



# Rockyfield Newsletter

## US Economy & Housing Market

The fundamental driving force in capitalism is competition. During the recent 10 years or so, it seems that the competitive market mechanism has diminished after all anti-monopoly efforts that split dominating companies. Industries like oil, local/mobile telephone companies are merging into oligopolies. Nine international US banks in mid 80's have been reduced to three now. After the demise of Circuit City, only one national electronics store chain exists today. There are only two national drugstore chains. Then if you look at holding companies, many industries have few companies, and oligopolies, if not monopolies, are spreading and gaining power. The Media and grocery industries are among them. The real estate industry is no exception: Coldwell Banker, Century 21, ERA and Sotheby's are all owned by the same holding company. Of course, because real estate business is always "local," many small independent brokers like Rockyfield can exist.

Laissez-fair (the market offers the best solutions) is useful to understand and utilize the market mechanism; however, certain rules are necessary to ensure the effectiveness of the competitive market due to its unrealistic premise: a perfect market that requires all market participants to have equal access to the same information, equal knowledge of the products/services, no entry barriers, no transaction costs. There also exists so called "natural monopoly" which will eventually create a monopoly due to high entry barriers and ever improving economy of scale.

Under oligopolies, prices increase while productivity and quality decline. Healthy competition may be maintained in the industries where foreign companies can enter. The industries where only domestic companies can operate need oversight to ensure competition. Individual companies, of course, always try to eliminate competition. M&A's are often used as means to dominate the market. The best example in

## To Restore US Economy (5) Revitalize Competition

### Loan-Modification Summary

Finally, a program that may effectively curb the growing foreclosure problem has come out. We have been advocating a measure to stem foreclosures by offering affordable re-financing to borrowers who have not defaulted but are struggling to make their mortgage payments. This Treasury plan is close to what we wanted, if not perfect. If the cause is a single occurrence, addressing the resulting problem can work. However, this foreclosure problem (cause) is continuous and growing; pumping money into the financial market is only a temporary relief and the crisis keeps coming back. The major points of the new program are:

- Loans originated on or before Jan. 1, 2009.
- First-lien loans on owner-occupied properties with unpaid balance up to \$729,750.
- Must fully document income with required proof and must sign affidavit of financial hardship.
- Owner-occupancy verified by credit report and others; no investor-owned, vacant or condemned properties.
- Incentives to lenders to modify at risk borrowers who have not yet missed payments.
- Modifications can start immediately until Dec. 31, 2012.

Subject loans are those owned by Fannie Mae and Freddie Mac (ask your lender), and the goal is to keep the monthly payment to 31% of borrower's gross income.

which an oligopoly has formed as a result of deregulations is the financial industry. The elimination of the partitions between commercial banking, securities and insurance industries may have contributed to today's lousy risk management. Restoring competitive markets is the key to fixing the US economy's structural problems.

## Palos Verdes Housing Market

It is obvious that the market price in PV is falling. Only 12 sales were closed in February with the average price being about 30% off from last summer. The in-escrow median price has gone down since late February. The closed sale price for the coming months is expected to further decrease. The PV's market price maintained until last September; it is clearly declining in recent months. Sales by price ranges can explain this well. The price range below \$1 million is selling very well, leaving more higher priced properties in the market, pushing up the average Active (for sale) price. The E/A ratio (escrow/active) for the market under \$1 million is over 80% which is very strong and healthy. However, the PV housing market as a whole has the market inventory of over 270 houses against 53 in escrow. Although it is much better than early January, it indicates a clear recession. By areas, Silver Spur and Eastview are doing better, while Rolling Hills and PV Estates are quiet. Foreclosure properties in Palos Verdes are not very fast movers because they tend to be priced as high as regular sales. However, if the growth of foreclosures is contained in general with this new plan (see the center column), buyers may finally believe it is about time to buy, though the market price may continue to fall for a few months after sales in quantity start recovering.

Very recently, two listings with very attractive prices against their values sold within one week. One of them was priced at \$3,950,000.

## Save Property Tax

**Proposition 8** allows a temporary reduction in assessed value when a property suffers a decline-in-value when the current market value is less than the current assessed value as of January 1. You are encouraged to submit two comparable sales that sold between January 1 and March 31. You must file a claim form (RP-87) before December 31. The assessed value on January 1 2009 can be estimated by adding 2% to the last year's value. Rockyfield is happy to help you with the form and comparable sold properties. We were inquired by a few homeowners last year, but none of them could meet the decline-in-value requirement. However, due to the clear drop in the market price during the past few months, those homeowners who bought their homes a few years ago may qualify.

### Exclusion for Seniors and Disabled

Disabled property owners or seniors aged 55 or over who buy or construct a residence of equal or lesser value than their original home may transfer the old assessed value to the new home. After children are gone, many people move to a smaller, one-level house which may be less in value than the current residence.

### First-time Homebuyer Incentive

The IRS announced that first-time homebuyers can claim the tax credit on their 2008 or 2009 returns. The credit amount is up to \$8,000 for joint or \$4,000. Unlike last year's incentive, homeowners do not have to repay the credit if they live in the homes, which they purchase this year as their primary residence, for 36 months after the purchase date. The credit amount begins to phase out for taxpayers whose adjusted gross income is more than \$150,000 for joint, or \$75,000. Homeowners who did not own any other main home during the last three years qualify as a first-time buyer. This program may apply to your grown children.

### Free Notary Service

Customers who buy or sell their homes through Rockyfield will have free notary service for 5

years. (Direct service only, excll. 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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### 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.



### New Lease in Torrance

South High Executive Home

3186sf, 4 bedrooms, 3.5 Bathroom

2 master suites with fireplace and large bathroom

Rent: \$3850. Please contact Rockyfield for details.

### SELECTED LISTING SAMPLES

Please contact Rockyfield

for

Listing Informaiton

S: Sold B: Backup P: Pending  
C: Contingent A: Active  
Prices in '000s. Source: MLS (as of 03/08/09)