



# In the Loop Realty Newsletter

May I, 2008 Issue

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Personality

## ***LIFE IS AN OCCASION. RISE TO IT!!***

BY: Albert M. Cerone, IFAS, FELLOW

**ONGOING DOOM & GLOOM!!**- Over the past 20 months we have been providing insight, suggestions and interpretations of the on-goings of real estate, economics and financing. Also over the past 20 months there are few positive occurrences to which we can write. We have tried to put a positive swing to many of the happenings as best as we could. At the beginning several people called and / or wrote that we were far too negative. Unfortunately, that's what the press, interviews and TV reports set forth. I guess there's no money in happy things or *good* news. We have become a nation of naysayers miming the evening news journalists and reporters.

Remember the old adage, *God never closes a door without opening a window?* Well, let that be the war cry for all business people who are losing income and a positive bottom line. If we just reiterate the negative press, we shall make it right. It's time to put away the box of tissues and ice cream containers and

do something positive. I spoke to one of the most successful real estate sales people in central and southern New Jersey. Her response to "how's it going" wasn't positive. It was a "reporting" of her sales... just like the evening newscast. It was negative in verbiage and in emotion. Right! It's not that to which she had become accustomed. It's the "New Normal" [read the April 1st Edition on our website, Amerival.net]. The heading of this edition is a line in a children's movie. It's profound. Simply, it says, that if you believe in any of the adages that infer *Life is What Happens* to us it is wrong. *Life is An Occasion* correctly infers life is a fun or happy occurrence. And, *Rise To It* means to pursue your life with high hopes, passion and intent to accomplish your goals. We cannot be passive about our lives. We have to make it happen not wait for it to happen to us.

So, let's get on with the not so nice news which impacts real estate and the economy and figure how to

make it work for us.

### ***FED PROPOSED NEW MORTGAGE RULES-***

Once again Congress finds itself not knowing what direction to take. Consumer groups want tougher mortgage lending practices; while the Nat'l Assoc. of REALTORS, Mtg. Bankers Assoc., Independent Community Bankers of America, and American Bankers Assoc. believe tighter controls will increase costs and processing time; and .want the feds to lighten up.... a lot. Gee, wonder why? Actually a major concern is the fed's plan would deny mortgage brokers the right to earn certain fees. *I thought this was about safety for the public??*

### ***GOOD?***

Yes! Affordability to the public is a matter of available purchasing power vs. cost of goods. Sound like manufacturing? Well, it's the same economic basics, isn't it? Either way, more or less will not impede sound economic growth or

realty values. Controls are needed and in good marketing times will allow realistic increased values.

### ***NEW HOME SALES***

***SHARP FALL-*** In March new home sales fell 8.5% to the lowest level since October 1991. ***OUCH!*** March sales are the lowest since November 2007 & indicate the bottom has not been reached yet. Existing home sales are down 3.5% over the past 6 months vs - 24% for new home sales.

### ***GOOD?***

Hence, builders need to cut back and continue to hold off on new projects. They need to become accustomed to lesser profits; and, at lower selling prices they will increase their number of units sold and maintain a profit structure. It's just a matter of re-configuring the business plan.

***CON'T***

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However, in Mississippi new housing starts have been great...the best in the country. But, it's because of the rebuilding due to Hurricane Katrina. But growth is always good and keeps people working.

### **MORTGAGE RATES ARE UP!-**

Yes, they are but this past week the 30 year benchmark rate only went up 8 basis points or 8 one hundred of one percent. The new rate of 6.11 is lower than a year ago when it was 6.27 percent but higher than a week ago at 5.95%.

### **GOOD?-**

Yes, relax. In real dollars this means a \$165,000 mortgage will cost \$8.52 more this week than if taken last week. It's affordable. Overall, there will not be a dramatic increase in mortgage rates during 2008. All the parties are aware that in order to maintain a housing flow and stem declining prices, the rates must remain fairly stagnant.

### **FORECLOSURES-**

RealtyTrac reported an increase of 112% increase in foreclosure "filings" for the 1st Qtr. 2008 vs 1st Qtr 2007. In numbers it is 650,000 filings which includes notices of default, auctions and bank repos or one of every 194 households. Over 156,000 families lost their homes in the 1st Qtr of 2008.

There is incredible stats for states which always appeared "safe". Connecticut experienced a 300% increase in filings the 1st Qtr 2008 vs 1st Qtr 2007. Massachusetts rose 260%. However, the worst hit areas are in the Southwest. Nevada saw 1 of every 54 homes receiving some type of foreclosure filing with Las Vegas leading the state (which is the worst hit in the U.S.) with 1 of every 44 homes.

### **GOOD?**

Well, for investors this may be good. Countrywide has just initiated a program to make available to investors all their REO properties on a website. So, for cheap housing of their REO's go to :[http://www.countrywide.com/purchase/f\\_reo.asp](http://www.countrywide.com/purchase/f_reo.asp).

A word of caution, however. Many of the prices set on these properties predicated on foreclosure appraisals which were most likely sought from what are termed management companies. They hire the cheapest and typically the least experienced appraisers who conceivably may have contributed to the over-valuation of many of these properties in foreclosure. Certainly, we'd like you to call us for assistance, as we do cover the State of New Jersey and many of the States to Northern Virginia. However, there are other capable appraisers and if you have a relationship with one then certainly seek their professional assistance, as you shouldn't rely on Countrywide's asking price or the Realtor with whom they have a standing deal. Also, if you have a rapport with a Realtor then ask them to arrange the viewing and work with them. But by all means have an independent realty appraisal completed before you buy.

### **OIL AND CORN?-**

You've heard, "you get it coming and going". Well, here's a good guy—bad guy scenario for you. Ethanol gasoline is produced from corn. Because of fuel costs there is a great demand for more ethanol. The US government has mandated a minimal production of this by-product of corn. It equates to about 8 percent of our gas. An increase to 12% has been approved

for 2012. It is infinitely cheaper than the cost of gas via oil production.

### **GOOD?**

Yeah, it makes for cheaper gas prices somewhat. *BUT*—farmers are receiving about \$5.35 per bushel of corn which is twice the amount that they receive from farmers who rely on corn, i.e., poultry, cows and pigs. So, they now have to match the prices to garner their share of the corn crop necessary to maintain their production. You got it!! That's why you're seeing dramatic increases in some of your food products, dairy, eggs, poultry, beef and pork products. Right! *You got it coming and going.*

### **WHAT' IS A BILLION DOLLARS?-**

Politicians throw around the word *billion* without compunction of its practical meaning. Here's an understanding of the true magnitude of the word.

1. A billion seconds ago it was 1959
2. A billion minutes ago, Jesus was alive
3. A billion hours ago our ancestors were living in the Stone Age
4. A billion days ago, no 2 legged creatures walked on earth
5. A billion dollars ago was only 8 hours and 20 minutes based on the rate the US government is spending your tax dollars.

Maybe, it's really time to take a hard look at our government and the so called well intended elected officials.

Do term limits start to make sense?  
*Have a Great Upcoming Weekend!*