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MORTGAGE FINANCING IS IN TROUBLE

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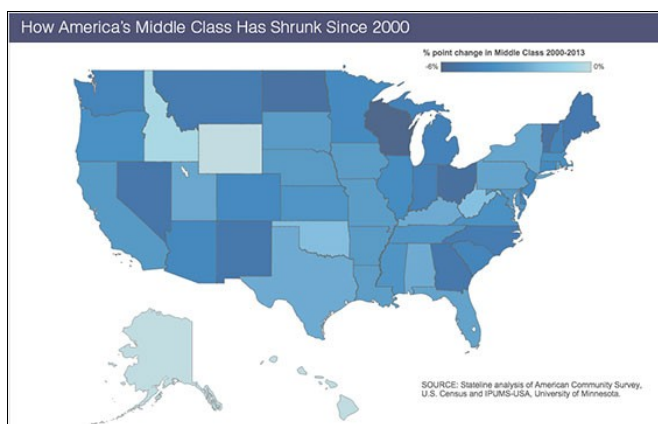
MORTGAGE FINANCING IN TROUBLE- Just getting your attention. However, there are some interesting considerations. It's general knowledge that the real estate recovery is meager at best. We have read and heard experts spawn economic theories which are self serving of their status in the real estate community.

According to CoreLogic (our new fountain of real estate statistics) January real estate sales were comprised of 38.9 percent all cash transactions. It was down from January of 2014 a bit but still significant and considered much higher than past years averages. There has been a downturn each of the past 25 months. The highest level was January of 2011 at 46.5%. It is believed that all cash sales will fall to the prior years average of 25% in 2018. How does this fit into the economic picture? This is conjecture for sure but reasonable. Let's first realize that the all cash transactions are by the baby boomers selling their primary homes and buying in senior communities and / or condos. Where is all of this happening you ask. In Florida of course. Florida has the largest number of all cash transactions with 56.3 percent with Alabama in second place with 54.7 percent and New York with 48.2 percent.

The National Association of Realtors reported that pending house sales increased in February to their highest level since 2013 but with major gains in the Midwest and West, so other regions are not as fortunate.

2000—2015- It's quite clear now that the first decade and a half of the 21st century will not be known as the era of the US middle class. According to a study by Pew Charitable Trust's Stateline, the middle class is recognized as those earning between 67—200 percent of a state's median income. According to the study in all 50 states between 2000 and 2013 the middle class shrunk based on median income adjusted for inflation. We know that the middle class workers are hardest hit by the economic conditions being experienced. Job cuts, lesser job growth 126,000 for last month, rising taxes and competition for employment which is clearly driving wages down. The Feds can raise minimum wages but it will only drive employers to shrink the work week

and cut salaries. To the right is a map indicating the changes from 2000 through 2013 in size of middle class in each state. The darker the color blue the higher the percent of negative change with -6% maximum. Frightening isn't it?



Courtesy of

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HOUSING AFFORDABILITY- The chart to the right is from Laurie Goodman, an economist at the Urban Institute who presented it at a seminar in March this year. It depicts the evolution of median housing prices and the housing prices median or middle income families can afford. She believes that to do this the buyers must devote one third of income to mortgage payments, fees and taxes.

A review of this chart indicates that we should be experiencing a nuclear explosion of housing sales....and, we are not. The explanation is simply that lenders do not want to gamble in the residential housing market. They still see it as too unstable. The savvy investor today sees the stock market as a better investment than housing. That's a disturbing scenario as it translates also to homebuyers gambling on not being burned by their housing purchase. There is something dramatically wrong with this perceived result for new homebuyers. This may explain why it appears to be better for people to rent than buy which was the opposite of the

