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The man who appraises Manhattan



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Jonathan J. Miller, CRP is a co-founder and president/CEO of Miller Samuel Inc., headquartered on West 45th Street in Manhattan. He is a general certified real estate appraiser in the State of New York and has been appraising properties in Manhattan exclusively since 1986. Miller has been a featured speaker at several national appraiser conferences, and has served on advisory panels including Fannie Mae and Employee Relocation Council concerning co-op and technology issues. In just the last couple months, he and his market reports have been cited in the New York Times, Post and Daily News, Crain's New York Business, Bloomberg News and Dow Jones Newswires. Appraisal Intelligence wanted to sit down with him to find out if it's true that if you can make it there, you can make it anywhere.

Biography

Miller is the author of several reports on the Manhattan real estate market that are available on www.millersamuel.com: The Manhattan Market Report, The Manhattan Market Overview and The Manhattan Townhouse Report. These reports are widely used by local, regional and national media as well as the Federal Reserve and the Internal Revenue Service. Miller's web site is <http://www.millersamuel.com>. To contact him, visit <http://millersamuel.com/contact/index.shtml>.

You take pride in the fact that Miller Samuel is the only residential appraisal firm in Manhattan, and one of only a few bigger ones in the country, to use staff appraisers exclusively. Talk about the benefits of an all-staff operation versus using fee appraisers, both from your and your clients' standpoints.

Manhattan is a very challenging market. We do not have an MLS; 75% of the sales are not a matter of public record. Much of the information is held close to the vest. In our market, the values change dramatically – several hundred percent, in certain cases, from block to block. There's a lot of knowledge required in order to understand the market.

With staff, we have very little turnover, a high caliber of appraiser, and we have a lot of collegiality. Our appraisers only work for us, and there's a better consistency in the work product. We're heavy into technology, but we really believe that interaction between appraisers is still better. So we don't have everybody working out of their homes or their cars – well, in Manhattan, it's a cab – and I think we can get away with that, because Manhattan is a different animal. It's small geographically, so it's not like you're in Texas or California and you have a wide area, where it would be more difficult to have your appraisers together.

The staff appraiser model has also kept us from growing quickly. We've had very controlled growth in our company, and that goes hand in hand with keeping quality at a very high level. We're not trying to be all things to all people.

What are a few of the most important things you'll look for in an appraiser before you hire him or her?

We've been very lucky in this regard, in that most of our hirings have come from personal references. We're looking for a lot of the basic things, like strong analytical and problem-solving skills. We're also looking for tenacity without being obnoxious. New York is a very difficult place to extract information from people. You just have to know how to do it.



We rarely hire fee appraisers with a lot of experience in our market. We usually look for people who are one of two types: They're either very familiar with Manhattan, and have no residential experience, or, we look for people who have a lot of commercial or residential experience, but not in Manhattan. We basically train them from the beginning.

My ultimate goal is when a lender reads a report from my company, there's consistency between appraisers, we're all handling things the same way. We try to make it so we're very similar, and you know what you're getting.

What do you look for in a client?

The first and most important thing to me is to have clients who are willing to pay for our services. A good example of this is working for mortgage brokers. We're adamant about our independence, because the banks trust us to be impartial. Therefore, we require with any work we do with wholesale lending that we be paid before we release the report. And that wipes out a large portion of our potential market! But it frees us up to deal with clients for whom that's not an issue. I think if you're a little a bit selective, you can spend more time working on more profitable things.

If you have a client that's going to overwhelm you with volume and you're going to make all kinds of money – what happens is you get distracted from your loyal client base, and then if this big client goes away, where are you? You've really hurt your business instead of helped your business. So I'm looking constantly to spread my eggs in many baskets, and I'm not looking to have one client comprise more than 10% of my volume. That's not always possible, but that's a goal.

In a market like Manhattan, you're not exactly out appraising 3-bedroom split-levels all week. Describe some of the work you do. Is it more important to specialize – either each appraiser, or for an office to have specialized experience on staff – or to have a broad range of competencies in a market like yours?

I've never appraised a three-bedroom split level. We don't have those. We have turn-of-the-century brownstones, and that's it for single family housing stock here. Last year, there were less than a hundred that sold. So the bulk of my work is condos and co-ops. Co-ops are about 75% of the market, and those aren't public record. So we're dealing primarily with Fannie Mae 1073 and 1075 forms in our presentation.

I think that it's a disaster to have an appraiser specialize in a particular type of assignment or property type. I think it makes your practice vulnerable, and it doesn't help the rest of your staff. I try to make it so that while not everybody in the office does every particular type of assignment, that's the goal. I think you have to be somewhere between a boutique firm and a general firm. The economies are better.

However, you still have to recognize what your limitations are. I think it's impossible to do every kind of assignment that can be done in your market. I think that's a disaster on the other extreme. I probably refer one or two types of residential appraisal assignments to other firms that I think can handle it in my market – just because I don't want to do them.

The other reason not to specialize is that I try and grow everybody in the firm, so that everybody gets exposed to different problem solving situations, Sometimes you can take something that you gained from a certain type of assignment and apply the logic to something else.

What are some ways an appraiser can branch out and provide more services to his/her clients?

I think the way to go is litigation support. There's so much opportunity there. Fifty percent of our practice, maybe a little more, is mortgage lending, and 50% is everything else. And the everything else is primarily litigation support: We do a fair amount of divorce litigation, bankruptcy, various court testimonies, foreclosure – there's a lot of work available. Usually you're better compensated, and there aren't the same time constraints as with mortgage lending.

Obviously, no place's real estate market was as effected by September 11 as Manhattan's. Describe what you've seen as far as a rebound. Do you predict any

permanent effect on property values in Manhattan as a result of the attacks?

I'll never forget running out of my office and seeing the towers on fire in the distance – it really put a question in my mind as to what was going to happen to New York. I'm really proud of New York – the city is as vibrant as ever, and I think it really makes a strong statement about what's here. And that's reflected in the real estate market.

In the current quarter prices are up about 6% over what they were just prior to September 11. So we're actually above where we were, which is something I don't think anybody expected. We're also seeing a much higher number of transactions than we were seeing prior to September 11, which tells you there's a lot of interest in the market.

What's changed about the way you do business in the last 3-5 years? What's changed about what your clients are asking you to do (or how they're asking you to do it) over that time?

"Technology" is the quick, easy answer to that question – we're able to deliver appraisals faster through the Internet, we're able to convey information to our clients through our web site, we're able to access certain information much easier. Database technologies have improved; we manage data much better.

But all my competitors benefit from the same things. Everybody has the Internet, they're e-mailing appraisals to clients. Maybe some more than others. We have to keep up with it, and it's very exciting, but everybody else is doing the same thing. The ones that don't are the ones that falter.

What are today's appraisers going to have to do to remain relevant and busy over the next 3-5 years?

Our role is changing from being someone who generates a report to someone who is almost an economist, with a more detailed understanding about the market that they're in, and has to be able to convey that information to our clients. One of the ways that we do it is we publish a series of market studies that are available from our web site, and we have a distribution of over 100,000 of those a year. I've heard of a number of appraisers that are doing similar things in other markets.

So the public is coming to you for information about what's going on, and then at some point they're going to come to you for an appraisal. That's the way I think you have to do it – provide that expanded information or expertise beyond just looking at your form and filling it out. That's how you're going to stay relevant.



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