

# First Watch

Things to consider when  
appraising in the COVID-19 era

Sudden change has impacted real estate. This presentation shares ideas on “First Watch” focus for residential valuation.

# What we know

We know that market drivers have changed over a very short period of time. Employment and income for many buyers has been interrupted. The stock market has taken a tumble. Businesses are unable to operate. People are staying at home. Priority is being given to staying healthy above all else.

# What we don't know

We are immersed in the COVID-19 era but we do not yet have data to quantify the impact the changes in market drivers may have. Each of you has an opinion or an expectation, but none of us can be certain how the market will change. **Consider this: If supply remains low will that be enough to keep prices stable?**

# Removing variables

Valuation often involves removing variables or understanding their impact. One of those variables is the passage of time. In order to begin quantification of COVID-19 era impact on markets an increased focus must be placed on current data. Over time knowing the dates that separate market influences from a time when buyers were not impacted by the pandemic to the time they were is critical.

**On the following slides consider this: When did buyers in your area begin to consider the virus related influences when making a purchase decision?**

# Dates to remember

This is a fluid event, and many future dates may be important to note. Here are some of the dates that will help us understand the influences on buyers:

March 9, 2020: Ohio governor declares state of emergency.

March 11, 2020: World Health Organization declares pandemic.

March 15, 2020: Ohio orders closure of bars and restaurants.

March 15, 2020: Historic Sunday Federal Reserve rate cut.

March 17, 2020: Ohio orders school closings.

# Dates to remember

March 18, 2020: Ohio orders closure of spas, hair and nail salons, tattoo parlors.

March 22, 2020: Ohio issues stay at home order through April 6.

March 27, 2020: Coronavirus Relief Bill passes.

The effective date of your appraisal establishes what you could have known as an appraiser and what the buying public was considering.

# First Watch Key: Listings

Many markets have been in under supply over recent years and lack of inventory has been a significant market driver. Analysis of active listings is likely the first arena in which change may be evident:

Has the number of active listings changed? Is inventory increasing?

Is there now more direct competition for a buyer than a sub market has seen over recent years?

What is the trend in listing prices?

# First Watch Key: Other types of price reductions

New construction is often an important place to watch to see evidence of change. Watch for:

Price reductions by local builders.

“Free” upgrades or options.

Advertisement of increased concessions / builder contribution to supplement a sale.

# First Watch Key: Pending Sales

Pending sales will be the first sales to close that are impacted by the changes. Is the contract date at a time when the market was influenced by COVID-19?

Over recent years rapid absorption of inventory left many sub markets with less active listings than pending sales. Has that changed?

Monitor the number of pending sales. Is there a change in the number of sales under contract? If so that may provide a quantifiable indication of market impact, or the lack thereof.

# First Watch Keys: Other items to watch.

Trends in days on market.

Trends in sales to list price ratio.

Changes in promotional offerings or concessions.

More invested in staging.

# Some things you can't find on MLS....

Keep in touch with the front line agents working your market and have solid questions ready:

What is the attitude / mood of the market?

Are sales falling through or getting to the closing table?

Are properties being placed back on the market?

Are buyers backing out?

Are sellers hesitant to list?

Ask them to compare current market conditions to those before the pandemic.

# Summarizing thoughts....

Market condition comments need to be as fluid as is the situation in which the real estate market finds itself. Your analysis will grow and change, and over time we will develop clear and supportable indications of real estate markets in the COVID-19 era.