



TEAM Participates in First-Ever IAAO Virtual Annual Conference

The year 2020 continues to change our normal routines. The IAAO Annual Conference, originally scheduled to be held in Denver, was transformed into a virtual conference instead. Our hats off to the association on adapting in these challenging times. Whether on-site or virtually, TEAM consultants and instructors continue to be recognized and make presentations during IAAO’s annual event.

Awards/Recognition



Ken Voss



Kellianne Nagy

Ken Voss, MAI, AI-GRS, SRA, CAE (TEAM consultant/instructor), received the Rosalyn Johnston Award. Named after Rosalyn Johnston for her years of service and dedication to IAAO, this award is presented to a person, regardless of membership type or status, who has contributed to fundraising and other public relations activities of IAAO over the years. The award recognizes those who have advanced the IAAO mission through the contribution of time, effort, talent and resources.

Kellianne M. Nagy, CMI, CAE, PPS, FIAAO (TEAM instructor), was awarded the IAAO Fellows title.

The IAAO Executive Board approved the IAAO Fellows Program in 2018 to recognize individuals who have dedicated their career to the development of our profession and made exceptional contributions to the Association and the assessment industry. The new program is known as the IAAO Fellows Program and the International Association of Assessing Officers Fellows title will be awarded annually to recognize the best of the best within our ranks.

Presentations

Who’s Afraid of the Big Bad IEW?

Speakers: **Kara Endicott, CAE, RES** (TEAM instructor) and **Bradley Eldridge, CAE, MAI** (TEAM consultant/instructor)

So, you are thinking about becoming an IAAO instructor? The first step is attending and passing the Instructor Evaluation Workshop. For those who have not participated in the Instructor’s Evaluation Workshop (IEW), it is often seen as a mystery. This session will take you through the IEW, from the first step to the last. Ever thought you could do what they do? Then this is the session for you.



Kara Endicott



Brad Eldridge



Terry Taylor

Theme Park Valuation

Speakers: **Rick Singh, CFA** and **Terry Taylor, CAE, RES, AAS, CFE** (TEAM instructor)

This presentation demonstrates the methods, techniques, magnitude, and importance of having fair and equitable assessments. We will explore seven theme parks within Orange County, FL, that provide a practical, realistic positive economic impact when establishing fair market value.

Setting the Record Straight on a County Cadastre (Part Two)

By Richard Norejko, CMS

Background

In the July TEAM newsletter, we set the record straight on what a county cadastre is: an evaluation of real estate in a county or region compiled for tax purposes. Within the last decade, some legal counsels have referred to this cadastre as the “legal cadastre.” The word “legal” connotes that it is official or absolute in his reflection of property boundaries. A County cadastre was never designed to be the official or definitive reflection of one’s property lines. County cadastres are maintained by professionals who interpret deed descriptions to objectively place property boundaries denoting ownership limits for assessment purposes only.

These professionals understand that a deed description’s sole purpose is to identify the subject matter of the grant. In other words, it only has to furnish the means for determining property boundaries on the ground. If it does that, then it meets what is called “legal sufficiency.” County personnel should follow accepted business protocols of the right of possession, senior rights, survey plats, distance, direction, and acreage when determining property boundaries within the cadastre.

As mentioned in the previous newsletter, courts of law have known for over 100 years that deed descriptions could be ambiguous, confusing, and incorrect in describing the parameters and location of the parcel of land being conveyed. This lack of precision applies to all categories of legal descriptions.

You may believe that the land descriptions within the Public Land Surveying System of the United States would be more accurate in detailing parameters of boundaries and acreages. They are when compared to the metes and bounds

legal description system found in the 13 original states of the union. However, historical circulars found in the General Land Office written by various territorial surveyor generals during the early 1800s reveal that legal descriptions of property sold by the federal government to private individuals would not match the occupation and monumented property lines on the ground. This observation is documented by an Arkansas Commissioner in 1823 who noted:

No surveyor can (for the compensation allowed) survey and layout into sections and quarter sections a Township exactly 6-mile square ... Permit me to caution you against the employment of unfaithful or unskillful surveyors. Our late returns from the Arkansas Territory are very incorrect. It is indeed a more difficult task than is imagined to survey with the correctness which the laws of the United States contemplated.

Further reasons why the county cadastre can never be the official or legal cadastre for representing absolute and accurate property boundaries are modern county cadastres were created by making well-reasoned decisions regarding the placement of property lines. Legal instruments that were incomplete, inaccurate, or overlapping required following the standard surveying protocols of the right of possession, junior/senior rights, survey plats. Decisions regarding which protocols were used to map the property lines were never documented. Map technicians made a well-reasoned opinion as to the intended locations of property lines and their associ-

ated calculated assessed acreages. The vast majority of these original mapping technicians have retired or moved on to other careers, taking with them the institutional knowledge in the initial creation of the GIS-based cadastre.

Modern geographic information system cadastres were created beginning in the 1980s. The original map compiler utilized every property owner’s deed and surveys as well as the deeds and surveys of adjoining owners. Also, they used the extrinsic and collateral evidence (occupation, fences, oral evidence, orthophoto imagery, etc.) to render a graphically depicted location of property lines *for assessment purposes*. There may not be any notes to the effect that in a situation of an overlap area, the original compiler of the map utilized senior rights to delineating ownership, thus eliminating the overlapped conflict area from double taxation. However, the acknowledgment that there may be a conflict between two adjacent owners is beneficial, more importantly, for users of the assessor’s database than to the assessment office.

