Trends in Valuation and Online Closings

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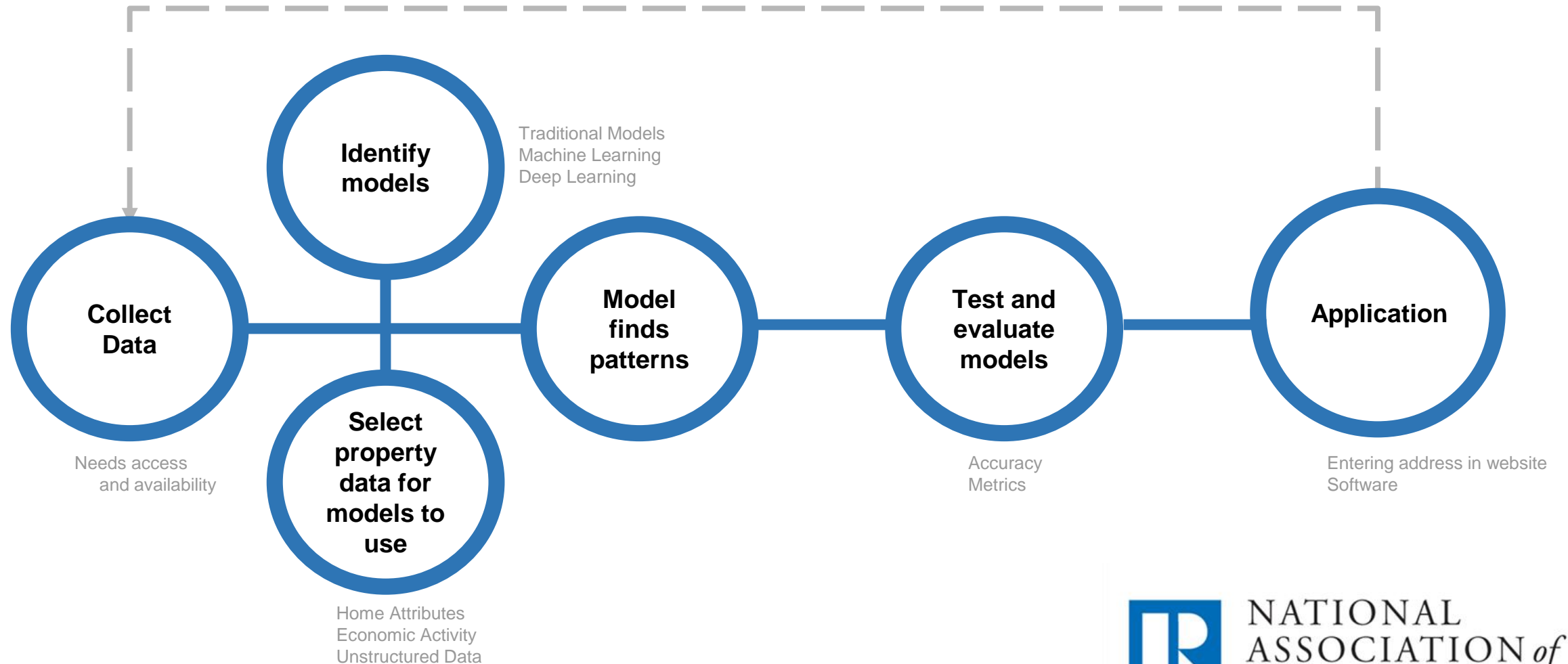
AVMs

How AVMs Typically Work

Who creates AVMs?

- Real Estate Companies

- Brokerages

- Consulting Companies

- Analytics Companies

- Lending Institutions

- Engineers

- Mathematicians

- Students

- Anyone who has access to data

Limitations

- May not all comply with appraisal regulations and standards

- Value vs. Price

- Data used are different

- Different types of property have different characteristics

- Missing data

- More of the same, better predictions

- How do we know what comparable data is used?

  - Proprietary algorithms and a lot we don't know

Future of AVMs: *Newer Trends & What's Next?*

- Commercial Real Estate

- Hyper-localized data

- Image Recognition and Video Recognition

- More Artificial Intelligence and combination of:

    - Traditional models

    - Machine Learning

    - Deep Learning

- More computing power, storage space, data

- More unstructured data

Future of AVMs: *Hyper-Localized Data*

- Open data

- Aggregated data

  - Better data collection standards

  - More from tract and block levels

- Create new proximity features from location

  - Consider transportation and driving times

  - Creating indices for economic activities

- Unstructured Data

- GIS (Geographic Information System)

Residential, Personal Property

DC Real Property

Find ownership, property assessments and parcels.

Data | View

Green Infrastructure, Rain Garden

Green Practices

See how DC gov, residents and businesses reduce storm runoff.

Data | View

Residential Zones | Mixed Use Zones

Building Models

3D Zoning

View projects or create before and after building scenarios.

Data | View

John A. Wilson Building, DC

DC Gov Property

Research properties owned, operated, and or managed by DC.

Data | View

http://opendata.dc.gov/

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Future of AVMs: *Image and Video Recognition*

- Confirm accuracy of information

- Additional features for a property/location

  - Image/Video tagging

  - Identify condition of home and damages

  - Identify property style

  - Identify brands of appliances

  - Use satellite data

- Ability to scan many homes very fast

- Example of unstructured data

Dated kitchen
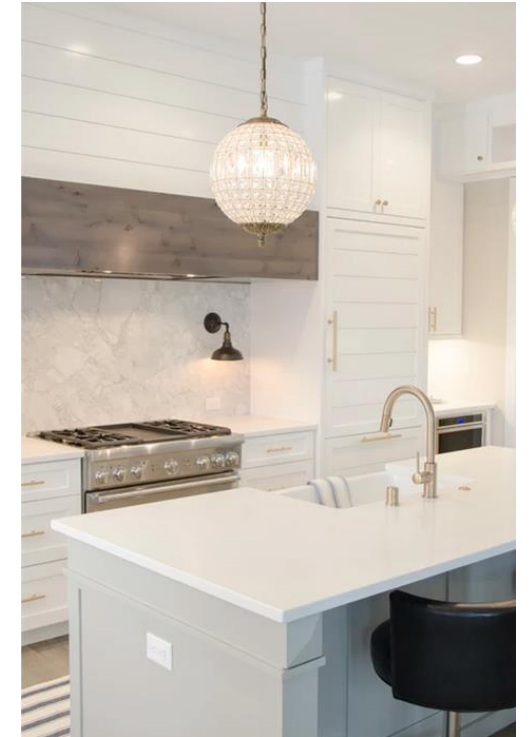
Custom Cabinets
Granite Counter

