

Rural appraisals offer good career opportunity

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by Carlton Smith
for the Tundra Times

It is no secret that there are many areas of Alaska outside of urban communities that have immediate need for housing and commercial developments.

Even though the need is critical in some areas, obtaining funds for these projects can be difficult and limited, unless a lender can feel comfortable with the value of a proposed property.

An appraiser who is a disinterested third party through his research will say what a typical buyer will pay for a particular property at a given time. Appraisers are typically paid on a flat fee basis plus costs.

In this article, we will talk briefly about some of the problems with doing appraisals in rural Alaska.

I spoke with Fred Ferrara, owner and president of Alaska Valuation, one of the state's largest appraisal firms based in Anchorage. Ferrara offered his thoughts on these topics, noting that a current trend to watch is the continued tightening of construction standards that will be eventually required by lenders as they lend on projects to be built in the Bush.

The Department of Community and Regional Affairs is seeing a trend toward upgrading construction standards used for all construction projects seeking state funding.

If this trend is implemented officially, the result for long-term property values will be to increase the uniform-

ity and saleability of single family and multi-family units in rural Alaska.

"One of the chief problems in rural locations is that values of homes, small buildings used for commerce and other business facilities are so erratic. They vary widely in how they are constructed," Ferrara said.

An example here might be an owner/builder might construct a single family home for his own use and spend \$45,000, while a contractor might build and sell the same basic house and sell it for \$80,000. Therefore, when both homes sell, an appraiser may have a difficult time preparing a report to a seller/lender and coming up with values that are comparable.

A second large problem is the lack of comparable sales in a community for an appraiser to use in his report. Normally an appraisal will contain at least three recent sales reports that will confirm the value that a buyer and a seller have arrived at in a contract.

Since some properties transfer ownership within families, and financing is sometimes private, appraisers may be actually required to use sales information from other communities close by to draw comparisons of value.

Ferrara offered comments on trends he sees in rural communities:

"For rural housing, look for a long-term upgrading trend where the dollars spent on new housing will be substantially higher than older homes. If you are building, be sure that the homes you build are functional for the buyer locally — this will help resale value.

"Floor plans that are inadequate and

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overbuilding (spending too much for the area) are the two major errors that homebuilders make.

"For would-be developers of small commercial buildings in rural communities, I'd suggest looking hard at the current market for potential resale to either the state or federal governments or other local businesses. Always target the general user.

"Avoid special uses that will limit the number of potential buyers for such a property. Two other areas I would spend time on include making sure that the buildings have a 30- to 40-year useful life and that you are careful and have full knowledge of any hazardous wastes that may have been deposited previously on the site."

Ferrara said many potential lenders are not active in rural communities because they are uncomfortable with lending for construction projects that do not now plan to use more urban, "conventional" building standards.

To Ferrara, an appraising career is



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good, recognizing that in rural Alaska there are "tremendous holdings of land, natural resources, tourism facility potential and the need for appraisers to intelligently determine the values of leases and other income generating contracts. He sees critical skills needed in the area of determining value for access to roadways and utility access.

The skills needed to be successful in the profession include writing skills, with some value for an ability to use computers.

Ferrara said a college degree is not necessarily required. High school diplomas would be a minimum level of schooling, but it is more likely that today's appraiser has some college and an associate or bachelor's degree also.

The field of appraisal offers some good opportunity for those interested in being involved in the development that will take place where local economies are expected to grow.