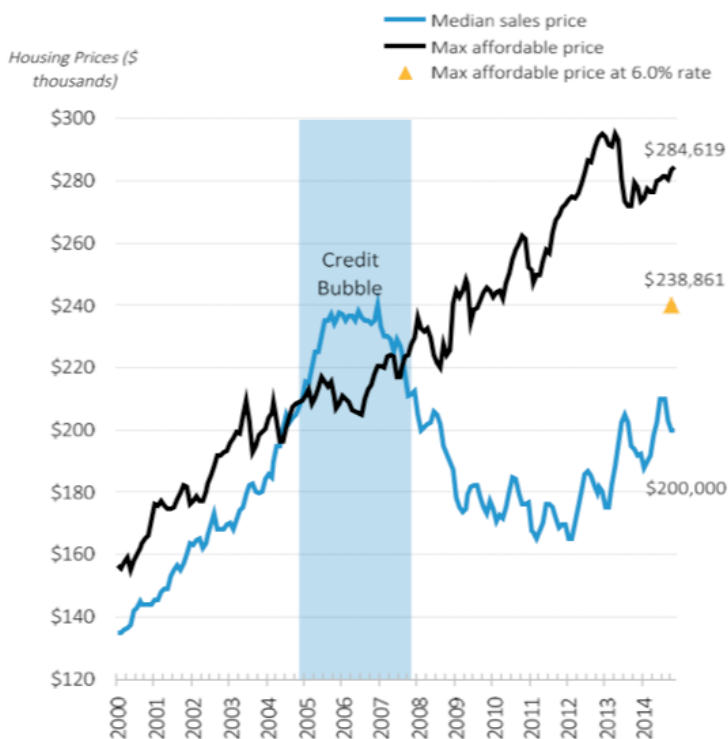
entire home buying market pre-Credit Bubble and the resulting burst. The explanation is that lenders are willing to lend but only after exercising the most critical buyer credit requirements. Banks and other mortgage lenders are wasting advertising dollars and their staff and customers' time by attempting to appear friendly and concerned, because they are not. The only concern they have is the profit they can make and they want all loans to be 100% safe. On top of that they still have the appraisers on the hook with appraiser liability insurance which minimally will cover % of the average house value. The Principle of Competition is in play here but oddly not to do more business but to do less and see who is the safest. If that's competition we are in trouble.

SOME REGULAR JOBS THAT LIKELY WON'T BE AROUND IN 2030- Over the past 100 years there has been many jobs which no longer exist. The junk man who went street by street with a horse drawn wagon, as did the fruit and vegetable guy. The milk man doesn't exist any more. The shoe maker is not to be seen any longer. Vinyl record companies no longer serve a purpose and neither do their employees any more. Passenger train service is dwindling away. Sophisticated electronics and computer capabilities and maybe even clones will take the place of airline pilots or maybe we'll be shuttled around the world in drone aircraft. The clock maker, furniture craftsman and so many others will be obsolete shortly.

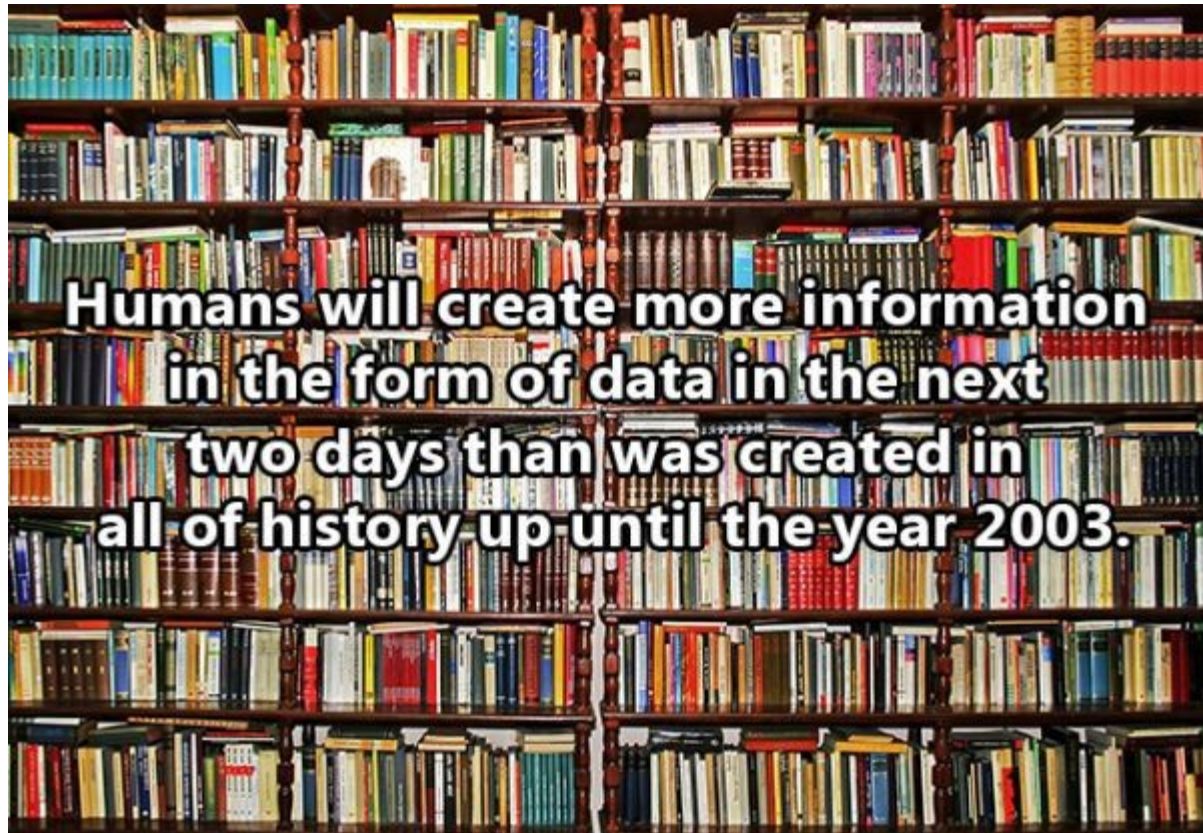
However, the most obvious are these. Cashiers will no longer exist as the public will be compelled to scan their items with their cell phones which will provide a total that you will pay before you can open the gate to exit the store. Phone operators are also at the end of their run. Secretaries are also on borrowed time. Now, there are administrative assistants. There are no more secretarial schools and that's a sure nod to extinction. Also umpires are very likely to be replaced. With instant replay sophisticated equipment the calls will be immediate and final by 3 reviewers in a comfortable booth. And, last but not least is the librarian. Computer screens will be able to answer all the questions one may have for certain topics, authors, time periods or by historical occurrences.

