



# Rockyfield Newsletter

## US Economy & Housing Market

The unprecedented use of the Debt Ceiling in August last year as a tool to achieve political goals created the "Fiscal Cliff" that is designed to force both parties to reach an agreement on a deficit reduction plan by automatic measures, including tax hikes and across-the-board spending cuts that are unacceptable to either parties. The deadline is this coming December 31. However, the gap between them is still so large and there is no prospect for any agreement. Concerns and warnings over falling into a serious recession again have been raised by many economists. Of course, the Congress can pass new laws to rectify the dire condition early next year to minimize the consequences of the Fiscal Cliff. Yet, a shockwave will sweep the world, possibly leading to another downgrade of the US debts; needless to mention the distrust of the long-term US political and economic stability.

What will happen in December also depends on the outcome of the election. And a bill that will avoid the Fiscal Cliff must be done by the lame duck session. Such probability seems to be 50/50. The responsibility of the lame duck Congress is huge. A few liberals are advocating to let the Fiscal Cliff happen; and then pass a bill to cut taxes, except for the wealthy, and regain their preferred spending programs in return for restoring the military spending. Some conservatives also favor the Fiscal Cliff to cut spending and deficit, apparently believing tax cuts and restoring military spending will be easy in January, leaving other spending cuts untouched.

The real problem to our economy is as follows: given the uncertainty of the next year's economy, it is only natural that businesses refrain from committing to investment in equipment/facilities or hiring people. If it were not for this Fiscal Cliff, we could have had a strong growing economy now. And it is also very important to know that the crisis in Europe and other parts of the world will not end unless the

## Typical Fall Market Shrinks Prices Weak

### Unemployment Rate

The 3 percentage point decline in September unemployment rate to 7.8% sparked political storms. It is true that many economists question the number as the recent payroll increases do not appear to support the large drop, while the trend is certainly downward, and the details offers some explanations.

It should be understood that economic statistics are generally statistical estimate from sample surveys. The unemployment rate is based on household surveys, and probably one of the least reliable or accurate figures for any one month. A moving average may give a better picture of the trend. It is fuzzy science at best. To the general public, the employment rate is simple and easy to understand; therefore, it becomes a political tool. Economists and financial professionals pay little attention to the employment rate. It is the non-farm payrolls that move or often rattle the stock, bond and foreign exchange markets. Ironically, this non-farm payroll figures are also unreliable, followed by often very large first and second revisions. In fact, upward revisions were made this time for July (40,000) and August (48,000). Huge amount of money moves with these figures that will certainly be revised in a large margin, just because the employment number is the first economic indicator of each month.

It is just a sport like soccer with the rule, no use of hands, that is ridiculous in the real life; yet players seriously compete.

GDP is also based on surveys and prone to large revisions. Arguing over the accuracy or authenticity of the household survey based unemployment sounds really silly, especially over just one month's figure.

US economy starts vigorous growth.

## Palos Verdes Housing Market

During the last two weeks in August, the extremely high level of sales cooled down to mediocre numbers, and the market entered the typical quiet September when both sales and new listings dwindled. While there have been a few good signs for surging sales, a large number of new listings came on the market in October. The market inventory of single family homes in PV is not increasing, but remaining just above 170, and the in-escrow number has regained over 100. So the supply-demand condition is tightening. However, the median escrow price has been stuck between 1100K and 1000k as the price ranges around and below the million dollars are leading the recent sales recovery. This normally happens at an early stage of sales growth, and we expect only modest price gains through this year.

We can see a couple of bright signs for the future. First, there are now much fewer short sales and REOs. This trend is also apparent in Torrance and Redondo. Second, houses listed around \$300k to \$400K, especially attractively priced short sales and REOs, in the vicinities, are receiving multiple offers. From our own experience, our buyers are having difficulty to win the competition. Many buyers of these properties are investors often with cash. Regular home buyers in this price range have limited financial resources and do not want to go above the list price. Price increases of those cheap houses in our surrounding areas will give support for our market prices, first to those below a million and so on.

Direct effect of the possible Fiscal Cliff on our housing market may not be significant. Employment and household income will have a far greater effect on the housing price.

September closed sales recorded as 57, which is the largest for September during the last decade, reflecting very brisk sales (contracts) in July and early August. Both average and median prices are down.

## Water-Conserving Plumbing Fixtures

As the 2012 Transfer Disclosure Statement (TDS) now include a check box for water-conserving plumbing fixtures, confusions among sellers, buyers and realtors seem to be happening. The new California law requires property owners (for properties built before 1994) to install water-conserving plumbing fixtures by 2017 for single-family properties and by 2019 for other properties). Additionally, if a property is altered or improved after 2014, then water-conserving plumbing fixtures must be installed as a condition of final permit approval. Beginning in 2017 a seller of a single-family property will also be required to disclose whether the property is in compliance with the law. However, the most importantly, this new law creates no point of sale requirement even after 2017.

The Realtor Association has included such disclosure this year, because it will affect today's buyers who may have to incur the cost of upgrading the plumbing fixtures in a few years. Even though it is not the point of sale requirement, many buyers will request sellers to comply with this law. Again, it creates no condition for sale.

Noncompliant plumbing fixture means (1) any toilet manufactured to use more than 1.6 gallons of water per flush (2) any urinal manufactured to use more than one gallon of water per flush (3) any showerhead manufactured to have a flow capacity of more than 2.5 gallons of water per minute (4) any interior faucet that emits more than 2.2 gallons of water per minute. These fixtures available at stores today should meet the requirements.

## 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, 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

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