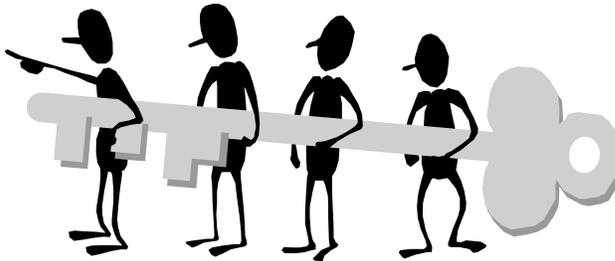


Let's Do This!

In addition to my appraisal practice I have actively been researching, programming, and developing valuation tools for 20 years. This is far longer than any active appraiser today. I recognized the need for the appraisal profession to be involved in research early on. The excerpt below is from the book I wrote in 2003 titled "APPRAISING IN THE NEW MILLENNIUM Due Diligence & Scope of Work".

The real key to elevating the appraisal industry to a profession is by appraisers working together to accomplish tasks that cannot be accomplished by an individual. One method would be to create an appraiser's task force (ATF) that would be charged with creating new tools, methodologies, and resources to enhance the effectiveness of the appraiser. This would basically be a Research and Development (R&D) for the appraisal profession.



I recently published the book, "The Valuation Analyst, Research in Extracting Adjustment Rates". It is a recap of the research I did from 2015 to 2017. It is not a statistics book, but rather sheds light on the effectiveness various methodologies currently employed to extract adjustment rates. Nor is it a repeat of how to perform techniques that can be found in most any appraisal text book. It is more about which techniques work, and which don't work, and why. The key word in the title is "Research" as nothing in the book was simply restated from other books. The facts and concepts presented were the result of extensive scientific research. Most of the research consists of setting up hypothetical situations and then running many thousands of monte carlo scenarios to estimate probabilities. You will be very surprised to learn what the probability of getting the correct output is when one pair of sales is analyzed with matched pair analysis; I know I was. If you have this book or intend to purchase a copy- there are several short videos on my website that cover the math calculations in the book. They are listed by page numbers.

My excitement in research is rooted in the discovery of new things specific to the valuation of real property. Some of the new concepts and principles I have developed over the years are:

- Collective Involuntary Unethical Behavior Syndrome
- Concept of Cascading Submarkets
- Principle of Expected Conflicting Outputs
- The Bartholomew Practice
- Shadow Grids
- Mutation of Data-records (MDRs)

Of course, theory is only useful once it harnessed and put into use. This is why, I spend a good portion of my time developing prototypes which eventually are distributed as applications. Basically, valuers work in three environments based the amount of market data available; 1) An abundance of data, 2) Moderate data and 3) very limited data. These three divisions are discussed in the above-mentioned book in Chapter 7. *FYI: Appraisers don't work with big data because property markets don't typically have thousands of transactions over a short time period.* These scenarios are why I have focused on three distinct valuation applications.

1. The first is the **Regression Plus** which I began selling in 2008. I believe it is still the best regression program available to appraisers. It is useful when you have a lot of data (30+ competitive properties sales). The built-in data scrubber is a fabulous tool.
2. I have a working prototype of an application called the **Compass** available for download and testing on my website. Currently it requires 10 comparables. It is a unique blending of traditional appraisal techniques, statistical concepts, and computing power. I am in the process of adding the traditional methods of setting the ranges (High & Low) for the adjustment rates. Once those ranges are defined the Compass partners with the expert (that's you!) to find the best single-point adjustment rates to use (this is a very critical focus that other applications don't even address). It then produces a report showing the evidence that the appraiser relied on. I have upgraded this from a beta version to a usable version. My beta tester, Gustavo Mejido and I have recently identified and corrected over 20 bugs. So, if you tried the beta version- then you will want to test out this improved version. There is nothing like it available to appraisers today.
3. Often, there are very few comparable properties in rural areas, mom & pop commercial properties, and during market slowdowns. Not enough activity to apply direct mathematical extraction of adjustment rates. For these situations I have developed the **QRAR** application. It is an advanced ranking application. Did I mention it was ADVANCED? It requires the loading and rating of a couple properties that are unquestionably superior to the subject, a couple everyone would agree are inferior to the subject, and a couple that are similar to the subject (notice that in many instances it will work with as little as two true comparable properties). Next, let the algorithms scale, analyze, and forecast the high and low values for the rating that corresponds to the subject property. If the range of that rating is tight, then you're done. If the range is very wide, then the application utilizes the new process of Mutating Data-records to narrow the range allowing for development of a credible opinion of value. I am currently using the QRAR to perform residential evaluations. I have used it for a few mom & pop commercial properties. It is also suitable to serve as the sales comparison approach for large commercial properties that simply don't lend themselves to traditional adjustment extraction techniques. Other uses include, real estate agent competitive market analyses (CMAs), and it could help individuals "self-value" properties they are considering buying or selling while on the web (as it

relies on a series of comparisons, not adjustments). I will be making this available soon.

In addition, I have a few new things in the oven. One of which is a traditional modeling method that doesn't produce or rely on coefficients in anyway. Well, in that case maybe it's not really traditional (LOL). It is based on a discovery I made about adjustments while performing research for The Valuation Analyst book.

I have made some real strides over the past few years. Here's the problem, and why this discussion is titled, "Let's Do This!". Over the years I have been unsuccessful in getting the appraisal organizations, education providers, appraisers, and private companies involved. The new USPAP "Advisory Opinion 37" is a sign that all appraisers will have to learn some fundamental statistical concepts. However, I am certain that at least 20% of appraisers desire to advance their analysis skills beyond the fundamentals. They know that a formal degree in statistics is not necessary, but available classes directed at appraisers are abstract. My question is, how can I pass the knowledge I have gained on to those appraisers who want to move in this direction? If you are an appraiser that wants to develop serious analysis skills, I would love to hear your ideas. I have a vision of a group of highly trained and *designated* "Property Valuation Analysts". It's all about making the appraisal profession better. However, the reality is that there is no "profession" as it were- there are really about a 100,000 or so individuals that are attempting to provide valuation expertise to the best of their ability. Appraisers are doing a really good job, but some will have to specialize in analysis to meet the changing needs of our clients. I want to pass what I learned on to those that have a similar vision- I am asking you to help me figure out "How" to pass the torch. If you are an appraiser or sales agent who wants to know more about analysis, or a company that is interested in employing the most advanced, cutting edge technology be sure to E-mail your ideas and comments to david@AVTtools.com.

Thanks,



David A. Braun