



## Realty & Valuation Newsletter

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**AMERIVAL**

Director:

**Albert M. Cerone**

**Regional Appraisers**

**Dan Warthen, Jr.**

**Jay Jurasek**

**Russ Thompson**

**Dave Kaytes**

**Peter J. Vidi**

### ***IS SNOW ALL THAT'S FALLING ?***

***By***

***Albert M. Cerone, IFAS, FELLOW, CTA***

**FORECAST FOR 2011**— Many experts are predicting increases across the board for real estate. Still, the vast majority of them add a “but”, a caveat to their statements. That “but” is what we *may* see in 2011 is just a glimpse of the beginning of a comeback which can take a few years. Just as this writer, most realize that in a few weeks or at least months their words will be forgotten and one can change their forecast and re-invent their rationale of a new prediction. There is data indicating a slight improvement in new home sales for the month of November which is the most recent month for there are statistics. Although the data have improved slightly, new home sales in November, the most recent month for which there are statistics, the number of sales is more than 20 percent below the same month a year ago. They were also only modestly above the annual rate seen in August, which was the lowest since stat started to be kept in 1963. Also, pending sales, which measure contracts that have been signed by not yet closed, showed a notable monthly increase in November, but were still down by 5 percent compared to the prior-year numbers.

The last major housing report released during 2010 indicated that U.S. housing prices fell by a much steeper than expected annual rate in October. The report, released by Standard & Poor's at the end of 2010, contributed to renewed concerns about the outlook for the housing market.

The report showed that the S&P/Case-Shiller 20-City Composite Index fell at an annual rate of 0.8 percent in October after increasing at a revised annual rate of 0.4 percent in September. Economists had been expecting prices to edge down by a much more modest 0.1 percent. But one must understand that these statistics are retrospective indications and are not necessarily indications of what is to come for 2011. The Case-Shiller Index is also a backward look at what was but not necessarily of what will be. Case-Shiller reflects contracts which were written in June, July and August; and it was the time period immediately following the expiration of the tax cut.

In general terms the forecast for housing in 2011 should be seen as cautiously optimistic. Any sign of improvement should be seen positively and a sign of what once again we will see, a robust real estate market, albeit possibly 2 to 3 years from now.

2010 was presented to the public by the mortgage industry and the federal government and administration as a year of the housing market settling down and the beginning of the housing market comeback. However, the actions of the feds and mortgage industry were not in concert with their rhetoric. The feds have instituted more regulations mostly inhibitive to mortgage accessibility by the public. The lending industry put in place severely tighter credit requirements therefore cutting out a large percentage of potential buyers. Banks escalated foreclosure proceedings precluding many families from continued homeownership and dumping more houses into the inventory already pouring over the rim of its cup. So, 2011 will not likely see any betterment of the housing market, but it may begin.

Courtesy of

***Amerival***

Tel. 732-286-3000

FAX 732-612-1400

Email & Web  
myappraiser@amerival.net

<http://www.amerival.net>

**APPRAISER—EXPERT, SYNONYMOUS?** All appraisers are not equal; and, all appraisers are not experts. In fact, very few appraisers are truly experts capable of presenting supportable documentation in a convincing manner to gain the agreement of a judge and jury. There's a misconception by many including the legal community, that if an appraiser has an appraisal license or certification that he / she meets the qualifications of "expert". Little else is further from the truth. An expert has extensive knowledge of appraising, both in text book form and in practice. An expert is capable of bringing concepts and theories to life so the comprehension of those who are to rely on the testimony both comprehend and accept as truth. This requires the expert to be well spoken. Simply knowing the written word does not suffice. Those words must take on life so the Trier of fact can relate to the spoken word. Being able to create a visual image for a jury is critical to a successful verdict. That ability is not easily learned. A successful expert has an inherent sense of presentation that takes a virtual life form. This writer has experienced trial attorneys having graduated from prestigious law schools but do not possess the ability to present a case in a fashion which is convincing for a positive jury decision.

Recently, one of the attorneys with whom I have a long running trial relationship said [paraphrased]"... I don't win cases, you do because you have the responsibility to convince the jury that your position is the right one" . Attorneys who select experts based on a license are doing a disservice to their clients. And everything "comes at a cost" as the adage goes. Another adage is, "buy cheap and you get cheap". As other professionals, the fee for one's professional service is based on the that expert's experience and success history.

An expert won't accept an assignment with a condition that the original written report be brief without any explanation, however, the report shall be subject to discovery. A brief report is only acceptable when all the research and analysis was completed in depth and can be produced almost immediately. Without that documentation and efforts, that brief report is useless. An expert won't allow herself / himself to be placed in that position which will undermine her / his integrity and professional image on which she / he may be judged from that point forward. All of this is what makes an appraiser an expert which is likely the reason that "experts" attain their clients through recommendations by other professionals who have experienced that expert's capabilities. If the public and legal community continue to see appraisal experts as an expense then their clientele will continue to be ill served. An expert from any domain should be seen and be proved as an investment, not an expense. It's only hoped that this writing assists those who are in need of an expert truly seek an expert and not simply a licensed person. Your clients are entitled to one of the best experts. It's your job to insure that.

**NEW STATISTICS ON HOUSING**— Declination of housing prices have been dramatic but without a reference point the numbers alone don't have as dramatic an effect. So, during the Depression, 1928—1933 housing prices dropped 25.95%. From 2006 through 2010 housing prices dropped 26%. Now we may understand why some real estate pundits are calling our recent past the *housing depression*. The time span of 5 years shouldn't be seen as visions of times to come. From November 2009 to November of 2010, housing prices dropped 5.1%. All things being equal that infers that we have lost about 5% per year for the past 5 years, which is likely only a mathematical expression without basis.

### **NEW JERSEY'S DUMB LAWS-**

If in Trenton, you can't eat pickles on a Sunday.

Also, while in Trenton, it's against the law to throw a bad pickle in the street.

Please remember this one. If in Newark, it's against the law to sell ice cream after 6PM, unless the customer has a not from her / his doctor. So, remember to bring that Dr.'s note!!!

Ladies, if you're visiting Elizabeth, remember to wear a petticoat when walking on a street on a Sunday.

For you cat and / or bird lovers, remember it's a law that all cats wear 3 bells to warn birds of their proximity.

If the foregoing aren't crazy enough, stay out of Bernards Township. It is illegal to frown as the town has a "Frown-Free Town Zone".

SO, YOU WANT TO KNOW WHERE YOUR TAX DOLLARS ARE GOING??????????????