



# Rockyfield Newsletter

## US Economy & Housing Market

Leaving the debate over “Economic Fairness” to politicians, from a pure economic point of view, there is an issue of the dwindling middle class caused by income disparity that could suppress prosperity. A nation’s purchasing power is determined by how strong the middle class is. The middle class provides well educated people and aspiration for better life. The typical social structure of an undeveloped country consists of a very small number of super wealthy power elites and the remaining people in poverty. The importance of powerful middle class is obvious.

Since 2000 after the high-tech bubble burst, small businesses have been struggling with shrunk SBA and other government support. The focus on large companies’ improved profits by dividend tax cuts, subsidies and deregulations successfully boosted the Dow and got the economy out of the recession. It would make little sense to encourage small businesses that had just collapsed, and consumption was still booming. But, these policies remained after the recession was overcome, while the middle class income did not grow, further widening the income gap.

During the 2000 recession, the housing market and consumption remained very brisk. The continuously lowering interest rates enabled homeowners to refinance with both cash in and lower their rates, helping them to maintain the lavish life style of the late 90’s. But it was possible by more borrowing not by increased income. Directly or indirectly the middle class income had been gradually eroding since then, and they were hard hit by the 2008 deep recession. Meanwhile, the government debts have been increasing due to the two wars and the Medicare drug program, and skyrocketed by the financial meltdown: double down by the combination of huge money infusion/spending and evaporated revenue. The gigantic deficit has become the central political issue, making it impossible for any policy to strengthen the middle class.

## *Sales Resume: Low Prices Dominates*

### **EU Financial Crisis**

As the US economy started hitting positive notes, many economists are concerned about the EU’s financial crisis. The debt crisis of Greece and other weaker EU economies is merely a result of the problems impregnated in the currency unification. In spite of being the free trade zone, huge gaps in productivity, difference in taxation and laws existed. In essence, real economic unification was left out and they rushed to the single Euro currency. It seems that weaker nations did not have economic capability to meet the requirements to join the Euro; they satisfied these requirements by borrowing more money. Their living standard dramatically improved, unfortunately not by their economic prosperity, but by more borrowings.

The floating foreign exchange system is the crucial safety valve to release the economic stress: the currency of the country in recession declines, boosting exports and curtailing imports; thus automatic austerity kicks in. The currency value gives a warning of debts to become too large. However, under the Euro, such adjustments did not function, and the crisis started spreading to stronger economies like Italy and France. Mere financial support without fundamental solutions will only create a vicious circle.

Two things should happen to solve the problem. A few countries should leave the Euro. Then, EU bond should be issued to help these countries. Second, a strong recovery of the US economy will help the EU economic recovery in general. The US is the only country that can afford continued trade deficit and large debt issues. It is our interest to help Europe, not by monetary aid, but through improving our own economy.

The late 90’s is the rare era we enjoyed economic growth without inflation, and government surplus. Everyone, rich, middle or poor, all prospered. By simple math, deficit (or debt) reduction is impossible without revenue increase.

### **Palos Verdes Housing Market**

We started this year under much better condition than a year ago. While new and returned listings, as expected, increased early in January, sales returned from the holiday season only in late January. And of course, lower priced houses sold first, pushing down the median escrow price. Because the general economy was showing many good signs, we expected sales to pick up earlier, especially the mid price range. Nonetheless, the market inventory stayed under 200 and the in-escrow listings remained more or less the same. The key for this spring selling season is if sales of houses over \$1 million take off in mid February. The new listings are averaging around 17 to 18 a week and sales finally started catching up in February. As higher priced properties take more time to sell than lower priced ones, those below \$800k are selling like hotcakes right now. This trend is actually pushing down the statistical market price. While we do not believe this year’s listing rush would continue throughout the year like last year, it is likely to remain at least this month. The improved economic environment, especially employment, may soon make buyers feel the market price has hit bottom and that it is better to buy now. If this happens, given the strong sales in numbers, sales of listings above \$1 million should gain and the market price will follow.

By areas, Los Verdes and RPV northwest areas are in an excellent shape. The price range between \$900k and \$1,000k is greatly improving; sales may be spreading to mid price ranges.

January closed sales of single family homes were 33, not very large but still OK. Prices showed a large recovery from the slump in November and December.

The townhouse market is very active.

## What is HERS?

Combined residential hazard guide booklet, which includes, natural hazard, lead and earthquake safety, is given to sellers and buyers as a part of disclosure requirements. Recently, it also includes home energy rating. The California Home Energy Rating System (HERS) Program provides a reliable way to estimate and compare the energy efficiency of California homes and identify wise energy saving improvements. The State has set goals to reduce greenhouse gases by 2006, and they seem to have attempted to make HERS as a part of requirements in selling and buying homes. The current requirement is limited to acknowledging receipts of the booklet by sellers and buyers, though the State strongly encourage homeowners take a HERS rating.

If you have made a major remodeling that includes various energy efficiency improvements with ducts, windows, insulation and others, a good HERS rating may help selling your home higher, convincing buyers how much money they can save for years to come.

Rating costs vary depending on factors such as the size and features of your home and the extent of rater services needed. To find names of certified HERS Raters in your area or find an Energy Commission-approved HERS Provider visit: [www.energy.ca.gov/HERS/index.html](http://www.energy.ca.gov/HERS/index.html) or call the Energy Hotline at (800) 772-3300.

## 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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Search properties for sale on the MLS.

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## Need a handyman?

If you are looking for a house cleaner, handyman, painter, plumber, roofer, electrician, gardener or contractor, we will 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

Please Contact

Rockyfield

For listing information

A: Active S: Sold B: Backup P: Pending  
Prices in '000s. Source: MLS (as of 02/10/12)