



## Realty & Valuation Newsletter

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# AMERIVAL

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## UP, DOWN, UP, DOWN A ROLLER COASTER RIDE

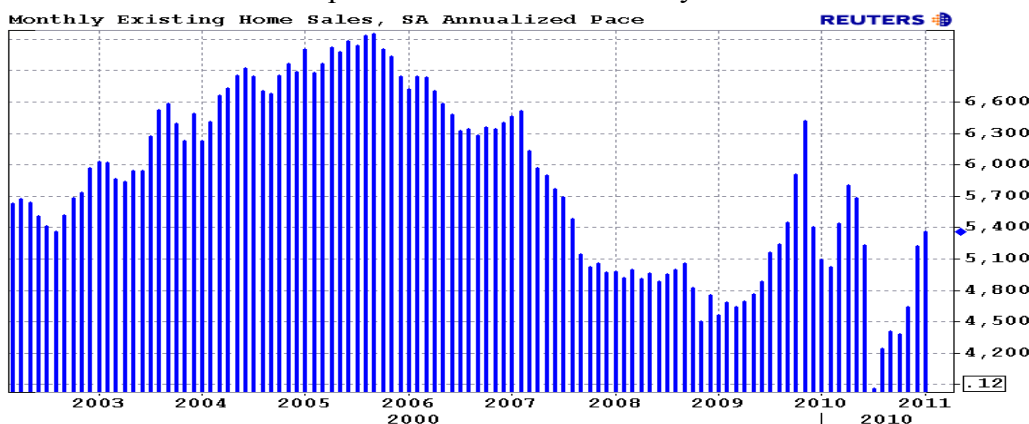
By: Albert M. Cerone, IFAS, FELLOW, CTA

**2010 ENDS WITH A MOAN-** S & P / Case-Shiller reported that 2010 ended on a downtrend for housing. The company tracks home pricing throughout the US. Although the numbers are two months behind they forecast that the 4th quarter of 2010 sees a 3.9 percent loss. The prior quarter saw a drop of 1.9 percent. Overall prices were 4.1 percent lower than in 2009. This means that contrary to optimistic news by directed media and governmental agencies 2010 will reflect a higher drop than 2009 which saw a 8.6 percent annual price falling rate. As said before, stop watching the stock market, it has nothing to do with the economy.

**CONGRATS TO THE FHA-** The FHA announced that beginning April 18, 2011, insurance premiums charged to buyers will increase by 1/4 percent. Doesn't sound like much but it is devastating to an already taxed and hurting public. REALTORS, mortgage companies and *wanna be* buyers are condemning the agency for being stupid. They believe this will reduce an already diminished buyer's pool and put the housing recovery even further into the future.

It's been said here before. The problem with the housing market is affordability which has been dramatically curtailed by lending requirements. Banks, mortgage conglomerates can't get out of their own way. Every move they make seems to be counter-productive to their existence let alone their bottom line. As the title of this newsletter says, "Up, Down, etc". The more restrictions and costs put on perspective home buyers, the fewer there will be.

**UP AGAIN?-** According to *The Wall Street Journal* luxury co-ops and condos in Manhattan are the gainers over the past month or so. Apparently, *The Street* bonuses drove the unwitting affluent rich guys and gals to the buying market picking up the high end properties. The lower priced properties actually experienced a fall in demand, sales and prices. January sales slumped because of the fear of the Bush tax cuts being dropped at the end of 2010. All for naught, as they stayed. The January dive dropped by nearly a third of what was in December of 2010. The pace is the lowest since May of 2009.



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**BABBLE FROM THE WHAT!!!!-** The preceding page has a chart which reflects the monthly existing home sales since 2003 to present. It's one of the most dramatic representations I've seen. The sales reflected in the first two weeks of February are likely from those fortunate enough to earn bonuses in some of the markets. January was dismal and frankly the whole of 2011 will likely look like a sound recording of a heavy metal band.

But, the important point here is the words spoken by the economist for the National Association of REALTORS. He is Mr. Lawrence Yun. He states, "The uptrend in home sales is consistent with improvements in the economy and jobs, which are helping boost consumer confidence." Now get this! He continues, "The extremely favorable housing affordability conditions are a big factor, but buyers have been constrained by unnecessarily tight credit. As a result there are abnormally high levels of all-cash purchases, along with rising investor activity." How do we have "extremely favorable housing affordability" if the buyers are constrained by unnecessarily tight credit." Say What!!!! Talk about a puppet! NAR should at least get someone who can stay on track. There is nothing that is favorable in the housing market today and won't be next week. And, cash purchases are such a small segment of the housing market they are unrecognizable on any chart. If you use 4 decimal places they may show up.

**WHAT PRICE JOBS?-** The Congressional Budget Office just release this data. The stimulus begun in early 2009 has resulted in an additional and / or jobs save of 1.4—3.6 million people. Well, it did do what it was suppose to do... *Maybe!* The latest costs are \$821 billion for those jobs. If the number of jobs created and / or saved was 3.6 mil, then the cost equals \$228,055 per job. However, if the more conservative estimate is correct then each job cost \$586,428. And, one must ask, if the unemployment rate was 8.2% when the stimulus started, how is it that as of January 2011, the rate is 9 per cent. Apparently, the increase in unemployed was far greater than the newly created jobs of even 3.6 million. And, that 9 percent does include those who have stopped looking or now have two lesser jobs to make a portion of their original income. Somehow or another the track we are on is really rusted and the job train is headed for a crash. By the way many of the jobs created were government.

**ARE THE LACK OF HOME SALES A SIGN OF CHANGE?** Yes, it is. The option of trying to sell and cover the indebtedness or forced to accept minimal profit is replaced by making the present home more acceptable to a families lifestyle while likely increasing marketability and dollar return. Remodeling the kitchen and baths are the improvements most likely to increase the value of your property by between 60—85%. So, don't take it on the chin when you can still add value to your home for future times; and they will come.

**POLITICAL CORRECTNESS-** A friend sent this to me in an email. I couldn't resist putting it in this newsletter. Apparently, Texas A & M had a contest asking for the best explanation of a contemporary term. The winner chose "Political Correctness". The definition the contestant put forth is:

*"Political correctness is a doctrine, fostered by a delusional, illogical minority, and rabidly promoted by an unscrupulous mainstream media, which holds forth the proposition that it is entirely possible to pick up a turd by the clean end."*

I have no idea who this student is but congrats for really nailing it (the words of my very astute friend).

**IDIOT SIGHTINGS—** From a good friend with a great sense of humor.

I was at the airport, checking in at the gate when a TSA employee asked, "Has anyone put anything in your baggage without your knowledge?" To which I replied, 'If it was without my knowledge, how would I know?' He smiled knowingly and nodded. 'That's why we ask.'

A young lady went to a Taco Bell and ordered a taco. She asked the person behind the counter for 'minimal lettuce'. The clerk said, "He was sorry, but they only had iceberg lettuce.'

**BE AFRAID—** *They walk among is..... and they breed!*