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Appraisal Survey of NAR Members
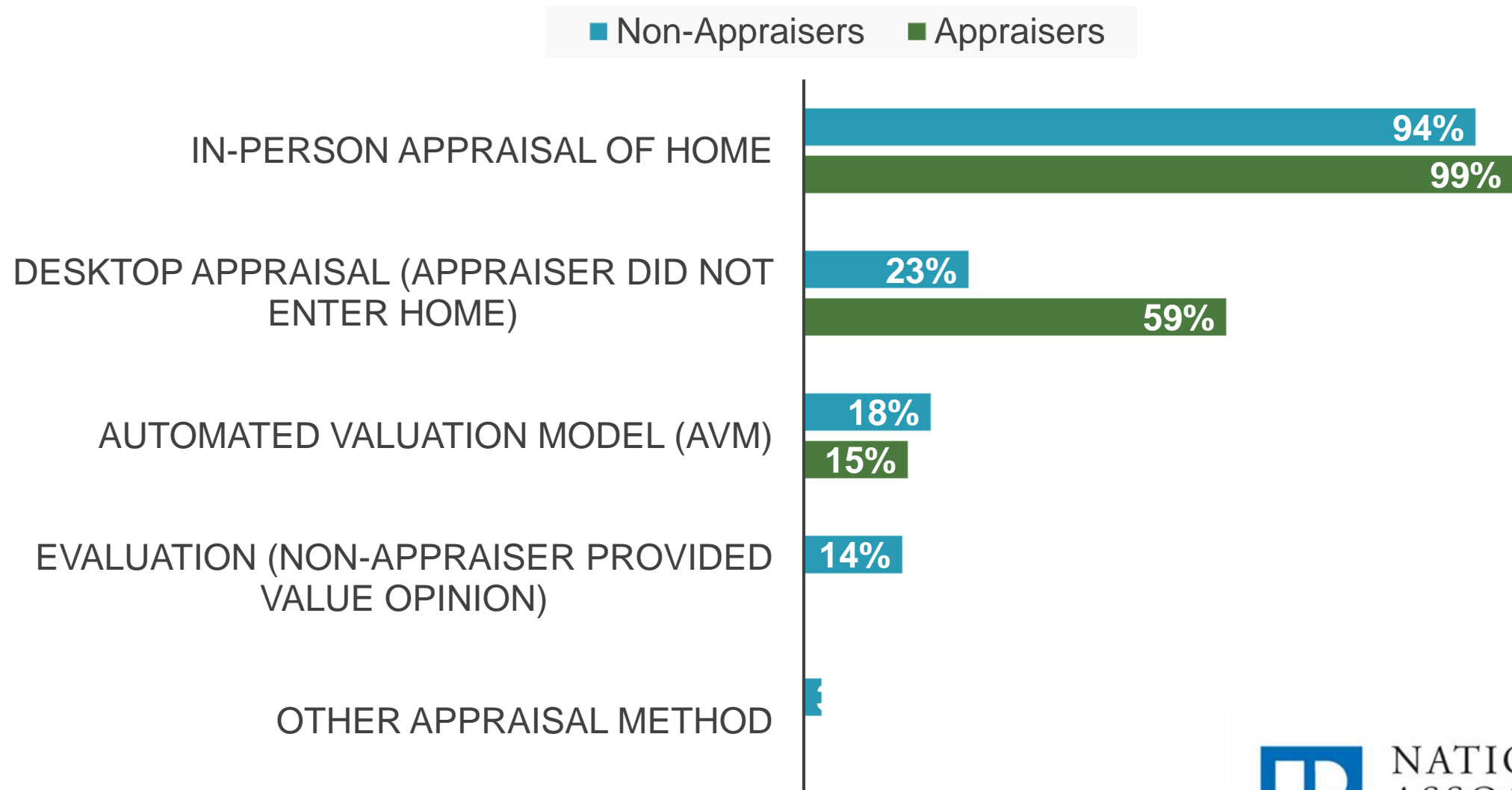
Appraiser Survey

- December 2018
- 66% were completely residential, 32% residential but some commercial
- Non-Appraisers:
  - 3,830 members responded to the survey
  - A response rate of 7 percent
  - Margin of error for results overall is +/-1.9 percent
- Appraisers:
  - 273 were appraisers
 - Margin of error +/-5.75 percent for appraiser results

Have you ever had/conducted an appraisal of a home through...
N = 2,665

Legend: ■ Non-Appraisers ■ Appraisers

Method	Non-Appraisers	Appraisers
IN-PERSON APPRAISAL OF HOME	94%	99%
DESKTOP APPRAISAL (APPRAISER DID NOT ENTER HOME)	23%	59%
AUTOMATED VALUATION MODEL (AVM)	18%	15%
EVALUATION (NON-APPRAISER PROVIDED VALUE OPINION)	14%	
OTHER APPRAISAL METHOD		

