Amerival

Realty & Valuation Newsletter

JANUARY 1, 2016

Issue 216

ANOTHER NEW START

BY

Albert M. Cerone, IFAS, FELLOW, CTA

HOME VALUES ROSE- According to the statistics home value in the U. S. rose 6.4% which overall indicates a strengthening housing market. As said so many times before, don't believe everything you read or hear. Yes, overall the housing market did experience a rise in values. Here's the other stats which was great that it was published. Of all the states only 9 states surpassed the national average. The remaining 41 and the District of Columbia fell below the national average. In that mix, Connecticut experienced no gain and Louisiana loss value. Now the reporting on which this is based stated that the numbers published by Corelogic were based on January—October 2015. When the final numbers for the 4th quarter of 2015 are in, the results will likely change and conceivably dramatically.

The nine states that were over the average are as follows with some explanation. So, those of you who are looking to relocate or invest here's some food for thought.

California home values rose 6.6%, however, the movement leveled off near the end of the year and closed sales fell 21.6% but on the up side pending sales were up 13.6%. Now, the issue is again these are *averages* not an across the state guarantee.

Texas was tied with Florida so it's either 7 or 8 and it recognized an increase of 7.7 % in home prices. However, it's due to a healthy state economy and the vast majority of the movement is of the wealthier population with luxury home sales leading the way. So, it is skewed. The middle class even in this state is suffering and forget about the lower end of the income ladder. And next is New York State. It reflected an increase of 7.1%. NY State is so vast there is no indication of what sections led the way, thus little to say.

Florida is rebounding and that's great. However, if you want an affordable Winter getaway then get going because the numbers are increasing each quarter. Overall the housing prices jumped 7.8% but single family only moved 1.9% while condo's jumped 5.7%. It's a fickle market. The condo's were the original over-sold and thus they suffered the most during the crash and it is the reason they are rebounding so well. Short sales have also dropped dramatically. So, there's still time but be careful and lot of people have been burned. Oregon also showed at 7.8% increase. The entire movement is based in the largest city, Portland which recorded a 23% increase. Now, not discussed is if that city is at 23% then the remainder of the state had to be substantially lower or even at a loss to equate to 7.8%. You be the judge.

The next state is Nevada with an 8.2 % increase but with a 2.9 % loss in single unit housing and a 11.3% increase in condos and townhouses. ***(CON'T)***

Courtesy of

Amerival

Tel. 732-286-3000

FAX 732-612-1400

Email & Web

myappraiser.amerival@ymail.com

http://www.amerival.net

(CON'T) It stands that single housing in Las Vegas, the driving force for Nevada would be off. Affordability is a major factor more so than in the *good years.* It is a good indication that the employment situation nation-wide isn't what we are told from Washington. It would be interesting to know the income level of the people buying the condos and townhouses. Just a guess but likely they are the ones who would have bought single unit dwellings but today can't really afford them or the upkeep. All that glitters isn't gold.

The next on the list is South Carolina which recorded an 8.5% increase. But here's the catch the numbers are based on metro data not statewide data which is what we addressed with Florida, Texas and Oregon. What's missing (?) is how is the remainder of the state really doing and where is the wealth in these states? The income level or middle class as some say are not the ones enjoying the resurgence.

Next to the best results is Washington State at 8.7% increase in housing prices. BUT! WAIT! Here's the catch. The number of sales shrunk considerably which drove up the prices of the properties that were on the market. It indicates that the people are concerned about the economy which is the primary reason people opt to stay "at home" because at least they know what they have. Moving is the 3rd most stressful thing to do after death and divorce. Listings were down 4.6% in November and overall they were down 26.5%.

And, the best housing prices is in Colorado which reflected a 9.9% increase with closed sales up 6.8% and pendings up 11.6%. Days on the market also dropped from 67 to 59. So, I guess that's good. But put that into perspective. Colorado is ranked #22 in population and has more land area than most of the states.

The list we just provided has California, Texas, Florida and New York which are the 4 top states for population equating to about 105 million people which is nearly 1/3 of the population of the United States. This is why we can't lock into these numbers without serious thought. Colorado has pockets of population. It has ranches and farms that are as large as the eye can see. There are many wealthy people in this state.

Again, the answer is simple, it is good to see the movement on national averages move in the right direction but we must be careful in our interpretation of what the true impact will be.

