



Keystone Chapter of the Appraisal Institute

William T. Stoerrle SRA, AI-RRS Chapter President

Newsletter

January 2021



Dear Keystone Chapter Members,

According to tradition, the ancient god Janus possessed two faces, one gazing backwards into the past, the other looking forward to the future. He gave his name to the first month of the calendar year, since it is in January that we collect ourselves at the beginning of a new year and reflect on the past as we face the challenges of the future year.

So, as I reflect back on the past year as serving as the President of the Keystone Chapter, I want to thank you for allowing me to have this wonderful opportunity.

Just as the other face of Janus is turned to the future, so ours must too. As we go into the New Year, I look forward to serving as the President of our chapter for another year.

Commercial News

FIGURE 3

How COVID-19 is impacting CRE fundamentals and operations

→ Stable but increasing concerns ↓ Declining and negatively impacting CRE
 ↑ Rising and negatively impacting CRE ↑ Rising and positively impacting CRE

CRE fundamentals and operations	Current impact	Trending toward
Lending	<ul style="list-style-type: none"> Markets have remained accessible, but given the enhanced risk, most lenders are treading with caution. Commercial mortgage-backed securities (CMBS) delinquency rates moved up slightly in March to 2.1 after three years of consistent low levels.⁴ 	→
Liquidity	<ul style="list-style-type: none"> Some property owners face short-term liquidity management issues due to delays in rent collection and increased costs. For instance, shopping center REITs received only 46 percent of their typical rent in the first few weeks of April.⁵ Many CRE borrowers, especially from the most affected sectors, such as hotels, have applied for debt relief due to a short-term liquidity crunch.⁶ 	↓
Leasing volume	<ul style="list-style-type: none"> Some of the submarkets, such as Manhattan, saw a 25 percent YoY decline in leasing volumes, the lowest since 2013.⁷ 	↓
Capitalization (cap) rates	<ul style="list-style-type: none"> Cap rates have varied by property types. Between January 31 and March 16, cap rates for hotel and mall REITs rose by 402 basis points (bps) and 206 bps, respectively.⁸ In contrast, cell towers and data centers have shown more resilience, with moderate cap rate increases of around 30 bps.⁹ 	↑
Investments	<ul style="list-style-type: none"> New investments are slowing down, due to increased uncertainty and valuation concerns. However, there is significant dry powder, and other sources of capital are poised for opportunistic investing. In a March 24 survey by Pension Real Estate Association, nearly 74 percent of respondents have shelved their CRE investment plans and 63 percent were worried about uncertainties in property appraisals.¹⁰ 	↓
Operations	<ul style="list-style-type: none"> As a result of social distancing and government directives, many hotels, shops, malls, offices, and coworking/living spaces have been closed. Higher operational costs due to enhanced focus on cleaning and sanitation, security, and thermal checkpoints. E-commerce players, grocery stores, pharmacies, and warehouses experienced a surge in demand. 	↓ ↑

Source: Deloitte Center for Financial Services analysis.

Deloitte Insights | deloitte.com/insights

Residential News

Paradox. 2020 was a year full of contradictions. The end of the year finally arrived, with billions of people very happy to see 2020 come to a close. While most of the economy was struggling, the mortgage business had its best year ever - closing around \$4.4 Trillion in home loans. Interest rates set and hovered at all-time lows, while the Stock Market set record highs. Stimulus packages pumped trillions of dollars into the economy to support businesses and unemployed workers. Housing prices rocketed higher while the cost of rent softened. Many Millennial renters abandoned their urban apartment lifestyles to buy homes in the suburbs. Covid brought the economy to a screeching halt in the 2nd quarter, but it came roaring back in the 3rd quarter. Household net worth rose \$3.8 Trillion, while millions of borrowers are still in mortgage forbearance. The closer you look at the data, the more you see paradoxes. Next month, we'll get a better look at the year-end data, but for now, let's enjoy the newborn 2021 with guarded optimism and hope for a Happy and Healthy New Year for all.

Congratulations

Congratulations goes out to Tyler Weiss. He has obtained his MAI, SRA & AI-GRS all within one year.

