



In the Loop Realty Newsletter

January 1, 2007 Issue

HAPPY NEW YEAR!

By: Albert M. Cerone, IFAS, FELLOW

Introduction: First, We at Amerival wish all of you a very Happy, Prosperous and Safe New Year. The last half of 2006 has been woe-ful for many of our friends and clients in the mortgage business. The past several weeks there has been a re-surgence of mortgage appli-cations. The reason is the nearing of the end of short term loans, ARMS, No In-terest, etc. Many of these were offered to those who were likely ill-informed about the consequence of these type loans. The pub-lic is telling us, they can't wait to get rid of these loans. They are seeking 20- 40 year term loans. A mortgage guru with a strong accounting background advised that in amortizing for a typical loan of the average price range, the equity position between a 20 and 40 year term loan indicates about a \$1,000 per annum difference. So, lets remem-ber that in the next upswing keep in mind the "cause and effect factor".

Real Estate Business: So, for those in the real estate business, be prepared to show hard numbers to prospective borrowers. For those in the real estate sales

business, reach out while "farming" with hard numbers of how the seller and then buyer can profit. Don't talk dreams and concepts, talk \$\$\$\$'s.

Where's the real estate market going? The word is still that there is no recovery in sight. It is anticipated that there will be a continued dropping of values. The Wall Street \$34 billion in bo-nuses is a drop in the bucket for housing. It will benefit real estate in NYC and a small portion of Connecticut and north-ern NJ. Other than that, don't look to that paltry (wow!!) sum to help be-yond those confines.

Here's a thought. A re-cent statistic from NAR, approximately 80- 85- % of the real estate sales people have less than 5 years experience in real estate. This means that they have never been through a cyclical down turn. It also makes one wonder how we allow so little experience and ex-pertise to deal with the major purchase for most Americans. Well, so far nothing catastrophic.

Valuation Techniques:

Appraisers know this is my war cry for many years but our clients have little knowledge. The Cost Approach is one of 3 traditional approaches to value used in an ap-praisal. In the infinite wisdom of the banking and lending industries, it recently was stated that it is not necessary for mort-gage appraisal work for the most part. **NOT!!!!** Appraisers are legally obligated to use the Cost Approach unless they can convincingly prove it has no place in the process. As an expert, I assure you that this is maybe 5% of the time. Appraisers are to do a "replacement" cost when the property is older. Cost manuals pro-vide a quick and accurate solution. As clients, you *should* require your ap-praisers to utilize this invaluable method. An appraiser who doesn't recognize its import is not likely able to prove site value and adjustments in the Sales Comparison and Income Approaches (yes one can adjust in the In-come Approach. So, it is imperative that your ex-

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-pert can prove adjust-ments and provide *reason and rationale* for them to the trier of facts.

IMPORTANT INFO:

Amerival is able to pro-vide both business and personalty valuations in addition to realty and per-sonalty auctions. It is also able to arrange realty valuations throughout most of the United States. It takes the burden of time from your busy schedule in locating the best professional assis-tance. *Let us help you.*

SAYINGS:

The more time you invest in designing and leading your life, the less time you'll have to muddle in those of others'.

Al Cerone

If you don't agree with me, you haven't listened.

Stan Markieweic

Self-esteem is an errone-ous appraisalment.

Ambrose Bierce

Courtesy of

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