Lending institutions need to know if the property they are loaning money on has any apparent deficiencies of title or property boundary conflicts. Unfortunately, they are not getting this information from the title abstract or a real estate attorney’s opinion. These professionals’ only obligation is to examine the subject property title. They rarely read legal descriptions to the extent that they compare them with neighboring properties. If real estate attorneys and title companies do not compare boundaries with adjacent owners and the county cadastre does not document potential problems of conflicts and

errors, how does a lender protect their interest?

Vizaline LLC

Vizaline LLC (www.vizaline.com) is a small Madison, Miss., company formed in 2014 that uses public information to draw property lines on Google Earth imagery to delineate property boundaries. Their clients are mostly small banks who hold notes and need to visualize the properties they are having as collateral for a loan. The company was created by a former banker for lending institutions to help bring the financial industry into the digital era. Since its inception, the company has been developing visualization tools and products to help bankers better understand their assets, protect their portfolio, and protect their customers.

According to their website, their product is "a polygon(s) of a particular property of interests, constructed

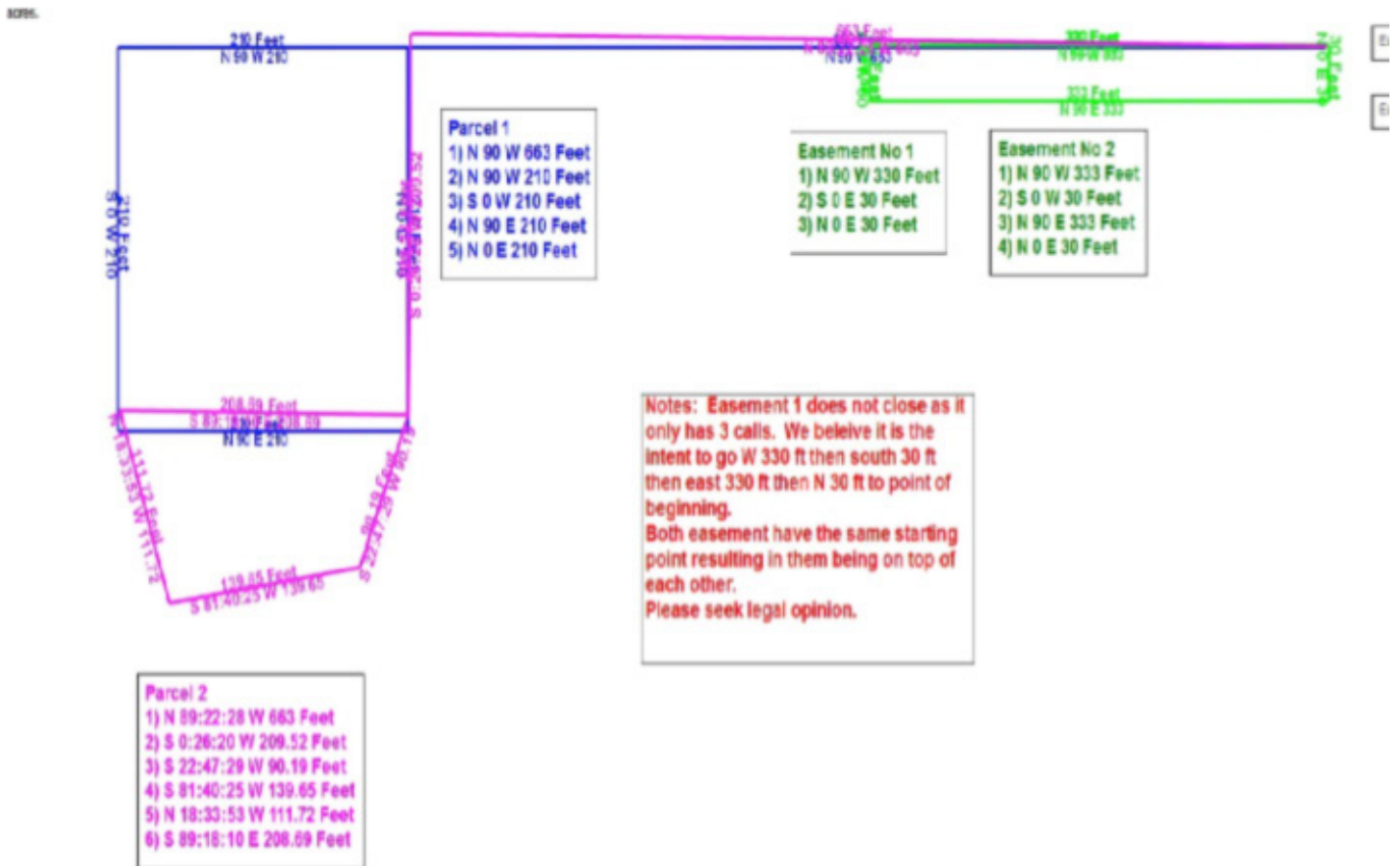
from a property description and placed on imagery for visualization and general reference purposes only. It is not a legal survey, nor is it intended to be or replace a legal survey."

[That sounds very similar to the purpose of a county assessor's cadastral database to me.] In other words,

they inform the financial institution if there is a potential problem with the legal description (a bad call, closure problems, etc.), thus allowing the bank an opportunity to address those issues before "closing" on the property.

Examples of their report are shown below.

continued on next page



By comparing the subject property description with the adjoining properties, Vizaline can generate a report disclosing any apparent defects in the legal description concerning adjacent property owners. Before instituting this service, lending institutions throughout the United States relied on the local assessment office's GIS map to alert them of errors or to supply a visual representation of the collateral property.

What happened? Have county GIS cadastres lost their credibility as a tool to show property lines as an overlay upon orthophotograph?