Scholarships

The Appraisal Institute offers many scholarships. Please go to the national website to view these opportunities.

Chapter Sponsored Education Courses

The Keystone Chapter of the Appraisal Institute has scheduled several courses between now and June 30, 2021. Please check out our course offerings.

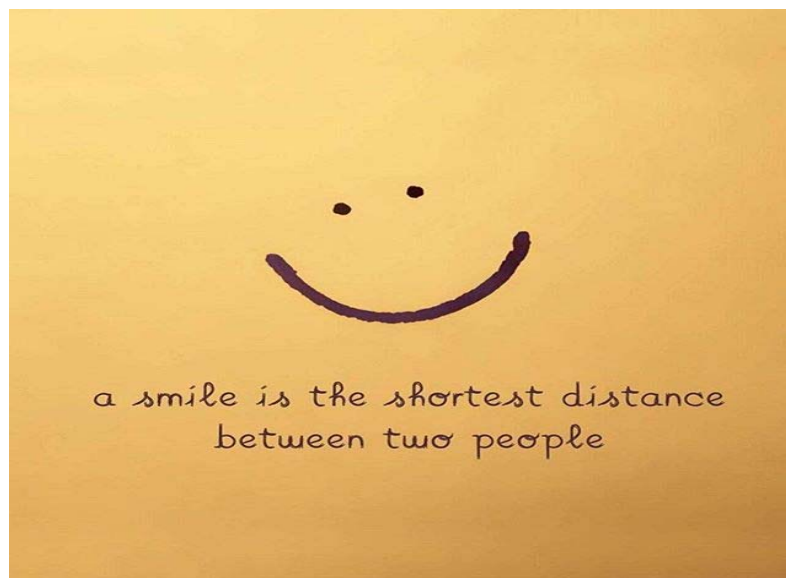
Remember our license renewal is June 30, 2021.

How To Stay Safe At Work

Work environments may seem particularly daunting in the context of an outbreak, but some simple measures can help prevent infection in the office. The following are the most important preventive steps:

1. Regularly clean work surfaces and objects in continual use, such as phones and computer keyboards.
2. Regularly wash the hands with soap and water or use sanitizer.

Quote for the Month



African Proverb

Best Regards,

~~William Stoerrle~~

William Stoerrle SRA, AI-RRS

Keystone Chapter President



Keystone Chapter of the Appraisal Institute

William T. Stoerrle SRA, AI-RRS Chapter President

Newsletter

Dear Keystone Chapter Members,

Cases of COVID-19 are rapidly increasing - as much as 43 percent - from just the average of the past couple of weeks. Many communities are issuing (or on the verge of considering) new stay at home orders. With our safety always a priority, I thought we would take a moment to revisit the protocols we put in place at the beginning of the pandemic.

Appraisers are considered essential workers. At the same time, we each need to weigh our health and family situations before accepting an interior assignment. Always feel free to ask if the assignment qualifies for a COVID exterior.

Of all of our protocols, these 3 are most impactful:

1. Pre-interviews by phone and email to reduce your time in the property with a minimal conversation at the parcel. This takes time, so schedule 15 minutes to discuss the property with the borrower by phone or with an email of questions. Make sure to ask if anyone has been ill in the home or has been exposed to COVID-19. If so, contact your client before proceeding. Take your time and be confident and calm in your conversations.
2. Have the occupant open all doors and turn on all lights before you enter the structure.
3. Masks. Your mask protects others from you but for your protection, occupants must have a mask on. Please ask the members in the building to either step outside or have a mask on during your inspection.

Be respectful and patient. This third surge of COVID-19 infections may create fear or carelessness for borrowers – and you may be the only person they come in contact with throughout the whole process. Be understanding and appreciate the responsibility you carry via your assignment.

Stay safe out there. **Appraise safely.**

Annual Installation of Officers & Directors Luncheon

The Keystone Chapter of the Appraisal Institute will be holding their **Annual Installation of Officers and Directors Virtually This Year**. It will be held on January 12, 2021 following the “**PA Appraisal Laws and Regulations**” course that will also be done virtually from 9:30 am to 11:30 am. Details to follow.

Scholarships

The Appraisal Institute offers many scholarships. Please go to the national website to view these opportunities.

