



Field Notes

The Greater Oregon Chapter of the Appraisal Institute Official Newsletter

President's Message

2009 Chapter President, Matthew Larrabee, MAI

Oregon's reported unemployment rate is 12.4%, which puts our state second only to Michigan in this dreary statistic. I am counting my blessings to be employed in a field that has suffered less during this down cycle than others. Consider Oregon's



Matthew Larrabee, MAI

construction industry, for example, which has lost one third of its jobs during the past nineteen months. Although this has not been a stellar year for appraisers, most of us are managing to keep the lights on despite the near cessation in commercial real estate lending and the gyrations of the residential mortgage markets.

Our clients are asking more from us, which suggests that they are actually reading our reports. Recent requests have asked for dedicated sections that detail market participant interviews with brokers, investors, and property managers. In addition to comparable sales data, clients want to see competitive listing data and their influence on the market. With fewer transactions than normal, appraisal seems more challenging than ever. Timely commercial sales comps and cap rates are harder to come by. In the residential market, there are some areas where it is difficult to find sales that were not sold under duress.

At the Chapter Meeting on June 4, brokers Scott Madsen and Don Ossey of Capacity Commercial, and Associate Member Grant Norling of PGP Valuation, discussed the state of the market for Portland office, industrial, and retail properties, respectively. The consensus: Rental rates down, Vacancy up, Cap Rates up. With incremental changes in each of these income-related categories, it is evident that many recent investors are losing their equity and that refinancing will become difficult. Com-

mercial real estate is feeling the pain, as exemplified by Tom Moyer having to pull the plug, at least for this season, on the construction of the Park Avenue West high rise. With its striking design, mixed use occupancy, anticipated LEED Platinum certification, and premiere tenants, this 32 story tower would be a classy addition to Portland's downtown. For now, it's back to the draw-

ing boards, with a revised design, without the luxury condos on top,, possibly to be restarted in 2010.

Appraisers are witnessing dramatic changes in real estate markets and in their daily practice. Residential appraisers have been burdened with not one, but two dramatic changes this spring. On April 1 the new 1004 MC Market Conditions Addendum was implemented as part of the URAR residential report, and on May 1 the new HVCC (Home Valuation Code of Conduct) came into effect. In response to these developments, the Chapter has presented a number of seminars and chapter meetings aimed at keeping our members up to date. The chapter offered four 1004 MC classes in Portland and Eugene, including a "Best Practices" event that included appraisal reviewers, a local case study, and a representative from RMLS. The dialogue with Portland's RMLS has been fruitful, with new data on median sales prices and days on market now available, and an improved map search function to be rolled out in July.

On the national level, the Appraisal Institute has been actively participating in the legislative process. Our voice is being heard in Washington, thanks to the efforts Bill Garber, our director of Government and External Relations, and his staff. Due to the overwhelming demands of keeping up with fast-moving legislation, the Northstar (Minnesota) Chapter of the AI challenged all local chapters to provide addi-

tional financial support to our Washington offices. At our April meeting, the Chapter board voted to contribute \$2,500 for this effort. As of the end of May, chapters from around the nation have added \$118,600 beyond the normal lobbying funds from membership dues, according to Kurt Reitman of the Northern California chapter, with some of the larger chapters donating over \$10,000 each.

The good news is that all of this effort is bearing fruit, in particular in HR1728, which was passed by the US House of Representatives on May 7, and is now working its way through the Senate. It was fortunate that the Appraisal Institute's annual LDAC (Leadership Development and Advisory Council) was held just as this legislation was making its way through Congress. Our chapter sponsored Ken Davis, MAI and Associate Member Dan Harms, to represent the Greater Oregon Chapter in Washington, DC this spring, giving them a chance to meet with their representatives in Congress and explain our position on financial regulations that have an impact on our profession.

While not perfect, HR 1728 has many appraiser-friendly provisions. These include the registration of AMCs (Appraisal Management Companies) with state appraisal boards, limitations on BPOs (Broker Price Opinions), and the recognition of appraisal designations. In a spirit of renewed cooperation, these elements have been endorsed by all major professional associations including the Appraisal Institute, the American Society of Appraisers, the National Association of Independent Fee Appraisers, and the American Society of Farm Managers and Rural Appraisers. For highlights of HR 1728, click on the following link: <http://www.appraisalinstitute.org/newsadvocacy/downloads/HR1728AppraisalProvisions.pdf>

President, Continues on pg. 2

President, Continued from pg. 1

For those who have time on their hands, the full text is available at the govtrack website:

<http://www.govtrack.us/congress/bill-text.xpd?bill=h111-1728>. If you find items in the bill that you like, or that you do not like, I encourage you to contact Bill Garber, AI's Director of Government and External Relations at 202-298-5586 or bgarber@appraisalinstitute.org and your representatives in Congress. The Appraisal Institute website is chock-full of links to elected officials and government agencies to make that effort easier for us.

