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Houston's #1 Real Estate Appraiser

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24 Mar, 2009

[Housing Starts Jump After Bottoming at Historic](#)

Low

The U.S. Commerce Department reported that housing starts rose 22% in February to a seasonally adjusted annual rate of 583,000. The last time housing starts increased was in June, and this was the largest percentage increase in 19 years.

The increase was driven primarily to starts in multifamily units, which were up 80%, while single family unit starts rose by a more modest 1.1%

This is a pleasant surprise to economists, who expected housing starts to decline once again.

"With new home sales still falling and the month's supply at a record, there is no reason for homebuilding to rise," said Ian Sheperdson, chief U.S. economist at High Frequency Economics. "This is a temporary rebound, not a recovery."

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01 Mar, 2009

[Markets, Neighborhoods and Subdivisions Part](#)

!

The more I review appraisals, the more apparent it becomes that many appraisers in Houston are confusing the terms Market and Neighborhood. This creates misleading results in appraisal reports and can lead to an incorrect conclusion of value.

For starters, let's give some basic definitions for each of these real estate terms:

A Real Estate Market is an area, usually geographically constrained, where buyers and sellers come together to make transactions. These areas usually have some commonalities such as school districts, proximity to local business districts, etc. For instance, the Medical Center market area in Houston is considered a market area. Buyers in this area usually are looking to move here to be closer to their work. A market area usually consists of many neighborhoods. They can reside within cities or be entire cities themselves. Other examples of market areas would be The Houston Heights, Bellaire, The Woodlands and Galveston Island.

A Neighborhood is a group of homes that share common amenities, construction time periods and overall design. They are often referred to as communities and MAY contain multiple subdivisions. Examples of neighborhoods in the Greater Houston area would be Gleannloch Farms, Cinco Ranch, Sierra Plantation and Fall Creek.

A Subdivision is a smaller group of homes that are more closely related in terms of appeal, construction period and also price range. It is often used interchangeably with the term neighborhood which in some cases is still correct.

As you can see, it can be somewhat confusing to differentiate between these terms. In the next part of this series I will go over how the incorrect use of these terms causes confusion and misleading results in a real estate appraisal report.

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18 Jan, 2009

[Survey of Real Estate Appraisers and Our Industry](#)

This information was compiled from the [AppraisalWorld](#) Residential Survey. As members join, they are asked for information about their profession and personal demographics. These results reflect the demographics of a typical residential appraiser.

Gender Breakdown

As you probably suspect, the appraisal profession is heavily dominated by men-almost 4 out 5.

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13 Jan, 2009

[Why New Appraisers Cannot Find Jobs!](#)

I thought this email I received was very funny and spot on. Enjoy!

To All My Valued Employees,

There have been some rumblings around the office about the future of this company, and more specifically, your job. As you know, the economy has changed for the worse and presents many challenges. However, the good news is this: The economy doesn't pose a threat to your job. What does threaten your job however, is the changing political landscape in this country.

However, let me tell you some little tidbits of fact which might help you decide what is in your best interests.

First, while it is easy to spew rhetoric that casts employers against employees, you have to understand that for every business owner there is a Back Story. This back story is often neglected and overshadowed by what you see and hear. Sure, you see me park my Mercedes out side. You've seen my big home at last years Christmas party. I'm sure; all these flashy icons of luxury conjure up some idealized thoughts about my life.

However, what you don't see is the BACK STORY:

I started this company 28 years ago. At that time, I lived in a 300 square foot studio apartment for 3 years. My entire living apartment was converted into an office so I could put forth 100% effort into building a company, which by the way, would eventually employ you.

My diet consisted of Ramen Pride noodles because every dollar I spent went back into this company. I drove a rusty Toyota Corolla with a defective transmission. I didn't have time to date. Often times, I stayed home on weekends, while my friends went out drinking and partying. In fact, I was married to my business -- hard work, discipline, and sacrifice.