Beginning in the 1980s, county assessors have been utilizing GIS software with orthophotography to assist in the equitable valuation of properties within a jurisdiction. This emerging technology allowed county assessors to build their modern-day cadastres, relying on source material provided by the county recorder of deeds. Computerization provided an impressive graphic display of both imageries with overlaying property boundaries. With Internet accessibility, the county assessment database became a reliable tool for the legal community, title companies, and lending institutions.

However, the lack of proper



Rick Norejko, CMS, has over 40 years of experience in all aspects of cadastral mapping. He is a nationally recognized speaker, lecturer, author and teacher in the field

of cadastral mapping.

Learn more about Rick and the classes he teaches on the TEAM website at <http://teamconsulting.cc/instructors.html>

maintenance protocols has resulted in some misalignments of new imagery and the original GIS property layer. This misalignment of layers is noticeable when a house is shown on an incorrect lot. Another example would be a building aligned inside the rights-of-way of a street. When these phenomena occur, viewers of the cadastre lose trust that it depicts ownership interest correctly.

[Misalignment of the imagery layer with the property line layer can be caused by factors beyond the scope of this article. We will address this phenomenon in a future newsletter.]

A GIS map showing a house outside of its lot lines is not an accurate portrayal of what is actually on the ground. To resolve the situation, county mapping personnel must continually monitor the registration of an orthophoto base with their property line layers to ensure accuracy relative to the mission of illustrating and assessing property fairly and equitably. They should always follow accepted business protocols in rendering a well-reasoned opinion of where the property lines are for each parcel within their jurisdiction.

Local, state, and the federal gov-

ernment, as well as commercial enterprises, rely on the accuracy of the assessor's GIS database. County map technicians must never become lackadaisical in their maintenance protocols. These databases must always look "legal," even if they only depict property lines for assessment purposes. The county cadastre is not just for local assessment but a tool for civic administration and the national economy to work efficiently.

In the next TEAM Consulting newsletter, we will address the importance of the county cadastre to the latest cyber threat: deed fraud and the stealing of real property. The FBI has elevated the level of mortgage fraud enough to dedicate significant resources to combat what they referred to as *Operation Stolen Dreams*. We will discuss the administration and maintenance of a county cadastre as a tool in this effort of tackling property fraud. ❖

A special thank you to Rick Stuart; Ron Gibbs; Norman Cannady; David Wallis; Rob Mcgee; and Point Of Beginning magazine contributor Jeffrey Lucas, PLS, Esq. for reference material and advice in writing this series.

A new twist...

By Rick Stuart, CAE

We have all seen the collage of photos showing a house as seen by the property owner and others. This is a different twist. An appraiser from Idaho sent me this image, which she was presented by her friends.

YOUR HOME AS SEEN BY



YOU

BUYERS



APPRAISER

TAX ASSESSOR

AAS Designation

Reprinted with permission from IAAO

Congratulations to the following appraisal professionals on obtaining their AAS designation after using TEAM's AAS Case Study Review material.



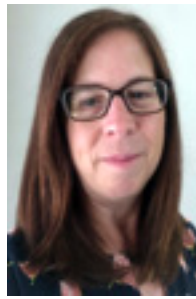
Lacy Harris, AAS, audit director, Perdue Brandon Fielder Collins & Mott LLP, Austin, Texas, has earned the IAAO Assessment Administration Specialist professional designation.

Ms. Harris has been in the profession for 12 years, with Perdue Brandon Fielder Collins & Mott LLP for eight years and in her current position for six years, where her focus is on state valuation adjustments and appeals among other functions. She is on the Liaison Committee with the Texas Association of Appraisal Districts and a member of the Texas Association of Assessing Officers.



Michael L. Brooks, RES, AAS, chief deputy assessor, Thurston County Assessor Office, Olympia, Wash., earned the IAAO Assessment

Administration Specialist professional designation. He's been in the profession for 40 years with the Thurston County Assessor Office and his current position for six years. He has an MA in economics from the University of Missouri, Kansas City, and an MBA in accounting/information services from Rockhurst University, also in Kansas City.



Anne Maynard, AAS, director of client services, Appraisal Research Corporation, Findlay, Ohio, earned the IAAO Assessment Administration Specialist

professional designation. She's been in the profession and with Appraisal Research Corporation for 18 years and in her current position for a year. She holds a Bachelor of Science in business administration from Bowling Green State University and is a member of the Ohio IAAO Chapter. She is the third member of her family to earn an IAAO designation. Her grandmother, Euphemia Hoffman, CAE, was the first woman in Ohio to earn the CAE designation.

CONGRATULATIONS!

Praise for TEAM's AAS Case Study Review

I've just finished your AAS study guide and want to tell you how excellent I found the book. This book certainly serves the purpose of preparing me for the AAS Case Study exam. It is clear, concise, and complete. The problems and solutions encountered throughout this guide as well as in the practice exam, allow the student both a refresher on different techniques, as well as a method to pin-point any error in their calculations. I especially, like the chapter on calculating the confidence intervals for the median. Also, for individuals like me, who have never done quite well with items which require rote learning, I really appreciate the concise description of the concepts encountered in course 400. Excellent job, gentlemen! Thank you so much.

—Michael L. Brooks, RES



Thumbs Up for Zoom & Brad

Brad Eldridge, MAI, CAE, presented his workshops "Senior Housing Valuation" and "Valuation of Fast-Food Restaurants" via Zoom for the North Dakota Association of Assessing Officers on Aug. 12 – 13, 2020. One comment received by the association is shown below.

"I just wanted to let you know that both me and my staff that participated in the education the past couple of days thought it was well done. A very good presenter and good coverage of the material. I know how difficult it can be to do this in a zoom format. He did a great job and kept everything moving and light. Well done.