The Greater Oregon Chapter's long term strategic goals include cultivating closer ties with colleges and universities around the state. We currently have three chapter members that serve on the faculty of Portland State University. Robert Greene, MAI, SRA, Tom Boyle, MAI, and I teach valuation classes for PSU's Center for Real Estate, which offers undergraduate and graduate degrees and a certificate program in real estate development. In 2008 the chapter initiated a scholarship program for qualifying students in the program who have demonstrated an interest in the appraisal field.

This spring's winner of a \$1,000 scholarship is April Chastain, who wrote articles on the Portland Office, Industrial, and Multifamily markets in the current issue of the Center for Real Estate Quarterly. This research report is available in PDF format at PSU's website: http://www.pdx.edu/realestate/research_quarterly.html.

The Chapter's new University Relations working group has been established with the goal of implementing courses on real estate valuation at other colleges and universities. Chapter members Ashley Lacer, Leah Carter, Brian Booth, and Andrew Boespflug are alumni of Oregon State University, University of Oregon, Willamette University, and the University of Portland, respectively. I would like to thank these volunteers who have taken the first steps in contacting alumni associations, career placement offices, and individual professors at their alma maters. Our mission is to cultivate our future colleagues, employees, and chapter leadership. We need to let them know about the opportunities that are available for them in our field, and encourage the best young writers and analysts to revitalize our profession's aging demographic.

With 2009 nearly half over, it is time to consider how best to improve our prospects during the next three to five years of economic recovery. Whether or not HR 1728 is signed into law, with its provisions for regulating AMCs, the next legislative session in 2011 will be our best chance to influence the crafting of state laws to properly supervise these entities. Planning a lobbying campaign should start in 2010, during the period between Oregon's biennial legislative sessions. We should contact and educate our representatives about our concerns for the future of the industry. This will be most effective when the professional associations work together in a unified effort. Having met with my counterparts at NAIFA, ASA, and the ASFMRA this year, I am confident that we can move in this direction. This will take time, patience, and money. Even those who are fortunate enough not to have AMCs as part of their world should join this effort. We need to stand together as a profession whenever the livelihoods of some of our colleagues are under threat. If AMCs are going to be a fact of life, then let's put forth our best effort to tame them!

Leadership and Development Advisory Council (LDAC)

Dan Harms

"Did you win?" was the question that came from the imposing figure that blocked our way into the restaurant. The server/weightlifter had an accusatory voice as he explained that several real estate transactions he was involved in were held up due to the current freeze on lending. He looked down at us, and with a tone that appeared to be blaming appraisers for the economic recession, asked again: "Did you win?"

My colleagues and I had just returned from an exhausting day on Capitol Hill, lobbying members of Congress to pass HB 1728, the Mortgage Reform and Anti-Predatory Lending Act of 2009.

<http://www.appraisalinstitute.org/newsadvocacy/downloads/HR1728FinancialServicesAsReported.pdf>.



Dan Harms

For the past several years, participants in the Leadership Development & Advisory Council (LDAC) have lobbied Congress to pass HB 1728 (or earlier versions) in an effort to regulate the mortgage and appraisal industries and fight against sub-prime lending. This effort has been spearheaded by Bill Garber, Director of Government and External Relations for the Appraisal Institute. Without Mr. Garber and his team, our voices would not be heard by those that govern our nation.

In January 2009, I was asked by my employer, Spence Powell, MAI, if I would represent Oregon and attend the LDAC conference. My colleague, Jordan Lee, attended in 2007 and heralded it as a great experience (see GOCAI Newsletter Febru-

ary 2009). He talked of in-depth discussion sessions, conversations and networking with other appraisers, and lobbying Congress to pass legislation that would increase governmental oversight of lending institutions.

I was fortunate enough to receive a scholarship from the Greater Oregon Chapter to attend LDAC 2009. Without the financial assistance of the GOCAI, I would not have been able to participate in this historic conference.

I say "historic", because several days after the conclusion of the conference, the U.S. House of Representatives passed HB 1728 by a vote of 300 to 114. So the appropriate answer to the server/weightlifter is an emphatic "Yeah, we did!".

