



# Realty & Valuation Newsletter

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## SUMMER TIME, SUMMER TIME~

Albert M. Cerone, IFAS, FELLOW, CTA

### AMERIVAL

**Director:**

Albert M. Cerone

**Regional Associates:**

Dan Warthen, Jr.

Jay Jurasek

Russ Thompson

Dave Kaytes

Peter R. Vidi

Louis A. Bonato

James Hanson

**Of Counsel-**

Michael K. W. Nolan, Esq.

**WHAT'S GOOD ABOUT NEW JERSEY-** It's not a question, it's a statement. Well, for me the most obvious is seen in the photo below. You can't see that magnificent skyline from New York City or any other place in the world. It is said that City. The last count I saw was New Jersey on a daily work



New Jersey is the 6th borough of New York that over 400,000 people commute from week basis.

New Jersey is ranked 11th in square miles, which puts it at population is then 1,210 people

population with a land mass of 7,354.22 47th of the list for the United States. It's per square mile.

Now what does that all mean. Not a damned thing! We are over-populated and the most taxed state in the United States. And, that is the price you pay to be within an hour for most New Jerseyans from New York City and Philadelphia. Mid-state is the second largest gambling area in the United States. New Jersey has likely the best beaches in the United States and compared to many countries in Europe. Those beaches are the livelihood of some of the best resort towns in the country. There is no such things as a "freeway" in New Jersey although my GPS says the Garden State Parkway is one. Call the governor. I want my money back! Much of the state is within reasonable distance for skiing and horseback riding. We still have one drive-in theatre....so there!!!!

I've worked in 38 of the 50 states and I assure you that we are no better or worse off than any of them. There are pros and cons for each. We have four seasons here and that is good. We don't have alligators and Burmese pythons (yet) and most hurricanes do more damage elsewhere than in New Jersey. So, let's just shut up and enjoy the beauty of the Garden State and the luxury of being able to get to our loved ones and friends quickly. I wish I could be as positive about the United States. I believe there is a good economic future for accountants attorneys and possibly appraisers.

**THE STATE OF THE UNION-** The United States is no longer the driving force behind world economics . It is but a segment of it. Germany, Switzerland, England, China, Japan and some of the Arab countries have neutered the financial position of the United States. It is confirmed that the United States middle-class is no longer the wealthiest and majority. Canada has taken that post. We have a debt of about \$17.5 trillion and rising every minute. I don't care what political party you favor, coming back from that may be insurmountable. Get the feeling that Nero is fiddling while Rome burns? Except we not only have a Nero but we have a whole orchestra playing the dirge for us, not just a fiddle. We are fortunate that 80% of the jobs in our country are provided by (CON'T)

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*Amerival*

Tel. 732-286-3000

FAX 732-612-1400

Email & Web

myappraiser.amerival@ymail.com

http://www.amerival.net

**CON'T**— small businesses. Here's a stat for you. Last month our economy created 288,000 +/- jobs. But just over 500,000 full time jobs were lost. Uh!! Isn't that a negative balance? It's been said many times over here, "figures lie and liars figure". Let's be honest, the job of our politicians is to get elected, the job of keeping the country going is that of our citizens...us! One of the job sites showed that in Ocean County there are 32 (don't hold me to that #) available jobs. All but one is for fast food help. I'm glad those jobs exist as there are people who need that level of job income. But what about the centrist part of the middle class?

**REASONS BEHIND SLOW HOUSING RECOVERY-** (1) Restrictive credit conditions especially for low credit households. Many lenders require FICO scores of 680 or more which is much higher than Fannie & Freddie and FHA will allow. This lowers number of eligible buyers. (2) High down payments have shut many out of the market. FHA only requires 3.5%. Many sellers won't go through the nonsense of eligibility for buyers. (3) Low demand by younger buyers. We were all so worried about getting kids in and through college and never thought of the financial burden they would endure for years for college loans. Thus, many can't buy. (4) A dearth of building lots in desirable places not overall. The built up areas can't be "not built up", so the correction can only be huddled housing, condos, etc. Let's face it people, the movement is back to the "huddled housing" "with the advent of "luxury" attached housing. You sneeze and your neighbor says, "God Bless you". Hey, it works for them and that's great. What we need are the same type housing with the young in mind. (5) the market has fewer housing from which to choose and sellers have to find a new place. This is creating a chasm of impossibilities. Many properties are still underwater and can't be available. (6) Holdover foreclosures and delinquencies are still a problem. There are 966,000 foreclosures in May 2014 and 1.2 million homes with serious delinquencies of over 90 days. These houses have to clear the hurdles associated with these situations. It will be slow and tedious and thus not a positive for a revived economy. (7) Construction costs have been spiraling upward. Softwood has risen 40% from 2011 to 2013. Overall, it is anticipated by the Department of Labor that costs will climb somewhat by 1-5%. (8) An aging population is signaling that smaller housing and rentals is more beneficial with the onslaught of higher costs of living as to Obama care, fuel and federal and state taxes. Therefore, this prompts them to look for newer housing or remodeled properties to limit unforeseen expenditures.

**ABOUT FORECLOSURES-** You will be unhappy to hear that New Jersey has made the top of at least one list, *Foreclosures*. Nationally, foreclosures are down but not on the Eastern seaboard and Hawaii. The foreclosure inventory as a percentage of mortgaged properties is at 5.8% in New Jersey, the highest in the United States. *We finally made #1!* Here's the market for attorneys and accountants. The statistics show that homeowners that file for bankruptcy can immediately halt a foreclosure proceeding and keep it at abeyance until they resolve their credit scenario. Appraisers can get a piece of that action also. There is a need to know the worth of a property to decide cash and credit positions of the applicants for foreclosure.

**SITE IMPROVEMENTS AS PART OF ASSESSMENT-** State Tax Court Judge, Patrick DeAlmeida recently ruled on a case involving the legal propriety of assessing the site improvements of otherwise vacant land / sites. I found it odd that a case was even filed. Site improvements that are *standard* for a type property do add value and as we are an *ad valorem* state the improvements do have value. Note I said "standard". A case can be made for improvements that may be contrary to the Highest and Best Use of a property. Think about it. Judge DeAlmeida went further and adjudicated that the Cost Approach was appropriate and acceptable in this case. His decision also recognized that entrepreneurial profits were also acceptable as it is an incidental expense of the owner in developing the property. Judge DeAlmeida is very astute in real estate valuation and the right judge for this case. The case citing is *Hovbros Cinnaminson Urban Renewal, LLC v Tp. Of Cinnaminson*.

**LOCATION—LOCATION—LOCATION-** Cited often as the 3 most important factors of value, and it's correct, but not in the purchase sense. The most important factor in real estate "value" for sales is "price". The most alluring dwelling with everything the appropriate market wishes will NOT sell if the price is too high. The Principle of Competition says, if two similar properties are offered for sale, the one with the lower offering price will sell first. It goes without saying. So, if you want to sell, get your house appraised by a professional appraiser and stay within 3% of the appraised value and you will get the property sold.