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53% of Non-Appraisers Have Had a Transaction Fall Through Due to Appraisal
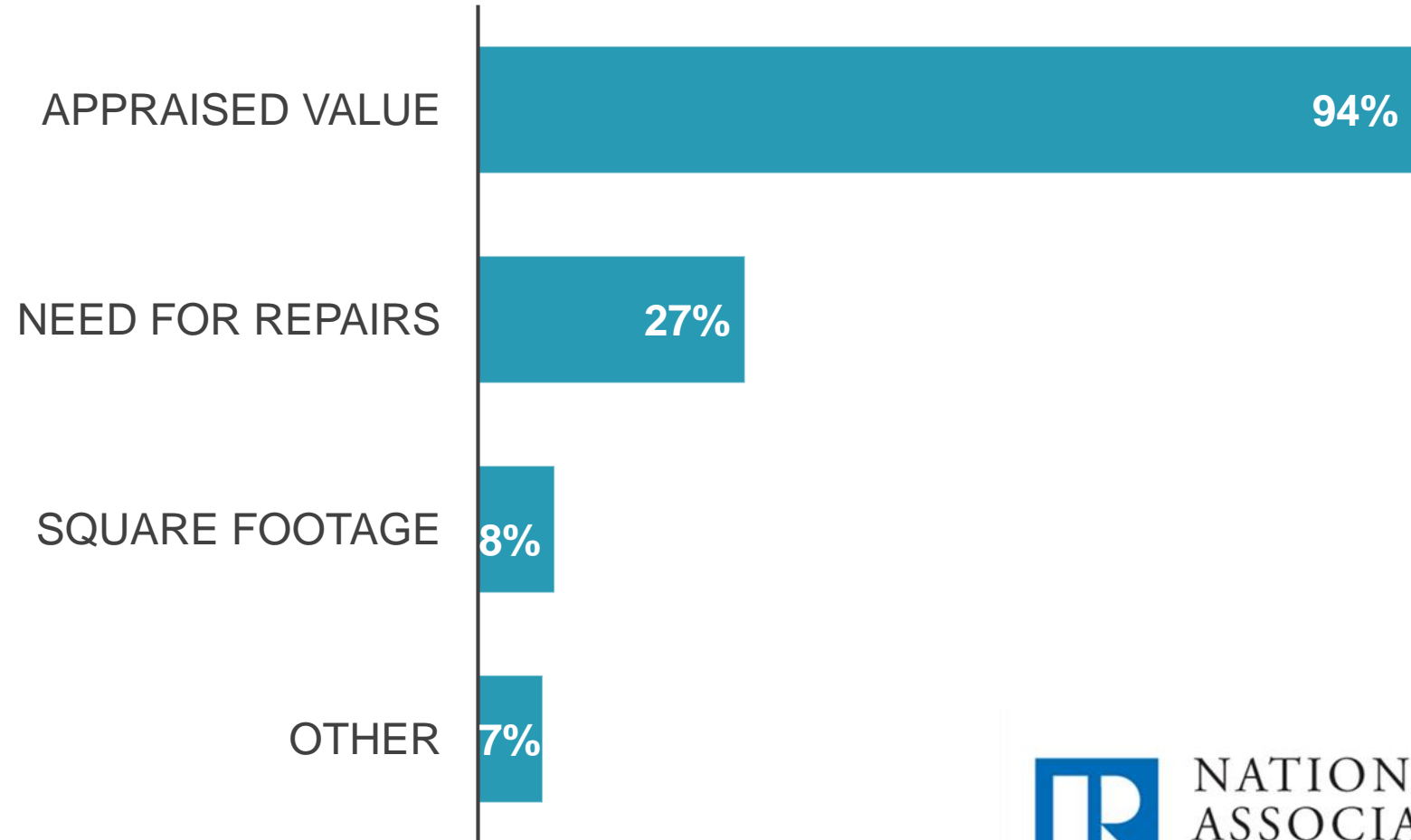
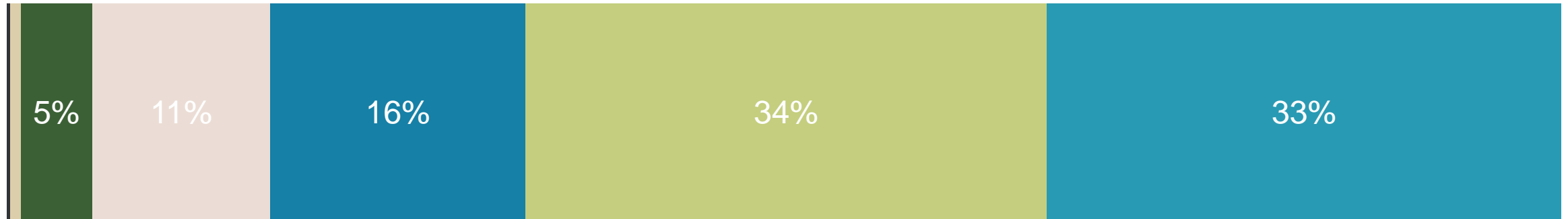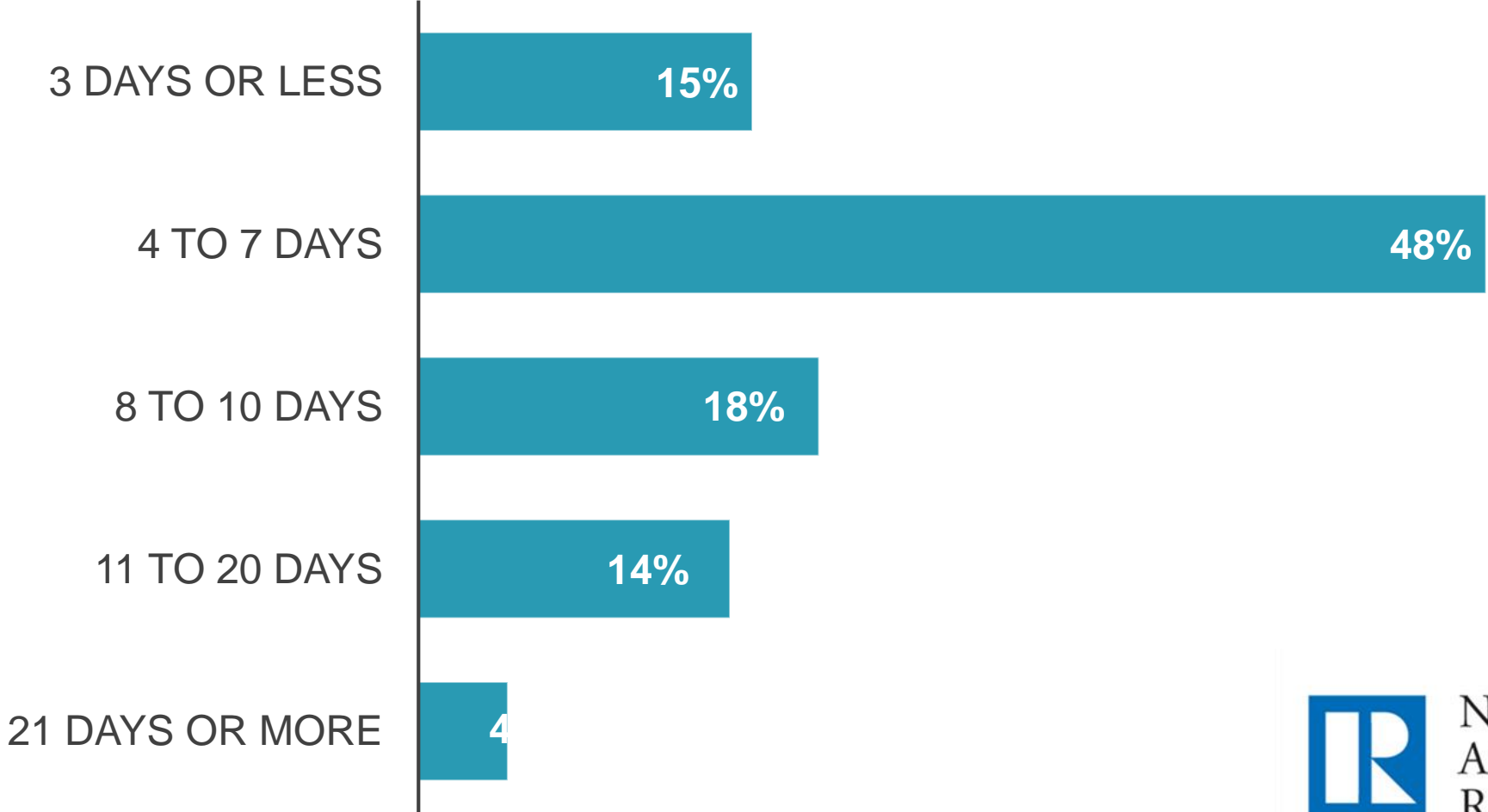|	
APPRAISED VALUE	94%
NEED FOR REPAIRS	27%
SQUARE FOOTAGE	8%
OTHER	7%

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What is the typical wait time in calendar days for a home appraisal? (Enter numeric number of days)
N = 2,665
Median = 7 days

