



Rockyfield Newsletter

US Economy & Housing Market

Despite the 5.7% growth in GDP last quarter, the January non-farm payrolls dipped 20,000 (market consensus: 0); especially the large downward revision for December to 150,000 made the market uneasy about the economic recovery. But November was revised from 4,000 up to 64,000 increase, and the moving average shows an indisputable path of improvement. Manufacturing and service added more workers while construction cut 75,000 due to the bad weather. When business gets better, employers first stop laying off, but remain cautious in adding new employees. It is a big jump from job losses to job increases. Especially lagging small businesses further slow down the job growth. Strong support for small businesses is the key to job recovery. The most reliable leading indicator: the purchasing managers survey by the ISM hit 58.4% in January, improving for 6 months in a row. From the various data, it seems certain that the economy is on the right path to recovery, though it takes months before people start feeling good about the job market. The housing market on the West Coast is in a much better shape than the rest of the country, especially those premium areas as Palos Verdes and Torrance are showing strong sales that compare with sales during the past booming times. However, when it comes to prices, foreclosures and the bleak job market are keeping housing prices from rising. Buyers' frame of mind must turn to optimistic.

Stability of the mortgage industry is also important. When the firewalls between commercial banks, investment banks and insurance companies were removed in the late 80's, it used to be said: "commercial banks take credit risks but not market risks; investment banks take market risks, but not credit risks; insurance companies are risk averse in their investments." The financial meltdown was precipitated by the lax risk management, taking any kind of risks with illusionary risk hedging. The current plan for financial reforms may not

PV Market Ready for Higher Prices

Easy Bike Riding and Camping

When our boys were small, we used to go camping and bike riding in many places. There was one place we frequented and enjoyed: Big Sycamore state park. It offers a 70-mile stretch of trails, and the main trail from the campsite is wide and flat, easy for kids and couch-potato adults. A small stream crosses the main trail several times with plenty of water in spring to enjoy pedaling through. Across Hwy 1 is a beach, which you can enter with the same pass.

Unlike early 90's, it is difficult to reserve a campsite on weekends. If weekdays do not work for you, a day use still allows you to enjoy so much.

Go bike riding during the morning and relax on the beach in the afternoon. That is the advantage of this park. Directions are simple: just go on Hwy 1; it usually takes one and a half hours, depending on the traffic in Santa Monica and Malibu. You can obtain information by exploring:

http://www.parks.ca.gov/?page_id=630

It may become too hot with little or no water in the stream during summer, and may be too crowded with group camping during school-off seasons. There are also many trails for hiking. We recommend, you buy a trail map at a bookstore.

Some people say the view of sunset over Pt. Mugu from a near-by peak is the best in California. However, we never had luck with the weather: either low clouds or fogs blocked the sunset view at the horizon level.

be effective without re-defining their rolls. Mortgage companies and brokers need to be regulated under the banking laws for better consumer protection.

Palos Verdes Housing Market

"Turning Point" has come! It is clear that sales of single family residences (SFR) started increasing sharply. Closed sales in January was 30, doubling the previous two years' January sales. There are just more than 10 active townhome listings in the entire PV, creating a supply shortage. After it hit the bottom, the market price has been stagnating there. Statistically, the market prices have often declined due to the growing sales of low priced listings below \$1,000,000.

Our market analysis tool: E/A ratio (escrow/active listings) has finally exceeded 50%, the first time since April 2007! The market inventory is below now 190, and the foreclosure related listings have been reduced to 13 (SFR only) with excessively cheap ones gone. More importantly, the PV's main price range, just above \$1,000,000, has started selling well.

We believe the market environment has been set for higher prices in Palos Verdes. Some people are concerned about the depressing impact of higher interest rates as the economy grows faster. The housing market is always affected while rates are moving. However, since the damages made to the foundation of our economy have been quite severe, the recovery will remain gradual, and we cannot imagine that interest rates keep going up sharply in one direction. The fact that consumers have been reducing their debts and saving money during the last 6 months should also ease inflationary pressure.

We expect to see a clear sign that the PV housing prices begin rising again in late February to March. It is good news for homeowners who have been hesitating to sell their homes. But, there are disparities among different areas and price ranges within Palos Verdes. A careful analysis and marketing strategy are recommended when setting the list price. (Anthony Iwata)

Adjustable Rate Loan

ARM or adjustable rate mortgage loans earned a bad name during the sub-prime loan crisis. Many borrowers who tend to be fearful of adjustable loans turn to 30 year fixed rate loans. The rate is also at a historical low level: 5.2% - 5.3%, offering a protection from future rate increases, and many people expect rates to rise due to the economic recovery on the huge fiscal deficit. A fixed rate mortgage loan is recommended for financing your own home, as rates are more likely to go up than go down in the coming years. However, it is not necessarily so for financing income properties.

The rate differential between 30 year fixed rate and 1 year ARM is almost 1.5%. Hypothetically, if the rate increases 0.5% every year, the average rates equate in 7 years. Even if that is the case, the "present value" will be smaller for the ARM because it benefits first before it turns into losses in later years. Real estate has characters of both financial and real products: financial products depreciate and real products appreciate in price under inflation. The real interest rate (net of inflation) is crucial to real estate prices. In addition, rents are even more linked to inflation; landlords may be able to raise their rents, offsetting, if not 100%, a part of an increase in the loan payment.

However, use of ARM is suggested only to those borrowers who have excess money to spare, when the rate goes up. If you are confident that you can pay more than today's monthly payment of a 30 year fixed rate loan without raising the rent, then you should seriously consider ARM's. You should also have a good cash position so that you can repay a part of the loan principal in case of a big jump in the rate and payment. Remember, because mortgage rates are usually higher than investment yields for individuals, it makes sense.

Free Notary Service

We offer free notary public service to the readers on our mailing list. Customers who buy or sell their homes through 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.

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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. 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.



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A: Active S: Sold B: Backup P: Pending
Prices in '000s. Source: MLS (as of 02/10/10)