



# Rockyfield Newsletter

## US Economy & Housing Market

While most economic indicators are confirming the solid recovery, employment has been lagging behind. The media's headline reads "Jobless Recovery." Well, employment is sharply recovering with month-to-month fluctuations. It is reasonable to assert that the May job number was too small (430,000) with a 410,000 by temporary census hiring. This implies private employment is not increasing as much as people are hoping for.

We are still optimistic. The double dip warnings that advocate more stimulus spending may be targeting the election; the Greek fiscal crisis has been already put on the recovery path by major EU nations, IMF and the US. Again, our financial market has been overreacting. A sense of relief for the Euro zone is apparent in oil prices and the stock market. Seeing too many crisis lately, businesses may be psychologically hesitant to hire more workers. Remember, the job recovery has been expected to be slow and lag behind all other components of the economy. The labor statistics are often revised later with a large margin. Nonetheless, the housing market has been recovering only in the sales numbers, not in prices. Unless a strong surge in the job market and personal income boost consumer confidence for future income, the real lift of housing prices is unlikely. If housing prices continue to stagnate, foreclosures and short sales would not decrease, depressing housing prices in a vicious circle. The issue of appraisals may be further contributing to the price slump. During the booming time, appraised values were often inflated to justify loans. Now that stricter regulations and lenders' credit policy are in place, the tendency is on the other extreme: Many appraisers are afraid of criticism and tend to be excessively conservative. If the value turns out to be lower than the agreed price, it creates a huge turmoil during escrow. We have some doubt if these lower values represent the real values.

Of course the immediate and direct rea-

## *Strong Sales Cap Swelling Inventory*

### *Included or Excluded*

We occasionally face confusion over what's include in and what's excluded from the property sale. The basic rule is: Things permanently fixed to the property are included and things that can be easily removed are personal properties and excluded. However, cooking appliances and fridges may be installed or placed; especially flat TVs fixed on the wall are difficult to define. The new purchase agreement attempts to clarify that flat TVs and speakers are, even if fixed with brackets, considered as personal properties and excluded. Light fixtures and satellite dishes are included.

Of course, anything can be included or excluded by agreement; if the buyer does not want the items that the seller offers to be included, they may be disposed.

Our predicament happens when sellers changes their mind and want to take included items at the last minute. Even if it is a small value item, some buyers become very agitated.

Sellers may want to sell furniture and other personal properties to the buyer. It should be either included in the sale at the time of agreement, or directly dealt between the seller and the buyer, and agents should not be involved.

- Notice -

There will be no issue for July and August. July issue will be published only on Rockyfield Website.

son for stagnating housing prices is the listing rush and swelling market inventory as a consequence. It seems that we cannot expect the real price recovery until next year.

## Palos Verdes Housing Market

WSJ and others are predicting a slump in May housing sales after the first-time buyer tax credit expired at the end of April. However, there is no such effect in Palos Verdes. In fact, May (closed) sales of single family homes in PV was 57, which is the largest since August 2007, even larger than preceding years. As far as the number of sales is concerned, the PV housing market has fully recovered.

Looking at the supply-demand condition, after reaching 180 in mid February, the market inventory has been on the sharp rise due to the huge new listing rush. Today's inventory is around 250! Our indicator, E/A ratio (escrow/active) rose to 54% in early March convincing us that the market price was ready to increase. We were wrong. The ratio has gone well below 50% since then. This condition will not allow a strong price recovery. As the market inventory remains high, we are worried about this summer when the number of active buyers disappear.

The details of the market inventory show that listings above \$3m which are below 5% in the number of sales share almost 1/4 of the total inventory. Listings below \$1m which are more than 1/3 in sales account for only 15% of the total inventory. In fact, the E/A ratio for the price range below \$1.5m has not been deteriorating; the over-supply of higher priced listings is making the general market appearance undesirable.

By areas, the PVE's Valmonte area along the PV Dr. North continues performing very well. The northern part of RPV has been doing fine. But Los Verdes is not leading as it used to be.

A few new listings came on the market at super low prices. The number of REO's and short sales of single family homes is not too large to dampen the market.

## Home Affordable Unemployment Program (UP)

Home Affordable Unemployment Program has introduced mortgage payment relief for homeowners who have lost their jobs. This "UP" will go into effect on July 1, 2010.

**Eligibility** -- A borrower must meet the Home Affordable Modification Program (HAMP) eligibility criteria as well as:

- unemployed when request is made;
- entitled to receive unemployment benefits in the month of the UP forbearance plan effective date (servicers have discretion for up to three months);
- request an UP forbearance plan before they become seriously delinquent (i.e., miss three monthly mortgage payments).

**Evaluation** -- Servicers must follow these requirements when evaluating a borrower for an UP forbearance plan:

- unemployed borrowers must first be evaluated for an UP forbearance plan.
- borrowers currently in a HAMP trial period plan who become unemployed may receive an UP forbearance plan.
- borrowers previously determined to be ineligible for a HAMP modification may request an UP forbearance plan
- borrowers in a permanent HAMP modification who become unemployed are not eligible for an UP forbearance plan.

### Forbearance Plan Terms

- term must be three months or upon reemployment (whichever is less). Servicers may extend this period.
- monthly mortgage payment must be reduced to 31% or less than the borrower's gross monthly household income and may be suspended in full.

**Transition to HAMP** -- Borrowers in an UP forbearance plan will be evaluated for HAMP at either reemployment or 30 days prior to the UP period expiring (whichever happens first).

## 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#



## Rockyfield *contacts*

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## Listings by Rockyfield

### Welcoming Home in Los Verdes for Sale

- Elegant curb appeal with red ceramic tile roof
- 3 bedrooms, 2 baths, 1,573sf, 9,271sf flat lot
- Beautiful, spacious backyard with 8 fruit trees
- Meticulously maintained with love and care
- \$929,000

### Torrance Home for Lease

- 3 bedrooms, 2 baths with a master bedroom
- 1626sf. Large living room and family room
- \$2,650 per month

### Upper Lunada Bay Executive Home for Lease

- 5 bedrooms, incl. one on the first floor; 4.5 baths
- 4,956sf and 15,672sf lot
- Ocean view, swimming pool with spa
- \$7,000 per month

Happy Father's Day



### SELECTED LISTING SAMPLES

Please contact

Robkyfield

For

Listing Information

A: Active S: Sold B: Backup P: Pending  
Prices in '000s. Source: MLS (as of 06/15/10)