



# Rockyfield Newsletter

## US Economy & Housing Market

The Feb. non-farm payroll came out as 36,000 losses due to the bad weather, which was much better than the market forecast. But losses are losses. We need to see a decisively positive number to turn around the consumer sentiment. And it is also essential for housing prices to start rising again when the housing sales have been very strong this year in Palos Verdes.

Given the ballooning deficit, the market is weary of inflation; commodity prices, including oil and gold, are hovering high, and the huge deficit is feared to eventually rupture the US economy. Especially such concerns seem realistic given the recent deficit crisis in Greece and a few other EU nations. However, the correlation between deficit and inflation (or high interest rates) in the US is historically not very clear. Some may argue crowding out (government borrowing steals financial resource from private sectors), which is only a theory based on "closed economy" assumption (domestic only). In reality, the large US debts have been held by foreign entities. Of course, the US is exceptional, economically as well as militarily and politically. The US dollar does not plummet despite the large trade deficit; the US Treasury papers continue to be purchased and play a lubricant roll in international financial markets. Many countries may attempt to divert their foreign reserves; but no alternative exists with respect to risk and liquidity as the US Treasury papers offer.

European deficit crisis is an issue of the Euro. If not for the unified currency, the disaster could have been lessened by depreciation of the currency which could decrease the standard of living and imports, and could increase exports and foreign investments. And the floating currency exchange system would absorb the effect of such crisis spreading to other countries. With absence of such safety valve, a crisis in any Euro country has a risk of growing like a snow ball. The differences in productivity, taxes and languages make the currency unification unsustainable.

## Prices Remain Despite Strong Sales

### Excessively Conservative?

The housing market condition in Palos Verdes is obviously ready for higher prices; a combination of desperate sellers and excessively conservative (or worried) agents seems to often result in very low list prices. Very interestingly, not all these "cheap" listings are necessarily selling fast, perhaps because they become victims of bargain hunters. Of course, overpricing is suicidal under today's market. Even though the supply-demand condition is good, low list prices embolden buyers in the area. Even if it sells quickly, it keeps showing the low price during the escrow period.

This long and severe housing slump has made many agents weak-minded. Those agents who do not use the proper method to compute fair market values (FMV) tend to be more susceptible to the negative "mood" in the market. It takes, a selection of appropriate comparable properties, adjustments of comps. to the subject, including timing of sales, view, size, rooms, lot, location, area, curb appeal and so forth. Agents must have actual and detailed knowledge of these comps. Especially the adjustment for timing of sales is extremely difficult. It could be easily a half day work.

The listing agent's objective should be to sell higher than the FMV. As today's buyers demand a large discount, it is wise to set a list price a little above the FMV. The market environment is definitely good; we hope the mood of agents will turn to more optimistic.

Nonetheless, the gigantic US deficit is a breeding base for inflation and high interest rates. It is imperative to curb the deficit as the economy recovers. The most effective way is revenue increases from strong growth, especially if combined with a cleverly designed tax schedule.

## Palos Verdes Housing Market

February closed single family home sales were 32, 2.7 times last year's, which indicates the recovery to the 2007 level. The E/A ratio passed 50% for 3 weeks, the inventory declined to 185, and the in-escrow is getting close to 100. During the first week of March, 15 new listings came on the market; sales exceeded the new listings. Although the market price has not been rising, it is a matter of time given the favorable supply-demand condition. But the timing of prices to start rising seems to be slipping into late March to April.

The recovery is obvious when analyzing different price ranges. The price range just above \$1 mil. started showing a good sign in February, and the listings between \$2 mil. and \$3 mil. began selling. Below \$1 mil. is still the best performing price range and almost exceeding the past booming time. When prices of these low priced properties move up close to or above \$1 mil., the entire market price will improve. However, there are still many financially desperate sellers and also negative minded agents who often list their properties too low. Sellers should not be worried about selling their houses per se unless they wish for unreasonably higher prices.

The first broker open house is the key for successful marketing by convincing visiting agents of the saleability of the house to go out and talk with their buyers. Once they passed the open house without being impressed, they will rarely give a second look. Public open house is becoming the most important selling tool given today's internet savvy buyers.

The townhome market has been in supply shortage for many months. Although it is difficult to judge price movements due to the small number, it seems to be up.

## Energy Saving Tax Credit

### HOME ENERGY EFFICIENCY IMPROVEMENT TAX CREDITS

Consumers who purchase and install specific products, such as energy-efficient windows, insulation, doors, roofs, and heating and cooling equipment in existing homes can receive a tax credit for 30% of the cost, up to \$1,500, for improvements "placed in service" starting January 1, 2009, through December 31, 2010. See EnergyStar.gov's Federal Tax Credits for Energy Efficiency for a complete summary of energy efficiency tax credits available to consumers.

### RESIDENTIAL RENEWABLE ENERGY TAX CREDITS

Consumers who install solar energy systems (including solar water heating and solar electric systems), small wind systems, geothermal heat pumps, and residential fuel cell and microturbine systems can receive a 30% tax credit for systems placed in service before December 31, 2016; the previous tax credit cap no longer applies. The IRS warns that "StarEnergy" labels do not necessarily mean the qualification for the tax credit. Please check at EnergyStar.gov.

### Plug-In Electric Vehicles

The Recovery Act modifies the credit for qualified plug-in electric drive vehicles purchased after Dec. 31, 2009. The minimum amount is \$2,500 and the credit tops out at \$7,500, depending on the battery capacity. To qualify, vehicles must be newly purchased, have four or more wheels, have a gross weight rating of less than 14,000 lbs, and draw propulsion using a battery with at least 4 kilowatt hours that can be recharged from an external source of electricity. The full amount of the credit will be reduced after the manufacturer has sold at least 200,000 vehicles. The credit will then phase out over a year. As far as hybrid vehicles are concerned, Toyota and Honda have already sold more than their limits and there are no tax credits available.

## 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#



## Rockyfield contacts

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Now you can search by yourself properties for sale on the MLS.

visit: [www.rockyfield.com](http://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. 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.



### SELECTED LISTING SAMPLES

- 26453 Basswood, 1753sf, 3bd/2ba, \$750. A
- 5332 Ironwood, 1723sf, 3bd/2ba, \$854.9. A
- 5938 Flambeau, 1662sf, 3bd/2ba, \$859. A
- 5940 Finecrest, 2270sf, 4bd/3ba, \$899. A
- 61 Rollingwood, 3013sf, 5bd/4ba, \$1345. A
- 27145 Freeport, 1612sf, 3bd/2ba, \$799. B
- 6032 Flambeau, 1395sf, 3bd/2ba, \$827.5. B
- 26964 Basswood, 1692sf, 3bd/2ba, \$849. B
- 7 Rollingwood, 2549sf, 4bd/3ba, \$1119. B
- 4731 Rockbluff, 1683sf, 3bd/2ba, \$850. P
- 5414 Eau Claire, 1982sf, 3bd/2ba, \$899. P
- 27016 Springcreek, 2183sf, 4bd/3ba, \$1125. P
- 5348 Bayridge, 1404sf, 3bd/2ba, \$799. S
- 27108 Indian Peak, 1662sf, 3bd/2ba, \$805. S
- 5150 Bluemound, 1662sf, 3bd/2ba, \$850. S
- 6032 Groveoak, 1670sf, 4bd/2ba, \$877. S
- 4912 Rockbluff 2963sf, 4bd/3ba, \$1150. S

A: Active S: Sold B: Backup P: Pending  
Prices in '000s. Source: MLS (as of 03/10/10)