



Rockyfield Newsletter

US Economy & Housing Market

There has been a host of bad economic news recently: staggering employment, cooling consumption, low consumer confidence and so on. A tepid growth is expected for the 2nd quarter GDP with worry over the second dip in the housing market as well as the economy. Meanwhile, there are optimistic views for the latter half of this year's economy, despite uncertainty over the European debt crisis and political bickering over the US debt ceiling.

The 1st quarter GDP growth was only 1.9% (annualized) due to the severe weather and soaring gas price. The consensus for the 2nd quarter is 2.3% (June 29). The impact of parts supply shortages by the Japanese earthquake was much larger and more wide-spread than anticipated. Tornados and floods have added pessimism to people's mind, resulting in the leveled consumption.

The optimism for the second half is based on the very factors of the pessimism. The recovery of Japanese parts supply is already obvious in the recent car production and sales. Toyota's US production is expected to reach 100% by September. May factory orders rebounded to a 0.8% increase from 0.9% drop in April, which should boost GDP in later months. The gasoline price is stable despite the summer season. All these factors should help consumer spending. It is also time for the floods to recede. Reconstruction in flood-ravaged sections of the South and Midwest should modestly boost the economy and employment. The economists' consensus for the second half growth rate is 3.2%.

There are three major factors for concerns. First, though remote, failure to raise the US debt ceiling would freeze the world financial markets and economies, bringing about international great depression. Even if eventually raised, excess and immediate spending cuts would further delay the fragile recovery. Second, the European debt crisis. Third, as the oil price is rising again, higher gas prices will cool consumption which is excessively sensitive to gas prices.

After Big Surge Market Inventory Calmed

Carbon Monoxide Alarm

We informed, effective July 1, all single family residences are required to have carbon monoxide detectors. (Other residential properties are next year.) The most frequent asked question is: "Where can I install them?" As carbon monoxide mixes well with the air, no specific location is required, but essentially the law concerns carbon monoxide poisoning while you are sleeping. Installing one in each hallway that leads to bedrooms should serve the purpose. If a bedroom has a fireplace, it is recommended to install inside the room. If practical, the higher location is desirable. The cost of the detector ranges from \$30 to \$100 (which may also detect smoke/fire). There are models that can be plugged into an outlet or battery operated. So in most cases, you may not need a handyman.

Conforming Loan Limit

As described on the back side, the possibility is increasing for the \$729,750 conforming loan limit to be reduced by more than \$100,000, especially given that Congress has been preoccupied with spending cuts. If reduced on October 1, the price range between \$800,000 and \$1,000,000 is likely to be most affected. Sellers, who plan to sell their houses soon, should keep an eye on the development, and if the reduction seems to become likely, it is better to put their houses on the market in early August. It would be the best if buyers also rush.

es. If these concerns remain just as concerns, the second half should be much brighter. Especially encouraging is that corporations with the historical cash position have started investing in computers and other equipment; business investment in May rose 1.6%.

Palos Verdes Housing Market

The market inventory of single family homes in Palos Verdes, that kept rising toward 300 by the end June, came down sharply to 275 by July 3. It is rather stable even after the long weekend. The number of new listings during the past week were about 40% below the June average. We hope that the new listing rush has finally ended. Sales, though a bit slower, are still at a high level, and prices stopped sliding. The market price, which has been decreasing gradually, is now about the same as that of last November. The gap between the market inventory and in-escrow listings needs to be less than 100 to have good energy for a robust price recovery. Of course, the market condition varies within Palos Verdes, and the west RPV areas are expected to take lead in recovery.

The economic recovery tends to stir inflation fears, given the excess liquidity in the financial market and the concern about the credit worthiness of US Treasury debt. We expect interest rates to be higher during the second half of 2011. In short, the housing market will oscillate by higher interest rates and better supply-demand condition. Since no improvement is seen in other markets that have been haunted by foreclosures, the PV housing market cannot keep improving all alone. Even if employment improves in the near future, personal income will further lag behind. For these reasons, the housing prices in PV may struggle after recovering 10% from now.

June closed sales were 53, a little disappointing number, reflecting leveling sales (contracts) in May. The average price was \$1451K and the median price was \$1180K, both slightly receded from May. (There will be no August Newsletter)

Conforming Loan Limit

The expanded limit of conforming loans backed by FHA, Fannie Mae, Freddie Mac may be reduced to \$625,500 from \$729,750 effective October 1, if Congress takes no action. The original conforming loan limit is \$417,000, and facing the 2008 financial meltdown, Congress expanded the limit to \$729,750 (the amount varies by areas) until 2011. In the beginning there was confusion in the loan industry concerning how to deal with the expanded amount; nowadays, a loan more than \$417,000 is called Super Conforming loan which carries a little higher rate than the regular conforming loans. "Jumbo" loans require higher interest rates, which used to be about 1% higher, but now about 0.55% higher, and not all banks offer fixed rates for jumbo loans.

If the expanded loan limit is cut by \$104,250, with 20% down, the max. purchase price with a conforming loan (lower rate) would be \$781,875 which eliminate most of the single family houses in Palos Verdes, compared to the current \$912,287. This will particularly hit first-time buyers with limited down payment. The market price will be pulled down by a slump in low-end properties.

For the general housing market, this reduced loan limit will make loan modification even more difficult, possibly worsening foreclosure problems, as loan to be modified must be FHA loans. This condition will further delay the housing market recovery. However, given today's political atmosphere, we are not very optimistic about a positive action by Congress.

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, Italian)

email: properties11@rockyfield.com

Search properties for sale on the MLS.

visit: www.rockyfield.com

Spacious Airy Home with 6 Bedrooms!

4630 Browndeer, RPV, Listed by Rockyfield

- ✓ Very popular Peninsula Center north
- ✓ Low traffic street
- ✓ Airy floor plan with 6 bedrooms and 3 full baths
- ✓ Remodeled kitchen with granite counter tops, center island, bamboo floor
- ✓ City view from living room and two bedrooms
- ✓ Large family room and spacious master Bedroom
- ✓ 2,711sf on 12,000 lot



SELECTED LISTING SAMPLES

For Listing Information

Please contact

Rockyfield

A: Active S: Sold B: Backup P: Pending
Prices in '000s. Source: MLS (as of 06/09/11)