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Director:
Albert M. Cerone
Regional Appraisers
Dan Warthen, Jr.
Jay Jurasek
Russ Thompson
Dave Kaytes
Peter J. Vidi
Of Counsel-
Michael K. W. Nolan, Esq.

HERE COMES REAL ESTATE!

Albert M. Cerone, IFAS, FELLOW, CTA

MAYBE IVY LEAGUERS ARE SMART- This past week the Joint Center for Housing Studies at Harvard University released the latest **State of the Nations Housing Report**. It recognizes steadier job growth and consumer confidence which is likely to boost home sales and pricing. It further stated that new construction will also see an uplift in numbers.

It does caution that, as it terms, the recovery will be "subdued" due to the backlog of nearly 2 million loans presently at some stage of foreclosure. This obviously creates downward pressure on housing prices coupled with the 11.1 million homeowners which are still underwater. This dampens new housing sales and investment in existing units. It is known throughout much of the country that vacancies are declining although still above normal which will retard demand for new construction in many marketplaces.

It also viewed the rental market which is strong for obvious reasons. It reflected a large increase of renters to over 5 million for the decade. The normal rental markets are the young, minorities and low income individuals and families which hampers noticeably new construction.

The authors of this report are in agreement with this author as to the need of sustained and upward employment growth. The quandary is that growth is either first driven by increased employment or by increase in new home construction. The chicken or the egg concept.

That which is exciting the housing market is the existing owner investment in remodeling and general fix up. It is creating jobs and demand for building materials. It is also giving credence to consumer confidence in housing and employment stability.

The impact of housing to the economy is recognized by this statistic. The housing stock between 2002—2011 was lower than any other decade since the early 1970's. Once a housing crisis was blamed on overbuilding but in this housing decline it is the excess in housing supply which has created much of our problems.

That which is most recognized as a serious problem is the recession which severely negatively impacted the burden of housing costs to the homeowner public. Between 2007 and 2010 the number of households paying more than half their income for housing rose by 2.3 million to an aggregate of 20.2 million. There are programs available to facilitate home purchasers but the availability of funding and buyer qualifications so demandingly scrutinized by the lenders is the major impediment to the housing recovery. There are a myriad of reasons that the lending community is not making affordable loans to the public and the most critical of the lenders is their fear that they will be stuck with low interest loans for a long period when a recovery will increase their opportunities to create much more profitable investments. Self serving isn't it?

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Amerival

Tel. 732-286-3000
FAX 732-612-1400
Email & Web
myapraiser@amerival.net
http://www.amerival.net

SHORT SALES AND REO SALES- By now nearly everyone knows what a short sale is. For those that don't it is simply a sale that is sold for less than market value (a value in which there is no undue pressure on either buyer or seller and the playing field is level). A lender agrees to allow the property owner who is no longer able to afford the payments and can't sell in a timely fashion to satisfy the demands of the lender for payment or face foreclosure. It has been reported that in some cases the seller still is responsible for the deficient of the sale price versus amount owed, but this is becoming quite rare now. A study for the New England States has shown that in the first quarter of 2012, the short sales accounted for between 11.5% to 26% with the latter being New Hampshire. More shocking is that the national average for short sales is 26%.

This is raising serious question as to the impact they have on value. It is universally recognized that these lesser than market value sales will become instrumental for the new age ambulance chasers to seek tax assessment reductions because of "lower sale prices". Look again at the term, "lower sale prices". The word value is not a part of the term because these sales are not market value sales. Let's understand the term even more clearly. First, the word market in terms of real estate is defined as "people" When one asks what the appropriate market is doing, they are asking what are the people who have common threads in a particular area are doing. If you have 25% of the sales being short or REO than one must question if this is the market. It's not! The market includes all people in the homogenous area recognized as a neighborhood… yes, that includes those who are not selling. Hypothetically, if in a specific locale there are no sales for one year, does that mean that the properties have no value? Philosophy 101 isn't it? One cannot quantify a non-occurrence. Therefore, it is reasonable to presume that the value of the properties in that specific locale have the same value as they did when there were normal or non affected times. The non-sale of properties in any locale is an affirmation by the "market" = "people" that they are comfortable with their original purchases; that they have property that equals the original value they placed on it or greater; and, there is no reason to move which is a personal decision.

Contrary to a recent court decision in Texas, short sales are not an indication of "market value". Why? Because that is broad brush and specific to a certain set of circumstances. In the mid 1980's there were condominiums in a project that were selling for $7,500 and renting for $750 per month but since there was no purchase demand this phenomena existed. These sales ,yes at that time, were the market which was an investor's marketplace and they were the market. There are exceptions but so very rare. The use of affected sales to demonstrate value whether it be market or assessed is ***totally wrong***.

ECONOMY OR MISMANAGEMENT- I am hearing far too often that appraisers are using the lack of income production as the primary reason for lower values. Investigation is revealing far too often that it's not the economy driving down values for income producing properties but simply poor management or intentional tax avoidance. Some appraisers are developing two values for properties with one being based on poor or inept management or intentional neglect to result in low income production and then the market derived data to develop a higher or market value. Well, for specific reason or need of a client aside from attempting to dupe any individual or entity, this can be understood. However, it is being seen that the lower indicator of value is then reflected as market value when in fact the data utilized is not market driven.

AND ON THE LIGHTER SIDE- Some Ponderisms….

The only difference between a rut and a grave is the depth.

How is it one careless match can start a forest fire and a whole box can't start a campfire?

I use to eat a whole lot of natural food until I learned that most people die of natural causes.

What if there were no hypothetical questions?

Is there another word for synonym"

I someone with multiple personalities threatens to kill himself, is it considered a hostage situation?

One nice thing about egotists: they don't talk about other people.

HAVE A GREAT WEEK!!