

CLOSE-UP: DAVE DAVIS

Commercial appraiser stresses importance of human interaction

By THOR KAMBAN BIBERMAN, The Daily Transcript

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Dave Davis, the incoming president of the San Diego Chapter of the Appraisal Institute, said good commercial appraisers should have plenty to keep them busy during the downturn.

Davis, who is settling into offices in El Cajon only about half the size of those he had in Rancho Bernardo, said his downsizing is as much due to the fact that he is transforming paper files into electronic data storage as it is the downturn in the economy.

Davis also said he doesn't believe universal access to data has threatened his livelihood.

"Contrary to fears about technology, it hasn't forced appraisers out of business," Davis said.

While Davis, president of **D.F. Davis Real Estate, Inc.**, is looking forward to the electronic data storage vastly simplifying his life, he said it is no substitute for the human touch.

Davis said a budding appraiser may do all the coursework online necessary to obtain a license without setting foot in a classroom or directly interacting with his or her fellow students.

"I think there's a huge downside to that," Davis said.

By contrast, in the 1990s, when Davis was the institute's chapter president, he helped institute a program that offered four hours of appraisal credit, plenty of interaction and a lunch for \$50. The program still exists today with a \$75 price tag.

"This was so successful it caught on nationally," Davis said.

For those who do decide to enter the appraisal business at some point, Davis said he sees plenty of advantages on the commercial side of the business in particular.

"There are so many more opportunities in forensic work; for example, the residential appraisers are more feast and famine than we are," Davis said.

Not all is as Davis would like. The appraisers' pay scale is a particular concern.

"Not only have fees not gone up since the glory days of the RTC (Resolution Trust Corp.), they have actually gone down," Davis said, adding that appraisal management companies "have sliced and diced fees turning appraisal into a huge profit center."

Still, Davis said he is much busier than in the fall of last year, adding that people were afraid to do anything after the bottom fell out of the economy in September 2008.

"Things really shut down after Halloween last year. Now, they're not in fear mode," Davis said. "The market has a better feel."

Davis, who will be happy when commercial properties are pooled into portfolios again, said unlike what appears to have happened on the residential side, "no one perceives the bottom on the commercial side has been reached yet."



Dave Davis is the incoming president of the San Diego Chapter of the Appraisal Institute and president of D.F. Davis Real Estate, Inc. Photo: J. Kat Woronowicz

It is a time, notes Davis, when would-be sellers generally sit on their hands.

There have been a couple of exceptions.

A big sale that happened in October was **Kaiser Permanente's** purchase of a 175,000-square-foot Terraces at Copley Point building in Kearny Mesa from **Sudberry Properties** for more than \$53 million.

Back in the spring, **BIT Holdings Sixty Four**, a Maryland Corp., sold the three-building, 198,306-square-foot Century Park II office complex in Kearny Mesa for \$40.34 million to a Palo Alto-based **Menlo Equities** entity.

"SDG&E just re-negotiated its lease," Davis said. "That's as solid a tenant as you can have."

These two transactions are standouts in what has generally been a general dearth of large comparable sales during the past year.

On the apartment side of the business, a recent **RealFacts** report stated that there hasn't been a single 100-plus unit complex sale in the past six months.

"Most baby boomers aren't ready to take money out when they can't find good comps," Davis said.

Is it even possible to do an adequate appraisal without such comparables? Davis says yes.

One method cited by Davis uses mortgage and equity data to arrive at an estimated capitalization rate.

Davis also relies on data from entities ranging from **CoStar** to a variety of commercial brokerage firms to help provide him he needs to make an accurate assessment.

"As you've noticed, these sources have different results. You can't just look at one. You need to look at more to get the complete picture," he continued.

Davis, who acts both as an independent real estate appraiser and a consultant, obtained his MAI (Member Appraisal Institute) designation from the American Institute of Real Estate Appraisers (now the Appraisal Institute) in 1984, was and was president of the San Diego Chapter in 1996.

The appraiser has been on his chapter's board of directors since 1991 (he can't think of anyone who has been on the board longer) and is a qualified expert witness in Federal, Superior, and Municipal Courts.

Davis is also a member of Burnham-Moores Center for Real Estate Advisory Committee, and is an Adjunct Professor at the University of San Diego teaching commercial valuation at the graduate level since 2007 and undergraduate level since 2006.

Nationally, the Appraisal Institute is a global membership association of professional real estate appraisers, with 26,000 members and 91 chapters throughout the world. Its mission is to advance professionalism and ethics, global standards, methodologies and practices through the professional development of property economics worldwide.

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