I would highly recommend this instructor for the future. We liked the format also. To be able to stay in the office and still get the continuing ed credits that we need was great. Maybe in the future this could continue to be an option for our members."

Thanks for putting it all together.
Paul Houdek
City of Grand Forks

If you would like to book a workshop or have any questions about our educational offerings, please contact Brad Eldridge, MAI, CAE at eldridge.brad@gmail.com or (785) 550-0945. All the TEAM workshops can be found on our website at <http://www.teamconsulting.cc/workshops/workshopoverview.html>. ❖

High Marks for TEAM Workshops in Idaho

TEAM was well represented at the Idaho Assessor's Annual Summer School. TEAM instructors participating were Marion Johnson, CAE; Rick Norejko, CMS; Brad Eldridge, MAI, CAE; and Rick Stuart, CAE. Students continue to give high ratings to the TEAM workshops that were presented. A 5.0 is the highest rating.

Workshops Presented:

• **Assessment Administration: Maintaining a Cadastre** (5.0 rating)

"I love all the history. I also liked hearing how other counties handle problem deeds and descriptions. I felt very comfortable sharing information and asking questions."

• **Mass Appraisal Analysis & Benchmarks** (4.7 rating)

"I liked learning about sales chasing. I liked the examples from the real world. Very informative, helped clarify things for me."

• **Valuation of Lodging Properties** (4.8 rating)

"This was a great review. This class helped me understand motels better."

• **Fee Simple & Property Rights Valuation Issues for Commercial Properties** (4.8 rating)

"Examples and case studies; very

relevant and helpful for local appraisers."

• **Customer Service – Now This is a Challenge** (4.8 rating)

"So much great information and tactics to defuse a bad situation. It was relevant and useful."

• **Valuation of Manufactured Homes** (4.9 rating)

"The course answered a lot of questions that I had prior to class. Good direction on how to find values."

• **Valuation of Barndominiums** (4.9 rating)

"The class opened my eyes to a new level of appraisal. Great information and discussion."

• **Unique and Challenging Homes** (4.9 rating)

"This was a great class with lots of examples. I liked learning about strange but awesome homes."

• **Valuation of Historic Properties** (4.8 rating)

"I liked the information and ideas on how to look at and value historic homes. The content was relevant and up-to-date; great use of real-world examples."

If you would like to book any

workshops or have any questions concerning our educational offerings, please contact Brad Eldridge, MAI, CAE, at eldridge.brad@gmail.com or (785) 550-0945. All the TEAM workshops can be found on our website at <http://www.teamconsulting.cc/workshops/workshopoverview.html>.

Don't forget: TEAM offers a series of mapping, GIS, drone and related classes written and taught by Rick Norejko, CMS and Keith Cunningham, PhD. Find them at www.teamconsulting.com. See "Mapping/GIS Workshops" under the Workshops tab. ❖

Meet Our TEAM

Brent Bailey, ASA

Kishin Bharwani

Fred Chmura, AAS, FIAAO

Ed Crapo, CFA, ASA, AAS, FIAAO

Keith Cunningham, PhD

Pete Davis

George Donatello, CMS, FIAAO

Brad Eldridge, MAI, CAE

Lynn Gering

Lath Harris, CAE, SRA

Marion Johnson, CAE, FIAAO

Dan Muthard

Richard Norejko, CMS

Henry Riley, CAE, PhD

Jerald Rudman, CIAO/M

Ron Schultz, CFA

Rick Stuart, CAE, CDEI, FIAAO

Ken Uhrich

Ken Voss, MAI, AI-GRS, SRA, CAE

www.teamconsulting.cc



Travel Squad

We've been everywhere, man

TEAM associates continue to serve in teaching, consulting and speaking capacities both in-person and via online platforms. In the third quarter of 2020, we have been in Arkansas, Idaho, Kansas, Minnesota, North Dakota, Nebraska, Oklahoma, Texas and Washington.

If you would like to book any workshops or have any questions concerning our educational offerings, please contact Brad Eldridge, MAI, CAE at eldridge.brad@gmail.com or (785) 550-0945.

All the TEAM workshops can be found on our website at <http://www.teamconsulting.cc>. See the "Workshops Overview" under the Workshops tab.

History corner:

The French Revolution and Real Property Taxation

By Richard Norejko, CMS

The peasants of the commune Avancon in southeastern France had had enough. So, they rebelled. It was April 1789, and the seed that would germinate into the French Revolution was planted. Three months later, the armory and political prison known as The Bastille would fall. The crisis that propagated this rebellion was the failure to reform the taxation policies of France. One of those taxes was a tax on real property.

Thirty-nine-hundred miles away in Philadelphia, Pennsylvania, the United States Congress was focused on the sale of federal land in a region they called the Northwest Territory. Those sales would result in private ownership of property that would be assessed and taxed to pay for local governance. Ironically, the system that was being instituted in America came from a country that was beginning a revolution based on many factors, one being the abuse of their real property taxation system.

At the time, France was a monarchy. In the long span of European history, France had been ruled by royalty and a bloodline that dates back to the 10th century. In the year 987, Hugh Capet became the King of the Franks and began a direct line of French descendants to the year 1848. Those kings initiated the concept of taxing real property for government revenue.

We can trace the seed of America's modern-day ad valorem property tax assessment to French economists. [These advisors were not called economist. That designation would not be utilized for several hundred more years. It is a modern-day term to explain the definitive role of the king advisors.] These economists advised French kings

that to remain in power, keep civil unrest to a very minimum, and to continue the bloodline, they should regulate the haphazard tax structure of France.

Their advice was to have a predictable revenue stream to pay for predetermined expenses. They stated that revenue could be predictable if a tax was placed on the real source of wealth: lands of the aristocrats and peasantry. Land, they explained, was the natural source of wealth, and taxing it would provide stable governance.

