



# Realty & Valuation Newsletter

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## AMERIVAL

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## THE DECLARATION OF INDEPENDENCE

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

**FOURTH OF JULY-** This is the date that became long weekend filled with parties, BBQ's & drinks. As a guess, very few think of as the anniversary of the date that the colonists of this new land we know as the United States of America became free. John Adams led a group of thinking men who had a goal of freeing the colonists from the tyranny of King George III of England. This "declaration" asserted certain natural and legal rights which included a right of revolution that they wanted for this new sovereignty.

Because of the will of a few men, the Declaration of Independence was written by Thomas Jefferson and edited by the congress. It was signed on August 2, 1776. It's not known if the copy in the National Archives in Washington D. C. was the actual one approved. At the time of voting by the congress of the states, the Declaration of Independence as we know it wasn't written. There was a committee of 5 that wrote the document that the congress agreed. It was only then given to Thomas Jefferson to re-write and then it was changed. The committee of 5 when asked couldn't remember which one they had authenticated after changes were made. And, at this time in history is it really important (rhetorical)? Ironically, the term, Declaration of Independence does not appear in the document.

The Declaration of Independence became the basis for the Constitution of the United States. It is heralded as the beginning of "human rights". The following gave basis to this claim

*We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain inalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.*

Wouldn't it be great if our legislators could remember how we got here. Take a moment to remember those of your family and friends who fought to preserve the rights our forefathers established for us. Many brave men and women gave their lives so we could live in freedom and others still carry the scars of their service.

**HOME BUILDERS MORE CONFIDENT-** The NAHB sentiment gauge rose this month to a factor of 49 from 45 in May. Everything over 50 says they are in great shape. Supposedly they believe the economy is growing, interest rates are low and jobs are doing well. Now that's totally contrary to the stats I've seen. But I guess they need something to make people think they should buy NOW!

The outlook for June was better than that for May. Now all that hype is great unless you are in the Northeast in which the numbers fell to a three month low. It's been said before and it'll be said again "figures lie and liars figure". Sounds like an O'Bama speech. Like, the troops in Hop-a-long mesa are all safe....they are all dead. However, it's good to see positive movement. (CON'T )

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**(CON'T)** Hopefully, the trend will move to the Northeast. We're always the last to benefit and the first to fall. We have much less land on which to locate new construction. However, if you look at NYC alone, you'd realize that there is great demand there. New construction for residential housing and commercial is on an up-swing. So, all is not so bad. Besides, we don't need new construction we need people to absorb the existing inventory and invest some money in rehabilitation. North New Jersey is top heavy with density of housing and people. Other than mass demolition, the alternative is to rehabilitate; and, that's a good thing.

**OTHER SIDE OF THE COIN-** As I just cited, "figures lie and liars figure". The Mortgage Bankers Association posted its forecast for combined new and existing housing for 2014. They estimate that combined sales will tally 5.28 billion which is a decline of 4.1%. This is the first annual drop in four years. It must be Bush's fault! [sorry couldn't resist]. They also lowered their prediction of mortgage lending volume for purchasers to \$595 billion which is an 8.7 % decline and the first in 3 years.

**THE THIRD SIDE OF THE COIN-** Now, according to MarketWatch in Washington D.C., existing home sales in May hit the fastest pace in seven months. It sees expanding inventories and falling mortgage rates as the driving force of this rebound of nearly 5%. It also recognizes that there is a better job market and it all adds to positive results and expectations.

Now I ask you!!! "figures, lie and liars figure". Get it??

However, I will say this for MarketWatch, the article went on to include a major "headwind" which is the stricter standards of lending institutions. Ladies and Gentlemen, the quandary is this. If you want all to be well, remove the standards altogether and let each lender set it's own criteria. We will have an immediate return to production of housing and incredible increases in home sales. Or we can continue with the present direction that lenders are moving and we surely will be safer from a banking standpoint...except will the public be able to make payments; will they be able to sell at a profit or turn the house to the lender? Now, if O'Bama is smart he'll take a lesson from Wild Bill Clinton who opened the floodgates for Fannie & Freddie and the banks when he said just lend and lend and lend. He was right. The economy was fantastic. It would have remained if the lenders didn't get lost in their greed. Maybe this time there should be some serious penalties for those who practice fraudulently.

**CNBC'S TWIST ON THE HOUSING MARKET-** Earlier this month CNBC released the results of one of their surveys. It's called their All America Economic Survey. It found that 91% of all Americans believe their home prices will either be stable or rise over the next year. That's the highest result since 2007. Let's analyze those results. Notice they lumped "stable" and "rise" in the same survey. It confuses the respondents and one would reasonably answer yes, because there is no understanding by most of the American public of drives housing prices and the interaction of the economic factors that create movement either up or down. And as one can see by the last two headings above, there is enough publication of "alleged" happenings that the American public can't make a rational decision....no one could with the diatribe that is spewed by the media

**NATIONAL ASSOCIATION OF REALTORS-** At least the REALTORS aren't afraid to show the stats. Here's the start of housing for 2014 and the trend which brought us through the first quarter of 2014. The weather has been the most over-used excuse but it does factor in...that's true. There's a significant difference in 3rd quarter for new vs existing. Existing far out-paced new. Likely because there were significant deals due to foreclosure and pending foreclosures. Also, the new construction inventory was likely much less than existing house inventory. Thus, the sale prices may have been much higher because of greater competition but the number of sales were less. Conversely, for the existing housing. So, we only ever know a part of the real story. Just look across the street and around the corner if you want the truth where you live.

