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BELIEVE ONLY WHAT YOU SEE!

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WHAT TO BELIEVE— Recently, my wife and I had friends for dinner. Surprisingly, we discovered that we are on opposite sides of the political divide. When one completes a conversation which reveals that there are opposing thoughts, each side walks away with the thought, “I can’t believe they don’t understand!”. This is what happened the other evening. Now, understand, being on opposite sides of a *thought or position* does not make one less intelligent or less likable. The most important right and blessing in our country is that we are permitted to openly express our opinions. After the discussion which was very friendly and they left, I sat quietly and reflected on the real surprise I received in hearing these wonderful people express a view contrary to my own. I truly thought we were always on the proverbial “same page”.

I asked myself, “how can intelligent people who have so much in common develop such different views. It’s not a matter of levels of intellect or good intentions. It clearly is that to which they succumb via the media. It starts with our parents being the first contributing factor of media. As children, we listen to their thoughts and absorb their practices. Social media isn’t new, it’s an extension of our upbringing, our parents, family and friends. We became what they were because how could mom and dad and uncle and aunt whatever be wrong. Right?

Of course with the instant replay of any happening in the world today, we are deluged with “first” understandings and interpretations of the activity. As the saying goes, “first impressions are lasting”. For so many this is true. It only takes one conversation for you to repeat what you heard for you to become the owner and defender of that. Yes, ladies and gentlemen, this is why the plaintiff in a trial has the advantage. Its side gives the “first” impression. We know this is no guarantee of the outcome, but when properly presented, often is the driving force to the Trier of facts decision. Accept that no decision in a courtroom is ever void of personal opinion and position. The news media is responsible for so much disinformation that it is near criminal. Political parties are right on the heels of the media for being responsible. Elected officials typically have one

which is to re-elected. That is their sole driving force. So, they speak to those who can cast that ballot and they appeal to that which they believe those people want, whether it’s good or bad. Someone once told me that the senators and congress people have no obligation to make decisions in the best interest of the United States. They only have an obligation to secure that which is in the best interest of their constituents. Frightening, isn’t it?

Clearly, the answer which can help avoid the pitfalls of succumbing to self-serving interests of those spewing their opinions, is to listen to as many sides of the incident or legal proposition as possible. Remember, misinformation and spewed personal agendas create uninformed listeners. **(CONT’)**

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Rise above this and get the right facts before you draw your conclusion. Let me give you an example. A court case for a dog bite. A young lady who was dog sitting, was ready to leave the house after spending a great day at the beach with the dog. She wanted to kiss the dog goodbye, so she knelt and bent to kiss him on the head but the dog wakened from a deep sleep reacted as every dog would have. He opened his mouth and bit down on what was “attacking” him. She pulled from the bite, the dog sat in dismay and looked at her. She was badly cut on the face. In the courtroom she testified that the dog viciously attacked her and her attorney kept driving that home. The law provides for the dog to always be wrong and thus no defense. It cost the dog his life. The point is that if you read the transcript you would condemn this dog for being vicious and nothing was further from the truth. The plaintiff and attorney’s presentation was purely for the financial benefit.

I hear the same falsities in the courtroom for the cases in which I am involved. Exaggerations, misinformation and lies pervade the courtroom. And, when there is a good defense properly presented these intentional distractions from truth are overcome. The point is that the nature of virtually all problems construed as wrong do exist, and this becomes the basis for future decisions; future decisions that are made by the ill-informed, and they don’t even know it. We are all human and are prone to mistakes and misgivings, and that is normal.

To avoid the media blitz for any topic listen to all sides but don’t just listen, listen and question. YOUR decision should be the one you decide after being informed is correct. A great understanding is taken from the testimony of a damned good appraiser, Tony Graziano, MAI. In his closing he said in effect, after I completed the three approaches to value, Cost, Sales Comparison and Income, I applied the fourth approach. Providing the time for listeners to reflect on this unheard of “approach”, he continued. [not direct quote] when I’m done considering the three approaches, I sit in my easy chair and ask myself, would I pay this price for this property. If I can’t answer yes immediately, I go back and re-work and re-think my value conclusion. That was brilliant and since he didn’t legally protect it, I use it. Thanks, Tony.

This topic is quite long but said for good reason. The discussion to which I referred was exciting and informative for me. It made me question my position and I certainly hope it had the same effect on our dear friends. But I didn’t use it for the discussion itself. I recognized that so many decisions made in the courts and those made by the participants in a case are prejudiced based on the “wants” of people and not by a wrongdoing. An emotional upset brought to an attorney who considers the fee before justice creates a court case and trouble for many including a filled court calendar. All this because of misinformation by those who have personal agendas which they hold higher than truth. Sad, isn’t it?