In April 2009, more than 100 appraisers from around the nation (and Puerto Rico) made Washington DC their home for three days of discussion sessions, networking, "talking shop", and most importantly,

LDAC, Continues on pg. 3

LDAC, Continued from pg. 2

lobbying on Capitol Hill for reform in our industry. The discussion topics were as follows:

Mentoring and Oversight – USPAP compliant appraisers are competing in a market where sub-standard appraisals are offered by non-Appraisal Institute members at a lower price. To remedy this situation, the discussion leader focused on the benefits of a program in which the state appraisal boards mandate that “violators” receive MAI mentoring. In most cases, the “violators” had good intentions, but limited guidance, and simply did not know how to best handle an appraisal issue. It is hoped that this mandatory mentoring for “violators” will create a desire for non-AI members to join the AI, with the added benefit of improving the public’s perception of the appraisal industry.

Flexibility, Change, Survival – Confronted with the statistic that 40% of desig-

nated members are 61 or older, this discussion focused on how to keep the AI “alive” in our changing times. The main topic of discussion was whether assessors, appraisal professors, bankers and brokers (among others) should be awarded an AI designation (not necessarily the MAI) for their experience in the field of “property economics”. The general consensus of the discussion I participated in was that some designation, or certificate, could be awarded provided the AI’s high standards are met.

Business and Machinery Valuation – Should a curriculum be developed by the AI that addresses this type of valuation? Should AI members take classes from the American Society of Appraisers to become proficient in this type of valuation? Most involved in the discussion agreed that at the bare minimum, we as appraisers should be aware that our appraisals of income-generating properties could have a business val-

ue component. The question then becomes “How do we handle that component?”

Benefits - What benefits do AI members really want? I, for one, was unaware of several of the benefits of membership; discounts at OfficeMax, Hertz and Avis. The benefit most requested by the LDAC participants in my discussion group was free or discounted USPAP classes.

These were the “official” discussion topics on the LDAC schedule. However, when you put over 100 opinionated professionals together in one place, there are bound to be side-discussions ranging the gamut of the appraisal industry. And that is the true benefit of LDAC: peers discussing the problems facing our industry, and what we are going to do to adapt, survive, and thrive.

SPRING REGIONAL MEETING

Terry Bernhardt JD, SRA

The Appraisal Institute Region One Spring Meeting was held at the Washington Athletic Club in downtown Seattle, May 8 and 9. The Friday afternoon session typically has an education theme, to encourage final preparation for the following year’s schedule (2010, in this case). National staff, this year led by Jim Amorin, MAI, the National President, and Anna Ylijoki, National Chapter and Member Services officer, presented a “State of the Institute” briefing, with particular attention to the myriad of national financial legislation affecting appraisers.

The all-day Saturday Membership Meeting covered budget, membership (up 3,913 new members in 2008, including 173 new MAI’s and 146 new SRA’s--all record numbers in the past decade), and reports from the ten chapters which make up Region One (Alaska, Idaho, Montana, Oregon, Northern California, Reno/Tahoe, Sacramento Sierra, Seattle, Spokane, and Tri-Cities). It also included major initiatives emanating from the national board of



Terry Bernhardt, JD, SRA

directors, which must be published 45 days prior to the regional meetings for discussion, and recommendations to the national board. The Appraisal Institute National Board of Directors meeting was held the following week, May 14 and 15, in Orlando, FL.

The 2009 Chair of Region One is Pat Asay, MAI, of Butte, MT; Region Vice-Chair is Claudia Carleton, MAI, of San Jose, CA. Both sit as voting members of the national board, along with counterparts from the other nine regions. The four national officers, an Associate Member representative, and two Audit Committee members round out the 27-member national board. Elected Region “Third Directors” attend the four annual meetings in order to become proficient in issues and policy, but do not vote.

The Greater Oregon Chapter was rep-

resented in Seattle by Region Representatives Beth Aquilizan, SRA, and Mark Lawwill, MAI; Chapter President Matthew Larrabee, MAI, Chapter Vice President Roxanne Gillespie, MAI, and Region One Third Director Terry Bernhardt, SRA. Region Meetings are held semi-annually, in the Spring and Fall. Locations are rotated between larger chapters, which can provide accommodations and easy air/road access. The Fall 2009 meeting will be a joint regional meeting/international appraisal venture in Cancun in mid-November. The 2010 meetings will be in San Francisco (May 2010) and Portland (October 2010).

All members and associates are welcome and encouraged to attend the meetings and participate in the Appraisal Institute’s governance. Our chapter, as host for the October 2010 meeting, will offer an opportunity for members to attend sessions and social functions. Please mark your calendars and plan on dropping by – your opinions and input are appreciated.

Chief Appraiser Round Table and Residential Marketing Trends Seminar

By Aaron Krueger

In case you missed it, the GOCAI hosted the Chief Appraiser Round Table and Residential Marketing Trends Seminar at the MAC club on April 9th.

