



# In the Loop Realty Newsletter

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*Amerival*

Your One Stop  
Valuation Center

## ***JULY IS A SLOW MONTH!!***

by: Albert M. Cerone, IFAS, FELLOW

**ANOTHER WAKE YOU UP CALL!!** A reader wrote & asked where we got the sayings at the beginning of the newsletter & I responded, personally. "We don't have them at the beginning." He writes back and says, "Where should I forward your mail?" Some days, I just can't get out of my own way. The gentleman who asked is Mr. John Kokoszka, who provided me my Harvard Business Masters( his is for real) in about a year of evening dinners. If anyone needs a forensic business expert, he's the man.

Well, here's some more tidbits. Hope you enjoy.

*How important does a person have to be before they are considered assassinated instead of murdered?*

*How is it that we put a man on the moon before we figured it would be a good idea to put wheels on luggage?*

*Why is "bra" singular and "panties" plural?*

*Why are you in a movie, but you're "ON" TV?*

### **7 COSTLY MISTAKES IN SELLING A HOUSE**

A book by Sid Davis, "A Survival Guide to Selling A Home" and worth the read, makes these points.

**#1.** Putting a house on the market before it's ready. Usually a pressure sale situation or one by a procrastinating homeowner who is now anxious. All repairs and "dressing up" must be done first.

**#2.** Over-improving for the neighborhood. The costs to build in features or for excessively expensive finishes will make the property look good but they are not contributory value improvements (i.e., they will not return minimally their cost in value).

**#3.** Establishing a sale price predicated on your needs and not on what the market is currently paying.

**#4.** If you seek the assistance of a Realtor, select one with a proven track record and not your next door neighbors brother-in-law who just started in the business.

**#5.** This is an important lesson. Don't become emotionally involved in the sale of the home. When a property is placed on the market, it's no longer a "home" it's a "commodity". Potential buyers will come to it and "kick the tires". Selling as a FSBO (For Sale By Owner) is very often a mistake. Most buyers will automatically remove the sales commission regardless if you provided for it or not in your listing price. Pay a pro and get it done and stay out of the way.

**#6.** Covering up or not disclosing physical problems with the dwelling is more than just morally wrong, it is also legally wrong. Proof at a later date of a pre-existing physical deficiency or affectation to the property will still be your responsibility and at greater cost because of the buyer's costs to recover.

**#7.** Lack of homework is not an excuse for an adult making a major business decision. Make sure you'll have no prepayment problems, or liens.

Research the market in which your property is and make sure you have considered the cost of the move and relocation and any cost of living differential that make exist. It happens more often than one would think that people move and then cry for they failed to consider all the impacts.

### **HOMEOWNER'S INSURANCE.**

Surprising statistics from the National Association of Insurance Commissioners (NAIC). Based on a study initiated by them the following is reflected:

- 1) 68% of respondents believe vehicles, boats and motorcycles stolen or damaged on their property are covered. You'll become road kill on this one.
- 2) 51% think water damage from a broken line on their property is covered. You'll drown

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Courtesy of

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in this one.

- 3) 37% think damage from a broken sewer line on their property is covered. You'll have a foul odor, if you do.
- 4) 33 % believe damage from earthquakes, termites, mold or other infestation is covered. You'll be crawling through paper work and buried with bills if you believe this.
- 5) 22% think pets stolen or injured on their property are covered. You'll be dogged with this one.
- 6) Virtually all respondents weren't aware that dog bites from certain breeds are not covered (i.e. Rottweilers, Pit Bulls, Akitas, German Shepherds and any others your insurance company chooses.
- 7) Worst of all 24% actually believe their dwelling is covered for cash value. It's covered for replacement cost which isn't a bad thing. However, for those who have automatic replacement cost value updates it's most likely that cost includes the value of the building site. This is one of the biggest frauds perpetrated on the American public. Call us and we can do a replacement cost report which you can use to re-negotiate your insurance costs. The savings can be dramatic.

**MIT CENTER FOR REAL ESTATE**– Frankly, I didn't know it existed either. But it does. I've often denigrated economist and many believe that's a crass opinion, if not totally unfounded. Blah! Blah!

Well, Professor David Geltner, a professor of Real Estate Finance and Director of the MIT Center for Real Estate presented his economic theory based on mathematical framework for analyzing the investment return for a built out fully leased project vs construction and anticipated leasing of a similar project at a symposium at MIT. His theory predicated on a composite of market equilibrium, opportunity cost and net present value reflected a paper proof.

He continued that the answer could be determined relative to expected returns in three capital markets, the property market, the debt market and the developable land market.

Simply stated, any theory will likely be right under a given set of circumstance. However, in the proverbial "real world" one does not have the luxury of guaranteed in-place scenarios to make one right.

When Professor Geltner was questioned by the developer, architects, brokers and lenders, his position softened and then softened some more. The final conclusion was one must start with a reasonable presumption of

factors which are prevalent in present day. The attendees expressed a serious concern over the return rate anticipated by Prof. Geltner. It was much too soft for the magnitude of the development of the example in put in place. It did not consider the market indicators nor did it consider the impact of time which could reflect a change in absorption predicated on existing sales trends, proposed and / or competing projects an lending positions at the time. Per those in the marketplaces doing these projects, the professors formula is a nice college test problem, but didn't serve the hard needs of those committed to real dollars.

So, about those economists! This is not unlike the AVM's (Automated Valuation Models) used by many banks and other lenders in the United States. They are predicated on large numbers of statistics gathered from paper products of municipalities, counties and from questionable legal taking of appraisers' submissions for real estate loans. In all, none of the information is good past the date it was completed. Each locale goes through cycles and there are unforeseen happenings every day throughout the United States, that change the complexion of all type properties.

## **NEWSPAPER DEMOGRAPHICS**–

The WSJ is read by those who run the country.

The Wash. Post is read by people who think they run the country.

The NY Times is read by those who think they should run the country.

USA Today is read by people who think they ought to run the country but don't understand the NY Times.

The LA Times is read by those who wouldn't mind running the country if the could find the time & didn't have to leave Southern Ca.

The NY Post is read by those who don't care who's running the country as long as they do something scandalous.

The National Enquirer is read by people trapped in the grocery line.

The Pensacola News Journal is read by people who caught a fish and need something to wrap it in.

**ATTENTION: Let's see who reads this. The first person who contacts us to comment on the newsletter shall be featured in 1/2 of the second page next newsletter. Of course you have to supply what you want said.**