Meanwhile, my friends got jobs. They worked 40 hours a week and made a modest \$50K a year and spent every dime they earned. They drove flashy cars and lived in expensive homes and wore fancy designer clothes. Instead of hitting the Nordstrom's for the latest hot fashion item, I was trolling through the discount store extracting any clothing item that didn't look like it was birthed in the 70's. My friends refinanced their mortgages and lived a life of luxury. I, however, did not. I put my time, my money, and my life into a business with a vision that eventually, some day, I too, will be able to afford these luxuries my friends supposedly had.

So, while you physically arrive at the office at 9am, mentally check in at about noon, and then leave at 5pm, I don't. There is no "off" button for me. When you leave the office, you are done and you have a weekend all to yourself. I unfortunately do not have the freedom. I eat,

and breathe this company every minute of the day. There is no rest. There is no weekend. There is no happy hour. Every day this business is attached to my hip like a 1 year old special-needs child. You, of course, only see the fruits of that garden -- the nice house, the Mercedes, the vacations... you never realize the Back Story and the sacrifices I've made.

Now, the economy is falling apart and I, the guy that made all the right decisions and saved his money, have to bail-out all the people who didn't. The people that overspent their paychecks suddenly feel entitled to the same luxuries that I earned and sacrificed a decade of my life for.

Yes, business ownership has its benefits but the price I've paid is steep and not without wounds.

Unfortunately, the cost of running this business, and employing you, is starting to eclipse the threshold of marginal benefit and let me tell you why:

I am being taxed to death and the government thinks I don't pay enough. I have state taxes. Federal taxes. Property taxes. Sales and use taxes. Payroll taxes. Workers compensation taxes. Unemployment taxes. Taxes on taxes. I have to hire a tax man to manage all these taxes and then guess what? I have to pay taxes for employing him. Government mandates and regulations and all the accounting that goes with it, now occupy most of my time. On Oct 15th, I wrote a check to the US Treasury for \$288,000 for quarterly taxes. You know what my "stimulus" check was? Zero.. Nada. Zilch.

The question I have is this: Who is stimulating the economy? Me, the guy who has provided people good paying jobs and serves over 10,000 clients a year with a flourishing business? Or, the single mother sitting at home pregnant with her fourth child waiting for her next welfare check? Obviously, government feels the latter is the economic stimulus of this country.

The fact is, if I deducted (Read: Stole) 50% of your paycheck you'd quit and you wouldn't work here. I mean, why should you? That's nuts. Who wants to get rewarded only 50% of their hard work? Well, I agree which is why your job is in jeopardy.

Here is what many of you don't understand ... to stimulate the economy you need to stimulate what runs the economy. Had suddenly government mandated to me that I didn't need to pay taxes, guess what? Instead of depositing that \$288,000 into the Washington black-hole, I would have spent it, hired more employees, and generated substantial economic growth. My employees would have enjoyed the wealth of that tax cut in the form of promotions and better salaries. But you can forget it now.

When you have a comatose man on the verge of death, you don't defibrillate and shock his thumb thinking that will bring him back to life, do you? Or, do you defibrillate his heart? Business is at the heart of America and always has been. To restart it, you must stimulate it, not kill it. Suddenly, the power brokers in Washington believe the poor of America are the essential drivers of the American economic engine. Nothing could be further from the truth and this is the type of change you can keep.

So where am I going with all this?

It's quite simple.

If any new taxes are levied on me, or my company, my reaction will be swift and simple. I'll fire you. I'll fire your co-workers. You can then plead with the government to pay for your mortgage, your SUV, and your child's future. Frankly, it isn't my problem any more.

Then, I will close this company down, move to another country, and retire. You see, I'm done. I'm done with a country that penalizes the productive and gives to the unproductive. My motivation to work and to provide jobs will be destroyed, and with it, will be my citizenship.

So, if you lose your job, it won't be at the hands of the economy; it will be at the hands of a political hurricane that swept through this country, steamrolled the constitution, and will have changed its landscape forever. If that happens, you can find me sitting on a beach, retired, and with no employees to worry about....

