



# Amerival Realty & Valuation

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## NATURAL DISASTERS

BY

**Albert M. Cerone, IFAS, FELLOW, CTA**

**KNOW THESE?-** Here are some terms which you may not be familiar. Give them some thought and you will find the understandings toward the end of this edition of the Newsletter.

**APPRAISAL      BROKER PRICE OPINION      COMPARATIVE MARKET ANALYSIS**

*Please don't miss the **Professional of the Edition on Last Page***

**NATURAL VS MAN MADE DISASTERS**— The United States has been plagued by natural disasters this year. The hurricanes and the latest wild fires in California have battered sections of our country horrifically. The primary concern is not the dollar loss but the deaths, injuries and general trauma suffered by the residents in the impacted areas. A point of reference is Hurricane Katrina with its impact to the shores of Louisiana. There are still sections that have yet to be re-built. The degree of damage can't be measured in brick and lumber; its measured by the ability of the affected residents to rebuild. There were sections in Louisiana that still are not re-built. That hurricane was the 3rd major hurricane in 2005. Locally, we easily remember in New Jersey Super Storm Sandy in October 2012. There are people who still are not in their houses and some may never be. The costs, the slow response of the federal agencies and insurance companies and the confusing process that had to be undertaken by the public. It would be simple if the feds and the insurance companies paid the public the cost to re-build what was there or at least to the depreciated cost of the damaged structure but certainly preferably the cost to replace in a timely manner. That would be within 6 months. But the confusion and endless red tape literally made that impossible. When one sits in the living room watching the nightly news, it is easy to say, "what ashamed" and then immediately go to the next program. Yes, it is ashamed, but one cannot imagine the magnitude of stress that the affected people are undergoing. We have undergone back to back hurricanes and now the wildfires.

**(CON'T** There are billions and billions of dollars needed to bring necessary relief and compensation for the losses that were incurred. But, just as its easy to sit and look at the damaged areas on TV, it is as easy to pass judgment on the agencies and heads of same for not getting "everything" fixed in a couple of months. The devastation ranges from the U. S. Virgin Islands to Puerto and a large part of Florida and portions of Louisiana and Texas. Now, the California fires. As of this writing there are about 170,000 acres that have burned killing 40+ people and many still missing. Giving dimension to the damage in miles results to 265 square miles which is an area of 16 miles X 16 miles +/- . The circumference is nearly 57 miles; a lot of burned area. **CON'T)**

*Courtesy of*

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**APPRAISAL-** A written *opinion* of the value of a commodity and specifically in this newsletter of realty. Typically there are three (3) methods employed in an appraisal, Cost Approach, Sales Comparative Analysis and Income Approach. The use of these depends on the type property, the use to which it will be placed and the determination of the appraiser as to the applicability of the approach for a particular assignment. It is a certified document that must meet strict criteria to be considered acceptable by all governmental agencies and private in some scenarios. A certified appraisal must be completed by a licensed or certified appraiser. It is a document that can be accepted in a court of law.

**BROKER PRICE OPINION-** A written opinion of a property value prepared by a licensed real estate broker (some cases licensed sales people—different laws in different states). Lending institutions are the greatest user of these type reports in an effort to reduce costs for value conclusions. Less expensive than appraisals, there is typically no E & O Insurance supporting the findings as with all legitimate real estate appraisals. In the years of experience of this writer, BPO's received minimal but mostly no weight when introduced in a court of law.

**COMPARATIVE MARKET ANALYSIS-** Also known as *CMA* is an evaluation of realty for point of purchase purposes or preparation of an offering for sale. These are typically prepared by licensed real estate agents for sellers and buyers independently. These are not appraisals and have no standing from a legal position for use for other purposes. However, prepared diligently by well intended agents are very helpful to the public in realty purchases / sales.

**(CON'T)** With natural disasters the affect to property values is difficult to measure in that each locale is different in economic base, age of the affected and the state of financial stability of the municipality, county or Parish and state in which the disaster occurred. It also requires a great deal of time for the market for the locale to express itself in re-building, evacuation of the area as home sites and the financial resiliency of the appropriate market. By the time all is said and done, other factors which affect marketability and area value take place thereby diluting the information base. Most of that which is done in disaster scenarios are done with complex algorithms which virtually void the findings as being representative of a “market”. There is no specificity as to individual properties losses or values. The only reasonable way is using the loss in tax assessment and converting that loss to present value predicated on relationship of “market value” to “true value”, the latter via assessments. There is some direction via the writings of Wiley and Gaglione 2005 and Gilbreth 2006, 2007 which is void of economic damage.

For man made or caused damage (i.e., 2005—2008 value declines due to economic conditions) there are means of proving the losses and present values. A reference for these type circumstances can be found in Gloudemans 1999 writing, pages 163-168. It sets forth the conclusion that these type market changes unfortunately happen quickly and the number of samples necessary to derive a supportable conclusion via appropriate techniques and usually not available.

Do away with the ‘tags’ and both natural and man made or economic are bad scenarios for real estate values, but stay focused because the real damage is to the American public. Bringing them back to whole is virtually impossible and the attempt to attain a close final solution will cost the American public substantial tax increases.

### **THIS EDITION'S SELECT PROFESSIONAL**

Craig Zinkoski, located in Lacey Twp. with a market area of Southern Monmouth and all of Ocean County; , Tel. # 732-889-5314. – Mr. Zinkoski is an *honest contractor*, a descriptor most often recognized as an oxymoron or a self-contradiction. Its not for him. Mr. Zinkoski was the maintenance supervisor for one of the largest school districts in Monmouth County. After retirement he accepted a similar position for a small school system in Monmouth County from which he also retired last year. His years of training and practice created the opportunity for Craig to become an entrepreneur. His work has virtually been by recommendation and as we know good news travels fast. He is not a home builder. He is a real Mr. Fix-it person. Roofing, fixtures and interior and exterior repairs are his specialties.

He is a proud American and former U. S. Marine. He has organized a Toys for Tots program while in the school system and invests time in various charity needs. He has given his life and time to doing good and many of us are proud to know him. Thereby we provide his name to those we know who need assistance with repairs or various installations. You ask, how certain am I of his work, he's been our “go to guy” for several years and are thrilled he does what he does. If you need some help, call Craig. You will be happy you did.