Todd Britsch, President of New Home Trends, spoke regarding the current residential market in the Portland Metropolitan Area. He confirmed that the area is overbuilt and predicted it will be for the next two to three years. In his view, the stimulus package, specifically the \$8,000 tax credit, will have little impact on the national housing surplus. He was encouraged that the California market has reached a bottom and anticipates that Washington is two years

behind and Oregon three years. Todd's forecast was well received and we thank him for traveling from Seattle to share his knowledge.

The seminar was followed by a round table with Chief Appraisers Scott Adams (Banner Bank), Brian Hood, MAI (Umpqua Bank) and Thomas Boyle, MAI (U.S. Bank). They summarized the annual meeting of chief appraisers and regulators, highlighting issues of importance and giving recommendations.

Scott voiced concerns about single approach appraisals and encouraged balance in income, expense and capitalization rate

conclusions. Tom focused on scope of work concerns and called for more communication with clients. Brian made a few friends when he acknowledged that, "We are all working harder for less." He also stressed that the "Appraisers role has increased in importance."

Some on the distinguished panel closed with a recap of their training experiences under David W. Groth, MAI and a good laugh was had by all. The GOCAI appreciates the contribution of all the speakers and attendees. Future seminars are coming up and further information is available on the website.

How a Job Managing Real Property became a Passion for Drag Racing

By Kathleen Buono

What will I do when I retire? Invariably, this is a question you have asked yourself. Perhaps more than once. If your life turns out to be anything like Jerry Curtis', the reality of your retirement will include some surprises.

In 2001 Jerry Curtis retired from his long and storied career as a commercial real estate appraiser. He retired from a career of distinction - an MAI and an SRA; founding partner of Curtis, Slocom Inc. (now IRR-Portland); two-time Chapter President (1973 Society of Real Estate Appraisers and 1981 American Institute of Real Estate Appraisers); Oregon Appraisal Certification and Licensure Board Member; Appraisal Institute Instructor; and, mentor to many.

Like many appraisers, Jerry purchased real estate as an investment and it was the management of these properties he looked forward to occupying his time in retirement. It was for this reason that in April, 2001 he was in the market for a work truck. He found what he was looking for in the Saturday newspaper. It was a 1987 El Camino with only 32,000 miles on the odometer.

The original owner, a commercial pilot, retired the car in 1995. It had been in stor-



age in an airplane hangar in Hillsboro for six years. Not surprisingly, the car did not handle as well as necessary. It was sluggish and slow, and definitely needed some "oomph". So, in November of that year, when Jerry was convalescing from back surgery, he had a new engine installed - a Corvette engine. That fixed it, and then some.

Fast forward a couple of years. It was spring, 2003 and a friend invited Jerry to accompany him to watch the drag races at Portland



International Raceway. An invitation was made. "Do you want to run your El Camino down the track?" He did, and he continues to do so today. Jerry races his El Camino at the Portland International Raceway 6 to 8 times a year. The drag racing track is 1/4 mile long. His best time is 11.5 seconds (115 miles an hour) and his current claim to fame is that he beat the 1974 Datsun that holds the world record time for an electric vehicle on a 1/4 mile track. Today, the EL Camino has just 37,000 miles on the odometer and it gets about 5 miles to the gallon.

Salem's First Citizens

Darr Goss, MAI, and Kathy Goss, Certified General Appraiser, were honored in February as Salem's First Citizens for 2009. They were honored for their commitment and volunteer work in the city. Darr is a member of the Salem Planning Commission and serves on a number of city committees. Kathy works on the Citizens Review Board, Go Salem Downtown, Past President of the Chamber of Commerce, Oregon State Fair Commission and a variety of other Boards and committees. Both have donated a number of pro-bono appraisals for charitable organizations such as The Salvation Army, Family Building Blocks, The Chamber of Commerce, and the Kroc Center. They recently returned from a speaking engagement with the Thailand Appraisal Foundation.



Independent Contractors or Employees?

By Matthew Larrabee, MAI

One of our members was recently challenged by the State of Oregon Employment Department as to the classification of independent contractors that have provided services to her appraisal firm. According to the Chapter member, all appraisers concerned had paid their state and federal income taxes, self-employment taxes, etc., in a timely manner. Each was a licensed practitioner and worked independently on their own schedules. However, the State seeks to recharacterize those individuals as employees subject to all state payroll taxes.

The Chapter member met with an attorney, who reviewed the situation, pro bono. The attorney stated that there are a number of tests in the law to determine whether an individual is acting as an employee or an

independent contractor. He concluded that the business had complied with the law and that the State was incorrect in its characterization of these individuals as employees.

The issue gets down to one of cost versus benefit. The Chapter member would need to spend perhaps \$15,000 to \$20,000 or more in legal costs to defend her position. Even if she prevails, it could cost nearly as much as to just go along with the State's demands. Going forward, the new structure would have a substantial impact on the cash flow of the business.