That revenue philosophy would be carried to England by William the Conqueror, who became known as William I, King of England. William would create the first official government cadastre in England with the creation of the Domesday Book of 1086. Following what he had learned from the French economist who advised the French King Henry I, William ordered the documentation of whom he had granted land to and its value—knowing that this information would be beneficial to retaining power over all of England. He did this by instituting a property survey, validation, and value procedure. Modern county mass appraisal programs would emulate these same principles.

The Domesday documentation

Virtually all of the civil government of William I, from the lowest of local officials to the *legati regis* (the team of king commissioners who took the first testimony of occupancy, possession, and value from sheriffs, manor lords, church presbyters), was involved in the mass appraisal effort. There were review appraisers—strangers, by design, to the areas they worked—who verifies the initial metes and bounds description

of the property. Every acre of every parcel was listed by ownership and classified as arable land, meadow, pasture, or forest. Mills, fisheries, and other income properties were also described. Every head of cattle, oxen, mule, horse, and poultry was counted and recorded. These field appraisers were required to list three values for each property:

- the value it possessed in the reign of Edward the Confessor. In other words, the prior assessment value when William conquered England,
- the value of the property when William bequeathed it to the current owner, and
- the estimated present value.

All this information and value calculations were described in a comprehensive assessment roll called "Domesday Book."

American Independence

Real property taxation in America began during its revolutionary period. Along with declaring independence from England in 1776, Benjamin Franklin and two other civic leaders wrote the Pennsylvania Constitution. They stated that "every member of society has a right to be protected in the enjoyment of life, liberty, and property, and therefore is bound to contribute his proportionate to the expense of that protection." Part of that contribution would be in the form of a property tax to support local governance.

Property taxation in America was not a new concept. King James I instituted the policy in 1607 at Jamestown, Virginia. In his charter to

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the Virginia Company, James stated that he would protect the land, but in return, the English living there would pay him quit rents.

As the American population increased, colonial legislators realized they had a right to levy taxes; they turned to those revenue streams that were familiar in England. Among these were taxing real property. Similar to the French connection, taxes were assessed as so much per item or acre.

After independence, the thirteen original states realized that maintaining a tax system required a representative legislative body and administration by an impartial administrative organization. The Founding Fathers realized that without economic resources, governments could not maintain order or provide the services that citizens of the new nation expected. They also knew that jurisdictional organizations should follow established rules of procedure. The legislators explicitly wrote that there should be a hierarchically organized bureaucracy with defined lines of authority, and administrative regulations should be clear and known to all interested parties. Therefore, local citizenry would have to be obligated to contribute to the governance of their local jurisdiction.

As an example, the Massachusetts Constitution of 1780 contains the following:

each individual of the society has a right to be protected by it in the enjoyment of his life, liberty, and property, according to standing laws. He is obliged, consequently, to contribute his share to the expense of this protection.

Similarly, the first Constitution of Maryland in 1776 contains the following provisions in this



King Louis XVI by Anoine-François Callet

Declaration of Rights:

Every person in the state, or persons holding property therein, all to contribute his proportionate share of public tax for the support of the government, according to his actual worth in real or personal property: yet fines, duties or taxes made properly and justly be imposed, or land with the political view for the good government and benefit of the community.

What these constitutions declare is, the state exists to protect property; what could be more fitting than to tax each citizen in proportion to the value of his holdings?

French Turmoil

The crisis in France that would eventually lead to the French Revolution began under King Louis XV. He would spend more than half of his reigning years at war piling up a mountain of debt.

His son only contributed to the national debt. By the 1780s, after another expense of war, this time for American liberty, Louis XVI was faced with a growing threat of real estate bankruptcy throughout the country. He was even facing massive deficits, like his father before him; he refused to tax the property of the aristocratic nobles who made up 1%

of the population but owned most of the property. Instead, King Louis XVI continued to heap property taxes on the lower-class property owners.

Adding to this financial crisis was the lack of administration to collect property taxes. The responsibility of collecting revenue from property taxation was directed to village councilors. Because it desperately needed income, preferably in advance, some of these councilors assigned the collection of these taxes to commercial enterprises. Strangers to the local citizenry, these "collectors" profited from everything they could collect above the tax payment due. They even used armed thugs in the countryside to collect property taxes and tributes to enforcers.

By 1789 the lower classes had had enough. Protesters exclaimed, "The lands of the nobles and the church should they not be subjected to taxation? Why protect them from it? Why subject the lands of poor people exclusively to it?"

On July 14, 1789, the Bastille would fall to the rebellion, and a period of social and political upheaval would not end for ten years.

