



Rockyfield Newsletter

US Economy & Housing Market

March employment came out 120,000, a half of February, much lower than consensus 200,000, causing a delayed reaction to the stock market and raising worries over the economic recovery. We heard from regional FRB presidents about their concerns over inflation and talking about needs for raising interest rates in the near future. And just a week before the payroll figures came out, Mr. Bernanke testified that the economic and job recovery was still very fragile and the FRB would keep the zero interest rate policy. After this sequence of events, the market apparently overreacted to the unfavorable job statistics. Payroll figures, which are based on sampling estimates, tend to fluctuate with a large margin, and later revisions can be large like 50,000. We should wait to see revised March, and future figures. Other economic indicators are still very positive; we are especially encouraged by recent brisk auto sales. The slow job recovery is due to the large pool of out-of-statistics unemployed and under employed people, indicating that consumers do not have enough income. Interestingly, banks are again seeking subprime borrowers, especially for credit card and auto financing; however, consumers are not keen to load up debts. In addition, many states are cutting programs supporting low income families. It seems that purchasing power of consumers is still depressed.

The stock market is also reacting wildly to the European debt situation. Given their small market sizes, there is no surprise that bond yields of Italian and Spanish debts are volatile. On the other hand, Germany is enjoying the lowest rate ever; Germany has been the sole winner since the Euro monetary unification. The recovery of the US economy should ease the European financial crisis.

Professional traders love volatile markets as they can make more money. After a week of slump, good corporate earnings reports that started this week will push up the share prices. We also like that manu-

Prices Inching Up Very Slowly Sales Going Strong

Any Effect of Reduced Conforming Loan Limits?

The conforming loan limit was reduced from \$729,950 to \$625,500 in October 2011. It is the maximum loan principal amount that Fannie Mae and Freddie Mac can purchase, and loans over this limit are called "Jumbo" loans. Interest rates are of course lower for the conforming loans. The proper loan limit is \$417,000 that has been raised as limited time measures to support the housing market. Conforming loans over \$417,000 are generally called "Super Conforming" loans, the interest rate of which is a little higher but lower than jumbo loans.

Before last October, there were talks about how this reduced loan limit would affect housing sales; we have not seen any reports on this subject since then. Assuming 20% down payment, the purchase price within this limit was decreased from \$912,437 to \$781,875; buyers for properties in the \$800,000's have to increase the down payment or pay a higher jumbo rate.

According to our own statistics, during the second housing market dip in late September to October last year, listings below \$800,000 started selling very well, while those in the \$800,000's were not as much. Listings in the \$900,000's were slow until December, and listings around \$1,000,000 are now performing better as the general economy is better.

Even now that housing sales are improving across price ranges, sales below \$800,000 remain outstanding. Perhaps this is a consequence of the new conforming loan limit.

facturing sector is growing during this economic recovery.

While any good economic news is followed by a higher interest rate, it seems that it will take a while before the 30 year fixed mortgage rate goes over 4.50%.

Palos Verdes Housing Market

It is like the booming time if we look at the supply-demand condition. The gap between the market inventory and listings in escrow almost reached 200 last June and continued at the very high level through August. After it temporarily increased at the end of January to early February to 110, brisk sales helped it to start sharply declining below 50! New listings are still continuing, and sales are even stronger. We have an expanded market.

So, can any listings sell instantly? The answer is No. Properties with permanent features like view, beautifully remodeled homes, attractively price listings are selling very fast. Today's buyers, who are armed with a flood of information from Internet, are very selective and picky as many properties are still available for sale.

Although prices are crawling up slowly given the tight market condition, there is no sign of a sharp price increase. Home owners with no financial difficulty or no need to sell would not come on the market. Those sellers who need to sell for financial reasons are concentrated in lower price ranges. Despite the low inventory of the low priced homes, there is still a large inflow of new listings, matching the strong sales. In short, both many new listings and sales are happening at low price ranges. This is the very reason why the market price does not go up as much as we anticipate. There is an encouraging sign, however: Listings just above \$1,000,000 have also started selling well.

It is OK to price high in the rising price market; however, it is suicidal under today's market.

March closed sales were 51, which is good. Both average and median prices are sharply up from the February's seasonal dip. April closed sales will be better.

Environmental Hazards (1) - Asbestos

Asbestos has been used in many products found in the home, and intact or sealed (painted or taped over) asbestos is not harmful unless it becomes damaged and friable, meaning the material can be easily crushed or pulverized to a powder by hand pressure. Although production of asbestos-containing materials has decreased dramatically, most asbestos products can still be legally manufactured.

The most common items in the home that may contain asbestos are: Vinyl flooring; Duct wrapping on heating / AC systems; Insulation on hot water pipes and boilers; Some roofing shingles and siding; Vermiculite attic insulation; Ceiling and wall insulation; Sheet rock taping compounds and some ceiling materials. As visual inspection alone is not enough, it is recommended that you hire a certified asbestos consultant.

Asbestos fibers that are released into the air and inhaled can accumulate in the lungs and pose a health risk: risk of asbestosis or increased risk of cancer. Smokers have a much greater risk of developing lung cancer if exposed to asbestos. Symptoms may not develop until 10-40 years after the first exposure to asbestos.

Repair or removal of asbestos by the homeowner may be unwise if the damage is severe, since it may result in unnecessary exposure to airborne fibers. It is wise to hire a qualified contractor. You can expect to pay three times as much for a small removal job than a large one as it is expensive for a contractor to set up all the necessary safety equipment. You should consider hiring a certified consultant to determine if the proposed work is necessary and give you other advice.

Asbestos mitigation is at the discretion of the homeowner. Even if material contains asbestos, the homeowner may choose to leave it. If you decide to repair it, the homeowner must comply with the law.

For more details, a free booklet for environmental hazards is available. Please feel free to contact us.

House for Lease – Cedarbluff RPV

Expected Rent: \$3,200 per month

- ✓ Available in June 2012
 - ✓ 3 Bedrooms, 1460sf
 - ✓ Vista Grande, Ridgecrest schools
 - ✓ Spacious backyard. No view.
- Remodeling and repair work will be done after the current tenant vacates the house at the end of May.

We maintain a list of handymen, plumbers, cleaners, gardeners and others who have been referred to us by our customers. We will be happy to give those names to you.



SELECTED LISTING SAMPLES

Please Contact

Rockyfield

For listing information

A: Active S: Sold B: Backup P: Pending
Prices in '000s. Source: MLS (as of 04/13/12)

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: properties8@rockyfield.com

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