



Realty & Valuation Newsletter

JANUARY 15, 2015

Issue 193

WILL IT BE A COLD REAL ESTATE YEAR?

BY

Albert M. Cerone, IFAS, FELLOW, CTA

AMERIVAL

Director:

Albert M. Cerone

Regional Associates:

Dan Warthen, Jr.

Jay Jurasek

Dave Kaytes

Peter R. Vidi

Louis A. Bonato

James Hanson

Christian Napolitano

Of Counsel-

Michael K. W. Nolan, Esq.

DOOM & GLOOM FOR HOUSING? - Fannie Mae released its survey of 1,000 consumers regarding the state of the housing market. The gloom primarily is centered upon the respondents' answers to the question, if they would buy a house if they were going to move. 61% said yes, but, that represents a new survey low. However, on the rental side, 34% said they would rent which reflects a 3% increase since the last survey. That clearly indicates a lack of confidence in the cognizance of the public as to economy. It also makes us realize that respondents considered questions independent of each and other related factors. The respondents believe the economy is getting better by the basic response to the question, but when you delve into the other responses, they are not in accord. When asked if it is a good time to buy a house the responses reflected a -4% from the November answer to 65%. However, 40% thought it is a good time to sell a house. To confuse matters more, 41% of respondents said the economy is heading in the right direction which is a 5% increase on a month to month and 51% said it is worsening. Admittedly the constant is that the question revealed a decrease for 5 straight months. So, where does it stand? No one really knows. We are all aware that the public responds immediately to any news either positive or negative. We are not a stupid public but the vast majority are untrained in economics and statistics which makes us a *knee jerk* people in our assessments.

A better understanding is the opinion of the chief economist of Fannie Mae in his assessment of the public demand for mortgages. He said, "Many prospective homebuyers want to be certain that their personal finances can withstand *potential downside* risks to the economy." Income is a factor. About one quarter of the public responded that their December 2014 income was higher than 12 months earlier. That's not the result of a healthy economy. The uncertainties that Washington creates every week or every day is reason enough for the lack of confidence the public has. Thus, the numbers indicate some positive beliefs of the American public but, the overall attitude does not support that level of confidence which is obviously inconclusive. However, without taking political sides, a new congress may force the legislators out of the politically created morass.

MORTGAGE APPLICATIONS DROP- The MBA (Mortgage Bankers Association) released its findings which not surprisingly were negative. Their composite index reflected a composite index decrease of 9.1%, seasonally adjusted ending January 2nd. Refinance activity also declined by 12% compared to the two prior weeks; and, the purchase index dropped substantially by 8% from the prior week. Refinances rose 2% points week over week to 65% of all loans. All lending is positive but this indicates insufficient sales on which real estate values are based. Declining sales results typically in declining property values which is never healthy for the economy. These times are unique as for so very long real estate led the economy, now it is detached which is a pure indicator of a lack of confidence by the American public.

Courtesy of

Amerival

Tel. 732-286-3000

FAX 732-612-1400

Email & Web

myappraiser.amerival@ymail.com

<http://www.amerival.net>

NEW JERSEY FACTS- Yesterday I had lunch with Ralph Aponte of Counsellors Title Company. Both Ralph and I believe in newsletters. He has a great one which boasts helpful information for businesses and general public. It is well written, easy to read and contains interesting information. I would suggest you contact them at ralph@counsellorstitle.com and request you be placed on their contact list. In his January 9th edition were some interesting facts about New Jersey. So, being a thief at heart I'm copying some of which was included for my followers to read.

New Jersey population increased by 26,673 people according to the latest census which brings our population to 8,326,289 people making it the 8th most populous state in the U. S..

Some statistics which are quite revealing.

- N.J. commutes are the worst and getting worse
- N.J. young adults more likely to live with parents
- N.J. young adults less likely to marry than the rest of U.S.
- Nearly 1 million N.J. people live in poverty
- Hispanics comprise the largest minority in the state
- N.J. population getting grayer

Now being the critical SOB, I am, I will elaborate on some of the above. I'm not sure the 1st one was a misprint. On many occasions with the travelling we've all done, do you think it was really meant to read "commuters" rather than commutes? Hey, just asking!

How about the underlying reasons why more young adults are living with their parents (rhetorical). Maybe because they can't earn enough money to rent or buy living quarters. Maybe because many are only part time workers because full time employment is not available. Or, how about the fear of having to pay their own insurance while living with their parents to a certain age, they can still be covered under their parents policies (so I'm told).

As for N.J. young adults less likely to marry, the only viable explanation is the cost and likely the uncertainty of what the economy will have in store for them in their viewable futures. As for people living in poverty the statement has no teeth. One can only assume that this first isn't a phenomena; it's a scary fact that all states are experiencing. One of the reasons is the feds raised the threshold for poverty which for couples who are living together without being married may be eligible for greater financial state and federal aid as single particularly those who have children. I'm certain that everyone reading this, well as me, know young people doing this right now. Poverty is often the result of unemployment or under-employment and again, despite the "all is well" speeches of how wonderful the economy is, this is the major factor increasing the number of Americans on the poverty roles.

It's statistically correct that Hispanics comprise the largest minority in the state. And all I can so, is "So?"

And, New Jersey population is getting grayer. Of course. The average American family now has about 1 child, so we are not replacing the loss of older people and the average age of American's is 77. Excellent health care and a more aware golden year group are pushing to raise that number and likely will. Of course that may end if the emigration of that group continues at it's present rate. Hello, Florida & the Carolinas.

And Governor Christie's speech on reducing taxes to keep corporations in N.J. hopefully didn't fall on deaf ears in the assembly and senate. We lost Mercedes to Georgia thus greater unemployment and less dollars in.

UPDATE ON HOUSING- Corelogic released 3rd Qtr. 2014 figures reflecting that 90% of all residences with mortgages are in positive equity. That's great! Presently, about 10.3 % (5.1 mil) are still underwater compared to a year ago when 12.3 were underwater. The underwater properties in aggregate totals \$338 billion which is 16% less than year to year. It is anticipated that negative equity next year will be about 8% predicated on a forecast of 5% appreciation. These numbers I accept.

STAY WARM!!!