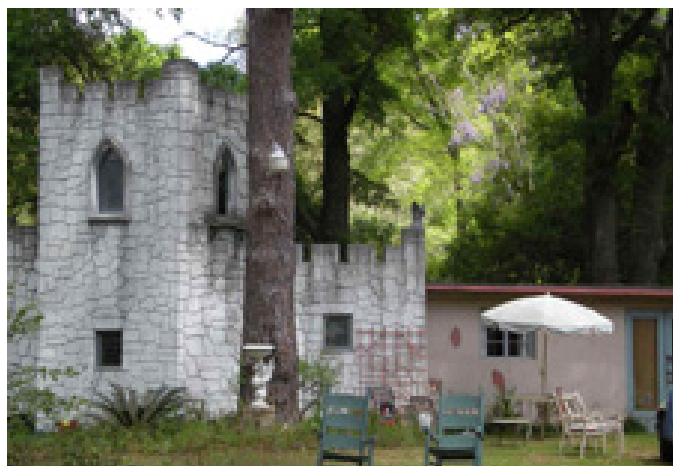
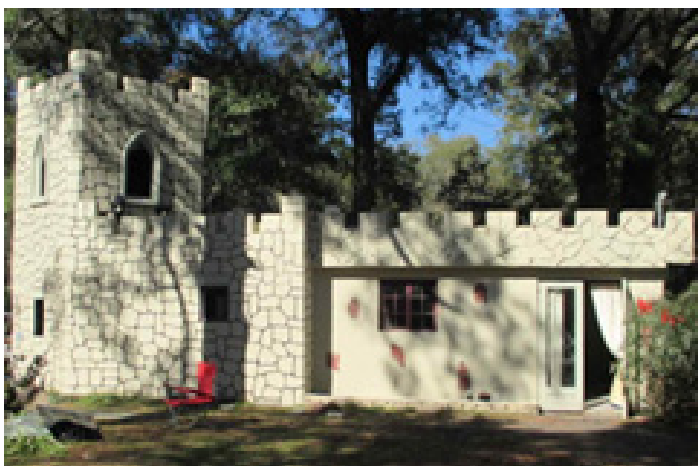
How ironic that in the same decade that the Americans were building a country based, in part, on fair and equitable taxation on real property, the country from which the system the Americans would establish some of its local governmental revenue upon was facing a revolution. While state governments in America were designing a local (village, town, and county) tax administration system, France was in a crisis for not adhering to the most basic principles of that system, mainly taxing all property fairly and equitably.

America would not make that mistake. The system would grow and change over time but would provide more than half of the revenue for local governance. ❖

Interesting Buildings

By Rick Stuart, CAE, FIAAO

Over the years I have collected a very large number of photos I call "interesting buildings." My intention is to publish a couple each issue. If you have picture(s) of buildings that have piqued your interest, email them to me at r17stuart@gmail.com. I will add to the newsletter.



Home Sweet Castle

Submitted By Doug Will, CAE, AAS, assistant property appraiser, Tallahassee, Fla.

"A man's home is his castle". This one is right here in Tallahassee. You can even see where the cannon balls have hit the stucco.



Container Storage Closet

Stacy and Barrie Salters, of Salters Appraisal in Topeka, Kan., submitted these photos showing how you can add an instant, inexpensive master closet.

Keep those photos coming to r17stuart@gmail.com.



■ Kelsi Marie Borland, *www.globest.com*, June 16, 2020. According to Etco Homes, in addition to increased square footage, buyers are also looking for flexible rooms and spaces within the floor plan—spaces that are adaptable for home offices, children’s play areas and other changing needs for families.

“Buyers are looking for flexible spaces that lend themselves to personal use,” says Long. “People have a variety of needs for space and privacy or use of rooms for multiple purposes. We have absolutely contemplated that for our floor plan layouts. That is going to be even more of a factor as we move forward.”
<https://bit.ly/2zGIPAE>

■ *www.appraisalinstitute.org*, May 12, 2020. “Standard lawn care services recover 267% of the project cost at resale, according to the 2018 Modeling Impact Report: Outdoor Features by the National Association of Realtors. The NAR report also revealed that landscape maintenance and tree care recover 100% of the project cost when selling the home, and installing an irrigation system recoups 86% of the cost.” <https://bit.ly/2N0EU3u>

■ Meredith Hobbs, *www.globest.com*, June 18, 2020. “As the Covid-19 crisis places extraordinary stress on commercial real estate, distressed CMBS loans are being transferred into special servicing at an unprecedented rate.



Rick Stuart, CAE, CDEI, FIAAO, is a senior consultant with TEAM Consulting, LLC. He lives in Topeka, Kan.

A new report from Moody’s Analytics and loan special servicer CWCapital examines the crisis’ impact on commercial mortgage-backed security loans by property type, finding that fully 96% of the loans transferred to special servicing from March 1 through the third week in May were for hotel and retail properties.” <https://bit.ly/30UKpZz>

■ Robert Dietz, *www.builderonline.com*, June 11, 2020. “Housing entered the recession significantly underbuilt. Estimates vary, but based on demographic need and NAHB modeling, the U.S. has a housing deficit of about 1 million residences. Freddie Mac estimates the shortage may total 2.5 million homes.

While the causes lie on the supply-side of the market, the demand-side consequences include reduced household formation, declining vacancy rates, increased development of accessory dwelling units, and a rise in the share of young adults living with their parents. Given this backdrop, the surge in unemployment during the first half of the year, and implications concerning the virus itself, it is reasonable to expect certain long-term changes for housing demand. Here’s an initial list of those changes:

- Housing demand will increase in medium- and low-density neighborhoods
- Home size will grow again
- Single-family rental housing will see a window of opportunity
- Conversion of retail spaces into residential property will accelerate
- Focus on skilled labor availability will remain <https://bit.ly/30UGLz7>

■ Realtor.com, June 10, 2020, *www.builderonline.com*. “As the design trend that has dominated

home layouts over the past few years, open floor plans or “great rooms” offer clear sightlines and great entertaining space, but the global pandemic has highlighted some of the disadvantages to an open floor plan. From lack of privacy to terrible acoustics to unavoidable background noises, homeowners are asking for their walls back as they adapt to working, teaching, and playing from home. Realtor.com contributor Lisa Johnson Mandell analyzes the trend and suggests some alternatives for future home design.” <https://bit.ly/2V07dDC>

■ Jenna Tesse Fox, *Smith Travel Research*, June 18, 2020. “U.S. hotel performance data for the week ending June 13 improved slightly from previous weeks and further reduced the ongoing year-over-year decline, according to the latest data from STR. From June 7-13, occupancy was down 41.7 percent from the same week in 2019, while average daily rate, at \$89.09, was down 33.9 percent and revenue per available room was down 33.9 percent to \$37.15.”
<https://bit.ly/3eorlqQ>

