



**Appraisal
Institute®**
*Professionals Providing
Real Estate Solutions*

Greater Oregon Chapter

Field Notes September 2021

Chapter President's Message

Michael Hinnant, SRA

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Greetings Everyone,

I hope that you all have had a productive summer and are trying to catch a breath from this very busy real estate market.

Chapter leadership have met recently and due to an increase in COVID-19 cases we thought it would be best to put off any in-person classes and social gatherings until next year. We also agreed to begin planning a conference for Fall 2022.

Chapter Stats:

Overall membership has declined to 279 total members which includes 140 MAI's & AI-GRS, 34 SRA's, 29 candidates, 80 practicing affiliates, and 6 non-practicing affiliates. The chapter finances are in pretty good shape overall considering the lack of in-person classes and social gatherings.

LDAC:

AI national has recently cancelled LDAC again this year. We are hopeful the chapter will be able to have representation at next year's event. For those of you who wish to serve at the regional or national level LDAC is a good steppingstone to further your service to the organization. Please reach out if you have any interest in going next year.

Government relations:

The chapter continues to have a lobbyist in Salem monitoring bills related to our profession, and things have been relatively quiet lately. The ACLB has an opening on the board for a Certified General Appraiser if anyone is interested in serving. Please contact the ACLB directly with any questions.

Respectfully submitted,

Mike Hinnant, SRA
2021 Chapter President



Feature Article

Hans Eugene, MAI

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As real estate professionals, appraisers are often tasked with



determining the present market value of future benefits. The social, economic, governmental and environmental impacts of COVID-19 on those future benefits are wide ranging and can be significant depending on the market and property type being analyzed. The regulatory environment and public health measures aimed at quelling proliferation of COVID-19 sometimes appear to be in constant flux as decision-makers update their guidance based on the best available data at time.

The reality is market participants are operating in an environment of heightened uncertainty. For appraisers, whose jobs are to research, synthesize and accurately convey market participants most likely actions, it is often helpful to look to the past to identify trends that have taken place and establish a historic baseline of operations from which to begin forecasting. Modeling the direction, timing and magnitude of key metrics such as supply, demand, rent growth, vacancy and absorption have proven to be more difficult than in the recent past but the aforementioned approach can help provide a platform from which to produce credible results. The magnitude of change in the office market has been significant and how employees and employers have utilized office space in the past and how they are anticipated to use office space in the future are central to the office market valuation problems present in the economy.

This article will raise some of the trends highlighted in a four-part series, [***New Perspective: From Pandemic to Performance***](#), that provides a new perspective on COVID-19's effects on the commercial real estate industry and the future of the office. In this study Cushman & Wakefield partnered with senior researchers at George Washington University to do a thorough review of academic literature and industry studies, examining the benefits of office and working from home (WFH) focused on several key areas including productivity, creativity / innovation, corporate culture, branding, employee engagement and walkable places. The learnings from this study also lay the foundation for interpreting results of occupier and investor input and modeling of future workplace ecosystem scenarios.

It is noteworthy that in the near-term, the cyclical effects of job loss and coworking/flex operator space returning to the market are driving most of the demand movement, but with time, the permanent effects of increased full-time and part-time remote work will begin to weigh on absorption rates. In a world without COVID-19, absorption rates were already in structural decline due to densification—i.e., businesses were absorbing less space per office-using employee. It is widely believed that this structural trend of densification will come to a halt or at least slow. However, a new structural trend is assumed to have emerged in the form of increased remote working, which has a similarly negative effect on absorption rates. More remote work leads to less demand for office space per employee. The net effect of the halt in densification in combination with the increase in remote working is that absorption rates will be marginally lower over the coming decade than they otherwise would have been. All other things equal, this results in lower implied valuations due to increased vacancy and a decline in rent growth. Owners may look for creative solutions, including offering free rent and increased tenant improvement concessions, but aggregate annual average asking rents are ultimately expected to decline in 2021 and 2022 as the market adjusts towards its equilibrium clearing price. Over the 2022-2030 period, under the baseline scenario highlighted in the report, office demand is expected to be considerably lower than it otherwise would be due to a structural increase in work from home, despite holding employee density at pre-COVID-19 levels. This estimate does not include any effect that dedensification could have.

