



# Rockyfield Newsletter

## US Economy & Housing Market

One of the most reliable index, ISM, improved both in manufacturing and services in October. Except for the stock market, September was a bad month across the economy, including real estate. October auto sales and large retailers also indicated recovery. ADP reported strong improvement in private employment. Non-farm payrolls not only doubled the consensus estimate but also had a large upward revision for September. It seems the private sector has started hiring. The atmosphere switched to "positive" from "pessimism." Unless a major disruption happens, the economy should continue its recovery path at a gradually accelerating pace. The uncertainty is politics: A gridlock or cooperation? This is not 1994; even the Republican Party does not seem to be sure about it.

Aiming at helping the economic recovery by injecting more money supply and keeping the long-term interest rates, the FRB announced a plan to purchase \$600 billion of Treasury securities through June next year. We must question its effectiveness. The amount of money in the market is excess right now. The key problem is the low velocity of money changing hands. The excess money is not circulating through the economy; it is circulating inside the financial market, especially commodities and foreign investments. Asian countries as well as EU (Germany specially) are already criticizing the FRB's move with concerns over influx of liquidity to their countries. Compared to spending increase by issuing Treasury papers (borrowing), this market operation is even worse: it is just like printing money. Remember the FRB has bought over a trillion dollars of mortgage securities. The markets have already reacted with the lower US dollar, higher gold, oil and other commodity prices. When the economy enters the faster recovery path, "cost inflation" which cannot be tamed by the traditional anti-inflation measures, may flare up. Its effectiveness to cure the real economy is questionable; it may end up with a temporary

## Signs of Recovery For US Economy

### Lease vs. Sale

As housing prices are not desirable for many sellers, some homeowners try to lease, instead (sometimes both). When you switch from sale to lease, you need to change your mind set, especially when you lease your residence. First of all, you cannot forget that you will need to continue dealing with the tenant.

In sales, the cost of remodeling or upgrading is rarely recovered in the selling price. Permanent attributes like location, view and usable lot greatly determine the value. An exception may be the building size. A house in bad condition can be very popular as fixer if priced right. Some buyers do not like "too complete" house.

In lease, convenience and number of rooms are very important while view helps, but is not crucial. Because tenant will not remodel or upgrade the house, the clean condition and fine appearance at the time of lease are extremely important. However, spending too much money makes no sense. The idea is: a brand new carpet is far better than an old expensive carpet. A good looking house can be leased quickly at a higher rent.

There is no real market rate for rent which tends to vary due to personal circumstances of tenant and landlord. You still need to watch for competition.

Do not forget the cost of repairs and vacancy. A \$100 discount in rent is only \$1200 a year. If you can lease earlier, giving a discount is more profitable. Cost of eviction or late payment is very high.

impact in the financial market. Since it is not a one-time purchase, we hope they are smart enough to halt the plan as the economy further improves.

## Palos Verdes Housing Market

It seems that the housing market in Palos Verdes started moving again in late October. However, more new listings are keeping the market inventory above 250. Prices are weak reflecting the slump since September. The most active price range is below \$800,000 or RPV along the Western Ave. There is also a positive sign for sales just above \$1 million. The townhouse market has been still very strong.

Closed sales of single family homes in October was 45, reflecting strong August sales without the effect of September. The median price was \$1,100,000, much lower than \$1,250,000 in June because of increased sales of lower priced homes.

The housing market usually becomes quiet just before Thanksgiving, and remains thorough the holiday season. Despite the low rates and weak prices, opportunistic investors are largely absent. The market is likely to stay dormant from Thanksgiving until late February. Generally speaking, this is a great market for buyers, given large selections, weak prices, and low mortgage rates. Sellers, on the other hand, have to compete with those "leftover" listings. As to when the spring selling season will kick in, the key indicator will be the unemployment rate.

If you need to sell the house now, a careful pricing and well orchestrated marketing with full dedication will be required. While sacrificing convenience/privacy and undisturbed effort are crucial, in the tough market, patience is the most important element for success.

Outside the PV market, "short-pay" and REO (bank owned) properties, which offer a good condition and location, are selling well. Houses below \$400,000 in Long Beach, San Pedro and Gardena seem to be quite popular. There are 42 foreclosure related properties for sale in Palos Verdes.

## Water Heaters

Among home energy saving measures, water heaters are often overlooked. About 1/4 of energy cost at a typical household goes to water heater. Like most appliances, water heaters have improved greatly in recent years. Today's models are much more energy efficient. The water heater's average life is 13 years; replacing an old water heater should save substantial amount of money. In California, natural gas is the most economical way to go. It usually costs three times as much to heat the same amount of water with electricity. A homeowner relying on electricity to heat water could save up to \$500 in the first year of operation by installing a solar water heating system.

Tankless Water heaters are also called on-demand water heaters. A Tankless water heater may cut your water-heating bill by 10 to 20 percent. They also waste less water. Expected life of tankless water heaters is 20 years, but they cost up to \$1000 for a gas-fired unit. Tankless water heaters usually cannot supply enough hot water for simultaneous uses such as showers and laundry.

A relatively new technology is heat pump hot water systems, which uses electricity to move heat from one place to another like a refrigerator in reverse instead of generating heat directly. The initial cost of heat pump system may be expensive; the saving is also large.

In short, you need to choose a water heater that is right for your home: the number of family members, type of house and etc. Do not forget to set the water heater to "Vacation" when you leave your home for a long period of time.

## 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#



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## Need a handyman?

If you are looking for a house cleaner, handyman, painter, plumber, electrician, gardener or contractor, we may be able to introduce a quality one.

Contact: Catarina. 310-544-0857 Ext 2#

## 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 11/11/10)