



# Realty & Valuation Newsletter

March 15, 2010 Issue

## HAPPY ST. PATRICK'S DAY

By : Albert M. Cerone, IFAS, FELLOW

**REAL ESTATE NO LONGER ALONE-** If the past two years have taught us little, it has taught us that real estate is not a separate entity in the complex scheme of U. S. Economy. The stock market is up over 10,000 and stocks are more pliable in the past several months.

Retail Sales were up in February which indicates a recovery. But, unemployment was at 462,000 last week which was 6,000 claims less than the prior week but much higher than estimated or is it guessed by the U. S. government.

So, where does that put real estate? Where it has always been much mostly unnoticed. It is dependent on much of the rest of the economy. 20 to 30 years ago it was seen as the key indicator of economic strength and prosperity for the American people. Prior to that it was

a virtual unknown commodity. The US government subsidized a great deal of housing growth after WWII and the Korean Conflict. GI Loans were the major factor. The mass influx of returning servicemen and women gave hope of returning the economy to a more robust scenario with the immediate needs of the families and the long awaited "baby boomers".

The country no longer feared military attacks and was looking forward to making up for lost time. Hence, credit became the new tool of gratification, satisfaction and economic growth.

Well, many wrongfully point fingers at those who are alleged to have known that the mortgage instruments to which they succumbed were obvious pitfalls, but opted to gamble anyway. Well, think back. Vietnam was in the mid 60's to the early 70's; then the middle east crisis, then Iraq, twice and ongoing; and, yet another conflict in Afghanistan. The Ameri-

-can people were looking for another period of run away growth and relief and prosperity. It came and was short lived.

In the past few weeks the Feds raised the discount rate by 1/4 % which was the first increase in well over a year. The government is realizing that the economy of the U.S. is dimming in the international arena and the value of our dollar must become stronger to stave off financial pressure and borrowing rates from other countries which finance our national debt. Raising the rate was a notice to the cash flush countries like, China, Japan, Germany and a few others who finance our government's spending sprees

So, where is housing in this mess? Right in the middle. There is mortgage money but bound with unreasonable requisites for borrowing that the vast number of American's can no longer meet. No, don't blame the public; blame our incompetent leadership in Washing-

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The accolades the media gave the government for coming down on the credit card companies, nearly gave it sainthood. Unfortunately, they gave the credit card companies over 3 months before the changes went into effect. So, the terms and conditions were all changed by the effective date.

The latest is the administration has instructed lenders to provide reasonable understanding for those who face foreclosure. If there was ever a word in the English language which created more litigation than "reasonable", I've yet to see it. Now the administration in the health bill it wants will fine those who

**CON'T**

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don't subscribe to a health care system. If they had the money, they most likely would have health care. So, since they can't afford it, let's take money from them because they don't have the money in the first place. Makes sense to me!

So, what does this have to do with real estate. The American public reacts to that which it perceives. The media has done a horrific job in making the unreasonable sound reasonable; and the country now gets it. The public sees the mass chaos and does not understand the ambiguities in the health care bill and is very much aware that the manipulation of pay up front for the care 5 years down the road with escalating taxes to pay the added dollars that will be necessary to satisfy the requisites of the bill. This means that the public has been placed in a whirlwind of chaotic confusion. They are also aware that the handful of elected officials will do whatever best serves their own political position rather than that of the American public. With that, it is virtually impossible to have a housing recovery in the near future. That's right!!! It's our government that is stalling the recovery. It's doing virtually nothing to assist those in foreclosure. It wants banks to be "reasonable" in negotiating short sales with those trying to get out from under. Yeah, that's incentive for the banks.

Now... we need jobs so people can begin to pay off debt and then allocate monies for a house purchase. The reality will become greater and come along quicker if those that want to sell reduce the asking prices time and again. When the price gets to look like a giveaway, the buying market will show itself. No matter how one tries to explain the phenomena of housing over the many decades, it comes to one recurring point.... If it's a bargain, the property will sell.

Actually, New Jersey is seeing greater housing activity than many of the states. The lagging states are still, Nevada, California and of course Florida with these states also still experiencing decline in prices. For those of you who want to get away from New Jersey taxes, skip, Florida and go to South Carolina or Tennessee. Much greater opportunity for prosperity and much, much better housing than you'll find in Florida. What Nevada and Florida failed to consider and those that rushed off to the Sun and hurricanes or Sun and parched earth, many of the inhabitants are seniors. Just look at the decimated and still dropping prices of the housing in senior communities in New Jersey. The estate sales keep the prices down and the economy

## ***SPBA MEMBER OF THE MONTH-***



**Michael J. Hennicke**  
*Oliverie Funeral Home*

Mike and his wife, Geri, each, have over 20 years experience with the funeral home business. But to them it's not a business, it's a way of life. And, their approach is to focus on the beauty of the life of the loved one who has passed. Those who choose Oliverie for this special time of life, are the major advertising for Oliverie Funeral Home. The comfort of those who share a loss is utmost to Geri and Mike.

They embrace those suffering with a flowing white veil of compassion, empathy and love. From the bright floral enhancement to

the verdant gardens surrounding the home to the quiet beauty of the interior design, peace and respect provide the perfect gathering place for those at this very special time. The SPBA is proud to have Mike as a member.

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has exacerbated the problem. With an aging population needing greater medical care and estate sales burgeoning the housing inventory, it won't be a pretty sight.

New Jersey is growing out of the problem. The reduced prices of senior properties will allow a movement, somewhat, and that fosters the buying for the housing the prospective owners will allow by lowering their asking prices. Yes, it's a huge house of cards but a pretty good one. Now, if the new government in Trenton can find means of reducing costs and ward off higher taxes, we may be the first back on our economic feet.

Ladies and gentlemen it is simply economic evolution. It had to happen because contrary to the REALTORS age old sales scream, "real estate always goes up"... it doesn't and today is living proof.. But if there's a balance in all the levels of housing values and the movements are equal on a percentage basis, the recovery will come about and hopefully, New Jerseyans will learn their lesson.