What is the typical cost for an appraisal in your local market?
(Enter numeric dollar amount)
N = 2,665
Median = $450
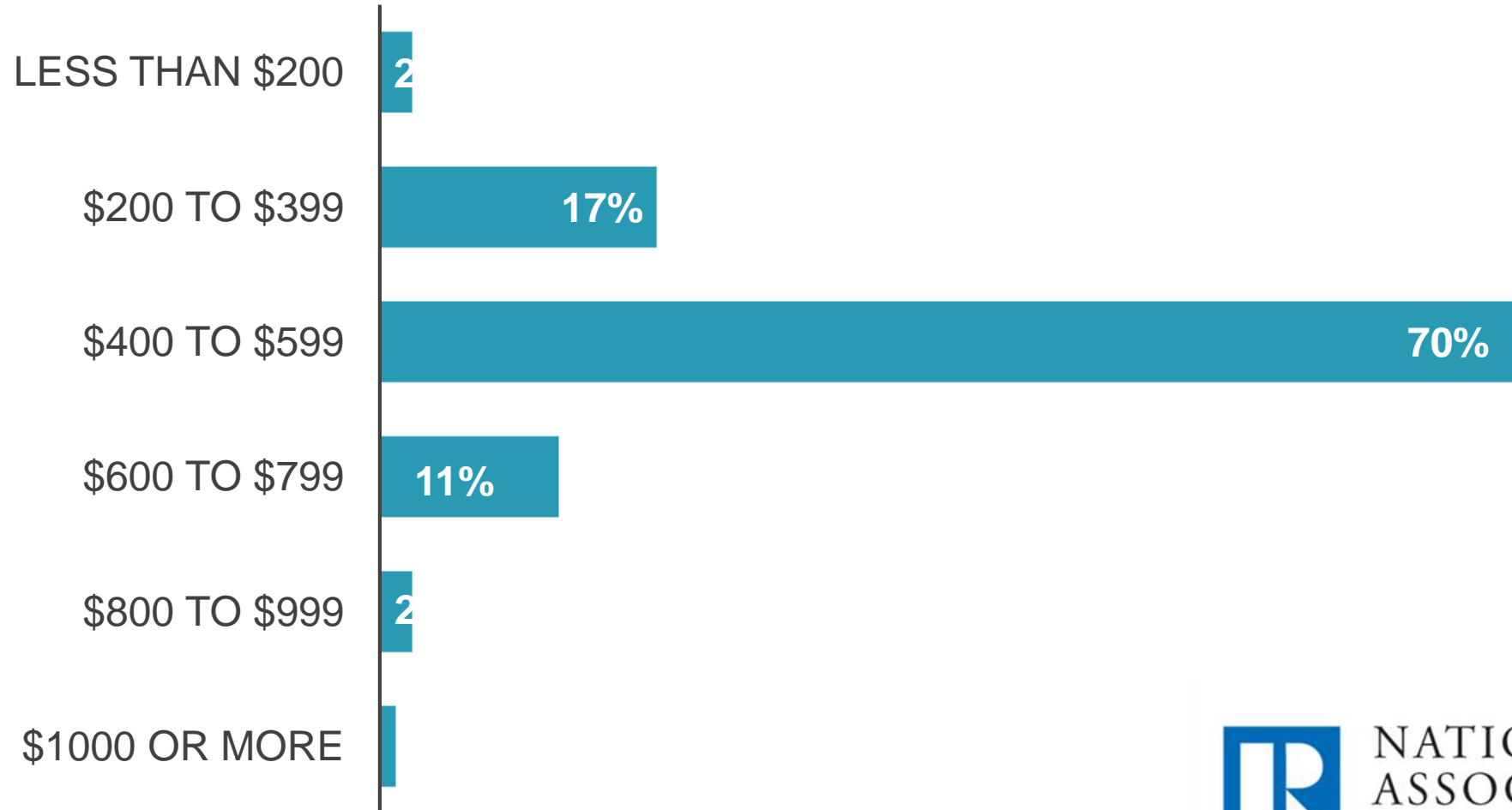
HOW COMFORTABLE ARE YOU WITH...
N = 2,665

- 5 - Very uncomfortable
- 4 - Not very comfortable
- 3 - Neutral/Don't know
- 2 - Somewhat comfortable
- 1 - Very comfortable

	5 - Very uncomfortable	4 - Not very comfortable	3 - Neutral/Don't know	2 - Somewhat comfortable
AVM APPRAISALS	25%	33%	27%	12%
DESKTOP APPRAISALS	22%	43%	19%	14%
EVALUATIONS	28%	36%	19%	14%
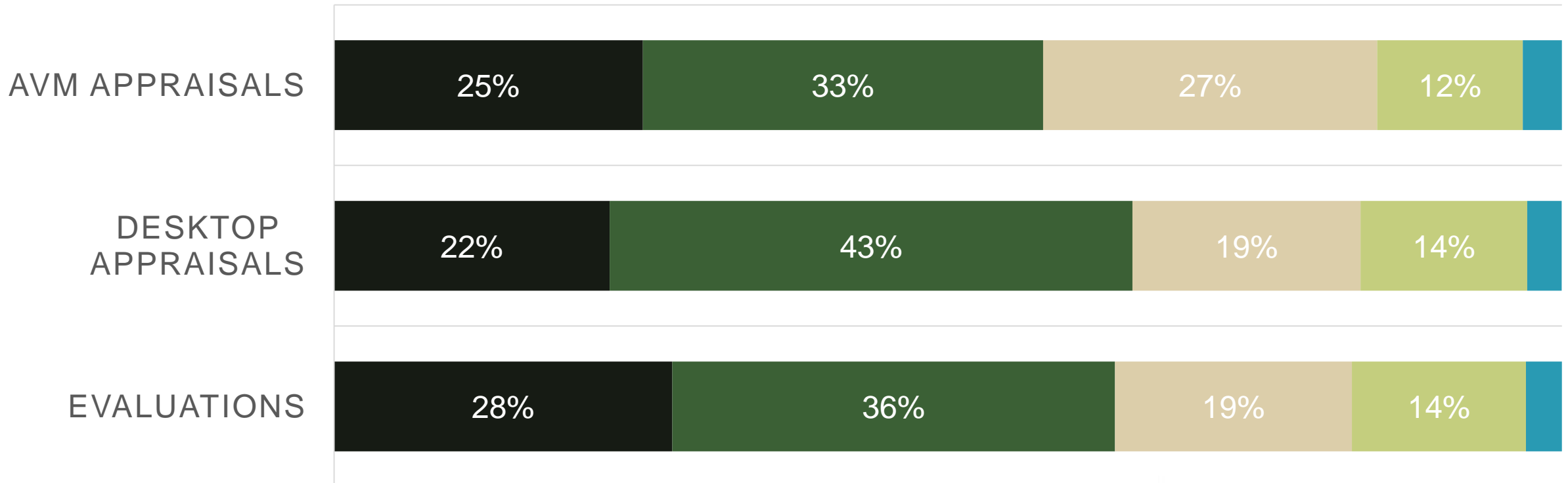
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What is the *price point of the home in your area when an AVM* would be appropriate to the transaction?
N = 2,665
Median = Under $200,000

