A Glimpse inside the Relocation Industry

The Worldwide ERC Appraisal
When an employee is transferred, a home buyout may be involved.

Today over 80% of companies offer home sale assistance or home buyout programs.

Appraisals are needed to determine the buyout offer, but are also ordered for pre-decision and valuation on the destination side.
The Market

• Since 1999, approximately 300,000 relocations annually
• 135,000 are homeowners (45%) – 25% receive buyouts
• Approximately 65,000 relocation appraisals
• Additional appraisal opportunity for home purchase and pre-decision
• Current real estate related concerns:
  – Ability to sell departure home
  – Loss on sale
  – Negative equity
  – Potential to overpay on destination home
Worldwide Employee Relocation Council (WERC) - Industry Guidance

Relocation Appraisers and Consultants (RAC) - Industry Consultation

Corporate or Government Client

Transferee

Relocation Management Company

Appraisal Management Company

Appraiser

Facilitates the relocation process including:
- Policy Review
- Home Sale Assistance
- Home Buyout
- Home Finding
- Mortgage Lending
- Household Move
- Temporary Housing
- Storage
- Spousal Assistance
- Other
• Primary objective of any relocation program is to keep the transferee whole - No interested party should experience significant loss or gain.

• Transferees generally do not understand the forecasting component and feel that their values are lower than what they should be.

• This perception is compounded in a down market.
• The relocation is stressful on the employee and their family

• The appraiser plays an important role in the Transferee’s decision to move

• The buyout is based on the appraisals - accuracy is paramount
Users
• Corporations
• Government

Market
• All of the U.S. and its territories
• Canada

Opportunity
• Estimated that fewer than 5% are experienced
• Demand exists in every market
• Rural / remote areas are especially lacking
Too few experienced relocation appraisers

Aging Group

Too many don’t understand how to appraise in a down market

The “Mortgage Mindset”
Advantages

- More Stable
- Higher Fees
- Relationship Based
- Ability to Measure Accuracy
- Less Competition
The Worldwide ERC Summary Appraisal Report

- Prior to 1985 the appraisal process was typically managed by the corporation
- Many forms with different requirements
- A standardized form with guidelines was adopted in 1985 by the Worldwide ERC, the form has since undergone 7 revisions
- The current form released in 2010 was in response to the changing needs of the industry and changes in the Uniform Standards of Professional Appraisal Practice (USPAP)
<table>
<thead>
<tr>
<th>Mortgage Appraisal</th>
<th>Relocation Appraisal</th>
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</thead>
<tbody>
<tr>
<td><strong>Value Opinion</strong></td>
<td><strong>Value Opinion</strong></td>
</tr>
<tr>
<td>• Market Value:</td>
<td>• Anticipated Sales Price:</td>
</tr>
<tr>
<td>The <em>most probable price</em></td>
<td>The price at which a property is anticipated to sell in a competitive and open market</td>
</tr>
<tr>
<td>which a property should bring in a competitive and open market</td>
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<tr>
<td><strong>Analysis</strong></td>
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<tr>
<td>• Retrospective:</td>
<td>• Prospective:</td>
</tr>
<tr>
<td>Comprehensive analysis with some market trends analysis, no forecasting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expanded analysis- including in-depth market trends and forecasting analysis</td>
</tr>
<tr>
<td><strong>Decision Making</strong></td>
<td><strong>Decision Making</strong></td>
</tr>
<tr>
<td>• Long term:</td>
<td>• Short term:</td>
</tr>
<tr>
<td>Up to 30 years</td>
<td>Up to 120 days</td>
</tr>
<tr>
<td>Lower risk</td>
<td>Higher risk</td>
</tr>
</tbody>
</table>
Commonly Used Products in Relocation Work

1004 or GPAR

Worldwide ERC Summary Appraisal Report

Appraiser Price Opinion
Appraiser Selection Process

- A list of eligible appraisers is compiled
- Typically 3-5 are on a list

- Transferee selects the appraisers
- May interview each appraiser prior to choosing

- Appraisal provider verifies availability prior to ordering
Remember the goal: Keep the Transferee whole

Transparency

Accuracy

Thirdds

Buyout
Getting Started

• **Education**
  - Worldwide ERC’s Relocation Appraisal Training Program
  - Appraisal Institute- Check with your local chapter

• **Get Approved**
  - Identify your market: Who is relocating employees in your area?
  - National Relocation AMC’s: Dwellworks, LSI

• **Professional Organizations**
  - Worldwide ERC (WERC) [www.worldwideerc.org](http://www.worldwideerc.org)
  - Relocation Appraisers and Consultants (RAC) [www.rac.net](http://www.rac.net)