Below are three forecasts - a baseline forecast, an upside forecast, and a downside forecast for the United States office market that were included in the report. While conclusions cannot directly be drawn from the United States forecast and applied to another market, it does provide a starting point for establishing the relative strength of the market being analyzed to the nation as a whole. In the United States forecast, all the scenarios have rent growth declines and vacancy rate increases in 2021. [***Baseline, Upside and Downside tables.***](#)

The focus groups Cushman & Wakefield conducted with owners, occupiers and placemakers illuminated a key point: professionals in commercial real estate, for the most part, do not expect the office to go away, but instead see remote work as an indelible part of the new work paradigm. More specifically, a consensus emerged that the median office

worker is likely to work from home two or three days per week, on average. It is now widely assumed that increased remote work will adversely impact demand for office space in the coming years. But there is much less agreement on how large this effect will be, and even less on how remote work will impact office demands for different occupations, industries and markets.

Appraisers are at the forefront in telling the story and quantifying the impacts of the trends highlighted in the study. The demands of the modern appraiser are ever increasing and the valuation problems posed by lenders and owners are becoming more complex. Do offices provide the same utility they did prior to the pandemic? Is high-quality office space going to become less scarce than prior to the pandemic? Is there going to be a strong desire for employees to return to office after being “zoomed-out”? The value implications of these changes are not going to be the same for any two tenants, in any two office buildings, or in any two markets. Having a grasp on the business needs of occupiers in the market being analyzed and the readily available substitutes in the market to fill those businesses needs will be one way to measure the degree to which the pandemic has shifted how market participants value the future benefits provided by office space.

NEW SEMINAR!

Getting it Right from the Start: A workout plan for your Scope of Work- 7 Hours of CE (Virtual Offering)

Who should enroll

General and residential appraisers

Instructor:

Stephanie Coleman, MAI, SRA, AI-GRS, AI-RRS



The scope of work decision is the most critical one you will make in the development of an appraisal. After identifying the key elements of the assignment, you decide what needs to be done to arrive at assignment results that address the needs of the intended users of the appraisal. This seminar will help you become familiar with the broad range of services that you can offer under USPAP and give you practice determining the appropriate scope of work for various types of assignments. Return to your office with greater confidence when making scope of work decisions.

Objectives

- Understand the evolution of scope of work in USPAP and the level of flexibility it provides in today's appraisal assignments.
- Recognize the parameters that define an assignment and know how to identify the client's problem to be solved.
- Demonstrate understanding of the numerous ways the appraisal process can be carried out in assignments.
- Understand why disclosure of the selected scope of work is necessary.
- Write clear, concise, and accurate scope of work statements for assignments.
- Understand from examples how a broad variety of services are allowed under USPAP.
- Prerequisites: None

Members: \$175

Non-Members: 199

Zoom Schedule

Class hours: 8:30-4:30pm

Check in: 8-8:30am

Oregon Approval #: APIN-C-0820-8858

Washington Approval #: A20109641

***** Please check with other states to make sure they accept ce virtual offerings**

Registration should be open next week

Portland State University Seeks Instructors for Real Estate Valuation Course

Portland State University is seeking one or two instructors for its appraisal course, FIN 439/RE 539 Real Estate Valuation. The course is intended for senior-level undergraduates in the Finance program and graduate students in the Master of Real Estate Development (MRED) program. In the past, instructors have used the Appraisal Institute's *"The Appraisal of Real Estate"* textbook, and there's an established syllabus that can be used as a starting point by a new instructor. We are open to instructors wanting to teach in-person, online, or in a hybrid format.



Applicants should have at least a Master degree or an MAI designation. Prior experience in teaching or making industry presentations is highly desirable. There are openings in Winter, 2022, and Summer, 2022.

Applicants should contact Dr. Gerard Mildner at mildnerg@pdx.edu with a cover letter and a resume.

Virtual Continuing Education

If you're considering taking a Zoom class from another chapter, please check with ACLB before you take the class to make sure the Zoom class has been approved in the state of Oregon, Washington or where ever else you are licensed. If you have questions about this please [email](#) Vicki in the chapter office.



Upcoming Events

November 4- Getting it Right from the Start: A workout Plan for your Scope of Work (7 hours ce)

November- Avoiding Allegation of Bias(4 hours)

TBA- 7-Hr. National USPAP Update(2022 version) This should be in December

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A handwritten signature in blue ink that reads "K. Storm".

Karen Storm, MAI
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Greater Oregon Chapter of the Appraisal Institute
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