NEVER APPROPRIATE	37%
UNDER $49,999	
UNDER $100,000	6%
UNDER $150,000	
UNDER $200,000	
UNDER $250,000	
UNDER $300,000	
UNDER $350,000	
UNDER $400,000	
UNDER $450,000	
UNDER $500,000	
$500,000 OR MORE	
ALWAYS APPROPRIATE	
NOT SURE	29%
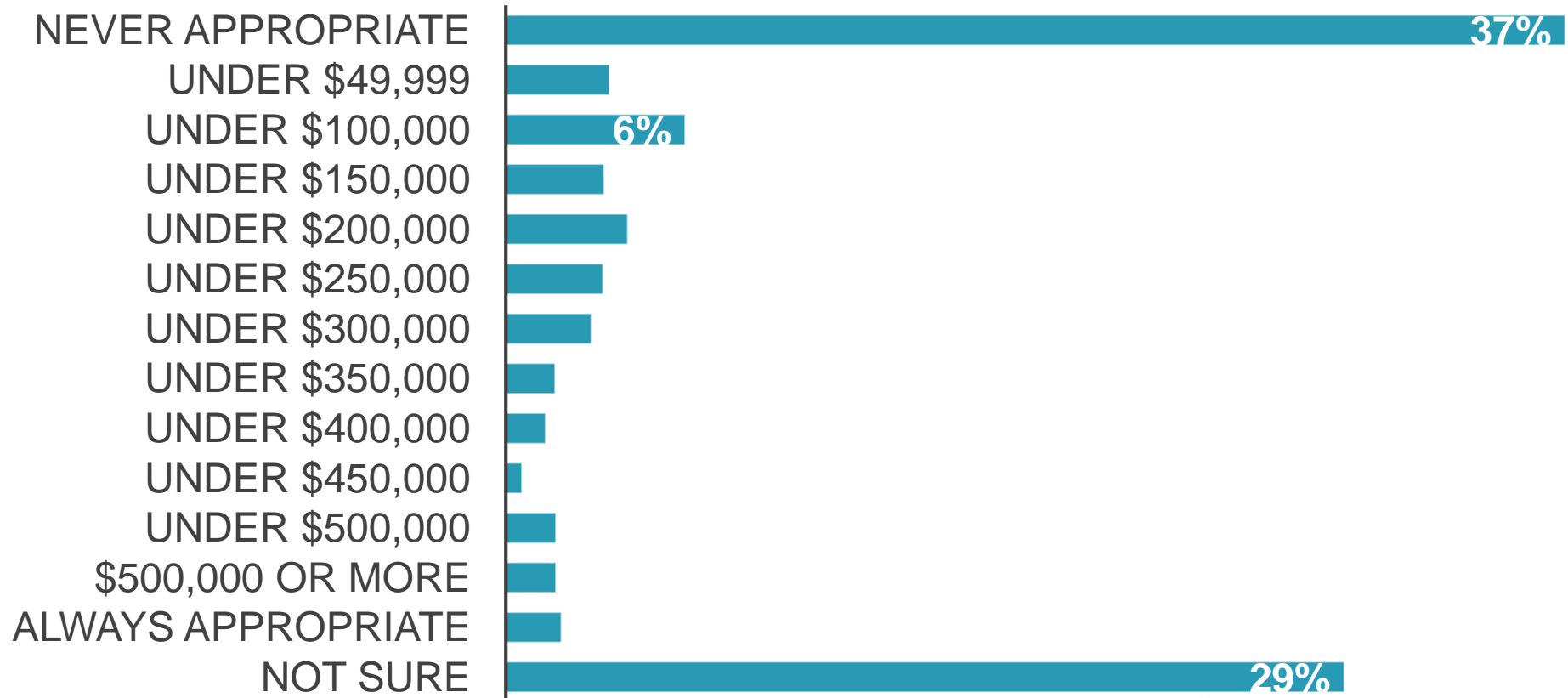
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What is the price point of the home in your area when a _desktop appraisal_ (where a professional appraiser does not enter the home) would be appropriate to the transaction?
N = 2,665
Median = Under $200,000

NEVER APPROPRIATE — 35%
UNDER $49,999
UNDER $100,000 — 7%
UNDER $150,000
UNDER $200,000
UNDER $250,000
UNDER $300,000
UNDER $350,000
UNDER $400,000
UNDER $450,000
UNDER $500,000
$500,000 OR MORE
ALWAYS APPROPRIATE
NOT SURE — 32%
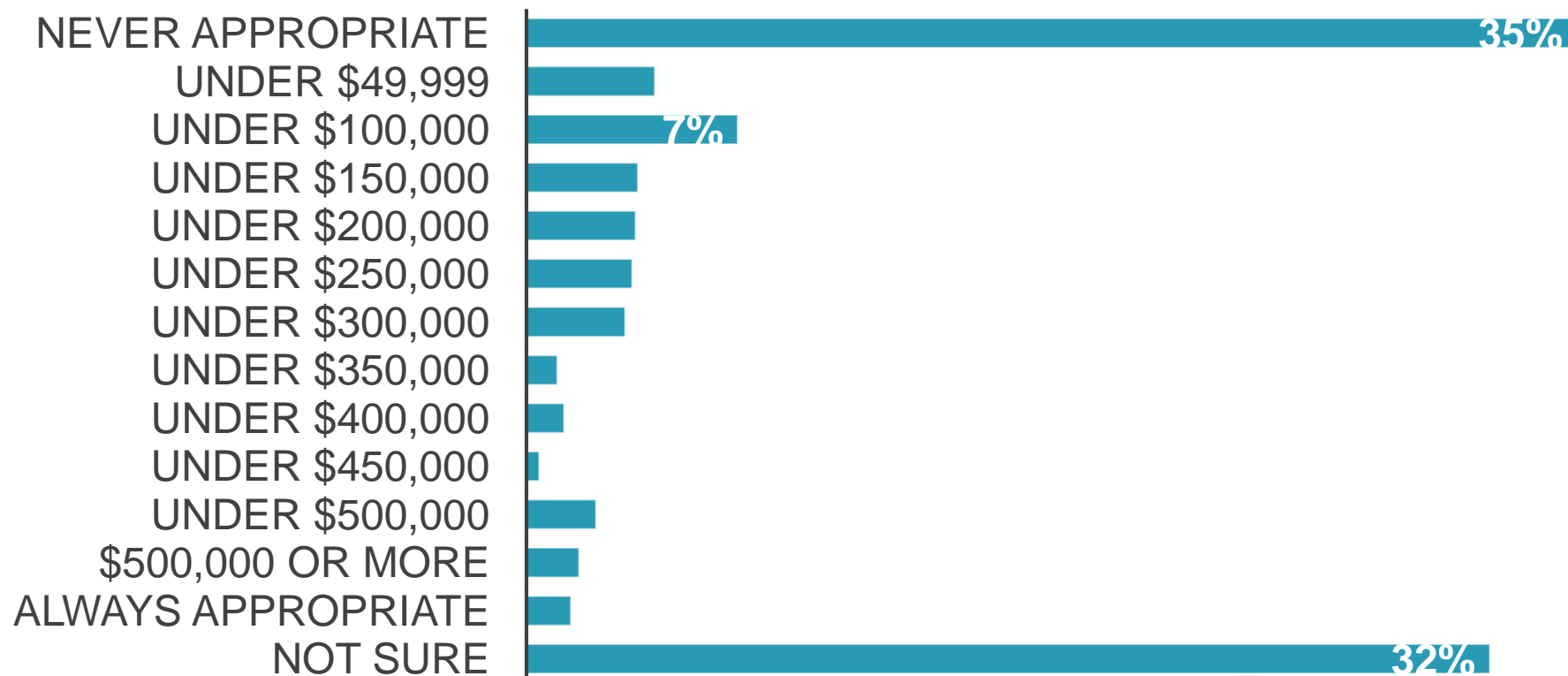
What is the price point of the home in your area when an *evaluation* (where a non-appraiser provides value opinion) would be appropriate to the transaction?

