



Rockyfield Newsletter

US Economy & Housing Market

Amid the growing concerns over the double recession, the political fights seem to get even worse as we go into the election season with no economic measures expected from Washington. Naturally, people tend to look to the Federal Reserve. The proper objective of monetary policies is stability of the financial market and indirectly the economy. While the FRB is good at dealing with normal economic cycles in a real time manner, it is not designed to restore the economy from a deep recession. Fiscal policy tend to be untimely and may increase economic fluctuations; taxes are not a good economic policy tool either, as it is always politically difficult to raise and to have immediate impact.

While business investment is important, consumption remains the main engine for the US economy. Consumers are worried about their jobs and future incomes. They are not spending despite the low interest rates. Economic factors have more impact when they move than where the current level is. The FRB's overnight rate is close to zero, no room to move lower; increased money supply is invested in the commodity (like gold) or financial markets without flowing into the economy. There is no CEO stupid enough to expand the capacity without envisaging sales growth in the future. In short, without job recovery, consumption will not increase, and business investment will not follow. The FRB should better not do anything like the silly Treasury bond-bill swaps.

If we cannot expect recovery in consumption and investment, the remaining economic components are government expenditures and net export. Spending will be further cut; the US trade deficit is chronic. The European financial crisis cannot be resolved without strong growth in the US economy -- Another stalemate.

Payroll tax cuts and tax credits are hand-outs and ineffective because consumers concern over their future will not be eased. The US is the only country in the world which can sustain huge government

New Listing Rush Is Over Prices Still Weak

Foreclosure Issues

Amidst the persistent high unemployment and eroding household income, many homeowners find themselves unable to take advantage of the historically low interest rates because they do not have enough equity due to the depressed housing prices. As a consequence, there are still many new short sales and foreclosures that have shackled the housing market. It is a vicious circle, very wicked one. The only way to cut out such circle is strong economic recovery with more jobs. As temporary relief measures, there have been many programs to help struggling homeowners, none of which have been successful. Recent ones include 125% LTV (loan to value) refinancing, zero interest loan to the homeowners who lost their jobs. The strict conditions attached qualify only those people who may not need assistance. Now, the funds are expected to be slashed by the Congress as they are considered as useless and ineffective.

Banks that are still facing losses from short sales and foreclosures are attempting to regain their profit from increased various bank fees, causing consumer outrages. It is an irony that banks' ability of writing off loan losses to help short sales or foreclosures will be limited without a good buffer in profit. The loan losses from the gap between the loan balance and sale proceeds is called "Deficiency" and banks can obtain a "deficiency judgment" to recover losses from sellers or former homeowners. While homeowners in California are protected from deficiency judgment, mid and small size lenders have recently started seeking deficiency judgments in other states. This will create not only another vicious circle, but it will also affect the housing recovery nationwide, including California.

and trade deficits. The deficit can be more effectively reduced through growth as we saw in the late 90's. To increase the productivity and efficiency, as well as immediate employment, massive public works in infrastructure seem to be the only plausible way.

Palos Verdes Housing Market

The supply-demand gap, which remained widened since late June, finally began slowly narrowing in September as fewer new listings and continued strong sales started reducing the market inventory. Sales took some rest during the last two weeks in September, and the prices sharply dropped. However, as the supply-demand condition is gradually improving, further sharp price declines are unlikely. We rather forecast prices will recover to the August level soon because sales have regained the strength in October, and our feeling from our daily activities underscores the strong buyers' appetite. While we cannot expect a large surge in price, given the economy and unemployment condition, it seems that housing sales in Palos Verdes will continue to be robust. However, it is not a uniform market; buyers are very selective and popularity tends to skew to a smaller group of properties.

The area along PV Dr. East, which kept the very favorable market condition through the summer, finally started slowing. Sales in North-west RPV are going very well. The most selling price range is below \$800,000 right now, statistically pushing down the market price. The price range around \$1 mil is not bad at all, giving us a positive outlook for the future.

Closed sales of single-family homes in Sept. were 44, which was rather small. Contracts during Jul. and Aug. were good; so let's see how October closed sales will be. The median price was \$1,110K. We expect it to be lower for the next two months, reflecting today's market prices.

The townhome market continues performing well though prices have been capped by the weakness of single family home prices.

Veggie Garden (2)

Home vegetable garden may save you money, but various expenses will be required, let alone your own labor and time. There are two types of costs for a home vegetable garden: start-up costs and ongoing costs.

If you never had a home veggie garden, you will need to purchase equipment, seeds, fertilizers and others to build and maintain a vegetable garden. You may want to buy new soil if you cannot use soil in your yard; you may need to make a raised beds and/or trellises; then you will need tools like shovels, tillers, hoses, and materials to make these. You can save money by buying second-hand stuff. However, if it becomes an important hobby to you, you may start spending endlessly on more and more expensive equipment, tools and materials.

Once you set up the garden, you will still need to incur ongoing and maintenance costs. You have to buy seeds to get started. If you save your own seeds, you do not have to buy new seeds every year. If you grow your own veggies, try to go organic rather than buying fertilizers and pesticides. Of course, you will need to spend more of your time on studying and implementing.

The cost varies significantly if growing annuals or perennials. Annuals provide a single-season crop and then must be planted every year. They include tomatoes, lettuce, peas and corn. Perennials produce a crop every year without having to replant. They are often far less work than annuals with a significant amount of food. Blueberry bushes can produce up to a bushel of blueberries in a season and can grow for tens of years without replanting. Other examples of perennials include oregano, chestnuts, apples and rhubarb.

If you feel overwhelmed just by thinking about these, you can start small, like growing small crops in pots. It is important that you enjoy nutrients and taste.

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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Spacious Airy Home with 6 Bedrooms!

4630 Browndeer, RPV, Listed by Rockyfield
\$1,039,000

- ✓ 2711sf, spacious open floor plan. A large separate family room. Great for home office.

Torrance West High Area House for Lease

Monthly Rent: \$3,150

- ✓ Remodeled in 2005, still looks beautiful like new
- ✓ 4 bedrooms, 2017sf, Energy efficient house
- ✓ Available: November 1, 2011



SELECTED LISTING SAMPLES

Please Contact

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For Listing information

A: Active S: Sold B: Backup P: Pending
Prices in '000s. Source: MLS (as of 10/10/11)