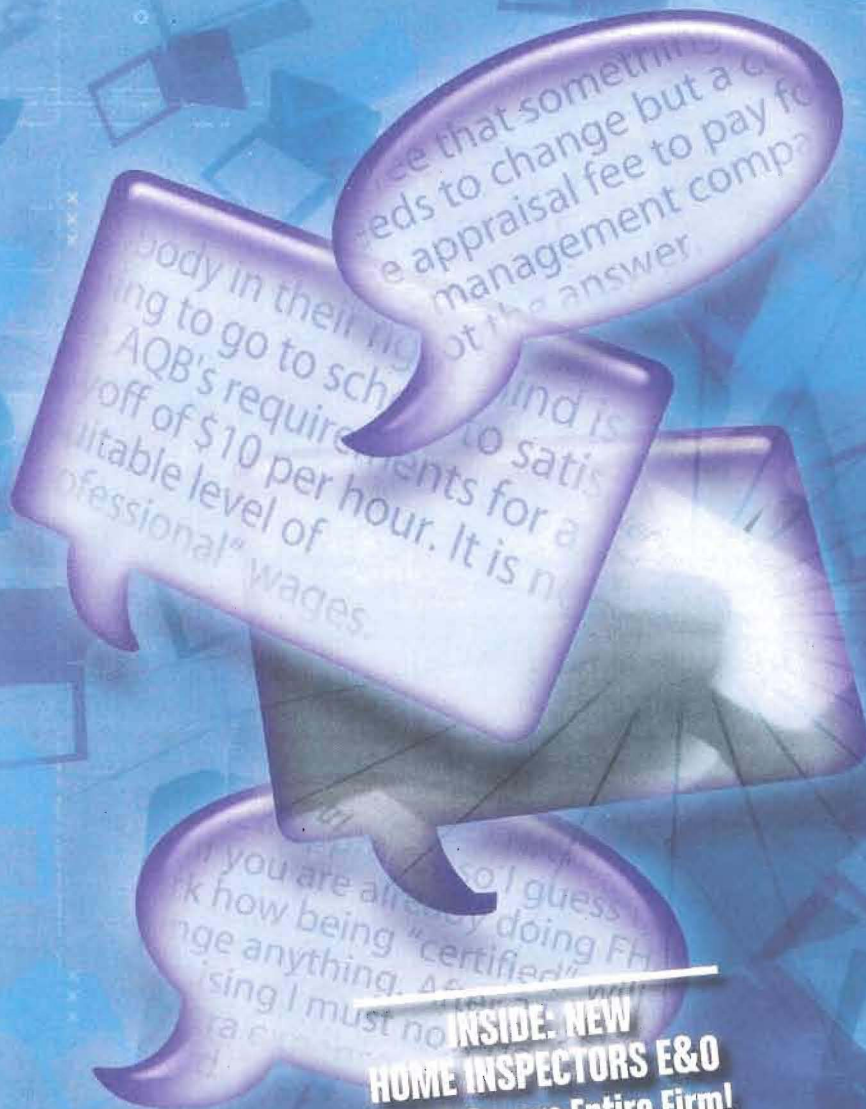


# Working RE

Real Estate Appraisers & Inspectors

Winter 2009, Volume 21



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# How to Increase Residential Appraisal Income

by Philip G. Spool, ASA

**Editor's Note:** Author Philip Spool explains why he switched back to residential appraising last year and why it's paying off.

I decided to make the switch from appraising commercial properties back to residential properties in early 2008. To many this is appraisal suicide. However, the reason is simple—my wife became a state-registered trainee a few years ago, is serious about becoming Certified and needed my mentoring.

Since her knowledge of commercial appraising is limited, it seemed easier to go back to residential appraisals with her working alongside me. While her knowledge of residential appraising is very strong, we set some ground rules first: every residential appraisal will be done by both of us as a team. It was understood going in that she would not inspect and write up appraisals on her own and that, therefore, our income will be that of one appraiser, not two.