FORECLOSURES- As above, partial information is a problem in this country. RealtyTrac reported that foreclosures fell 9% to 117,000 nationwide this August. However, if you just read the headline, you are running around “misinformed”. The data also indicated scheduled foreclosures were up 1% from a year earlier which was the first increase in 44 consecutive months. 5% of the increase was from judicial states (those through the court system). Also, foreclosure auctions increased in 24 states. At the top of the list by 160% is Colorado, 117% is Oregon and 81% is Connecticut and New York. Now, that’s dramatic, isn’t it? Foreclosure starts are up in 19 states with Oklahoma at 147%, Indiana at 136% and NEW JERSEY at 115%. So, let’s talk about real estate recovery. Politicians on one side of the aisle want you to believe that foreclosures are down and on the other side of the aisle the foreclosure debacle is getting worse. Now, statistically, neither side is fibbing but both are misleading. Why? Because there’s no understanding as to that which is creating this problem. All of this ties to unemployment and under-employment. One side of the aisle dismisses employment problems as “we” are adding jobs. Yes, but over 85% are part-time and most are within the service industries, like fast food servers and workers and store clerks. What about the middle management people who lost their jobs and there are none to match their qualifications today. I met a college classmate working behind a counter at Radio Shack. Not a job for his level of ability, but it’s a job. Part time of course and no benefits. This is the real explanation for foreclosures and many of the other problems we face in the United States today. Somewhere in the midst of all the misinformation, accidental or intentional, there is the right answer. We just have to dig harder today to find it and then we need to exercise our rights and get the “right” decisions from our elected officials.

FHA DEFAULT SALES- So you want to talk about the “recovery”? Here goes. The FHA is getting out from under an incredible huge amount of defaulted loans. They sell them at various times in what is termed “pooling”. They put defaulted loan properties in pools and sell them to the highest bidder. On September 30th FHA sold 15,000 defaulted property loans at auction. The bulk amount of the loans was \$2.3 billion. That rebuilds their coffers...yes but wait because there’s more. Since 2012 to date FHA has sold over 100,000 properties that defaulted. In June of this year there was another sale of properties (22,550 units) with unpaid balances of \$3.9 billion. Great news? No, they were sold at about 65% of that unpaid balance.

Two problems are brought to our attention with this type of problem. First, there is underwriting. Clearly, the underwriting guidelines are not working, or are they. You see the first line of defense in any foreclosure or delinquency problem is “the system is broke” That’s the excuse of the bureaucrats running the FHA. Blame it on the poor slob who wrote the guidelines. So, of course the answer is get new slob to write tougher guidelines. Of course the politicians to get on the right side of this problem start pointing fingers and propose new legislation requiring tougher guidelines to that end which will as usual just create a greater paper nightmare for the public. The second problem is what the hell were the appraisers doing? That’s for another time.

As for the FHA there are some areas of concern. The underwriting may not be as inclusive as it should be. The loans come in from banks and mortgage companies. Are the controls of that which they do succinct enough to assure decisions that won’t come back to haunt them? Probably, they are just fine. The problem is the public being able to hold on to the job (s) they had when they were granted the mortgage. I’m willing to be that those who are foreclosed or delinquent didn’t want to be, but had no choice. Something happened to change their ability to pay. The tunnel vision focus of the FHA is the number of foreclosures and delinquencies and not the reasons for same. The congress and senate only want to show their involvement so they blame poor standards that they will fix. Oh Great!!! Just what we need another debacle in D.C. The real focus is back to the employment problem we have today. The public became accustomed to living on X\$’s and then that was taken from them. When there are no other viable opportunities, they are literally thrown into foreclosure. Think about this, what are the priorities in the average American’s life today. Food, clothing, kids education and transportation to accomplish whatever they must do to exist. The roof over their heads is important, but they can rent at a more affordable price and thus they walk from their mortgage obligation. Wouldn’t you in their position?

COMMERCIAL & MULTI-FAMILY DELINQUENCIES- Delinquencies in both segments, Commercial and Multi-family are down. The second quarter of this year reflected a drop according to the Mortgage Bankers Association. Commercial backed mortgages fell by 45 basis points to 5.71%. Those held by banks and thrifts fell 17 basis points to 1.4%

Now, why the drop. Many buildings are being sold and some at near give-away prices. Point in fact, the Revel in Atlantic City. It sold last week for \$110 million. 3-5 years ago it cost over \$2 billion to put in place. If that’s not a fire sale, then what is? It will re-open and at first blush that looks like a good thing, but is it. The blessing for the casinos still in AC was for the Revel to close. It’s the Principle of Competition at work. Simply, profit breeds competition and excess profit breeds ruinous competition. The closing of the Revel along with 2 or 3 other closings in the last several months did away with the “excess” to which the principle addresses. It’s re-opening with a lot of money to operate against the competition puts it in the driver’s seat and the casinos hanging on by their fingernails may now also fall by the wayside.

As for multi-family housing delinquencies, one can readily recognize the reverse of that which we discussed above for the foreclosures and delinquencies of single unit housing. Families forced out of their private abodes need a place to live. So, lesser expensive rents in multi-unit (family) housing is the acceptable alternative. Yes, the values for same have risen and the demand is on the rise. However, the cost of that demand may now impact those foreclosed inhabitants via increase in rents. It’s a never ending cycle for which I wish I had an answer.