N = 2,665
Median = Under $200,000

Category	Percentage
NEVER APPROPRIATE	42%
UNDER $49,999	
UNDER $100,000	4%
UNDER $150,000	
UNDER $200,000	
UNDER $250,000	
UNDER $300,000	
UNDER $350,000	
UNDER $400,000	
UNDER $450,000	
UNDER $500,000	
$500,000 OR MORE	
ALWAYS APPROPRIATE	
NOT SURE	31%
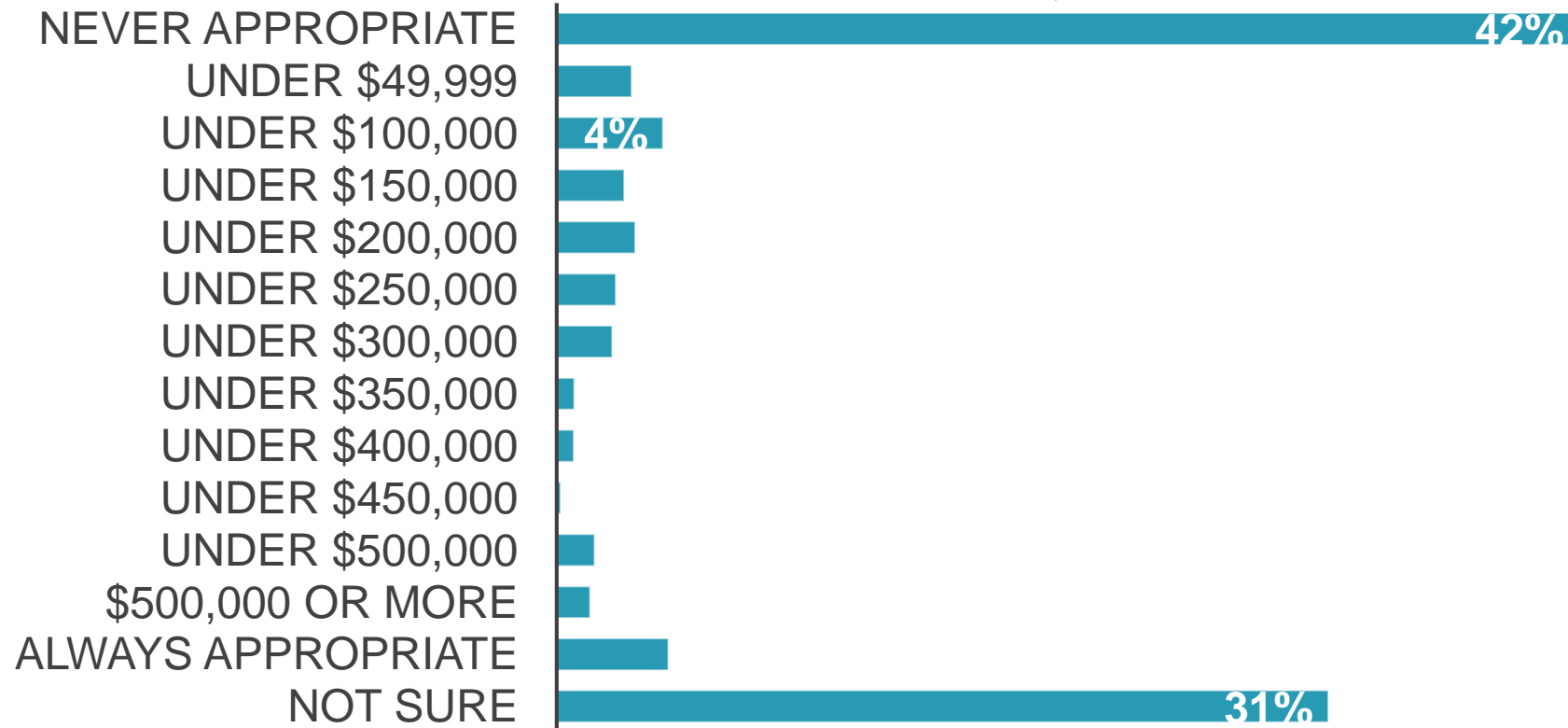
Consumer Opinion on iBuyers

Methodology:

- The data is based on a phone survey on approximately 900 US adults, for a margin of error +/- 3.3%.

- This is a mix of cell phones and landlines.

- It is weighted based on US homeownership rates.

U.S. Public Knowledge of iBuyers

- Only 5% of US households have heard of iBuyers
  - There is slightly more awareness in the South—but only 6%--this is statistically significant
  - Of those aware of iBuyer—28% said they do know of someone who used one
    - Among the 28% that knew of personal use**—*(these are too small to be considered statistically significant)*
      - 24% were somewhat satisfied
      - 52% were either not very satisfied or not at all satisfied

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Likeliness to Use

- After iBuyers were explained to respondents (An iBuyer is a real estate investor or company that uses technology to value a home and make a cash offer on a home within a very short timeframe, without visiting the home. Once the offer is accepted, the closing could be in just a few days. The price could be below what it could have gotten you by normal marketing of your home. If you were to consider selling your home, how likely would you be to consider an iBuyer?)
  - Likely to use:
    - 18% were either **_very or somewhat_** likely to try an iBuyer to ever sell
    - 79% were either **_not very likely_** or not at all likely to try an iBuyer to sell
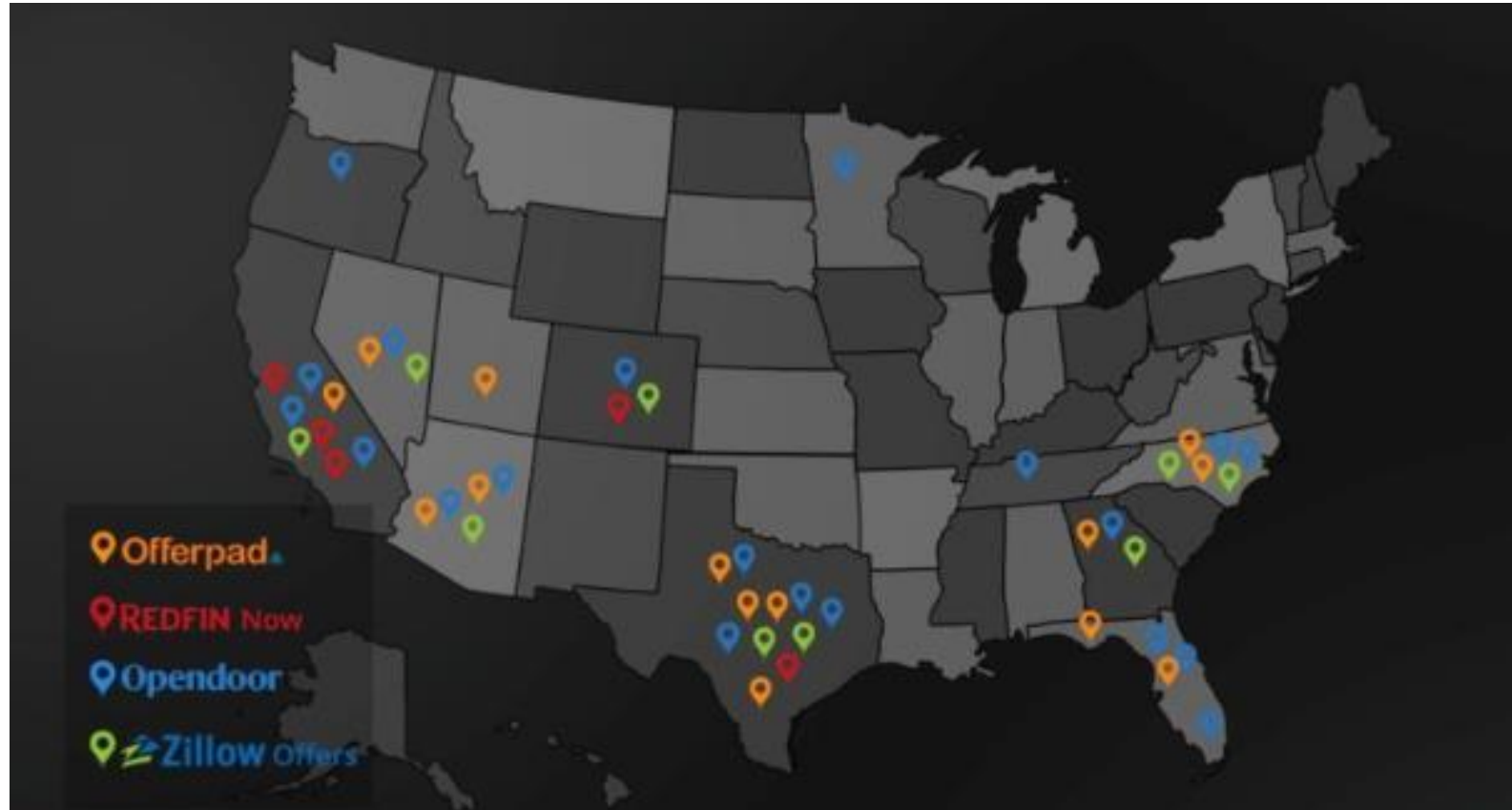
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Discount the Price?