As a kid I remember my family members saying, "when I was your age, we didn't have TV, air conditioning, natural gas heat, microwaves, indoor grills, etc. I bet you can come up with others.

National Housing Affordability



Facts that show just how far the human race has come !

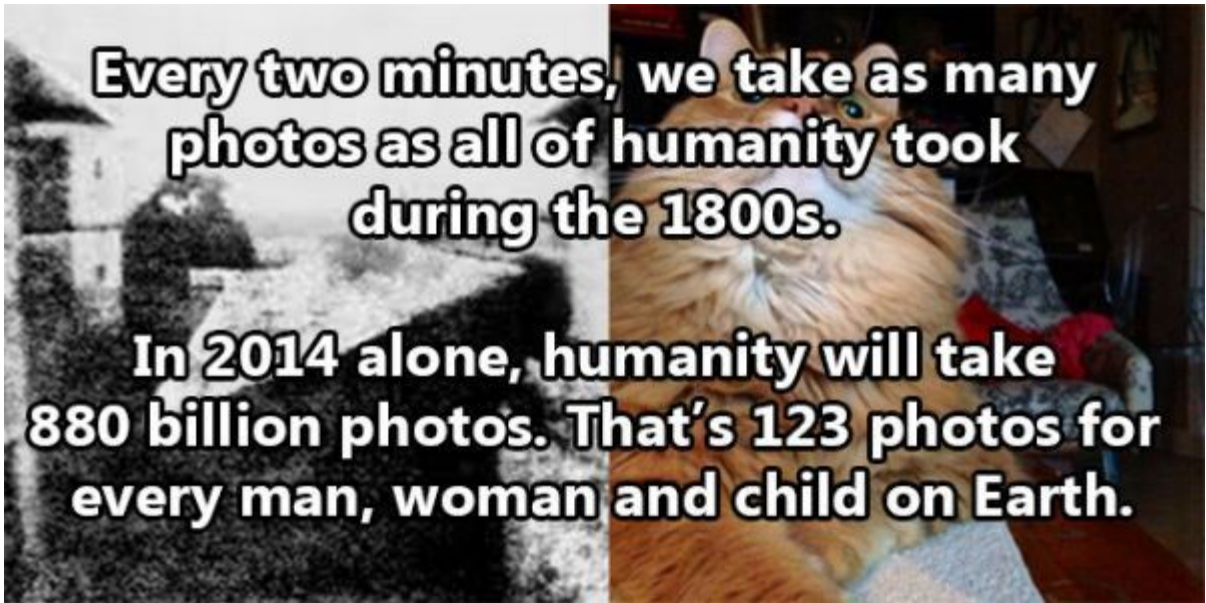


Humans will create more information in the form of data in the next two days than was created in all of history up until the year 2003.



**Between 1988 and 2001, reported cases of polio have dropped by 99%.
Down from 350,000 cases to 483.**

Vaccination has saved millions of lives and prevented even more from disability.



Every two minutes, we take as many photos as all of humanity took during the 1800s.

In 2014 alone, humanity will take 880 billion photos. That's 123 photos for every man, woman and child on Earth.



Between 1990 and 2010, measles deaths declined by 71 percent.

1,000,000 lives are saved every year by the measles vaccine.

MORE TO COME IN THE NEXT EDITION