Signed,

THE BOSS

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12 Dec, 2008

[Saving the Real Estate Industry from the HVCC and AMCs](#)

Once the HVCC, Home Valuation Code of Conduct, is enacted the majority of lender and mortgage appraisal requests will be diverted through Appraisal Management Companies (AMCs). Although this may curb the evils of "lender pressure" on us appraisers, it will also take up to 50% of our fee!! For those of you who aren't familiar with how AMCs work, they are basically a middle-man that routes all appraisal assignments and communications between the ordering party and a randomly selected appraiser. For their role they take a healthy 30%-40% cut off the appraisal fee. For instance, if they charge the lender \$350 for the appraisal

they will pay the appraiser \$210. Oh yea, AND the appraiser will have to wait 30 - 60 days to get their money. There are many faults with the HVCC but this is a major one; do they really think that lenders will receive better quality appraisals by paying appraisers a drastically reduced fee?

This will result in one of two things: Many appraisers who survive solely on lender work will leave the industry, possibly getting their Real Estate license and once again flooding the market with Realtors. Alternatively, the "Good" appraisers will move on to non-lender work, which will still pay them full fee. This will result in the majority of the AMC work left to be completed by trainees, new appraisers and those who simply aren't experienced enough to move into another niche. And a final, 3rd option that we can all foresee is that appraisers will begin to look for ways to perform appraisals faster. After all, less money per assignment means we'll need more volume to make the same amount of money. With that mentality many appraisers will start to cut corners and leave out excess research resulting in sloppy, possibly inaccurate real estate valuations.

Now picture this: A lender orders an appraisal through an AMC. Appraisal is completed by means of "fast-tracking" by the appraisal company to make up for the lower fee. The Lender has several issues with the appraisal and sends it back to the AMC for corrections. AMC contacts appraiser ... can you see where I'm going with this? Now you have appraisals that are costing the borrower more, are possibly of lower quality AND are taking longer to receive.

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22 Oct, 2008

[**FHA Appraisal Requirements - What You Need to Know**](#)

FHA Appraisal Tips

The following are excerpts from HUD Mortgagee Letter 2005-ML-48 regarding repair and inspection requirements.

FHA Repair Requirements: Below are examples of minor property conditions that no longer require automatic repair for existing properties include, but are not limited to:

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15 Oct, 2008

[**Flood/Storm Damage – FEMA, Building Permits, 50% of Structure's Market Value?**](#)

As many Greater Houston homeowners face the daunting task of rebuilding since the aftermath of Hurricane Ike they have found that building ordinances in their cities may require their houses to be elevated so many feet above sea level before they can obtain a building permit. This requirement is true IF the cost of repairs to their home is equal to or greater than 50% of the STRUCTURES market value prior to the storm. For instance, citizens of Nassau Bay, Texas and Taylor Lake Village, Texas are required to elevate their homes to 14' above sea level or base flood elevation, whichever is greater*.

(From my understanding, this is actually a FEMA requirement placed on all cities that are in flood prone areas. If a city refuses to adopt the ordinance then FEMA can disqualify all citizens

of the city from the National Flood Insurance Program.)

The basis of the structure's market value will be taken from HCAD records but unfortunately these values are terribly inconsistent and generally inaccurate. Considering the fact that HCAD recently announced that they will be altering many homeowner's tax records to indicate a more accurate valuation of land and structure separately ([See Article Here](#)) . I don't know about you, but that doesn't invite too much confidence in HCAD's original assessment in my eyes. Also take into account that many homeowners appeal their property taxes each year thus making their overall property value on tax records lower.

So what alternatives do homeowner's have in determining whether or not their repairs exceed 50% of the STRUCTURES market value? Most literature I have come across states that if you do not agree with the counties assessment then you may have a licensed real estate appraiser prepare an appraisal for the cities consideration. Unfortunately determining JUST the market value of a structure requires a very complex appraisal, one which will be very costly. When real estate appraisers determine market value of a property we almost always use what is known as the sales comparison approach. That is, we take and compare recent sales within your market area to determine a reasonable market value for you property. This approach does not make a distinction between land value and structure value since most properties sale as a whole. If there have been recent land or lot sales in your area then we can perform a standard appraisal to determine overall market value and then perform a land appraisal to determine just land value. We would subtract the land value from the overall market value to arrive at just structure value. As you can see this requires two appraisals and will naturally cost more than just a standard appraisal.

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