Real Estate brokers, who are also paid on a fee split basis, are specifically protected by Oregon statute from this type of claim by the State Employment Department. It is easy for bureaucrats to go after

small businesses who do not have the resources to defend themselves. When a business owner pays up rather than fights back, the state has an incentive to pursue similar cases with similar businesses. Thus, this particular case could have implications for many chapter members who do business in Oregon. The question is whether the situation is an isolated occurrence or something that may have an impact on many of our Chapter members. If so, should the Chapter commit funds to seek either legislative or judicial relief? Please contact either our chapter executive Vicki Champ or chapter President Matthew Larrabee, if your business has been similarly affected, or if you just want to voice your opinion.

Watch for Classes in Central OR. In the Fall of 2009

Vicki Champ, Chapter Office

We realize that it is difficult for folks in other parts of the State to travel to the Portland Metro area for classes. We are working with Dana L. Bratton, MAI, SRA to set up a few classes in September or October in Bend. Right now we are planning on offering the 7 Hour USPAP class and a residential or commercial class. If you haven't taken advantage of the "free" one day class that the Chapter is offering this year to our members this would be a good time to take advantage of that generous offer that was

voted on by our Board of Directors.

As we finalize details for the classes I will email everyone, it will also be on the local and national web site for registration. To register for your one free class this year you will need to email or call me.

Vicki Champ
aioregon@oregonappraisers.org
503-316-1979

Down the Road

By Jon Banz

So, I got into this gig for the music. Or rather, so I could buy a decent hifi and enjoy music at home that much more. I was unemployed in 2001 during the last recession; hanging out at home, playing video games, listening to a ton of music and half-heartedly applying for jobs in my former profession. This was an absolute blast for about two weeks. It was about this time that I realized it was going to be difficult to buy a better turntable without a job.

A family member mentioned commercial appraisal. I have a degree in Exercise Science and at the time, thought I was pretty smart. Another couple months of unemployment passed and I decided that maybe it wouldn't be so bad tweaking boilerplate and taking photos of buildings. I gave it a shot. Besides, it's not like I'd have to calculate anyone's Vo2 Max. I naively thought that the math would be less intensive than human physiology (ha ha).

"I've been there and back again", Belle and Sebastian

My generation is experiencing its second recession and we're less than 15 years out of college. My heart goes out to the folks who were supposed to retire soon. I recently appraised a property where local absorption data wasn't relevant due to the locational characteristics of the subject. A colleague has been researching past recessions and found that it has historically taken roughly twice as long to recover from downturns than it did to reach the low point ("Market Recovery, How Long?" by Towneley Capital Management). Picking up on the idea I ended up consulting various economic publications, including articles from Mckinsey Quarterly and Seeking Alpha.

Analyzing past recessions does not provide a definitive projection for the recovery from the current recession but the data is informative. It is generally accepted that it

is not known when we reached the bottom of the market until six to 12 months after the fact. Also, markets have historically contracted faster than they recover. It has taken an average of roughly two years to recover from each of the last four recessions. However, recovery in Asian markets (due to the bursting of Japan's asset bubble in the 1990's) and the Great Depression both took around 10 years.

The chart below details current national (May 2009), state (May 2009) and local MSA (April 2009) unemployment rates. Comparing these figures to unemployment rates during the Great Depression (20.00% to 30.00%), the oil based recession in the 1970's (8.50%), the S & L crisis of the late 1980's (nearly 10.00%) and the recession of 2001/2002 (around 6.00%) suggest we're in for a longer than usual recovery period. Further, going into the current recession, real estate had never been so exposed, with national mortgage debt totaling \$14.40 trillion (residential and commercial). Mckinsey Quarterly reports that this figure was over 100% of the GDP.

Unemployment	
National, State & Local MSA's	Rate
National	9.40%
Oregon	12.40%
Bend	15.60%
Corvallis/Albany	8.60%
Eugene/Springfield	13.00%
Medford	13.90%
Portland/Vancouver/Beaverton	11.60%
Salem	11.80%

*Data referenced from the Bureau of Labor Statistics

Obviously, unemployment rates don't tell the whole story. However, what this little exercise does tell us is that no one is going to lease up a large new or distressed property in two or even three years. Think four to six. Even smaller properties will continue to suffer. Would you want buy yourself a job in the small scale retail industry right now? The good news is that some economists think we've already reached the low point. I sure hope so.

Peanut Butter and Jelly

I was thinking the other day of a novel I read a few years back called the "Intuitionist" by Colson Whitehead. It's a slow-burn science fiction light (no robots or aliens) thriller set in an alternate near-future. The main character, Lila May Watson, is an elevator inspector who gets caught in a large

conspiracy after an elevator she inspected days before fails and crashes to its destruction. In the book there are two schools of thought with respect to inspecting elevators: "intuitionists" and "empiricists." I bet you can guess which school Ms. Watson belonged to.