- At what discounted price, likely to use:
  - 14% ***would not take a discounted price***
  - 16% ***reiterated they would never use this type of sale***
  - 21% would consider taking 5% or less
  - 10% would consider taking 10% or less
  - 8% would consider taking 15% or more
  - 33% were not sure

Attom Research on iBuyers

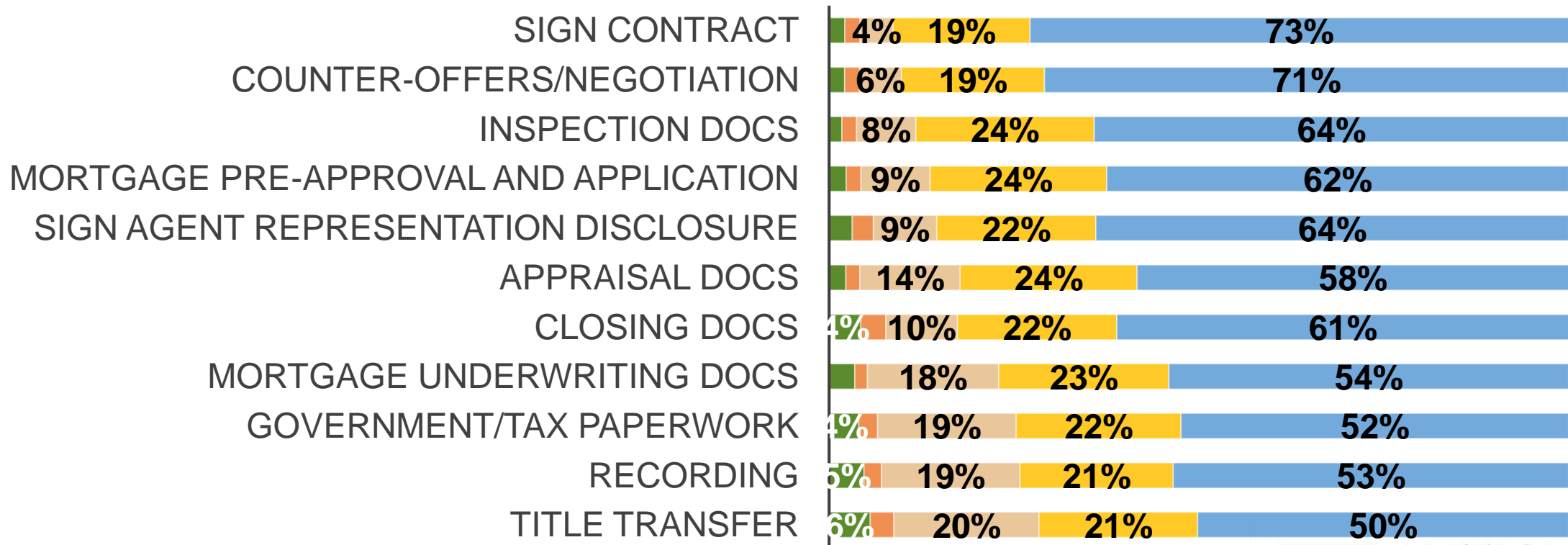# Member Opinion on E-closings

How desirable is it for you to have documents electronically in each of the following steps of the closing process (if your state laws permitted you to do so)?
N = 2,675

Legend: ■ Not at all desirable ■ Somewhat undesirable ■ Neutral/No opinion ■ Desirable ■ Very desirable

