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NEW JERSEY REAL ESTATE!!

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

NEW JERSEY HIGH ON THE LIST OF RICHEST COUNTIES- A recent article presented by Yahoo indicates that New Jersey has some of the richest counties in the U. S. First, let's put perspective to this honor. Towns and regions around our nation's capital historically are recognized as the richest counties. Not surprising as it is the locale of the politically charged masses ruining *err—running our country*. Sorry, I couldn't resist. The richest county is actually a city, it being Falls Church, Virginia. It is only 2.2 square miles and boasts a median income of \$113,313. It is packed with lobbyists and executives of companies which feast on government contracts. Government related opportunities has kept the unemployment rate down to 5.7%, which is somewhat surprising that it even has unemployment. However, over the past 3 years Falls Church has cut its workforce by 14 % and raised property taxes so all isn't well in *Silver City*. Somehow I have a hard time picturing those pockets filled people being unemployed at all.

Another suburb of Washington DC is Loudoun County, Va which a DC suburb. A small town it has a median income of \$112,021. Rounding out the top 3 is Fairfax County, Va which is quite large with over 1 million residents which distinguishes it from the top two small locales. It has a median income of \$104,259 which is quite impressive considering the resident count. Yes, it is due to large numbers of federal employees residing there. Not surprising considering this fact.

Now, right behind Virginia is New Jersey. Hunterdon County tops the list for New Jersey. It's median income is \$102,500. So what's the attraction. It has a multitude of parks and lakes so there is a rural type setting yet it is within an hour of NYC and Philadelphia. Following Hunterdon is Morris County which has very high taxes but also provides a rural livability and great access to NYC. It's median income is \$96,316.

Most of the richest counties are in the Eastern part of the US. So, New Jersey has finally been recognized for something other than high taxes and a population escaping for better economic opportunities. But it rightfully

is a termed a bedroom state. I guess there are worst things

WHAT'S AHEAD?- There are some who believe that the concerns which brought about the bailouts may be small to what is coming. Authors Getchen Morgenson and Josh Rosner (Reckless Endangerment) believe that banks and Fannie and Freddie may need more today than originally. Rosner, an analyst at Graham Fisher believes that the government is now complicit in covering up the real numbers being released by banks. Possibly the attitude is that keeping everyone ignorant of the truth may preclude runs on banks, shareholder demands and withdrawals and whatever else can be done by investors and credit rating institutions that could destroy the banking system. Or is it simply politics? Time will tell.

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ARE WE BETTER OFF NOW THAN LAST YEAR?- A friend sent a list of facts of which the following was one. The explanation of the statistic is dramatic and very frightening.

In 2009 the National Debt, in trillions was \$10.627. Today it is \$14.052. In simple numbers this doesn't seem dramatic, however, placed in perspective it is very frightening. The numbers represent an increase of 27 times. The perspective explained as this is WOW!!!

Metaphorically speaking, if you are driving at 65mph and a car rockets past you that is going 27 times faster it shall be travelling at a speed of 7,555 mph. Now, that's frightening!!

UNEMPLOYMENT & EATING OUT- Apparently from 2008 through 2010 statistics show a drop in the public eating out. However, the fast food places had an increase of 1 % while the midscale full service restaurants experienced a 3% drop. Casual dining was down 2%. Somehow, it seems that when you pass midscale restaurants they are busy on Friday and Saturdays but apparently they struggle during the week and Sundays. The restaurateurs that I know are saying their numbers are off but their weekends are very busy. It seems food costs are up, table checks are down thus profits are down. They are afraid that if they raise their prices, the patronage will fall off and offset any benefit. Some believe that entertainment may be the key, however you can overdo that. Once restaurant had the same guy singing 60's rock for years and thought it was bringing in the business. The singer thankfully left and the restaurant saw a dramatic increase in business. After all how many times can you listen to the same lounge voice doing the same renditions of the same songs. So a mixture of entertainment may be more of an answer. I wish them all well.

Listen, forgive me for this plug but I enjoy my dining out and I have a couple of recommendations for you. Being Italian the following are primarily Italian cuisine. For good Italian food and great pizza try Luigi's in Lakehurst. The service is good, the food is plentiful and non-pretentious. It has a full service bar which makes great drinks. They now have new entertainment so it's not the same worn out music. For creative and reasonable full Italian dinners try Ava's On The Bay which is at the foot of the bridge from Seaside. It's on the North side of Rt 37 heading East. It used to be Pier One. The service is very friendly, the food is prepared fresh and the specials are really interesting and good. It is a BYOB. And, for a romantic or quiet business dinner go to La Bove Grande which is at the Lakehurst Circle. They are one of the finest restaurants for weddings, large corporate parties, etc. As my sister-in-law, Marie says, I can't stand that wedding food. Well, Marie is a fantastic cook. She's so good that most people who have dinner at her home won't ask her to their home as her food is intimidating. Well, La Bove Grande doesn't have the typical wedding food and especially if you go their restaurant. It is high end NYC Italian food in the middle of Ocean County. Their specials are created by the owner and everything is prepared on order. There is a full service bar.

And, NO, I pay for my meals at these places and I wasn't asked to say what I did. These restaurants are doing very well and for the right reasons.

UNDERWATER STILL A PROBLEM- A recent report cited that nearly 40% of those people (nearly 11 million) with equity loans in the United States are underwater with their properties. It clearly reflects the "I want, I want" attitude of the American public for several years. More and more people are considering walking from their homes as there is little rationale to continue paying for a property which will not in the near future return the costs being put into them. Short sales are the only solution. Oddly, those who sell short and may still have good credit can turn around and buy another short sale and not be underwater; while not compromising their livability needs and / or demands. This would bring housing prices down to where they belong and make them affordable for anyone who wants to buy. This would be the beginning of a real housing recovery, not the false hopes the government has been trying to sell.

The "underwater" position of so many may be the death knell of the American dream of owning one's home as the greatest investment. The recovery will come but not until the government can get out of its own way and allow businesses to grow without higher taxes and regulatory requirements. The capitalistic system must be allowed to work; and, then and only then will the recovery truly begin.

RENTAL HOUSING- In the last issue I presented an understanding of the effect rental units have on neighborhoods. Well, don't forget that. It is still true. Apparently, multi-unit home builders are seeing a pent up demand for rental housing which would create opportunity for more rental units. However, don't get excited because that demand is for low end housing otherwise known as "affordable housing". This is housing for those who can't afford market rents and certainly not in a position to buy. Unemployment seems to be creating a larger and larger number for this category of renter. Yes, we as Americans believe that everyone needs a roof over their heads. I guess the question is, where should this roof be. New Jersey has had the Mount Laurel decision which forces developers to provide "X" number of affordable units for every so many units for those that can select their dwellings. It's already a law and anything contrary to it's intent and implementation is highly unlikely to succeed.

The concern is not for the multi-unit home builder, as they like other hard working people will have to deal with their plight. I believe we are and will continue to find families affected by unemployment will be moving in with relatives so they can get some breathing room in order to put their finances in place. They are then out of the rental market. This will likely be those of the middle-middle income level to lower-upper middle income level. Thus, there is little need to put new construction rental housing into the mix.

I'm not so sure that banks taking houses back shouldn't go into the rental business. In fact, it may not be a bad idea for them to take a deed in lieu and work a lease with the present owners with a concession for a buyback in the future. It would eliminate vacancies and damages, save the credit for the existing owner and now new tenant; and allow that family to stay in place for the sake of their children's education and their support system. This is what it takes to get through these times... creativity. However, I doubt we'll see this because presently these properties are seen as non-performing. Now, that's being short sighted.