I find applying this dichotomy to our industry quite interesting. We wear a lot of hats in this profession: researcher, analyst, writer, editor, cold caller, employee, manager and photographer to name a few. It has often amazed me how different approaches can arrive at similar value conclusions.

The majority of appraisers are objectivists. They have "engineer's" minds. They thrive on the mechanics of valuation. The math is a piece of cake for them. All we really need is a linear regression chart. In fact, math can solve most valuation problems provided the data is good enough. However, without experience these folks will follow the white rabbit right down the hole to Never Land.

The subjectivists have an eye for value. They can think laterally and often choose to rely on qualitative analysis. Sometimes you've got to put yourself in the position of the developer or owner, sophisticated or not. It's a good exercise, but that's not to say they don't have an ugly baby (thanks Mr. Powell). The subjectivists probably won't catch the sideview mirror in their subject photographs either. This kind of mind is important in rural Oregon where your comparables probably won't look anything like your subject. The subjectivists have been known to spend time in Never Land as well, for different reasons of course.

So what's the thing worth? At the end of the day, experience is key. A good appraiser will balance the objectivist and subjectivist, especially in the current economic state where comparable data is scarce at best.

Summer Days

Over time I was able to afford that new turntable and the one after that. As I write this, it is the end of the warmest Friday of the year thus far. I received a brand new stack of LP's in the mail so it's time for me to head home, pop a cork on some chilled wine and rock out. Here's hoping that the perfect comparable sales transaction will close over the weekend for you to use on Monday.

Recession/Depression	Months in Decline	Months to Recovery
2001/2002	25	49
1987/1989	3	18
1982	20	3
1974/1976	21	21
1970/1971	19	9
1966/1967	8	6
1962/1963	6	10
1946/1949	6	35
1932/1945	34	152
Average	16	34

*Data referenced from "Market Recovery, How Long?", Towneley Capital Management

Portland Metro Office, Industrial and Retail Outlook

By: Lucas E. Rotter – PGP Valuation Inc. Portland, OR

The GOCAI hosted a market overview seminar at the Multnomah Athletic Club on June 4th which focused on the health of the office, industrial and retail markets in the Portland Metro area. The meeting capped off a week of tough economic news. The FDIC recently closed the 37th bank of the year and unemployment figures continued to increase on what seems to never reach a stopping point. In a time where real estate professionals have been reserved about predicting the future of commercial real estate; it was a great meeting which provided the perspective of a few leaders in the Portland area who have a pulse on the market. Presenters at the seminar included: two principals of Capacity Commercial Group, Scott Madsen, SOIR and Donald M. Ossey, SOIR as well as a Managing Director from PGP Valuation, Inc; W. Grant Norling.

Scott Madsen, SOIR discussed how current economic conditions have affected

the office market in the Portland Metro area. Office buildings are being constructed completely vacant or in the case of Park Avenue West, stifled by difficult financing terms, halted before even reaching ground level. Scott additionally discussed how many office tenants are 'right-sizing' which means they are downsizing their spaces in order to reduce operating expenses through reduced rent payments. He noted it's a great time to find office space for a low price.

Donald M. Ossey, SOIR talked about the industrial market in depth; recounting the low deliveries scheduled for this year and the impact of the economic downturn. He mentioned that rental rates were down to levels unseen since 2007, with more concessions being made to lure in tenants. Many buildings in the industrial sector have decreased in value by as much as 40%, leaving owners in a tough position.

W. Grant Norling concluded the panel

by discussing the outlook of the retail market. He made it clear that the retail market is currently dismal with some potential for upside in the future. Historically, Portland has experienced modest retail growth in comparison to the rest of the country which has left the Portland market in a better position to weather the economic storm. Based on retail square feet (SF) per capita, Portland has one of the lowest indicators in the nation which suggests that we might perform better through the recession.

Regardless of market sector, a few things remained consistent throughout the panel; vacancy is on the rise with no known stopping point, rental rates have decreased with softening demand; and the life blood of sale transactions, capitalization rates, are heading into double digit territory.

The New Form

By Brian Brooks

"Virtue is more to be feared than vice, because its excesses are not subject to the regulation of conscience." – Adam Smith, author of *The Wealth of Nations*

"Success is a science; if you have the conditions, you get the result." – Oscar Wilde, author of *The Importance of Being Earnest*

These two quotations, combined, beg the question: "Are the wealth of nations waning due to a lack of virtue?" More to the point, are real estate appraisers the cause of \$7 trillion in lost securities equity from bad subprime loans and responsible for an additional \$7 trillion in lost housing equity? I suspect many of us have strong opinions about this. Please discuss amongst yourselves. More pertinently, is the 1004MC "the fix" to prevent the next financial scandal?

