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LEPRECHAUN REAL ESTATE

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HAPPY ST. PATTY'S DAY- The Irish have it right. Laughing and singing beats the hell out of frowns and screaming about things you can't change anyhow. 2012 is the beginning year of the turn around for real estate values. Yes, Virginia, there is a Santa Claus or a Happy Leprechaun or whatever.

It's an election year and both parties know they can't be in the way of any legislative action that will be "perceived" by the public as a good thing. To hell with the economy the politicians are saying; let's give the public that warm and fuzzy feeling. Let's show them relief and provide at least an appearance of prosperity. Yes, Kids, we are seen just as that, Kids. Take note of the alleged concerns of the Republicans, who was divorced, who voted for health programs, who never ran a business..... Oh! Wait!, that was O'Bama. The American public needs to wake up. Politicians are only concerned about their own future, not yours and mine. How many emails have you seen that state that all politicians should be mandated to accept the same insurance plan and it's terms that we are compelled to use. Why should they be entitled to life time insurance and other benefits that you and I will likely not have available to us? Well, some will. At least those working for local and state governments shall have that opportunity.

So, our relief is that real estate values will begin returning this year because we will be caught up in choosing the next person not to head this country. Does anyone still believe that the president truly orchestrates the operation of the U.S.? If so, please, let's elect a Leprechaun at least we can sing, dance and get tipsy.

REFINANCING- There is a lot of refinancing ongoing right now and that is good. It does spur minimally local economies. People hopefully are reinvesting in their homes; and not taking expensive vacations or installing in-ground pools in the colder parts of the country. Repairing or remodeling one's home is an investment and not an expenditure. Many of us were not alive in the 40's and 50's during which time homeownership was a dream which was made real when the soldiers and sailors returning from the war were able to buy that dream home. At that time, a home was bought "forever". Over the years the proud owners continued

to maintain their homes and update as they could afford. In the evenings they would sit outside in the driveway or on the front porch and watch the world go by. A simple and wonderful life. Well, ladies and gentlemen, those times are back. Although the real estate market will improve, the number of properties for sale will likely be much less than that to which we were accustomed 15 to 20 years ago. We will experience strong hesitation in selling houses because there is a financial and livability comfort level which the public feels. Is this bad or good? It's great actually, because as the public who has experienced the last 10 years reaches an age that a change in lifestyle or physical needs is at hand, their houses will be available and the real estate cycle will once again be on the upswing.

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NEW WORD- There are words which really sum up the meaning without question. Here is one of them:

Ineptocracy- It means;

“A system of government where the least capable to lead are elected by the least capable of producing, and where the members of society least likely to sustain themselves or succeed are rewarded with goods and services paid for by the confiscated wealth of a diminishing number of producers.”

Draw your own conclusions.

WHAT IS COMPARABILITY?- It is amazing just how unknowing much of the public is with regard to housing comparables. The tax appeal season is upon New Jersey. The appeals are rolling in or is it a landslide? More or less the latter of the terms is most correct. The adage, “a house is a house is a house” just ain’t true. The reason there are various style dwellings is because segments of the market have specific needs and wants and simply having four walls in some schematic just doesn’t satisfy those needs and / or wants. To be able to understand and define a specific property value one must be able to compare that dwelling to those firstly, similar in style. People who are looking for one level living don’t look at colonial or split level styled houses. Once the style is determined as the primary point of comparability, the next in line of importance is quality. There are construction factors which dictate the quality of a dwelling. Virtually all of us have walked the aisles of a Home Depot, Lowes or the like and noticed the various prices for a particular item. There are toilets for \$80 and there are toilets for \$1,800. Yes, they both do the same thing which we don’t need to discuss, but they are different. They are different as to the quality and possibly their operation. But most important they clearly indicate a difference in quality. In the price range of housing in a locale one expects to find construction items most affordable for the financial ability of the typical homeowners in that locale. A \$1,800 toilet will not likely be found in a lower price range and conversely. There are various tests to determine quality levels and they are most readily determined by professional appraisers; not the public. Those who are not appraisers should seriously refrain from making determinations based on personal beliefs or very limited realty experience. Once again, comparability heavily relies upon finding dwellings that share the same or very similar qualities of construction and amenities. Without careful scrutiny the determination of value for a property shall easily be skewed to an indefensible position. An old adage comes to mind, “bigness is not necessarily goodness.” This is a warning that the overall area of livability of a dwelling does not necessarily dictate the quality. Hence, the GLA (Gross Living Area) should be representative of the typical sized dwelling from a comparison standpoint. When a much larger dwelling of similar quality is in the mix, the dollar differential for value per square foot is diminished to an amount less than those differences that are within the parameter of reasonability as dictated by the appropriate market.

The area of livability or GLA (Gross Living Area) is likely the next point of comparison in a logical order of consideration. The larger the GLA (within the acceptable parameters dictated by the appropriate market) the likelihood that the value for that property will be greater than a lesser GLA property (all else being equal).

A common mistake even within the appraisal profession is that if one adjusts for GLA then an adjustment for a bedroom count likely can be made. If the GLA differential, equates to the acceptable size of a bedroom, then an adjustment for the bedroom count would be a “double dip”. Similar room counts are expected and common in particular value ranges in a locale. Excessive rooms (i.e., bedrooms) add little if any value to a dwelling. In fact, they often are a detraction from value as they are considered a *functional obsolescence needing removal* as the contained area is unacceptable to the appropriate market and the cost to remove the adjoining wall (s) and repair of flooring and ceiling areas are considered a negative to value. These costs are deducted from the market value of the property presuming the obsolescence did not exist.

Property amenities (pools, decks, hot tubs, boat lifts, etc) are not necessarily valued at their costs. A great example is a homeowner telling me each door knob cost \$135 and there were 38 in the house, thus the math was simple. Yes it was but it didn't add to market value. It clearly was an overkill or over-improvement. My advice was for him to remove the door knobs and replace with \$30 ones and he'd be ahead by 3,800. So, the other adage we must remember is “Cost is not necessarily value.” So, please leave the valuations and understandings to the professional appraisers.