



# Realty & Valuation Newsletter

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## ***WILL THERE REALLY BE A RECOVERY?***

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

***A RECOVERY OF REAL ESTATE VALUES, YAY OR NAY?*** - Ladies and gentlemen, if we don't have a recovery, America as we have known it is finished. We will not be seeing old ladies pushing wheel barrels filled with cash to buy a days groceries. The economy and international relationships are far beyond a collapse of any country, let alone us. Greece, Italy, Ireland, Spain and Portugal have greater problems than we do. They are surviving. The European Union has bailed them all out to a degree and to the world economy none of them are as important as the U. S. The countries to whom we are indebted can't afford to have us go under because they will fall almost immediately. So, there is no universal fear for our economy; and, no economic disaster around the corner. All will be right with the U. S. once again.

The problem which we have and have always had is our government, local, county, state and federal which all pander to the political system. If officials start worrying about the public and not their jobs, all will be well. In the mean time, the U.S. public can't wait for a miraculous revelation of the politicians as it is highly unlikely it will ever occur. Something has to be done now and, it is happening.

The real estate market has bottomed out and there will be a period of stagnation or status quo. It is often referenced as the real estate principle of "Inclining / Declining Periods". This recognizes that all properties, neighborhoods up to the U.S. itself go through periods in which there is a decline in values, pricing, sales, etc. to a point at which it flattens and then begins an incline. The best example for me for years is Harlem, New York City. It was the locale of estates and very expensive housing. The inhabitants travelled to Manhattan by horse and buggy. When the financial district, Wall Street and business areas throughout that borough became the mainstream for national economics, the wealthy wanted to live closer to the "action". Thus, the migration began and Harlem fell to the lesser financially fortunate populous. And as the business sector grew more, those who lived in smaller housing in Harlem also moved nearer Manhattan to reduce their travel needs and then the serving sector of society became the new residents. And, the decay of Harlem began and the declina-

-tion of the real property housing in Harlem was an unwelcomed reality. But, now there is re-investment in Harlem and improvements are continually made. Thus, it is now experiencing the *inclining period*. The cycle was, growth or inclining, declining values for several decades and then a leveling off or status quo. Now, with community reinvestment from both the government and private sectors Harlem is experiencing the inclining or growth period.

The U. S. is going through the same process. The declining is virtually over. The inventory of housing is still more than we want and will continue to thwart value increases for at least 18 months. But there is a pent up demand for housing. Jobs appear to be increasing albeit many at lesser salaries, but there is work. (***CON'T***)

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Now, the problem exists in the minds of the public. Their interpretation of a rebounding real estate market is that the equity they lost from 2007 to present will be returned in full. No one can predict the future especially today with such an intertwined global economy. But there will be an increase in values and may very well return to pre-crash times. The need is an incline because it will set the tone for expansion of the economy in all sectors, jobs, housing, corporate growth and borrowing with the latter being possibly the most important.

Presently, homeowners are realizing that selling and moving either upwards or downwards is not the answer. This is positive for a strong recovery. The fewer sales which **mostly** are from need to sell are typically not market value sales but for the unknowing and appraisers who are either lazy or not properly educated are so construed. These valuations create a smokey image of market value, blurred or distorted. These mistakes enforce a downward trend in housing values. Thus, the more advised homeowners are reinvesting in their houses by adding or remodeling. This is the smart money. And, when there is a strong sense of economic wellness which is coming, these people will capitalize on their improvements and recoup their costs. Once again the Principle of Inclining / Declining Periods.

The foregoing is proof that the recovery is not just on its way, but is actually already here. It's moving slowly but controlled which is positive. This Spring and Summer will show greater movement and the public will become more confident of housing growth. This movement will continue the home improvement mode.

So, yes, Virginia, there is a recovery and it's already here, just watch how it grows.

**BE CAUTIOUS OF WHAT YOU SAY-** In the past 2 or 3 weeks I have been drawn into situations in which what is said is problematic to the conveyor of the words and to those to whom they reference. If one is in front of a group and in a sanctioned seminar or conference, that speaker must carefully craft his / her words so as not to offend. A speaker cannot and should not voice any opinion about any specific person or group of people negatively. It's not easy to do, I assure you having completed nearly 700 presentations. Yes, anyone can and likely will slip, but it's no excuse particularly in this politically correct time. We are all entitled to our opinions as long as we keep them to ourselves.

During a seminar a well thought of and often sought speaker maligned a company which provides paid assistance to the public. There is concern among many professionals who interact with the public as to the effectiveness and completeness of that service. The speaker was echoing the words and beliefs of many, but the venue was not the place for this opinion. It created a vociferous response from some; and, the point the speaker was trying to make was lost as was the speaker's credibility to some..present company excluded.

Another instance is one in which a professional had a problem with a client who went to the people with whom the professional needed to interact as a spokesperson for the client. The person or persons who were aware of the complaint apparently chose to share the information, in some form with others thereby defaming the professional's representation. This writer cannot and isn't interested in confirming any of this or delving into the matter. I am only setting this forward to make the point. Any information a professional obtains should be kept private or confidential which is the legal approach. Attorneys, doctors and accountants have a professional and legal responsibility of client or patient confidentiality. Other professionals also have this obligation but seem to easily forget. Whether confidentiality is a legal or ethical responsibility is not the issue. The point is that when in the performance of any of your duties as an employee or professional, keep what you hear to yourself. The old saying, *believe half of what you see and nothing of what you hear*, is so very true. Both these incidents were likely not intended to hurt, but could have resulted in legal action and certainly have resulted in a lesser image of the perpetrator in the eyes of others. So, please all of you, listen, be silent and forget what you hear when it could be damaging.

**MORTGAGE RATES-** It is reported that mortgage rates are finally ready to break that 3.875% wall mostly due to Europe's economic problems. As referenced earlier, rates are expected to break the February mark and dip to 3.75 to 3.875%. Again, all good news for the real estate recovery.

Have faith, it is returning and all the indicators are sending the right message; and, don't forget this is an election year. If the administration ever needed help, the housing market may be its saving grace.