Along with appraising commercial properties, part of my practice is also litigation work, primarily divorce appraisals for attorneys. I also did estate appraisals for attorneys and accountants. Primarily, however, the bulk of my practice was commercial appraisals. So the switch to residential appraising, at a time when many residential appraisers are slowing down or shutting down, was considered unthinkable by many.

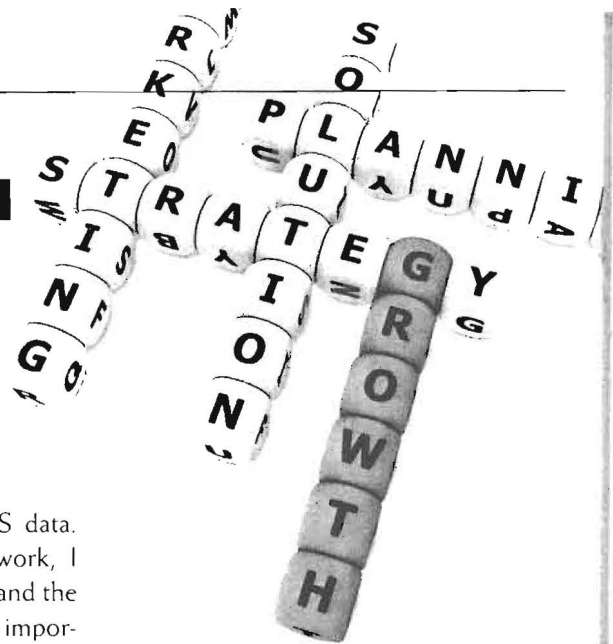
## Reaching Out to Agents

In order to grow my "new" business I had to think outside the box. One idea grew

out of my frustration with MLS data. From my residential litigation work, I knew that comparable sales data and the verification of that data are very important. I rely heavily on the Multiple Listing Service (MLS) and on conversations with listing and selling agents to verify sales and to learn about concessions. Reliance on real estate agents is paramount in getting the details of each sale. However, there is a lack of uniformity in the data provided by various agents. So, on a day off, I visited several local real estate offices to ask if I could give a one-hour presentation about what an appraiser looks for and relies on in the MLS.

I was able to set an appointment to speak to one local real estate agency. I was surprised to learn that agencies regularly have guest speakers. While most of the agents were present at the talk, they kept wandering in and out of the conference room with their cell phones in hand talking to clients. This did not help at all.

However, the second office I spoke to a few weeks later was entirely different. They were eager to listen and at the same time had many questions. They wanted insight into their problems dealing with appraisers and what they should expect. The talk lasted an hour and a half. I went mainly to educate agents because of my own frustration at having to rely on their spotty information, but to my surprise, shortly after my talk at the second office, I began receiving calls from a few of the



agents. They were so impressed with my knowledge of appraising that they wanted to hire me to appraise some of their listings that were on the market for awhile but had owners who refused to lower the asking price. The agents felt that an unbiased appraiser's opinion of the real value might be acknowledged and accepted more easily by the owner.

So without any initial expectation of receiving work, I had established a following with several agents. Not only was I hired to appraise some of their listings, they had potential clients/homeowners interested in selling their homes who were willing to pay me for an appraisal at the agent's urging. I also stressed that hiring an appraiser is the only way to learn the true gross living area of a property.

My talk benefited me in another interesting way. Recently, I was verifying one of my sales with the listing agent when she began telling me many details about the type of renovations made to the house. This was very important to me as I needed to know the full extent of the type and quality of work that went into the renovations prior to the contract being signed. I thanked her for the information. Her response was that she remembered me from my talk at her office and she knew the importance this information has to the appraiser who takes the time to ask all the questions.