No fooling, on April 1st the 1004MC became required for all residential appraisals, perhaps because of the folly of others, and it is here to stay. The idea, I believe, is that if we get the market conditions correct, we will have a more successful result: a credible assignment conclusion.

Our chapter hosted an excellent 1004MC class. Roxanne Gillespie, MAI taught in Eugene, Terry Bernhardt, SRA taught the first class in the Portland area and Matthew Larrabee, MAI taught the second. I attended the second class in Portland. We had a spirited discussion about how to ascertain active listings data for 7-12 months back and 4-6 months ago. Toward being more effective and efficient, we learned that there are numerous ways to go about obtaining this data, some of which would be very time consuming. Next, we were asked how much we will increase our fees because of the added work that is required. The questions I ask myself are: What information can be gleaned in the regular course of business? What will be the best practices of my appraiser peers? And, ultimately, how do I adhere to USPAP?

There are Excel templates that transfer MLS data that fills out the 1004MC and creates charts that enhance appraisal reports, but they will not do the analysis. (I have a template for the Willamette Valley MLS and am happy to share. E-mail me if you would like a copy: [brian.h.brooks@](mailto:brian.h.brooks@gmail.com)

[gmail.com](mailto:brian.h.brooks@gmail.com)). Our work is much more than just a couple of clicks and a copy and paste. We create value for ourselves, as appraisers and our profession, by indentifying and analyzing market data and clearly and accurately reporting it. The 1004MC is a tool that helps us do this. Learning and executing a new form creates challenges, as any change we face may. However, proceeding earnestly with our consciences as our guide, we can perform appraisals with more accuracy. In turn, we will gain success while promoting and maintaining a high level of public trust.

Highlights of H.R. 1728 Appraisal Provisions

Truth in Lending Act Amendments

- Requires written appraisal on all “subprime mortgages” (Section 601).
- Requires second appraisal for loans sold within 180 days with no charge incurred by applicant (Section 601).
- Clarifies that licensing and certification are *minimum* requirements (Section 601).
- Provides copy of appraisal within 3 written days of closing to applicant (Section 601).
- Clarifies that the appraisal report is for the sole use of the creditor and that the applicant can choose to have a second appraisal conducted at their own expense (Section 601).
- Violations of the applicant notification are subject to a \$2,000 penalty (Section 601).
- Requires that extension of credit adhere to appraisal independence standards (Section 602).
- Adds “withholding or threatening to withhold timely payment for an appraisal report or for appraisal services rendered to the list of unfair and deceptive practices supporting appraisal independence (Section 602).
- Adds consumers to the list of entities that are allowed to ask an appraiser to consider additional comparables provide further detail or correct errors (Section 602).
- Adds conflict of interest section regarding appraiser interest in dwelling (Section 602).
- Requires mandatory referral of USPAP violations by all parties in the transaction to applicable state appraisal board (Section 602).
- Prohibits extension of credit by creditor who knows about a violation of the appraisal independence standard unless the creditor it has acted with reasonable diligence to determine the appraisal does not misstate or misrepresent the value (Section 602).
- Requires regulations to be prescribed within 180 days of enactment with an effective date of no later than 1 year (Section 602).
- Requires the rulemaking procedures establishing the appraisal independence standards to include the \$10,000 penalty for violations of appraisal independence standard and \$20,000 where civil penalties have been imposed (Section 602).

Amendments to Title XI of FIRREA

- Adds a consumer protection mandate to the list of functions of the Appraisal Subcommittee (Section 603).
- In determining whether the threshold levels (de minimis) provide reasonable protections to consumers, the bill requires the federal bank regulators consult with consumer groups and convene a public hearing (Section 603).
- Adds the Federal Housing Finance Agency (FHFA), as the seventh member of the board of the Appraisal Subcommittee (Section 603).
- Requires the Appraisal Subcommittee to release an annual report, detailing actions taken to achieve compliance (Section 603)