Chapter Sponsored Education Courses

Please check our website for the upcoming courses for 2021.

Remember our license renewal is June 30, 2021.

Commercial News

The below website is compliments of Justin Rei. Its not the end all be all, but it is another tool in our toolbox for support.

<https://www.frbatlanta.org/center-for-housing-and-policy/data-and-tools/commercial-real-estate-momentum-index>

Below is a sample from the site:

Commercial Real Estate (CRE) Momentum Index

Commercial real estate (CRE) is a part of everyday life for individuals, businesses, and even cities. For individuals, commercial real estate touches everything from where they work and shop to where they live and visit for entertainment. For businesses, commercial real estate can be the office or shop where they operate, or it can represent an investment, a business platform, or a source of income. For cities, commercial real estate investment can attract new residents, make space for new businesses, and improve the local area.

These varied interests in commercial real estate create many influences on market dynamics. To make this information easier to comprehend, the Atlanta Fed developed a CRE Momentum Index. The Index provides a time series analysis of numerous market dynamics which are aggregated to help users understand the momentum of change in commercial real estate markets across the country. Currently, the majority of deep analysis on commercial real estate requires a paid subscription and is not widely available, so this tool gives deeper analysis to the public compared to other* publicly available commercial real estate market analysis tools.

The CRE Momentum Index originated from internal analysis in the Supervision, Regulation, and Credit Division used for bank examinations. The Index has been redesigned and expanded to include more than 300 individual markets and more than 20 total variables. The tool provides an index for the four major property sectors—multifamily, office, retail, and industrial—as well as an overall market index that combines the four individual indices into one all-encompassing index. Sharing this information more broadly allows our risk analysis team to transmit its view of commercial real estate market conditions and highlight where risks may be emerging.

The contribution of this tool lies at the intersection of four important factors: (1) it provides a broad analysis for many markets across the United States; (2) it offers a historical view and frequent data updates for recent data (monthly); (3) it incorporates variables that capture multiple sides of commercial real estate dynamics; and (4) the information is publicly available.

*Publicly available market analyses similar to this includes "Cycle Monitor—Real Estate Market Cycles," [Dr. Glenn Mueller/Black Creek Group](#).

Residential News

Housing Market Data Released in November 2020

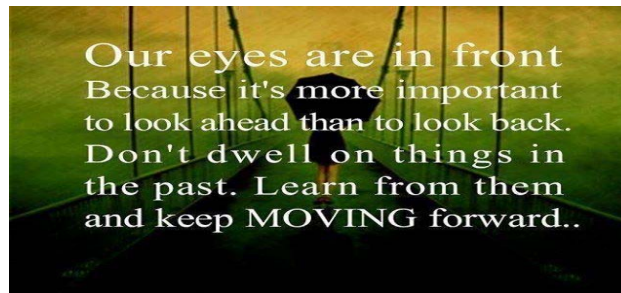
Housing Markets are setting new records. The all-important Existing Home Sales continued to rise in November - now at an annualized pace of 6,850,000 homes. That's the fastest pace since 2005. To put that data in perspective: in May 2020 - just 6 months ago and during the height of the Covid outbreak - homes were selling at an annualized rate of 3,910,000. Like the recovery, Home Sales is also asymmetric - the suburbs benefit more than the big cities. Millennial Renters continue to vacate their urban apartments to buy homes in the suburbs. The trend is nationwide as all major metro areas watch much of their population flock to the suburbs.

- **Existing Home Sales** (closed deals in October) rose 4.3% to an annual rate of 6,585,000 homes, up 26.6% in the last 12 months. The median price for all types of homes is \$313,800 - up a whopping 15.5% from a year ago - which is an incredible number. The median Single Family Home price is \$317,700 and \$273,600 for a Condo. First Time Buyers were 32%, Investors 14%, Cash Buyers 19%. Homes were on the market for an average of 21 days (a record

low), and 70% were on the market for less than a month. Currently, 1,420,000 homes are for sale (record low), down 19.8% from 1,770,000 units a year ago.

