



September 22, 2008 - Upstate New York

Real estate values have been negatively affected by the recent “mortgage crisis” in the upstate New York. However, much of this has been media driven. As an example, mortgage foreclosure rates which are substantially on the rise on a percentage basis, is not the purported catastrophe as reported since far less than 1% are foreclosed upon. I talked with the economist for the National Association of Realtors earlier this year. He summarized the national outlook as an adjustment of supply and demand with some markets in Florida, Nevada and California having the largest adjustments. He further stated that most of upstate New York was facing a small adjustment; nothing out of the ordinary. So far during 2008 the residential and non residential markets in upstate have held up well. Besides relatively low supply, the weak U.S. dollar has affected real estate positively even in upstate New York. As an example, in Rochester within the last year a large block of the Eastman Kodak industrial facility was purchased by a Buffalo investor. Within nine months the property was sold to Canadian investors for approximately 50% more than the original purchase price. On my street within the last month a house had three full price offers within one day. These are not an isolated case.

The media has an agenda to sell its stories. Of course, the premise of much of the media is to sell “bad news.” Unfortunately, the consumers of media “eat it up” like drug addicts and media gives their customer base what they want. They want to sell their product and bad news does sell. Also, as a political independent I try to look at politics in an objective non bias manner. It is obvious that the majority of the media has vilified President Bush and tainted the republicans far more than deserved. As an example the approval ratings of President Bush are higher than the now democratically controlled congress. Most of the media at least subconsciously is pushing an anti-republican agenda. If this wasn’t bad enough, a large minority of the media consciously puts out politically bias reporting. I recently talked with a veteran television news anchor in a large upstate city. He stated media bias is significant and is driven at least in part by the journalism schools in the U.S. He considered it a major problem. Some of the politicians and media are declaring that the current “mortgage crisis” is the worst since the Great Depression. I wasn’t around during that time. However, early in my career which began in 1973 there was a low usury ceiling on home mortgages in New York state of around 7.5% which was later increased to 8.5%. Just before it was lifted in 1979, the usury ceiling created a mortgage crisis in New York state. When the bank’s cost of money was high they would literally shut the tap off in regards to residential mortgage funds. This was a substantial problem in 1974 and other parts of the mid 1970s. In 1980 and part of 1981 both residential and commercial mortgage rates were at an all-time high approaching 16-18%. In the late 1980s there was the so-called savings and loan crisis in which many lenders were dissolved and/or taken over by the Resolute Trust Corporation. The current FNMA and Freddie Mac bailout is serious but a vast majority of their mortgage portfolio which is in the trillions of dollars are solid loans

and even some of the weaker loans will remain on the books.

In summary, the country's "mortgage crisis" is overblown. Certainly, in upstate New York this so-called crisis is only a blip on the radar screen. Values in upstate New York have held up well. The moral of the story is don't believe everything you read except this article.

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