



Rockyfield Newsletter

US Economy & Housing Market

We are very hopeful for the housing market this coming spring season. Even taking the holiday season shrinkage into consideration, the listing rush has ended, sales kept at a high level, and a sign of price recovery finally started showing up. In short, we started the New Year with a much better condition than one year ago. Secondly, many economic reports indicate the economy, especially employment, is on the path to recovery, though still bumpy. Thirdly, interest rates may gradually inch up, but a sharp rise in rates is unlikely, given the European financial crisis, low real demand for money and little pressure on wages due to slow employment recovery. Low rates always help the housing market. Lots of money move or fly around during the presidential election year which may be a small help for the economy, too. The strong auto sales in December are another positive indicator.

We have warned a few times of the excess liquidity in the financial market. The gigantic money injection to save the financial system did not trickle down into real business investments. The money that could not find good investments simply shifted to commodity markets, like oil and gold. The excess liquidity that originated during the dot.com burst was exacerbated further by the huge tax cuts and war spending. Exploding government borrowing accelerated the idling money in the financial market and eventually ended up with the financial meltdown. Ironically, more liquidity had to be injected during the 2008 crisis, estimated over a trillion dollars.

Investment in gold with little practical use compared to other precious metals and oil does not help the real economy; bank loans, stocks and bonds (notes and papers) will help private business growth. And how to absorb or repatriate the huge excess liquidity will be a perplexing task for the FRB which must begin with the economic recovery. Lower gold prices may indicate a shift of money to the real in-

Happy New Year

Interest Rates & Refi

It has been warned for many years that the large deficit will cause soaring interest rates. In economics 101, large government borrowings can "crowd out" private borrowings, choking the economy. It is a reasonable concern that today's huge amount of Treasury issues may cause excess money supply condition and lower the US credit rating, meaning higher Treasury yields. The FRB's "zero" rate policy has a direct influence only on short term rates; worries over the future should push up long-term rates. In reality, however, no upward pressure on Treasuries has been warranted.

The great recession since 2008 has suppressed the private sector's demand for money. Corporate profit and cash are piling up, while sales are not increasing; consumers are inclined to save rather than borrowing. Meanwhile, a gigantic volume of money has been injected into the market to save the financial system; major banks now have trillions of dollars on hand. Due to no positive prospects for the stock market and real businesses, such excess liquidity has been circulating within the financial market, especially in the commodity market like gold. Lower gold prices may indicate a shift of money to real business investments.

Given extremely fragile international economic/financial systems and the tension in the Middle East, the economy and interest rates will be rather slowly moving up with small ups and downs. As housing prices may go up this spring, it is a good chance to refinance your home with a long-term fixed rate loan, and hold on to such a low rate loan. When money market or CD rates go above 4 % just like several years ago, you may be able to make a profit over low mortgage loan rate. Do not go for a shorter loan just because of a little lower rate.

vestments, including real estate, we hope.

Palos Verdes Housing Market

The market inventory of single family residences (SFR) in Palos Verdes, which almost reached 300 in summer, declined to 163 at the end of last year. The gap between active and in-escrow listings also narrowed from 200 to 80, and the E/A ratio rose above the 50% line. While the number of escrow listings is about the same compared to last year, the inventory decreased from 180 to 163, and the median escrow price was \$1,199.5K up from \$1,014.5K. In short, we started in a much better shape this year. Spring has been always good for the housing market even during the severe recession. So we have a good reason to be hopeful.

The market inventory is already increasing due to returning listings (from holidays) and new listings while sales have not picked up yet. If sales restore to the same level as last year, we will have a strong market. We are watching the market movements very closely now. If you want updated information, you can subscribe to our weekly email service. You can also visit our website, especially the market trend graph is useful and popular:

www.rockyfield.com/documents/Trend.pdf

December closed sales for SFR were 47. Though the average price soared, the median price remained at the bottom. 2011 sales were 561 which were far greater than 2006 and just shy of 2005 sales. The lower prices last year helped the increased sales. Through 2011, the market behaved differently in terms of areas, price ranges and seasons. However, toward the end of last year, these factors are becoming to look more normal.

Short sales and foreclosures are decreasing: 15 SFRs and 13 townhouses and condos. Except for the east RPV (Western Ave.), prices of those troubled listings are not heavily discounted. This is another reason to be optimistic about this year.

The townhouse market has been performing very well, though their prices have been capped by SFR prices.

New Laws for 2012

There are not many major new laws affecting residential transactions. Here are a few:

TDS Disclosure of Water-Conserving Plumbing Fixtures:

The TDS form has been revised for a seller to disclose whether the property has water-conserving plumbing fixtures (low-flow toilets, shower heads, and faucets). By January 1, 2017, a single family residence built on or before January 1, 1994 must generally be equipped with water-conserving plumbing fixtures. If single-family residence is altered or improved on or after January 1, 2014, the water-conserving plumbing fixtures must be a condition of final permit approval. (Cal. Civil Code § 1102.6) (effective January 1, 2012).

Tenants Smoking Ban: A residential landlord can prohibit the smoking of cigarettes and other tobacco products anywhere on the premises, including any interior or exterior area on the property. For new tenants in 2012, the areas must be stated in the lease or rental agreement. (Cal. Civil Code § 1947.5) (effective January 1, 2012).

Imposing Mello-Roos Tax for Energy Efficient Improvements: The Mello-Roos Community Facilities Act has been expanded to allow a local government to impose a special tax for financing real property improvements for energy efficiency, water conservation, and renewable energy. (Cal. Gov't Code § 53313.5(l)) (effective January 1, 2012).

Carbon Monoxide Alarms: Some real estate brokers are overreacting to this new requirement, confusing homeowners. If you have any questions, please contact us.

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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Search properties for sale on the MLS.

visit: www.rockyfield.com

Wiseburn (Holly Glen/Del Air) Area

Sale: \$499,000, Lease \$2,400/mo

- ✓ Owner unexpectedly transferred to N. Calif.
- ✓ Vacant. Available now
- ✓ 3 Bedrooms, separate family room, Media room
- ✓ Including fridge, washer/dryer
- ✓ Close to El Segundo. Great as an income property.

We maintain a list of handymen, plumbers, cleaners, gardeners and others who have been referred to us by our customers. We will be happy to give those names to you.



2012 is the Year of Dragon

SELECTED LISTING SAMPLES

Please Contact

Rockyfield

A: Active S: Sold B: Backup P: Pending
Prices in '000s. Source: MLS (as of 01/10/12)