

IS APPRAISING THE MOST BORING PROFESSION IN THE WORLD?

by Gaetano Michael Yovino-Young, MAI, ASA, SREA, FRICS

There was a recent WSJ article ((2/11/2023) entitled “How Can We Make Accounting Cool”? It cited a statistics that in recent years, 300,000 accountants left the profession, “many on the dead run”. Accountants are often characterized as “bean counters”, shy, persnickety fussbudgets, obsessed with trivial detail, wearing green eyeshades, heads buried in endless financial statements. Boring work and by extension, boring people.

I had the opportunity to speak to a class of graduate business students a few years ago, and started by asking the question, “How many of you know any appraisers or what appraisers do?” Three out of 80 students raised their hand. “How many of you have seen an appraisal?” No hands went up. Finally I asked “Do any of you know what an appraiser does in making an appraisal?” One hand shot up and the student said “it’s like accounting, isn’t it?”

I asked if any student planned on becoming an accountant or a more advanced Certified Public Accountant (CPA)? No hands went up. “Why I asked?”. Several hands went up, comments like “boring”, “bean counter”, “repetitive number crunching”, “tied to a desk”, “so many more business opportunities out there for the taking”. The condemning comments continued. One student opined that a college education, and certainly an MBA was overkill “just to be an accountant”!. These comments were clearly intended to include appraising.

It seems that we appraisers are regarded in the exalted world of business administration, and academia, as doing something boring, repetitive and simple, hardly needing a college degree, just like accountants! I corrected this misconception - bachelor degrees are required for both professions in many states, and it is not uncommon to find accountants and appraisers with advanced degrees, most often an MBA. This author earned his MBA in 1963 and has never felt “over educated” in his appraisal career. More than a few appraisers in the country have MBA degrees, a few have PhD degrees. Many are authors of peer reviewed advanced theory and practice publications and articles in professional journals. Yes, we have professional journals

There were approximately 1,318,550 accountants in the USA in 2020, even after the 300,000 “fled” the profession. Contrast this with the number of appraisers in the country variously tallied at approximately 58,340 appraisers. The total number of active practitioners has declined 2% since 2020.

In California, the number is 9,987 or about 17% of the total in the country. Appraisers in California represent a very small professional class compared to accountants, even smaller compared to lawyers, architects, engineers.. No wonder students have never heard of us.

Before responding to the students negative attitude about accountancy and appraising, I pointed out that the average income for a seasoned professional accountant in the US is \$92,200, increasing to \$151,320 in California. In contrast, the average appraiser makes \$70,050, with the California appraiser average of \$120,370. I pointed out that many senior appraisers with decades of experience earn well over \$250,000 a year. A January 2023 publication “United States Real Estate appraisalMarket, stated that appraisers generated \$8.89 billion in salaries and fees in 2022, a number forecast to increase to \$11.41 billion by 2028. The 2022 data indicates an average annual income per appraiser of over \$152,000.

While I personally think these income numbers are nicely centered on the middle-class college educated professional, one student cited a recent article in a university publication that an MBA graduate from a university like UC Berkeley can command a *starting salary* of \$150,000, even more for those graduating from prestigious private universities like Stanford and Harvard.

Once I realized that my topic for the day was about a perceived “boring”, number crunching profession, I went into an aggressive marketing posture, with the objective of changing these smart young people’s perception of appraising as being the uninteresting equivalent of accountancy. We appraisers are anything but boring. A great part of the work, perhaps 50%, is in the field, inspecting a property and its location and environment, studying the competitive market character and compatibility, obtaining data on listings, sales, rental market indices and analyzing revenue generation and operating costs, in the appraisal of income property.

We have day to day contact with the public, with property owners, investors, bankers, attorneys, and financial entities including institutional banks. There is nothing boring about this exposure to the greater real estate world. Many of us are experienced expert witnesses, testifying in Federal and State courts, matching wits with aggressive attorneys. Some of us have qualified as arbitration experts, often appointed by a court to arbitrate a case that would otherwise require a trial.

Almost every mortgage on real property, be it a single family residence, a 60 story office building, or a regional shopping center, will have an appraisal in the lenders’ and owners’ files. There are a few exceptions for lower priced residential property. Appraisals are done for ownership planning, for sellers and buyers, for estates on the death of an owner, divorces, tax appeals, partnership disputes, corporate formations, changes in year over year asset values. Any event or situation where the value of a property is an issue may need an appraisal to resolve the situation.

Our work is highly varied from day to day, property by property where it is an axiom that “no two properties are the same”. The differences and similarities we have to identify in the comparison of competitive properties are weighed in the process of estimating a reasonable and credible value for a subject property.

In 1960 I took a graduate level course in real estate valuation at UC Berkeley. This course taught by a nationally known real estate economist (and appraiser) was the impetus for my starting a career in appraisal. Sadly, that appraisal course was discontinued in favor of more exotic financial theories and dictum, with almost exclusive emphasis on corporate business practices.

Real estate appraisal has been included in the curriculum for junior colleges, private institutions, and a very few smaller educational programs. Having taught this subject over a 25 year period, I can say that the biggest challenge is to get students excited, or, more accurately, interested and then informed about the profession. Unfortunately, unlike law, engineering, architecture, and the sciences, there are few universities or colleges offering degrees in property valuation, even under the more exalted title of “urban land economics”. That creates a serious barrier to entry in the profession.

In addition to the dearth of classes in our colleges, a college degree is still required in many states to even apply for an appraisal license. Entering the profession is almost akin to a medieval apprenticeship, where the new practitioners have to find a qualified practicing appraiser or appraisal firm that will take them as a trainee.

Becoming a true professional appraiser means being licensed by the state and to obtain a state mandated license, a minimum of 2 to 3 years of trainee practice must be demonstrated, along with completion of a number of educational courses, and finally passing a rigorous test. Even the MBA graduate, with an extensive resume of business, financial, and economics related classes, has to follow this path to professional status. This is a major reason so few are interested.

What can we do to alleviate these barriers to make appraising more attractive to college graduates. 70% of practicing appraisers are over 50 years in age, 40% are over 60, and fewer than 12% under 40. Many retire each year, well beyond the number of new appraisers entering the profession. One informed source predicts a continued loss of 2% per year in the number of practicing appraisers nationwide into the foreseeable future. This trend offers an enhanced opportunity to attract new, younger people into the appraisal profession. The opportunities for a successful, lucrative career have never been better.

We perform a valued service to the real estate industry of an objective, unbiased, and credible opinion of value, along with observation on highest and best use, needed changes to the property, suggestions for improvement or change in use; all are part of the services we offer. In 63 years of appraising, I have witnessed the periodic cry for relief from the need for appraisals, yet here in 2023, our services are as much in demand as ever.

Note: the author is President of an appraisal firm with ten professionals, all with university degrees; several are designated senior members in various professional organizations. His offices are in Berkeley, California