■ Max Mitchell, *The Legal Intelligencer*, June 30, 2020. “US life and annuity insurance companies have seen a dramatic increase in commercial mortgage loan holdings over the past five years, leading to an increased exposure to low quality credit, according to a recent report by AM Best. US life and annuity insurers now hold more than \$522 billion in commercial mortgage loans, which is up significantly from \$382 billion in 2015. The report also said the 2019 figure represents an 8% increase year-over-year.”
<https://bit.ly/31DhbPc>

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■ www.builderonline.com, June 23, 2020. "In May, sales of new single-family houses were at a seasonally adjusted annual rate of 676,000, according to estimates released today by the U.S. Census Bureau and the Department of Housing and Urban Development. The new data shows a 16.6% increase above the revised April rate of 580,000 and is 12.7% above the May 2019 estimate of 600,000." <https://bit.ly/3irhPFF>

■ www.builderonline.com, June 15, 2020. "Work-from-home policies are giving now claustrophobic urban dwellers a chance to escape the city to a more comfortable, rural location with room to move. This trend complements data that Redfin shares in this PYMNTS article. Redfin reported last month that homebuying is up more than 16 percent above levels that had been seen before the pandemic. That's as measured through the week that ended May 17." <https://bit.ly/3iBnvNq>

■ Kelsi Maree Borland, www.globest.com, July 6, 2020. **Editor's Note:** Although still present in smaller communities, this is not often seen in the last 15 – 20 years. "Since the onset of the pandemic, the capital markets have slowed. For the borrowers that have been able to secure financing, the market uncertainty has changed the length of escrow and the types of properties lenders will finance. As a result, fewer deals have closed, even for investors willing to buy in this market—but there is new financing alternative that has some buyers excited: seller financing. In a seller financing deal, the transaction closes immediately and the buyer makes principal and interest payments to the seller." <https://bit.ly/3e67ATY>

■ Jane Wester, www.globest.com, July 7, 2020. "The student housing market will suffer in fall 2020 due to the coronavirus pandemic, Reis found in its Q1 analysis of student housing dated May 21. Uncertainty over college and university plans for on-campus instruction remained in early July, with COVID-19 cases continuing to rise in many states. While near-term metrics contain bad news, analyst Keegan Kelly wrote that the market is likely to recover when a reliable vaccine becomes available, hopefully by the start of the 2021-22 school year." <https://bit.ly/2ZJNKZn>

■ www.builderonline.com, June 29, 2020. "Earlier this month, the Houston Association of Realtors has replaced the phrases "master bedroom" and "master bathroom" with "primary bathroom" and "primary bedroom" on its Multiple Listing Service. The change came after several HAR members called for a review of the terminology. The HAR has not banned the use of the word "master," which is still permitted within promotional materials as members deem appropriate." <https://bit.ly/3f9YRRO>

■ Kelse Maree Borland, www.globest.com, July 30, 2020. **Editor's Note:** If you have not heard or read anything about this, I encourage you to do so. "It has officially arrived—the final language on the split-roll tax ballot measure that has been expected and dreaded among California property owners. Prop 15, as it has been called, would remove the property tax limitation protections promised by Prop 13 for commercial properties, effectively splitting the tax roll. The prop was expected, but an official ballot number and clarity give more information about the measure." <https://bit.ly/30jqD9C>

■ Lee Shaver, www.globest.com, July 31, 2020. "As mall stores have closed during the COVID-19 outbreak, some landlords have found a new, surprising source of revenue—shopping center parking lots. CNBC reported that Brookfield Properties inked a deal with Kilburn Live to turn some of its mall parking lots into drive-in theaters that could host movies and virtual concerts. With conventional theaters and concert venues closed and consumers eager to leave their house for entertainment, activating parking lots would seem like the right way for mall landlords to recoup lost income." <https://bit.ly/30izf0a>

■ Gina Passarella, www.globest.com, July 31, 2020. "The realization that working from home will likely outlast the pandemic has altered the decision-making process for those in the market for a new home. The ability to work from home is causing buyers to move sooner than expected, look at a broader range of geographic locations and, of course, seek out a home with a dedicated office space, according to a recent survey of more than 2,000 home shoppers who expect to move in the next year. According to the realtor.com HarrisX survey of active home shoppers, 63% said their decision to buy a new house was a result of their ability to work remotely." <https://bit.ly/2XImQGL>

■ Tim Ellis, www.redfin.com, Aug. 3, 2020. Key takeaways for the 4-week period ending July 26:

- Pending home sales were up 12% year over year, an increase from the 7% year-over-year gains we reported for the period ending July 12.
- 30-year mortgage rates have hovered around 3% for three weeks, and mortgage purchase

applications were up 21% from a year earlier.

- Home sale prices were up 11% year over year for the week ending July 26, the largest increase since 2014.
- For homes actively listed during the period, asking prices were up 14% year over year and may have peaked for 2020.
- The sale-to-list price ratio, which compares the final sale price to the list price, rose to 99.0%—the highest level since at least 2012 (as far back as our data on this measure goes).
- The supply of homes for sale continued to fall short of demand, as new listings were down 0.7% year-over-year and active inventory of homes for sale was down 30%.
<https://bit.ly/3fPaGfO>

Editor's Note: Maybe I am reading these next three articles incorrectly, but they appear to have some varied opinions on the residential market activity.

