

## A Fair Assessment

Valley company aims to streamline property appraisal process with new software

BY JAN BUCHHOLZ | THE BUSINESS JOURNAL

**T**homas Inserra, former chief appraiser for Citicorp and national chief appraiser for the Federal Deposit Insurance Corp. in Washington, is launching what he hopes will be an industry-changing method for evaluating residential properties.

His company, Zaio Corp., is based in Tempe but is preparing to move to new headquarters at the Pima Center in North Scottsdale.

He is anticipating tremendous growth as the company secures patents on its proprietary software and finishes photographing every house in the United States for what Inserra says will be a comprehensive database that will enable real-time appraisals on programmed PDA devices.

Thus far, the company has photographed and appraised every house in Mesa and in Spokane, Wash., and is finishing up in Tucson. Within the next three years, it plans to catalog and appraise 80 million homes throughout the country.

"We invented this from scratch ourselves. With the old software and data, it would take 30 years to appraise every property in Mesa. Now it takes six minutes," said Inserra, chief executive of Zaio and owner of Pinnacle Peak Appraisal, a local firm he runs with his wife.

The task of creating a database of every home in America — and, eventually, every commercial property as well — seems monu-



TOM POULIN / THE BUSINESS JOURNAL

**Thomas Inserra hopes his Tempe company can expedite the home appraisal process while delivering more accurate valuations to homeowners and lenders.**

mental, but it appears Zaio has caught the eye of investors.

Founded in 2001 in Calgary, Alberta, Canada, the company is publicly traded on the Toronto Stock Exchange and received several awards for its successful initial public offering.

Zaio has a cadre of 300 freelance photographers taking up to 58,000 photos a day. The company also recently acquired Chicago-based Virtual Imaging Corp., which has a stock of 30 million interior and exterior photos of buildings.

The Phoenix law office of Lewis and Roca LLP is handling the company's patent applications.

To maintain the accuracy of data, employees and licensees continually are updating information on property changes and com-

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**Mike Davis**  
Arizona State University

parable sales in predesignated zones. Licensees, who pay Zaio a fee for the software and programmed PDAs, are able to upload and download current data for homes in the zones they have purchased.

Mike Ashurst, owner of home and Land Appraisal Services in Tucson, is among Zaio's licensees. He paid \$7,200 each for access to 11 of the 18 zones Zaio has created in Tucson. The current price for zones through-

### ZAIO CORP

#### U.S. headquarters:

617 S. Rockford Drive, Tempe

**CEO:** Thomas J. Inserra

**Phone:** 480-449-2600

**Founded:** 2001 in Calgary, Alberta, Canada

Employees: 185

**Photographers:** 300 independent contractors

**Appraisers:** 400 independent contractors

**Stock exchange:** Toronto Stock Exchange

**Ticker symbol:** ZAO

**Web:** www.zaio.com

out the U.S., which usually include 10,000 to 15,000 homes each, is \$9,800.

Ashurst is convinced that using the Zaio database and model for appraising homes "is absolutely going to be the future of the industry."

After much review and testimony before Congress during the past 20 years, Inserra blames the recent subprime mortgage meltdown largely on the use of "automated value models," or computer-generated analysis, to value homes.

AVMs are quicker and provide looser estimates than certified appraisals, in which an appraiser goes to the home and notes various factors inside and out. The traditional method takes significantly longer and can delay the purchasing process.

While bank lenders cannot base loans on AVMs, subprime lenders can. This, Inserra believes, has led to inaccurate financing of improperly valued properties.

Many lenders prefer AVMs because they can be generated almost immediately. Zillow.com, a Web site that provides estimated home values, is an AVM that is not widely credited

as being accurate. Some other AVMs are considered more accurate and can help expedite a loan process.

"This product is so much more advanced than any other AVM," Ashurst said. "And Zaio gives you a lot of resources."

But Ashurst acknowledges he is one of a few risk takers who are betting on his company's future.

"I'm at the very front end of this. I haven't started any appraisals, but I should in about three months," he said.

He said most of the negativity toward the Zaio system has come from professional appraisers who question whether the Zaio photo bank and software really are providing anything more accurate than a routine AVM. Others, Ashurst said, are in a wait-and-see mode.

Mike Davis, a professor in Arizona State University's real estate MBA program and a nationally recognized expert in appraisals, said he is familiar with Inserra. He's eager to see how Zaio fares in the market by creating a database that would remove the guesswork and subjectivity of current appraisal methods.

"I've been very concerned about residential appraisals ... the rapid appraisals and the sloppy work. I would like to see a (new) system," Davis said.

Too much responsibility, he said, is placed on individual appraisers to meet target values set by lenders.

"I think I'd rather cope with a database than an appraiser," Davis said. "Appraisers are made up of many fine people, but many have entered the new market cycle without education or experience."

What Inserra is proposing sounds appropriate, he said. "I actually like Tom's idea."

A colleague at ASU, Anthony Sanders, is less enthused about Zaio's potential.

"There are a number of appraisal systems out there, and they have all performed about the same: not very well," Sanders said. "Many cities and counties have appraisal methods, as do certain commercial banks. Is this model any better, other than statements by the owner? I would like to see a horse race among these models to see which one is closer to the target, particularly in this housing market."