



Rockyfield Newsletter

US Economy & Housing Market

Two thirds of US employment are provided by small businesses. At large corporations where their share prices are the foremost concerns, increased profits may go to dividends and acquisitions first. And, as personnel cost is the largest item among expenses, outsourcing and more efficient machines and equipment are priority to hiring people to deal with increased sales. Small businesses need to hire more people as sales increase, and they tend to pay better. Revitalizing small businesses will strengthen the middle class. New industries are often born from innovative entrepreneurship that are essential for long-term stable economic prosperity.

After the hi-tech bubble burst, venture capital funds have dramatically shrunk and the excess savings were directed to blue-chip stocks (lower dividend tax), real estate and eventually oil and other commodities, resulting in today's financial meltdown and economic crisis. Many state and local governments, which are typically major sources of support for small businesses, have budget crisis. With soaring healthcare costs and credit crunch, the business environment for small businesses is unfriendly at best.

Some advocate further tax cuts to stimulate entrepreneurship and investments; however, growing businesses usually have little profit and tight cash flow to finance expansions. Small businesses with good profit are often in status quo where owners are cashing in rather than re-investing for growth: no increase in employment. Therefore, income tax cuts are not effective, while targeted log-term capital gain tax cuts for entrepreneurs and investors for small businesses are recommended.

State and local governments are now too weak to aggressively expand small business loans, job training and to provide low-cost or free legal advice. The federal money will be needed. In addition, we must realize how much the high health-

To Restore US Economy (2) Small Businesses

Treasury Dept. No Plan?

Wall Street bailouts, starting with security firms and investment banks, were finally tantamount to the gigantic Citi Group rescue with almost \$400 billion package of equity injection and guarantee. The original \$700 billion was approved without specific purposes. After the UK's capital injections, Mr. Paulson changed his mind to do the same despite his initial reluctance. Declines of asset values due to mortgage defaults have made equity inadequate to liabilities. Capital injections are effective means to improve banks' lending capacity.

The 3 large commercial banks that bought troubled mid-size banks and a mortgage company with the Federal help do not seem to need bailout for now. The Treasury must have known the Citi's problem for a long time. Then another \$800 billion plan to "defreeze" consumer credits was announced. Some sources say the total bailout cost will reach \$7 trillion. If they plan and spend wisely, the total cost may be much smaller and the situation may improve faster and better. The haphazard actions may lead to another large bank bailout.

While large private banks have announced their foreclosure rescue plans to modify terms of loan in their portfolio, the government's plan to curb foreclosures is not clear, especially about those huge amount of securitized loans. Liquidity and equity injections into financial institutions will have only temporary or little effect on credit freeze and insolvencies of financial firms unless the real cause (foreclosures) is dealt with. FDIC's plan to guarantee modified loans should be expanded aggressively to refinancing of home owners, both in foreclosures and simply having difficulty, with direct government loans at affordable rates. That will be more effective in our opinion.

care costs are hampering the competitiveness of US companies, and how much productivity has been sacrificed by unhealthy employees.

Palos Verdes Housing Market

The market inventory of single family homes decreased below 260 in November after peaking at 280 in October. With the holiday season starting in November, many sellers are withdrawing their listings and it will probably get close to 200 by December end. The problem is the number of listings in escrow, which is now below 50, indicating continued sales slump. "Can't sell regardless of the price!" that is today's market condition as many buyers believe that prices will fall even further.

November sales (closed) counted only 21, a large decline from 34 last year and 53 in November 2005. Mortgage rates did not help until recently, even after 10-year Treasury yield got below 3%. Finally, the 30-year fixed rate began dropping sharply to 5.6% during the two last week. However, it is too late. It is already December.

There are 7 bank-owned properties (incl. TH/CND) for sale on the MLS in PV, and 6 in escrow. While REO's are doing better than regular properties, their prices in PV are high relative to other areas. They rarely have a large number of multiple offers on the day of listing. The market prices in Palos Verdes have been holding well; yet a sudden drop in prices was obvious after the financial meltdown in mid September. Closed sale prices in October reflected this decline. We feel another sharp drop in December perhaps because some sellers are becoming too anxious. Again, we do not believe lower prices, unless ridiculously low, will make sales. Offering incentives is often ineffective. Given the lowering rates, sellers need patience until February.

Unless foreclosures are cubed and employment worries are eased, the next spring selling season may turn out to be disappointing for the housing market.

2009 Real Estate Related New Laws

DRE License # on Ads: Real estate licensees must disclose their DRE (Cal. Dept. of Real Estate) license numbers on all solicitation materials intended to be the first point of contact with consumers and on purchase agreements. The materials include business cards, stationary and ad flyers. (eff. 7/1/09)

Landlord Responsibilities in High Fire Hazard Severity Zone: A landlord must significantly reduce the risk of ignition of the habitable structure by maintaining defensible space no greater than 100 feet from each side of the structure, but not beyond the property line. (eff. 1/1/09)

Eminent Domain: State and local government agencies can no longer take owner-occupied residences by eminent domain to transfer to a private person except for certain very limited circumstances. (eff. already)

Solar Energy: Any governing document of a homeowners association that effectively prohibits or restricts the installation or use of a solar energy system is void and unenforceable. (eff. 1/1/09)

Pools and Spas: This federal law applies to multi-family apartment complexes only and not individual homes. Watch out for scare marketing practice. (eff. 12/19/08)

No Texting When Driving: In addition to cell phone use, it is banned to write, send or read a text-based communication while driving. There will be a base fine of \$20 for the first offence and \$50 for each subsequent offense. (eff. 1/1/09)

The above articles are an incomplete summary. If you want to read details of these articles, please feel free to contact us by email. We will send you a PDF doc. properties8@rockyfield.com

Free Notary Service

We offer free notary public service to our readers. Customers who buy or sell their homes through Rockyfield will have free notary service for 5 years. (Direct service only, excluding loan documents; additional charge for a trip to your place.) Please make an appointment with Catarina at 310-544-0857 ext. 2#



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Now you can search by yourself properties for sale in the MLS.
visit: www.rockyfield.com

Need a handyman?

If you are looking for a house cleaner, handyman, painter, plumber, gardener or contractor, we may be able to introduce a quality one. A painter who delivers an excellent job at a reasonable price is actively looking for more jobs as the housing slump started affecting him. If you need a painter, please give him a chance.

Free weekly market information

We can provide a free weekly update of the housing market in your area, as a list like below with a short comment about the market. Please contact us via e-mail with your property address.

Our free fair market value analysis

If you just remodeled your house, it is very natural to be interested in how much your home is worth now. We typically spend a half-day to compute a fair market value estimate. We are happy to provide free analysis for any reasons. If you have no plan to sell your home, please say so when you contact us.



SELECTED LISTING SAMPLES

Please contact

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for listing information

S: Sold B: Backup P: Pending
C: Contingent A: Active
Prices in '000s. Source: MLS (as of 12/08/08)