- **New Home Sales** (signed contracts in October) fell 0.3% to a seasonally adjusted annual rate of 999,000 homes - up 41.5% YoY. The median New Home price is \$330,600, and the average is \$386,200. There are 278,000 New Homes for sale, which is only a 3.3 month supply.
- **Pending Home Sales Index** (signed contracts in October) fell 1.1% to 128.9 from 130.3, up 20.2% YoY.
- **Building Permits** (issued in October) rose 0.0% to a seasonally adjusted annual rate of 1,545,000 units - up 2.8% YoY. Single-Family Permits rose 0.6% to an annual pace of 1,120,000 homes, up 20.6% YoY.
- **Housing Starts** (excavation began in October) rose 4.9% to an annual adjusted rate of 1,530,000 units - up 14.2% YoY. Single-Family Starts rose 6.4% to 1,179,000 homes - up 29.4% in the last 12 months.
- **Housing Completions** (completed in October) rose 4.5% to an annual adjusted rate of 1,343,000 units - up 5.4% YoY. Single Family Completions fell 3.4% to 883,000 homes - down 4.0% in the last 12 months.
- **S&P/Case-Shiller 20 City Composite Home Price Index** rose 1.27% in September, up 6.6% YoY.

Quote for the Month



Author unknown

Best Regards,

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William Stoerrle SRA, AI-RRS

Keystone Chapter President



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William T. Stoerrle SRA, AI-RRS Chapter President

Newsletter

Dear Keystone Chapter Members,

I hope everyone was impressed with our new website. If you missed our General Membership meeting, we will be sending out a copy of the site in the next couple of weeks. Both Judy Striewig MAI and Tyler Weiss MAI did a fantastic job. Also, it is very important that everyone updates their profile on the national website. They too, are revamping their appraiser search engine.

Congratulations

Congratulations goes out to Tyler Weiss for achieving his MAI.

Scholarships

The Appraisal Institute offers many scholarships. Please go to the national website to view these opportunities.

Chapter Sponsored Education Courses

The Keystone Chapter of the Appraisal Institute has scheduled two **Virtual** educational opportunities.

November 19, 2020 9:00 AM – Business Practices and Ethics (6 Hours)

December 10, 2020 9:00 AM – The Cost Approach: Unnecessary or Vital to a Healthy Practice? (7 Hours)

Registration

Link: <https://ai.appraisalinstitute.org/eweb/DynamicPage.aspx?webcode=AIEducationSearch>

Chapter = Keystone Chapter

Note: **Chapter Members** may enter the Promo Codes below for discounted pricing:

- BPE Promo: MXFK510429
- Cost Approach Promo: BXFW510394

Remember our license renewal is June 30, 2021.

Commercial News

Cap rates for the single tenant drug store sector increased by 17 basis points in the third quarter of 2020 to 6.39% when compared to last year. Cap rates for Rite Aid and Walgreens' properties experienced cap rate increases of 19 and 15 basis points respectively. However, single tenant CVS properties experienced a 10 basis point decrease. Throughout 2020, net lease investors focused on essential retailers and accordingly the drug store sector experienced a significant increase in transaction volume. Transaction volume for single tenant drug stores increased by more than 30% in 2020 when compared to the prior year. The main factor for the increase in cap rates for the drug store sector was a shorter average remaining lease term which dropped to 10 years in the third quarter.

Residential News

Housing Market Data Released in October 2020

The Housing Market remains red hot, and it's led by New Residential Single Family Construction. For years, Single Family New Construction lagged behind multifamily Construction. It was hindered by a lack of demand from Millennial Buyers as they favored renting over buying. Regulations and a shortage of skilled labor also contributed to the lag. Covid and Social Unrest changed that. Now Residential New Construction is a bright spot in

the Economy. There is a shift from building apartments in urban areas to constructing more Single Family Detached Homes in suburban locations. This is evident in the US Homebuilder Confidence Index rising to 85 - which is the highest point on record.

