Residential Appraisals for Corporate Relocation
by Steve Lederer, SRA

Introduction

This short article is intended for residential appraisers who are considering diversifying their appraisal practice into the realm of corporate relocation assignments. Relocation appraisals, (i.e. "relo",) are ordered by relocation companies on behalf of corporations who are relocating employees. The transferee is offered a relocation package that includes a buyout of his home equity. The buyout amount is based on appraisals ordered by the relo company. There are usually two appraisals ordered on each house and they use the average of the two valuations. The opinion of value is known as the Anticipated Sale Price. The appraiser is asked to predict the sale price of the house, within a specified marketing time, usually 120 days. The appraiser's performance is charted by comparing the Anticipated Sale Price with the actual sale price.

What to know before accepting your first assignment

First and foremost you need to become familiar with the Employee Relocation Council format for these assignments. You'll be filling out a 6-page form and you need to learn how to do that correctly. For first timers it is strongly suggested you take the Relocation Appraisal Training Program. It's an on-line class offered on the Worldwide ERC website. Go to www.ercappraisaltraining.org for details. I would also strongly recommend that you practice on one or two houses before you accept your first assignment.

It is important that you learn to compute an Absorption Rate. Define your price range, define your market area, and tell the client about the inventory, in specific terms. My reports usually have a statement like this: "There are currently 40 houses listed for sale in Danville between $1,000,000 and $1,400,000. There are currently 25 pending sales in this price range. Over the past 12 months there have been 240 closed sales. The current inventory represents 2 months of supply based on the 12-month absorption rate of 20 closed sales per month. Supply and demand appears to be in balance."

In market areas where prices are changing, it is expected that you will know how to forecast. For example, in market areas where prices have declined your closed sales will have negative Market Time adjustments. If you think that prices will continue to decline, based on your analysis of the data, then your closed sales might also have Forecasting adjustments. Please refer to ERC documentation on how to compute Forecasting adjustments. Some employers, most notably the Federal Government, do not allow Forecasting.

More tips

Your report, and the report completed by the other appraiser, will be closely reviewed by the relocation company and, on occasion, by the corporate client. After they are reviewed you might be asked for further explanation about your analysis. You and the other appraiser will be using some of the same comparables and your adjustments will be different. If you and the other appraiser are "out of spread," (i.e. more than 5% apart in your valuation,) there will additional scrutiny. When this happens the reviewer will try to reconcile the two valuations or will order a third appraisal. You will *never* be asked to do anything that is unethical, and you will never be expected to do anything that is outside your comfort zone.

If you've done any relocation work in the past you know it takes *at least* twice as long to complete an ERC assignment, (compared to a Fannie Mae 1004.) You should take this into account when you set your fees with the relocation companies. Once you set your fee with a company it is difficult to get an increase.

The ERC form allows plenty of space for describing the property and the comparables and market conditions. Use the form (instead of boilerplate addendums) and be descriptive in your commentary. There are clients that will ask you to make adjustments to the List Price on the Competing Listings, to arrive at a Suggested List Price for the subject property. If you have a strong property that shows well and has good emotional appeal for potential buyers, state the case. If you're looking at a weak property, be specific about the drawbacks.

Take your time during the inspection. The number one complaint from transferees is that the appraiser did not spend "enough time" at the house. Measure carefully. Take lots of photos. Be professional in your appearance and demeanor. Be on time for the appointment. *Most importantly: be fair and be accurate.*

How to Be Accurate

Because the Anticipated Sale Price is a forward-looking value opinion, your best market data might be the pending sales. I would suggest that you spend as much time analyzing the pending sales and active listings as you spend on the closed sales. Try to figure out where your property fits in the pecking order. You might even be surprised to find that your property has very little competition. In some areas it will be important to survey the inventory for REO and short sales. Don't rely on newspaper stories, check the facts. Look for trends in foreclosed properties as a percentage of closed sales and active listings. Are they growing or shrinking? If your community hasn't been affected by the subprime mortgage crisis then you should talk about that specifically, on page 4. What does it mean to be accurate? If you are consistently within 3% of the actual sale price you're solid gold.

Getting Started

The first step is to complete the ERC on-line training course. The next step is to get listed in the ERC directory. This is an annual publication that lists every relocation company and every relocation appraiser in America. The annual cost is based on the number of cities you chose for your listings. Twenty years ago I listed my name in every city within a 10 mile radius. Now that I'm in the data base for most of the relocation companies, I only list in the 5 or 6 cities where I do the bulk of my work. The annual cost will be in the range of $375 to $500. After you join the ERC as an appraiser you'll receive a copy of the directory and this will give you the phone numbers of the companies you want to contact. When you call them ask for Vendor Management. Be prepared to send in a resume, proof of license, etc.

Once you get approved by a relocation company your name will be put on a list that is provided to the transferee and he or she will usually be the one to make the selection. That list can have anywhere from 4 to 10 names. The transferees almost always select someone who is from the community or nearby. Keep this in mind when you sign up for the directory. If your office is in San Jose you won't get many jobs in San Ramon. The transferees will often call you for a pre-selection interview. They might also ask their Realtor for help in selecting the appraiser. Once you actually start appraising for Relo, the ball is in your court. If you are accurate in your valuations you will get noticed and you'll get jobs based on your performance.

Be patient as you go through this process. It could take several months before you start getting business. In my case I waited for a refi boom to get started. All the other appraisers were tied up with lender work and I was able to waltz right in.

Every relocation company and every corporate client has a slightly different protocol. This article should be construed as a general description only.

Finally, while relocation appraising may not be as profitable as lender work, it is more challenging, and, therefore, very rewarding professionally. You'll meet a whole new sub-set of homeowners and an entirely new group of great clients.

Good luck.

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