SUPPLY AND DEMAND SIDE ECONOMICS & US—

Since Real Estate has always been seen as the measurement for the state of the economy then we should be aware of the two theories of economics that may affect our industry and ancillary professions. The two positions are *Supply Side* and *Demand Side* Economics. The first of these to discuss, albeit briefly here is the Keynesian Economic Theory which is a Demand Side Economics position. It is simply described as the flow of monies to the public whether it be by public or governmental spending. The basis is that too much savings on the part of the public will not fuel the economy; and, that, the lack of spending or consumption by that public will cause the economy to sputter or stop.

An example was during the Great Depression when government spending and consumer spending were not well received by the public. However, President Franklin Delano Roosevelt instituted massive defense spending which was the driving force behind the revival of the U.S. economy. Thus, it is not an unfounded theory. Within his theory he also believed that there should be a redistribution of wealth, not unlike what appears to be O'Bama's strategy. The theory is that if some of the wealth is shifted to the poorer segments of the population because they won't save it, they will spend it which will promote economic growth.

If you think back to the presidency of Clinton, he pressured federal banking from the top to the bottom including Fannie Mae and Freddie Mac to make home loans easily available and cheap to accomplish. But in all fairness some news reports say it was George W. Bush. I believe if fault is to be assigned Bush it is that he could have closed the faucets that Clinton opened. However, it very likely was they both believed in Keynesian Economics. And, the economy boomed and then we faced the housing crash beginning late in 2006 and reached full bloom in 2008.

The other theory is Supply Side Economics focusing on cutting taxes on the wealthiest and corporations which in theory results in increased hiring and higher wages. What's odd is that Supply Side was the brain child of Karl Marx and associated with the theory of Communism. Republicans favor this theory and the Democrats the Keynesian. It makes neither of them more or less American. ***(CON'T)***

Clearly, history has proved that both these systems work but only under certain economic conditions in effect at any given time. Neither are foolproof or a guarantee. Demand Side created the term “stagflation” in the 1970's when inflation continued to grow although there were higher taxes and a stagnated business market. This was not what Keynes intended to happen. So, there is no obvious fix to our stagnation that is being seen by the American public. There is growth in some segments of the country and in some industries and in some economic classes but when tallied there is no true confidence in a sustained healthy economy. A $19 trillion dollar debt says it ain’t working.

Well, you now have a 1st layer understanding of economics but no real solution. I hope this just gets you to think about it and start to discuss it among friends. It’s the only way we begin to understand the decisions we must make at the election polls. Good Luck.

WE HOPE YOU ALL HAVE A WONDERFUL, SUCCESSFUL AND TRULY HAPPY 2016.

UPCOMING NEW JERSEY NAIFA 5OTH ANNIVERSARY APPRAISAL CONFERENCE-

Dates: ***April 12 & 13, 2016***

Place: ***Harrah's Hotel in Atlantic City, NJ (777Harah's Blvd.; Tel. 844-619-0667)***

The 1st day will have the 2016 & 2017 required 7 hour USPAP seminar. So don't miss the first opportunity of a professionally presented USPAP seminar being conducted by a highly recognized and sought after national instructor from Tennessee.

The next day will have several offerings of which one is a Land Use Seminar which will have 2 highly recognized land use attorneys and a New Jersey land use expert with years of successful experience and published in the specialty. This will be followed by a mock land use hearing featuring the two attorneys from the seminar and the expert who shall be chairman of the board accompanied by a partner from a New York law firm with high powered experience. They will present a land use case which will be decided by the board and then decided by the audience. Don't miss this!! Ask those who attended last years conference in which there was a mock tax board hearing that 150 people were absolutely thrilled. This will be at least as good.

Also scheduled is a 5 hour special FHA seminar to be conducted by Tom Munizzo, a former NAIFA national president. Mr. Munizzo, a highly recognized speaker throughout the U.S. with an exciting flair.

There is also a new real estate law seminar required for NJ appraisers which will be presented by Joseph Palumbo, a member of the NJ Appraisal Board. He was responsible for some of the success our 2015 conference enjoyed with the NJ board update.

And, an exciting and novel 2 hour *"edge of your seat"* seminar entitled "Weird and Unusual Assignments" which will be presented jointly by Chuck Blau, Esq, IFAS, Carl Mucciolo, IFAS and John Marrazzo, IFAS, all past NJ State Directors.

Keep watching for updates. Go to the NJNAIFA website for up to the minute updates for the seminar. The website is http://NJNAIFA.COM.