- **Existing Home Sales** (closed deals in September) rose 9.4% to an annual rate of 6,540,000 homes, up 21.0% in the last 12 months. The median price for all types of homes is \$311,800 - up a whopping 14.8% from a year ago (that's not a typo). The median Single Family Home price is \$316,200 and \$272,700 for a Condo. First Time Buyers were 31%, Investors 12%, Cash Buyers 18%. Homes were on the market for an average of 21 days (record low), and 71% were on the market for less than a month. Currently, 1,470,000 homes are for sale, down 19.2% from 1,820,000 units a year ago.
- **New Home Sales** (signed contracts in September) fell 3.5% to a seasonally adjusted annual rate of 959,000 homes - up 32.1% YoY. The median New Home price rose 3.5% YoY to \$326,800, and the average is \$405,400. There are 284,000 New Homes for sale, which is a 3.6 month supply.
- **Pending Home Sales Index** (signed contracts in September) fell 2.2% to 130.0 from 132.8 up 20.2% YoY.
- **Building Permits** (issued in September) rose 5.2% to a seasonally adjusted annual rate of 1,553,000 units - up 8.1% YoY. Single-Family Permits rose 7.8% to an annual pace of 1,119,000 homes, up 24.3% YoY.

- **Housing Starts** (excavation began in September) rose 1.9% to an annual adjusted rate of 1,415,000 units - up 11.1% YoY. Single-Family Starts rose 8.5% to 1,108,000 homes - up 22.3% in the last 12 months.
- **Housing Completions** (completed in September) rose 15.3% to an annual adjusted rate of 1,413,000 units - up 25.8% YoY. Single Family Completions rose 2.1% to 921,000 homes - up 8.1% in the last 12 months.
- **S&P/Case-Shiller 20 City Composite Home Price Index** rose 0.47% in August, up 5.2% YoY.
- **FHFA Home Price Index** rose 1.5% in August, now up 8.0% YoY.
- The **Unemployment Rate** fell to 7.9% in September from 8.4% in August
- The **Labor Force Participation Rate** fell to 61.4% during September from 61.7% in August
- The **Average Hourly Wage** rose 0.1% during September, up 4.7% YoY
- New Student enrollment in US colleges dropped 16% this fall.

How To Stay Safe At Work

Work environments may seem particularly daunting in the context of an outbreak, but some simple measures can help prevent infection in the office. The following are the most important preventive steps:

1. Regularly clean work surfaces and objects in continual use, such as phones and computer keyboards.
2. Regularly wash the hands with soap and water or use sanitizer.

Quote for the Month



Author unknown

Best Regards,

William T. Stoerrle

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Keystone Chapter President



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Newsletter

Dear Keystone Chapter Members,

As we enter into the last quarter of 2020 and start to plan for 2021, the Chapter will be launching the new website. It will be presented on October 26 at our General Membership meeting. The access information for the meeting can be found below:



General Membership Meeting Scheduled for 10/26/20 @ 1:00PM

Keystone Chapter of the Appraisal Institute General Membership Meeting

Mon, Oct 26, 2020 1:00 PM - 2:30 PM (EDT)

Please join my meeting from your computer, tablet or smartphone.

<https://global.gotomeeting.com/join/148319629>

You can also dial in using your phone.

(For supported devices, tap a one-touch number below to join instantly.)

United States: +1 (872) 240-3311

- One-touch: <tel:+18722403311,,148319629#>

Access Code: 148-319-629

New to GoToMeeting? Get the app now and be ready when your first meeting

starts: <https://global.gotomeeting.com/install/148319629>

Great News! No Increase In Chapter Dues

Both the officers and board of Directors of the Keystone Chapter are happy to announce that there will be no increase in our chapter dues.

Scholarships

The Appraisal Institute offers many scholarships. Please go to the national website to view these opportunities.

Chapter Sponsored Education Courses

The Keystone Chapter has revised many of the course offerings for 2020 and 2021. Please check the website as well as the Appraisal Institute's for our offerings. New courses are being added on a regular basis. If you do not find a class you would like to see offered, please contact our Education Chair, Justin Reiss. The officers and board members thank you for supporting our chapter sponsored courses.

Quote for the Month



Please remember that Covid 19 is still with us and we need to be vigilant. In addition, make sure to check with your E & O carriers on your coverage that pertains to this pandemic. Again, be safe.

Best Regards,

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William Stoerrle SRA, AI-RRS

Keystone Chapter President