



# Rockyfield Newsletter

## US Economy & Housing Market

Given the 27% dive of existing home sales in July, pessimism over the housing market is spreading. But these closed July sales reflected the sudden weakness in the general economy during June; in fact, July pending sales were up, indicating that Aug and Sept closed sales will recover. Today's market condition is better and prices are slightly up. But the lagging employment may push the economy into the second dip. Facing the election, Democrats stress how the stimulus package has saved the economy while Republicans argue that the stimulus was a waste. A bitter fight started over the extension/expiration of the Bush tax cuts. Especially, there is an ideological disagreement if tax cuts for wealthy would create jobs. Our problem is: no effective economic measures seem possible.

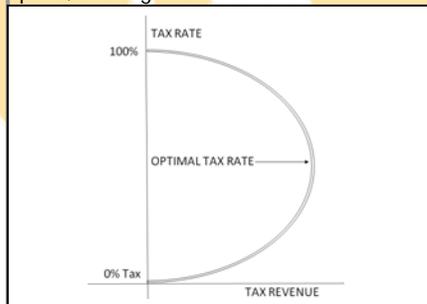
It is typical that Republicans favor tax cuts and Democrats prefer spending. Tax policy is also one of the policy tools in the Keynesian theory. However, their purposes are different: Liberals use tax cuts to increase demand, targeting low and middle income families who tend to immediately spend tax cut amount; Conservatives believe tax cuts for low and middle income people who tend to be debt ridden will be ineffective and inflationary, and worsen the deficit; tax cuts for wealthy will increase savings= investments and ensure growth without inflation. This savings= investments idea is based on the old classical model for a closed economy (domestic). Under today's global economy, money may be invested in foreign markets, and business investments, despite their 25% increase during the 2nd quarter, did not help the lowered GDP because businesses bought more imports.

The fundamental problem is: Much money held by corporations and individuals is not circulating through the economy.  $GDP = Money \times Velocity$  depicts the Velocity is currently very slow, creating a vicious circle among consumption, employment and corporate sales. We have excess liquidity which is frozen; the Fed Reserve

## Listing Rush Eased Sales Go On

### TAX-REVENUE MODEL

The graph below, though hypothetical, is the model used during the Reagan era to explain why tax cuts could increase revenue. If the tax rate were zero (0%), the revenue would be zero; if 100%, no one would claim income, very likely that a black market would flourish. So it is safe to infer that there is an optimal tax rate which no one knows: the shape of the curve is unknown; more than one optimal point may exist. There are so many different tax types: income taxes that are progressive; individual vs. corporate; capital gain taxes with no direct relation to income tax rates; and sales taxes that are flat rates. The tax system is too complex to find the optimal tax rate. The highest marginal tax rate when President Reagan took office was 70%; the argument that tax cuts would lift the economy and increase revenue was convincing then. Given that the highest rate is half now, it is impossible to determine if the current tax rates are above or below the optimal point, and arguments continue.



can do very little. The burst of the dotcom boom created excess liquidity that had "no place to go." The large tax cuts that eased the recession worsened this excess liquidity, eventually leading to the financial meltdown in 2008. The FRB should not increase money supply. It simply does not work.

## Palos Verdes Housing Market

Despite the decline of national sales in July, housing sales in PV did not go down in July (good 54 sales). However, reflecting the slump during the last two weeks in June, August closed sales in PV were modest 40, lower than past years.

The very good news is: it seems and we hope that the listing rush, which started in early March, is finally easing and the market inventory started receding though very slowly. Sales are still going well through this summer. Prices seem to be slightly up.

September sales may decrease due to the usual seasonal pattern. However, sales did not slow through summer despite the seasonal factors; we still see many buyers visiting open houses. So let's hope this year is different. If the new listings continue to subside, the demand-supply balance will be restored, helping prices to recover. The two major reasons that have been suppressing the housing market price are the large number of new listings and appraisals. Appraisers still tend to be overly cautious and excessively conservative. Of course they estimate values based on "past" sales and today's market trend is not clear enough to give them a good reason for a higher price. Unfortunately, some deals have been stalled by the appraised value which was lower than the agreed price. With a 20% down payment, this becomes a real challenge. We suspect that more appraisers are producing the value that is equal to the agreed price unless the agreed price is too high.

We may see a temporary good market in PV in mid October to early November. When people become confident about employment, we can expect a strong housing market next spring.

## Support for Unemployed Homeowners

Additional support to help homeowners struggling with unemployment through two targeted foreclosure-prevention programs has been recently announced. \$472 million has been allotted for California.

Through the existing Housing Finance Agency (HFA) Innovation Fund for the Hardest Hit Housing Markets (the Hardest Hit Fund), the U.S. Department of the Treasury will make \$2 billion of additional assistance available for HFA programs for homeowners struggling to make their mortgage payments due to unemployment. California got the largest allotment, double the second largest fund for Florida. HUD will announce additional details, including the targeted communities.

Additionally, the U.S. Department of Housing and Urban Development (HUD) will soon launch a complementary \$1 billion Emergency Homeowners Loan Program to provide assistance – for up to 24 months – to homeowners who are at risk of foreclosure and have experienced a substantial reduction in income due to involuntary unemployment, underemployment, or a medical condition.

There are many programs to help struggling homeowners through HUD. For further details, please visit:  
<http://portal.hud.gov>

## 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

DRE broker license:  
01328577

27520 Hawthorne Blvd. Suite 144  
Rolling Hills Estates, CA 90274  
Phone: (310) 544-0857

Anthony Iwata Ext. 1#

(English+Japanese)

Catarina Zerbinatti Iwata Ext. 2#

(English, Spanish, Portuguese, Japanese, little Italian)

email: [properties8@rockyfield.com](mailto:properties8@rockyfield.com)

Search 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

For Listing Information

Please Contact

Rockyfield

A: Active S: Sold B: Backup P: Pending  
Prices in '000s. Source: MLS (as of 09/02/10)