

THE APPRAISER

Joe Clar & Sons, Inc.
Machinery and Equipment
Appraisers

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Check us Out!
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Association Machinery
and Equipment
Appraisers

CAPITAL ASSETS VALUES IN DECLINE

One of the most frequent questions asked today is how large a surplus is there, and as an appraiser what is the impact on the economy.

It doesn't matter which industry is being talked about today. When it comes to "capital assets", there is definitely a huge surplus of goods. The trucking industry says there are thousands of truck tractors 2 to 3 years old that they are trying to resell. The same holds true in the earth-moving and mining industry. The metal working and manufacturing industries may be the worst hit of all. According to government reports, manufacturing is at a 40 year low. This is not surprising as our government has not protected the manufacturing of machine tools and equipment and allowed the import of foreign tools and equipment thus undercutting U.S. prices.



Clyde D. Batavia

The number of auctions and equipment being offered through forced liquidation is running at an all time high. In speaking with many auctioneers across the country, I am being told prices are off anywhere from 40 - 50% on late equipment. Older equipment, depending on brand and model, are bringing very low prices, and in many cases not selling.

The impact is beginning to have the feeling of the S & L problems of years past. The Collateral they may have had at the start of the loan may now be worth half or less! Banks, in order to avoid classified loans, are having their client's collateral re-appraised, and then adjusting or requiring more collateral to support those loans.

HOW TO AVOID PIT FALLS IN THE FUTURE

When the economy is prospering and financial institutions are competing to make loans, the failure of thorough research of pledged assets seems to be prevalent. It's not until a weakened economy when a client falls behind on payments, do we as appraisers see the mistakes of quick loan making.

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In the last few months banks have requested our services to consult on potential troubled loans. In many of the cases when the loans were made, nobody took the time to get an appraisal or do research on the items being encumbered.

In one such case, we discovered that the locomotive engines and cars were equipped with friction bearings. If repossessed, a problem for resale exists, as you can not get a permit to operate these cars on any rail except private. The modification to make them useable on public rails is very costly per car. This situation could have been avoided had the bank called an expert appraiser to do a "desktop opinion". The appraiser would have discovered that there was a potential problem with the assets to be encumbered.

I can not emphasize the cost effectiveness and the importance of a "tool" like a **desktop opinion**, to protect your loans.

APPRAISERS AS A CONSULTING TOOL

Who better to assist the banking and financial industry than a qualified appraiser. An appraiser should be able to provide a report assessing the management, philosophy and operation of companies they appraise.

This service is an expertise that we at Joe Clar & Sons can provide. We not only appraise all types of capital assets, but also can provide a consulting report. We have appraised companies that make ammunition, do surveying, manufacturing, aircraft, mining, railroads, earthmoving, construction and food processing equipment to name a few.



Mark Clar

The banking community usually depends on the owner of a business to explain the operation of their business. Having an outside source to provide a report, gives the bank an unbiased opinion. This information helps in the decision making to evaluate risk and whether the bank should ask for more collateral, increase the loan fee, or even if they want to make the loan.

Typically this is not expensive, and in most cases the cost is passed on to the client through fees. Cost is usually on a per hour or daily basis, depending on location and the requirements of the bank.

The end result is that the lending source has an unbiased view of what might be going on in their customers industry. Having this kind of knowledge only protects the bank against later potential problems.

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