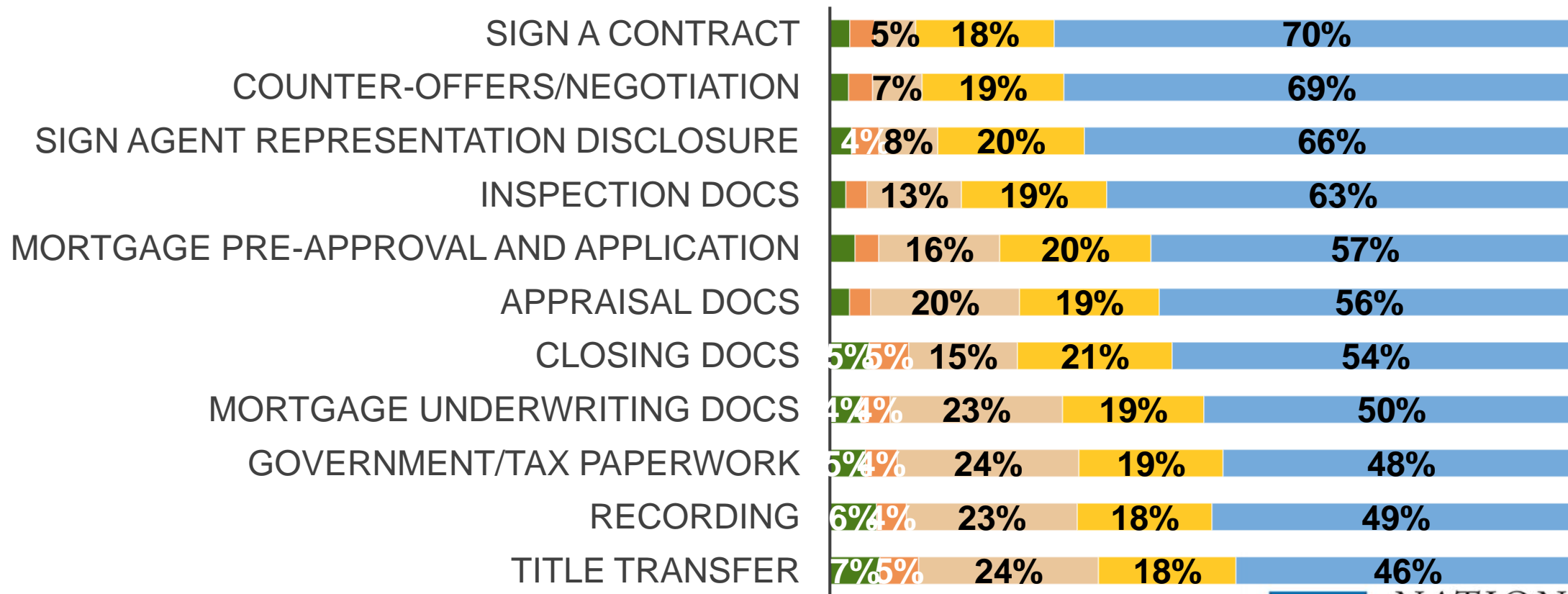| Step	Somewhat undesirable	Desirable	Very desirable
SIGN CONTRACT	4%	19%	73%
COUNTER-OFFERS/NEGOTIATION	6%	19%	71%
INSPECTION DOCS	8%	24%	64%
MORTGAGE PRE-APPROVAL AND APPLICATION	9%	24%	62%
SIGN AGENT REPRESENTATION DISCLOSURE	9%	22%	64%
APPRAISAL DOCS	14%	24%	58%
CLOSING DOCS	4% 10%	22%	61%
MORTGAGE UNDERWRITING DOCS	18%	23%	54%
GOVERNMENT/TAX PAPERWORK	4% 19%	22%	52%
RECORDING	5% 19%	21%	53%
TITLE TRANSFER	6% 20%	21%	50%

What is your level of comfort with electronic documents/electronic processing within transactions involving each of the following stages?
N = 2,675

■ Not at all comfortable ■ Somewhat uncomfortable ■ Neutral ■ Fairly comfortable ■ Very comfortable

Stage	Not at all comfortable	Somewhat uncomfortable	Neutral	Fairly comfortable	Very comfortable
SIGN A CONTRACT		5%		18%	70%
COUNTER-OFFERS/NEGOTIATION		7%		19%	69%
SIGN AGENT REPRESENTATION DISCLOSURE	4%	8%		20%	66%
INSPECTION DOCS			13%	19%	63%
MORTGAGE PRE-APPROVAL AND APPLICATION			16%	20%	57%
APPRAISAL DOCS			20%	19%	56%
CLOSING DOCS	5%	5%	15%	21%	54%
MORTGAGE UNDERWRITING DOCS	4%	4%	23%	19%	50%
GOVERNMENT/TAX PAPERWORK	5%	4%	24%	19%	48%
RECORDING	6%	4%	23%	18%	49%
TITLE TRANSFER	7%	5%	24%	18%	46%

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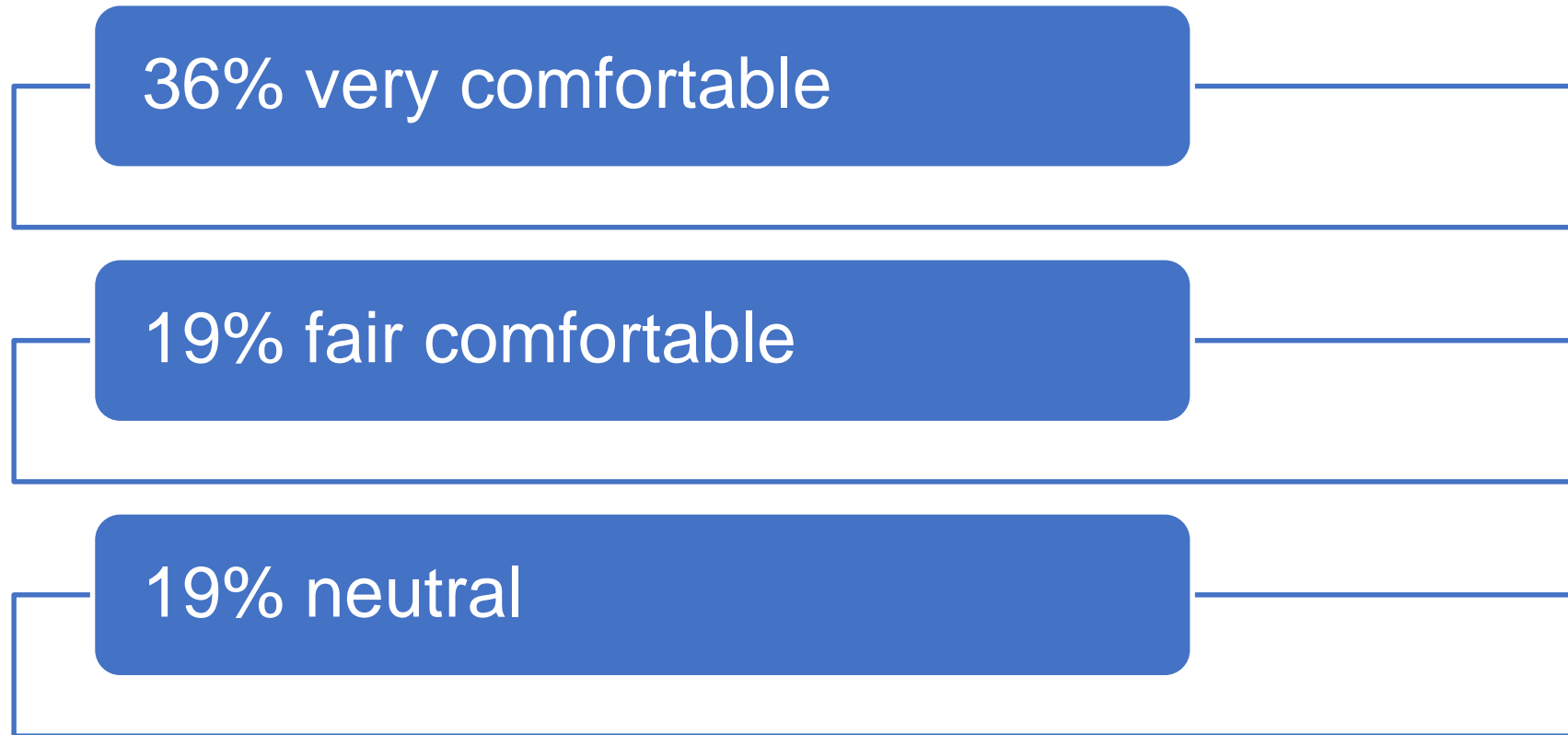
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Consumer Comfort with E-Signatures

36% very comfortable

19% fair comfortable

19% neutral

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