- When prescribing regulations under the bill, the Appraisal Subcommittee shall add lenders and consumer advocates to the list of entities to be included on an advisory committee of industry participants that meet as necessary to support development of regulations (Section 603).
- Authorizes the Appraisal Subcommittee additional regulatory authority to impose interim sanctions and suspensions against a state appraiser regulatory agency (Section 603)
- Authorizes the Appraisal Subcommittee to make grants to state appraiser regulatory agencies to support the effort in complaint investigation, enforcement and the submission of data on licensed or certified appraisers and appraisal management companies to the national appraisal registry (Section 603).
- To provide for this additional grant making authority, the National Registry fees, currently set at \$25 with a \$50 cap, would be able to go to \$40 with an \$80 cap (Section 603).
- Clarifies that all appraisals performed within a State shall be prepared by appraisers licensed or certified from that State (Section 603).
- Makes it clear that only certified or licensed appraisers may perform appraisal review functions (Section 603).
- To promote greater professionalism and advanced training within the appraisal industry, the Kanjorski amendment codifies language now found in the GSE selling guides to allow for the consideration when making appraisal assignments of education achieved, sample appraisals, references, experience, and membership in a nationally recognized professional appraisal organization, but lack of such membership shall not be the sole bar against consideration for an appraisal assignment. (Section 603).
- Authorizes the establishment of minimum standards on Automated Valuation Models to ensure a highly level of confidence in quality, to protect against manipulation and conflict of interest (Section 603).
- Requires the development and enforcement of rules by Federal financial institutions regulators and the Appraisal Subcommittee (Section 603).
- Regarding the Independent Valuation Protection Institute established under the Home Valuation Code of Conduct, if no national hotline exists to receive complaints about non-compliance with appraisal independence standards within one year of enactment, the Appraisal Subcommittee is required to put in place a national hotline, which shall consist of a toll-free phone number and e-mail address. The Appraisal Subcommittee must refer complaints received by the national hotline to the appropriate State or Federal regulator, or other appropriate legal authorities (Section 603).

Appraisal Management Companies

- Requires the ASC to maintain a national registry of AMCs subject to supervision of state appraisal boards (Section 603).
- Defines an AMC as a third party entity which oversees 15 contractors in a state or 25 nationally in a given year (Section 603).
- Requires minimum qualifications of AMC to be established by the AQB, which shall include
 - Registration with state appraisal boards
 - Verification that only licensed/certified appraisers are used for FRTs
 - Ensuring that all appraisals are prepared in accordance with USPAP
 - Ensuring that all appraisals are prepared independently and free of influence (in accordance with the new appraisal independence standard) (Section 603).

- Prohibits registration of AMCs if such company is owned by any person who has had a license refused, denied, cancelled or revoked in any state. Additionally, each person that owns more than 10 percent of an AMC shall submit to a background investigation carried out by the state appraisal board. (Section 603).
- Prohibits AMCs from performing activities in federally related transactions after 36 months of enactment if the AMC is not registered by the appropriate state appraisal board (Section 603).
- Adds to the duties of state appraiser licensing agencies to include registration and supervision of appraisal management companies (Section 603)

Broker Price Opinions

- Broker Price Opinions cannot be used as the primary basis to determine the value of real property for the purpose of a loan origination of a consumer's primary dwelling (Section 603).

Appraisal Studies

- Calls for the Comptroller General to conduct a comprehensive study on possible improvements in the appraisal process, including all existing appraisal exemptions, including the de minimus. Additionally, the study shall examine the quality of BPOs, AVMs, licensed appraisals and certified appraisals (Section 604).
- Calls for a study on the impact of the HVCC on small businesses and the quality of appraisals. (Section 604).

2009 Greater Oregon Chapter Governance

PRESIDENT

Matthew Larrabee, MAI

VICE PRESIDENT

Roxanne R. Gillespie, MAI

TREASURER

Carl N. Stillman, MAI

SECRETARY

Robert M. Greene, MAI, SRA

PAST PRESIDENT

Richard P. Herman, MAI, SRA

2009 DIRECTORS

Aaron J. Brown, MAI

Kathleen E. Buono

Ken L. Davis, MAI

NEWSLETTER EDITOR

Katie J. Banz

EXECUTIVE DIRECTOR

Vicki Champ

Meeting and Class Schedule 2009

September TBA	Golf Tournament
September 18	7-Hour National USPAP Update Course The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
September 22-25	Basic Appraisal Principles The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
September 28-29	15-Hour National USPAP Course The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
September 30-Oct. 3	Basic Appraisal Procedures The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
October 8	Chapter Meeting & Board Meeting Multnomah Athletic Club - 1849 SW Salmon Street, Portland, OR
October 15-16	Residential Site Valuation and Cost Approach The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
October 19	Liability Management for Residential Appraisers The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR
October 20-23	General Appraiser Income Approach (Part 1) The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
October 26-29	General Appraiser Income Approach (Part 2) The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
October 30	Argus Software Seminar The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR
November 2-6	Advanced Income Capitalization The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.

For a complete schedule of upcoming events, see our online calendar: <http://www.oregonappraisers.org/event.html>

The Greater Oregon Chapter of the Appraisal Institute

PO Box 573, OR 97308-0573

ph: 503-316-1979 - Fax: 503-364-1456

www.oregonappraisers.org

aioregon@oregonappraisers.org

Field Notes articles to
the above email address