



Rockyfield Newsletter

US Economy & Housing Market

Although the US economy has bottomed out and certainly started growing again, it is totally expected to be a long way to full recovery given such a severe recession and a structural breakdown of the US economy. The media are still painting a pessimistic picture, citing the lagging employment. They attribute the 162,000 increase in non-farm payrolls to census workers and rebound from the February's bad weather. We would rather focus on the upward revision of Jan. and Feb. figures. Regardless whether it is a temporary surge or government employment, it increases people's income and their consumption, which in turn boosts hiring by private companies. Considering the natural increase in labor population, it could take one year to recover the pre-recession level even if employment increases 250,000 every month. It will be a long process.

Since this is not a cyclical recession, we need to address the structural problems. While good policies like exemption of capital gain taxes for small businesses have emerged, other issues that we have mentioned before, including increased oligopolies, heavy dependence on consumption based on consumer debts and weakened middle class, have not been tackled on. Especially the oligopolistic trend has accelerated during this huge recession. The financial industry is a good example. Regulations to ensure a free competitive market are desirable for the industries which do not meet the competitive market principles. Another issue is of course the fiscal deficit. However, the debt crisis at many states is a more imminent and serious concern because their borrowing capability is extremely limited.

The news about the increased March pending housing sales was welcomed by the stock market. Housing sales have been sharply up since February while prices did not start rising until mid March due to the higher mortgage rates. The recovery in housing prices will enable struggling homeowners to either refinance or sell

Housing Prices Finally Start Rising Again

Desert Flowers Blooming

Due to the stark contrast to the dry desert brownish image, the colorful view of blooming desert flowers is quite impressive. They do not bloom necessarily every year, and more importantly the blooming period is very limited. It is a moving experience when you are lucky to be there at the right time. Flowers bloom in Spring when the temperature begin to rise after rains. There has been a lot of precipitation this year, and it is still expected to rain. We may be able to enjoy them a little longer this year.

We visited recently the Anza-Borrego state park which is low valley desert, surrounded by mountains, where water from the rain tends to stay, keeping the sandy soils moist. Flowers of various colors, yellow, purple, red, white or their combinations, and various shapes were competing to show their liveliness. Cactuses were also blooming. Depending on the altitude within the park, the kind and degree of blossoms vary.

From Palos Verdes, it seems to be fastest to take 91, 15 to Temecula, and 79, S2, S22 to the visitor center where the parking lot may quickly become full during the season. There are easy paths around the center. You can obtain the information from:

http://www.parks.ca.gov/?page_id=638

The best place may be Desert Garden. It is a little tough to get there by a passenger car, but it is fun, too.

We have brochures in our office. Photos:

www.rockyfield.com/Anza_Borrego_Flowers.html

their homes, reducing foreclosures, which will further shore up the housing prices. If the FRB pre-empts inflation by managing short-term rates wisely, long-term interest rates should be tamed.

Palos Verdes Housing Market

While single-family homes have been selling well since February, prices could not recover from the bottom in early February. But the market environment was ready for higher prices, listings over \$1 million started selling better and finally the market price began rising every week. As of April 4, it is more than 7% up from the February bottom, over 15% up from a year ago. Due to the higher mortgage rates, sales slowed temporarily in late March, but both sales and prices are now performing very well despite higher rates. We believe that the Palos Verdes housing market has now entered a full recovery mode. As the sales are going at the past peak level, some buyers are now worried about the higher future prices. This will be self-feeding for prices to further go up.

However, a strong concern over inflation persists in the financial market. The 30 year fixed mortgage rate has already risen 0.25% since early March. The improvement in employment will push up interest rates. It is unlikely that housing prices will keep rising without disruptions. We expect both sales and prices to take a break or even slow down in fall.

As optimism looms in April, new listings are coming in a large number. Over-supply conditions have been felt in a few areas in PV. Currently, the best performing areas are west RPV and RPV along Western Ave. Valmonte in PVE maintains a tight supply-demand condition.

Closed sales in March were 49, 60% up from a year ago and same as March 2007. The average price declined from Feb., and 12% down from 2007. The median price is the lowest this year, 5.3% up from a year ago; yet 23% down from March 2007.

The townhome market has a supply shortage. Their prices may go up soon as single family home prices are recovering.

Homeowner Tax Credit

LONG-TIME HOMEOWNER TAX CREDIT

A long-time resident of the same home can now qualify for a reduced credit, up to \$6,500 (joint). To qualify:

- You must enter into a binding contract by April 30, 2010 and close on or before June 30, 2010 (closed after Nov. 6, 2009)
- You have lived in the same principal residence for any 5 consecutive years during the past eight-year period
- The purchase price is no more than \$800,000
- The tax credit is 10% of the purchase price up to \$6,500 (joint)
- You do not need to sell your current home; but you must move into the newly purchased home.

For more details, the IRS website provides Q&A's

FIRST-TIME BUYER CREDIT

In the same manner as above, the first-time home buyer credit has been extended to April 30. The income restrictions have been also eased.

The Worker, Homeownership and Business Assistance Act may be further extended after April 30. If you have purchased a home after Nov. 6, 2009 or you are in the process of buying one, you should consult with your CPA. If certain conditions are met, it is possible to get the credit toward the closing cost.

CALIFORNIA FIRST-TIME BUYER PROGRAM

The previous program was so successful that it ran out of money by the end of June 2009. The Governor signed the new bill on March 25 to restore the program, providing \$200 million (\$100 million each for new and existing homes). The tax credit is equal to the lesser of 5 percent of the purchase price or \$10,000, taken in equal installments over three consecutive years. You need to buy a home between May 1 and Dec. 1, or if a valid contract is executed, you can close after Dec 1 but not later than Aug. 1, 2011. Contact your CPA for more details.

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. If you know very good ones, please let us know, so that we can refer them to other readers. Contact: Catarina.

Our free fair market value analysis

If you just remodeled your house, you ought to be interested in how much your home is worth now. Or you may be simply curious. We will be happy to provide a fair market value estimate. If you have no plan to sell your home, please say so when you contact us.

Free weekly market information

We can provide a free weekly update of the housing market in your area. Please contact us via e-mail with your property address. The list below does not include many listings.

Anza-Borrego



SELECTED LISTING SAMPLES

For listing information

Please contact

Rockyfield



Free Notary Service

We offer free notary public service to the readers on our mailing list. Customers who buy or sell their homes with Rockyfield will have free notary service for 5 years. (Direct service only, excl. 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 on the MLS.

visit: www.rockyfield.com

A: Active S: Sold B: Backup P: Pending
Prices in '000s. Source: MLS (as of 04/08/10)