## Stepping It Up

Based on this success, I decided to try my hand at speaking to the local Realtors'



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Association. I made contact with their speaker bureau and they were pleased that I called. They said that every so often they put on seminars relating to listing agreements, MLS changes, real estate law changes, etc. but never from an appraiser. I wanted to continue my talks to local offices, which gave me greater opportunities for earning appraisal work, but this time I wanted to try a different approach. I decided to talk about how to appeal a property owner's real estate tax assessment. I had been fortunate to be a *Special Magistrate* with Miami-Dade County (Fla.), hearing tax assessment appeals. This gave me an opportunity to talk to the local Realtors' Association on this topic. Applications for assessment appeals were coming due in a few weeks. In our area, real estate sales have been slow so the Realtors were interested in an alternative way of generating income.

The seminar was advertised by the local Realtors' Association in their publication and was attended by 140 agents. The following day, I spoke to another group of 110 real estate agents. One Realtor was so impressed that she mentioned me in her blog. The whole purpose of these talks was to get my name in front of the agents. It turned out to be so successful that they wanted me back and wanted to pay me for giving seminars of my choosing!

**Organizational Support**

If you live in an urban area, chances are you have a local chapter of one of the more prominent appraisal societies. I am active with the Greater Miami Chapter of the American Society of Appraisers, being the vice president and real estate program chairman. I coordinate dinner meetings for our chapter members which are also attended by non-ASA appraisers.

My guest speakers present interesting topics at these dinner meetings. Every so often I invite an attorney, for whom I have provided appraisals, to speak to our group about what to do

if they are sued. Other topics include illegal additions, illegal conversions and mother-in-law quarters. This happens to be a favorite topic as I have this meeting every other year and typically get close to 80 appraisers in attendance. You can select any topic you want, providing it is interesting to the group. This is also an opportunity to network for potential clients. Not only does it

reinforce your standing in the appraisal community but it gives you the opportunity to connect with someone who can help you with future work. It also educates the appraisers in your area on important current topics.

Another good event idea is to hold a "Property Appraiser Candidates Forum" during election time. That is

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something that I just did along with the support of the Greater Miami ASA Chapter and the local Realtors' Association of Greater Miami and the Beaches (RAMB). I also contacted the news media to cover the event. No matter who wins, the elected Property Appraiser will know you because you are the one conducting the forum. I was the moderator of this forum and had a turnout of approximately 125 people including appraisers, tax agents, Realtors, local politicians and concerned citizens.

### Commercial Appraiser Referrals

Another way to increase your residential appraisal income is to contact commercial appraisers who don't have their own residential appraisers and don't want the hassle of sub-contracting out residential work they are asked to bid on. Since I had been appraising commercial properties for many years in my area, I have formed good relationships with fellow commercial appraisers. So contacting

my commercial-appraiser friends is easy. Since these commercial appraisers know of my good work, they are willing to refer work to me from clients who contact them looking for a residential appraiser.

### Reporting Success

One year later I have actually increased my income by eliminating my commercial work. The commercial appraisals I was doing took about three weeks to complete. I worked for a prestigious appraisal firm in Miami with a 50 percent fee split, which is typical for the market. I calculated the amount of residential work I needed to perform in order to equal my commercial work income. I found that residential work can be performed more profitably even with all the proper verification of sales and detailed text addendums. I increased my business and income from the referral work I describe above. I don't do any appraisals for lenders if I can help it, even though I am asked quite often.

I just recently wrote an article in one of the Realtor newsletters about short sales and foreclosures and their use or lack of use of an appraisal. In my biography I explained that I appraise residential properties for potential sellers, buyers and agents. Since then I have been contacted by the local media as an appraisal "expert." I also am a paid guest speaker for RAMB. This can generate \$500-\$1,000 for the day.

I don't advertise or solicit work. All work that I get comes from referrals, existing clients (attorneys) or people whom I know, including my neighbors who are willing to pay me to value their house. And working with my wife is excellent! She is a Registered Trainee and we work well as a team. She is very detailed in her work but most importantly she is an excellent reviewer. When my work goes out, it is well documented with virtually no errors, at least that we know about. **WRE**

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