■ www.attomdata.com, July 1, 2020. "The housing-market boom that pushed home prices upward for eight-years throughout the United States sputtered abruptly in May 2020 in large swaths of the country – the first sign that the worldwide Coronavirus pandemic is damaging property values across the nation. New sales figures from ATTOM Data Solutions show that median home prices stayed the same or dropped from April to May of 2020 in 17 states, as well as in half the metropolitan areas with enough transactions to analyze. (The analysis included 42 states with at least 250 sales and 160 metro areas with at least 100 sales in May.)"
<https://bit.ly/3iMZCSt>

■ newslink.mba.org, July 7, 2020.

"CoreLogic, Irvine, Calif., said home prices rose strongly in May, but warned that the effects of the coronavirus and subsequent economic downturn could send home price tumbling over the summer. The CoreLogic Market Risk Indicator predicts 125 metro areas have at least a 75% probability of price decline by May 2021; additionally, the HPI Forecast shows U.S. index could drop by 6.6% between now and May 2021, with all states expected to experience a decline."
<https://bit.ly/33nO1cx>

■ Patrick Smith, www.globest.com, Aug. 5, 2020. "The pandemic and all its associated fallout (high unemployment, a tanking economy, shuttered storefronts and a rollercoaster stock market, to name a few) hasn't been able to dampen the spirits of the residential home market, as 96% of metro areas are reporting an increase in home prices in Q2, according to a report by the National Association of Realtors. According to the report, 174 of 181 metro areas surveyed saw price increases in Q2, with an average of 4.2% year-over-year. While an increase, the gain was below the 7.7% increase from Q1 of 2020."
<https://bit.ly/3aCqHoB>

■ Jacob Passy, www.marketwatch.com, June 29, 2020. "With record numbers of Americans out of work because of the coronavirus pandemic, rents are decreasing in many parts of the country. Apartment List, an rental listing platform, reported last week that its national rent index fell by 0.1% between May and June. Moreover, the index has fallen 0.3% since March, when the number of COVID-19 cases began ramping up in the U.S.

Over the past year, rents are up only 0.2%, even those this is the time of year when rent appreciation

heats up. "This is by far is by far the lowest year-over-year growth rate that we've observed in June over any of the past five years," Chris Salvati, housing economist at Apartment List, wrote in the report."
<https://on.mktw.net/3aosPQQ>

■ Carolyn Costello & Michael Lopes, www.assets.firststart.org, June 29, 2020. "The nonprofit research and technology group First Street Foundation has publicly released flood risk data for more than 142 million homes and properties across the country. The data, based on decades of peer-reviewed research, assigns every property in the contiguous United States a "Flood Factor™," or score from 1 to 10, based on its cumulative risk of flooding over a thirty-year mortgage. People can look up a property's Flood Factor and learn more about its past, present, and future flood risk at FloodFactor.com, the Foundation's new online visualization tool, launching today."
<https://bit.ly/30U0a2G>

■ Nancy Salmonsens, www.builderonline.com, Aug. 17, 2020. "The NAHB/Wells Fargo Housing Market Index rose by six points to 78 in August. This marks the second time in the survey's 35-year history that the index has reached this level, matching the all-time builder confidence record set in December 1998."
<https://bit.ly/32m4Wp5>

■ Lisa Brown, www.globest.com, Aug. 25, 2020. "Before COVID, food halls were not only the fastest growing trend in food and beverage but one of the hottest growth concepts in the greater retail world. Food halls became a critical part of landlord and developer strategies to backfill empty space in ways the now-challenged department store sector once did, according to the latest Cushman & Wakefield Food

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Hall Report. Food halls adapted quickly to the crisis, perhaps more than more retail categories. In fact, 75% were able to stay open during lockdowns by pivoting to the ghost kitchen model.”

<https://bit.ly/3aVto4A>

■ Christine Simmons, www.globest.com, Aug. 31, 2020. “Homebuyers are searching for larger houses, as they look for more space to live and work amid the pandemic. The typical home that sold in the four weeks ending Aug. 16 was 3.7% larger (1,772 square feet) than the typical home that sold a year earlier, according to a report from real estate brokerage firm Redfin. That’s in contrast with the 0.4% average year-over-year growth rate from 2015 to 2019.”

<https://bit.ly/2GhbKgB>

■ Diana Olick, www.cnn.com, Aug. 26, 2020. “Starting this week, however, every homeowner and potential homebuyer in America will be able to see a new, forward-looking analysis of their property’s flood risk. That could have a huge impact on the national housing market. A nonprofit research and technology group, First Street

Foundation launched an interactive website offering flood risk data on more than 142 million homes and properties across the country in June. Now Realtor.com, one of the nation’s largest home listing sites, will put those scores on all of its listings.”

<https://cnb.cx/32RwAuh>

■ Tim Ellis, www.redfin.com, Aug. 25, 2020. “Home prices and year-over-year price gains hit another new high as prices continued to rise during a time of year that they usually decline, and pending home sales are way up from 2019. The fact that the market is so steady continues to be a surprising sign of strength during a time of major economic uncertainty.”

<https://bit.ly/3jJqp2t>

■ Jesica Leigh Mattern, www.people.com. Submitted by Fred Chmura, AAS, FIAAO, managing partner, TEAM Consulting. **Editor’s Note:** Amazon has been selling tiny homes for over a year, but this is a great concept to meet current market demands. Read “These Amazon Tiny Houses Make the Perfect Backyard Office — and They’re Bound to Sell Out Soon. Many are already out of stock.”

<https://bit.ly/2Zqs70Q>



■ Submitted by Lisa Ree, RMA, Ellis County, Kan., appraiser. “I saw this on the Topeka Capital-Journal online and found it interesting. This is some incredible roofing work of rounding wood shingles on a house!” See Johnnyroofer Roofing on YouTube at https://youtu.be/kJV2-E_VoT4

