be quite fluid in many regions of the U.S. A market that was considered active 30 days ago, often can become saturated quickly. Regardless of the particular time of year, the analysis of the “pulse” of a particular market must be supported by quantitative data.

Special attention should be given to the commentary utilized to describe the Listing and Comparable Sales data. Many clients have expressed a desire to have appraisal reports incorporate greater detail in this area of the report. Simply repeating what already has been clearly outlined in the comparable grid sections does not add any value to the analysis. Telling the reader something more specific about each property, can make the appraisal report far more valuable to the corporate client, third-party reviewer, and the transferee. Another area of the report which can provide an excellent source of information is the section for photographs. Generous use of photographs, with detailed descriptions can tell the reader about the positive and negative aspects of a particular property. For instance, detailing the décor elements of the individual interior rooms can substantiate further an appraiser’s suggestion to address the items of personalization. Additionally, taking photographs of various positive or negative site characteristics can be a valuable reference to the reader.

3. ***The Professional Relocation Appraiser Understands & Cites the Worldwide ERC Relocation Appraisal Guide*** - Published by Worldwide ERC, and created with the input and skills of many of the most talented appraisers throughout country, this guide should be sitting on any good appraiser's desk as a constant source of reference. Using the guide as a specific source, can provide needed clarity and substantiation for an appraisers methodologies

In addition, the dedicated appraiser, regardless of experience level, should also occasionally take the time to read and review the first page of the Worldwide ERC Appraisal Form. The definitions & guidelines section of the form serves as a comprehensive refresher of the primary elements associated with the relocation appraisal process. Furthermore, it is a constant reminder of how different the mechanics and concepts of a relocation appraisal are, in comparison to mortgage related appraisal forms.

Corporations and third-party companies should consider including the first page of the Worldwide ERC Appraisal Form as part of the materials presented in a relocation information packet to transferring employees. By reading the definitions & guidelines section of the appraisal form prior to the initiation of the appraisal process, a transferee can gain valuable understanding of the parameters upon which the eventual anticipated sales price will be based upon. How many times have we heard in the appeal process of a transferee claim that the condition, modernization and/or upgrading of their home is anything but "average". By reviewing the guidelines of the appraisal report, one would realize that an "average" classification simply refers to a rating which describes an attribute as generally typical for the particular marketplace. For instance, a newly constructed, upper-bracket residence, still can be correctly be classified as "average", based upon Worldwide ERC guidelines, if it is located within an area/marketplace of similar residences.

4. ***Skilled Relocation Appraisers are Proactive in their Appraisal Presentation*** - Addressing ambiguous items of a particular appraisal directly within the body of the report, can avoid a lengthy appeal process. There are many instances in a relocation appraiser's career when an appraisal assignment can be classified as anything but "cookie-cutter". Further explanation is required to clearly state the position of the appraisal opinion.

Primary issues that can cause a reviewer grief is the treatment of additional rooms, (what is actually a "site improvement" and what constitutes "finished space"); gross living area; and attic space. As noted in the previous section, the appraiser should be familiar with the Worldwide ERC Relocation Appraisal Guide. This source is very clear in the proper treatment of these areas. Conformance to the guidelines outlined in this source, creates an "appraiser protocol" that should be followed to avoid serious inconsistencies between appraisals, and in turn, alleviate the confusion and anxiety level of the appraisal reviewer.

For a wide variety of reasons, there also may be instances when a property is a unique appraisal subject. Clearly state the unique conditions of the subject property, and discuss in a direct and open manner what rationale was used when locating comparable data for the property. On the surface, the reader may not understand why a certain set of

properties were used as comparables in an appraisal. For instance, there actually may be a very good reason why an appraiser uses a home that is physically or is in another location as a comparable in a particular assignment. The appraiser needs to clarify the primary search criteria used, and why a particular property was relied upon in the analysis.

An adherence, or better awareness of the previous steps, can help the appraiser to communicate more effectively within an appraisal report. Many appraiser's are more "technically-oriented", and possess the necessary skills to produce a credible estimate of the anticipated sales price. However, further emphasis needs to be placed on the writing skills necessary to convey with creativity and detail the elements supporting the estimate of value. As the appraisal process represents one the most important components of the entire relocation process, the continued improvement in this area needs to be a requirement of the entire appraiser community.

**James R. Gargano, Jr., IFAS, CRP** is a Partner and Principal for Bomba Gargano Valuation, Inc., a full-service appraisal firm, with a specialty in Relocation. Mr. Gargano is the Secretary for RAC, as well as serving as the organization's Admissions & Membership Chairman from 2003-2007. He was also honored as RAC's 1<sup>st</sup> Annual Report Writing Contest Winner. Mr. Gargano served on Worldwide ERC's Mobility Editorial Advisory Committee in 2005-2006.

(Reprinted with the permission of Worldwide ERC from February 2006 issue of **Mobility**).