



Realty & Valuation Newsletter

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HAPPY & PROSPEROUS NEW YEAR—2015

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ANNOUNCEMENTS- The AMERIVAL NEWSLETTER is in its 9th year. It is written every two weeks and this is our 192nd issue. That's a lot of writing. What makes this newsletter different from many is it's written by me, Albert M. Cerone, and at times participating associates; not by phantom professional writers who get paid to fill up a couple of pages. Now, many are pretty darned good but they're not by people who understand the business which prompts the newsletter and articles. The issue I take with many of the articles in other newsletters is they are always upbeat. A title company which distributes a newsletter virtually always is upbeat to the point of ad nauseam. Get real, there is no Utopia and every day is not filled with baskets of cheer. Sometimes things suck, then say so. Let's be honest, the economy stinks. Unemployment is down but that number doesn't consider the people who can't get a job and have lost their homes and possessions. It doesn't consider that many people are working for far less money than that to which they were accustomed and on which their life styles were based. The stock market is at all time highs. Of course it is, companies have laid off many employees, closed some factories, raised their product prices so the bottom line looks like executive management really knows what it's doing. Come on! Wake up! You can only increase profits when you sell more units or reduce overhead. You can sell more units when the price is down in an economy as we are presently experiencing. The stock market is nearsighted. It responds to today's numbers, not the future and there is no place in the share price for those who have been put out of their jobs and lost their pensions and benefits. Speaking of benefits, health insurance is a major cost for the middle class (whatever is left of it) and that has been stripped from their benefits list. I seriously doubt that the employers raised the salaries of the remaining employees. There's no scarcity of people looking for work. Employers' typical attitude today is, if you won't work for less, there's a 100 outside the door that will. So, make your choice, work for less or get on the unemployment line. Many people this past week have done their holiday shopping because you can buy what you wanted for the holiday at 40—60% off what you would have paid the week before

the actual holidays. I bought my wife 8 Waterford glasses for \$40 with an MSRP of over \$100 for 4. The stores were mobbed.

Now, the foregoing is my point. We're smart and business savvy and we need to hear the truths, not the political and corporate hype blaring over the TV and newspapers and magazines.

I want to take a moment and thank my adopted sister, Patricia Bashaw (formerly Chiapperini) as she was known in the real estate circles in New Jersey. Pat and I founded Amerival. She was one of the best valuation experts I've ever known. Hell, she won cases in which she was wrong, but could speak with authority and wisdom and win. She's retired and I'm happy for her, but I miss her (**CON'T**)

Courtesy of

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(CON'T) abilities, intellect and cunningness that brought us so much success. But her happiness makes me happy and that's more important than the business aspect. She is now married to Keith Bashaw, a retired attorney from New Jersey and they reside in Florida and are enjoying the good times they earned and deserve. Now, that's true success!

CHAPTER 91- There has been much to do about Chapter 91, as those of you involved in the tax appeal process likely know. The case was clear. Yes, commercial property owners must file a Income and Expense statement each year. This is very helpful to assessors who are then able to determine reasonable rental and commercial property values employing an income approach. It also provides a means of establishing an expense ratio for certain type income properties which can be used in considering values of other similar commercial properties. The filings of the I & E must be minimally 45 days prior to the January 10th date on which an assessor must file the assessment list with the county for the current year (N.J.S.A. 54:4-35). However, that's the mechanical importance. The importance of the completed form is that which is first addressed in this paragraph.

From an appraiser's position, reviewing I & E's is critical to the valuation process. Unfortunately, many of the forms are not "for real". There is data which provides reasonable ranges of expenses to income and an appraisers data bank should serve as a basis for reasonable ratios. Often commercial appraisers are provided the business accountants I & E which the appraiser must analyze and make necessary changes. The expenses which must be included are those inherent to the operation of the building. It is easy to blend in business operation expenses. There may be reason and rationale to include some on occasion but only after careful consideration for the importance of that expense to the operation of the building. The owner's girlfriends car is not a legitimate business expense. It is insulting to have an accountant provide a paper which shows a loss of income unless it's accompanied with a foreclosure document.

Also, when appraising and there is need for an accountants business valuation, the business accountant should not be the one preparing it. Relax, I'm not saying accountants are crooks (at least not all of them) but if there has been some serious creative accounting then the business valuation may not be realistic for obvious reasons. It is wise to have an uninvolved accountant and / or business valuator prepare an interpretation. At Amerival we are fortunate to have an accountant who is a business valuator, as part of our group; and, it is very helpful. By the way for those of you who need professional services of this nature, the firm is Bellu & Memoli Accountants, LLC located on Main Street in Toms River, NJ. Ours is a long standing relationship with these professionals and we are better at our profession because of them.

FAIR DEBT COLLECTION PRACTICES ACT- This was passed into law in 1977. It was intended on the surface to have debt collectors cease and desist in demeaning and abusive debt collection practices which often invaded the privacy of the debtor which has affected their marriages, employments and general rights of life.

The issue is the deficiency which often results in a foreclosure. If the sale of a foreclosed property by a lender after foreclosure does not return the full amount owed via the terms of the mortgage, that deficiency is then due, however, under certain circumstances. But first, attorneys have found that wording in the FDCPA has created some conditions under which it is believed the debtor cannot be sued for the deficiency. The most prominent is if the debtor no longer lives in the state in which the property is located. This was likely brought about by the out of state investors in properties. Apparently, this is quite complex. However, it has had success. One of the issue is how long has the lender held the property prior to placing it on the open market. I have been involved with a case in which lender did not offer the property for sale for a couple of years and then sought deficiency and also money from the original appraiser. Due diligence was the key. The lender was not successful in either suits. So, there is need for sharp attorney's to explore the possibilities of defense to keep the lenders honest.

ON THE LIGHT SIDE- For the attorneys here's a question. How did the names John and Jane Doe become involved in the legal system?

They came from a defunct British legal process. Under English common law it was difficult for landowners to take action against squatters or defaulting tenants many of whom the names were unknown or masked. So, the courts used John & Richard Doo which became John and then Jane Doe. Don't you feel better knowing this?