



# Rockyfield Newsletter

## US Economy & Housing Market

The Presidential Election is finally over. So what now? Even though Democrats declared victory, the basic picture remained the same: Democratic White House and Senate, and Republican House. We will face the debt ceiling again in December and of course the "Fiscal Cliff." We really have to know that it is not a cliff; it's a down slope. The only thing that would happen on January 1 would be the end of payroll tax cuts. Tax increases will gradually take effect; spending cuts are mostly implemented over years. Therefore, the Fiscal Cliff itself would not cause huge damage to the economy overnight. Everything is psychological. However, the economy is also psychological, isn't it?

Some people argue that it would be easier to reach an agreement in January: no more taxes or spending cuts that are stumbling factors for Republicans and Democrats. We are very weary of such argument due to the psychological reasons: from now to the end of the year, businesses may hesitate to hire more people or invest for expansion even though they need them; consumers may save more than spend. Our most serious concern is negative effects on the financial markets: warning about down grade of US Treasuries, caution in the stock market, and so on. If concerns over the Fiscal Cliff freeze the economy and financial markets, it is possible that a too big dent may be made to this very fragile recovery.

Such disaster is man-made caused by the political fight. Europe has just issued a warning over re-entry into another recession. It seems inevitable unless the US economy makes a robust recovery. The Euro crisis was caused by the US financial meltdown and great recession. And in return, the European crisis is a drag for the US economy. Internationally, "Trust" in the US economy is crucial.

A clear signal that the President and Congress will work together to sort out this Fiscal Cliff crisis will ease the possible panic; otherwise, everything will be fro-

## Tight Market Condition Helps Price Recovery

### Housing Market Forecast for 2013

(The following is based on an assumption that the "fiscal cliff" would have no effect on the economy.)

In our neighboring cities, they are receiving more multiple offers and the short supply condition is becoming more evident. Some areas of Torrance offer good examples. The number of transactions (single family homes) in Palos Verdes this year has recovered to almost the 2005 figures. The focal point for the next year's housing market is prices.

There is no doubt that the general economy is on its recovery path. Unless large cuts in spending or tax increases crash the fragile recovery, the growth should accelerate. While the wage pressure will remain tamed due to the large pool of unemployed people, the gigantic money supply provided during the past few years will pose a serious threat for inflation as the economy starts growing faster. Though the FRB must be well prepared to absorb money from the financial market, its timing and volume of such monetary policy actions will require technique that is almost like art. In any case, it is certain that mortgage rates will rise next year. "When and how much" depends on inflationary pressure and the FRB's actions.

Rate increases effectively means higher prices for buyers as their monthly payments will increase. Therefore, higher mortgage rates will suppress housing price increase. The question is: Will employment and wages grow fast enough to overcome such increase in monthly payments. It is also likely that the conforming loan limit will be reduced to the original \$417,000 that will cause rate increase for buyers of low priced properties.

We can expect higher housing prices in 2013; however, large straight increases are unlikely.

zen, and we will have a very cold holiday season.

## Palos Verdes Housing Market

Single family home sales that declined in late August and September have recovered in October, though not up to the extremely high early August sales figures. New listings have been unpredictable, alternating large and small numbers. Nonetheless, the market inventory has been decreasing close to 150 now as the market size has become smaller. However, it does not mean the demand has been dwindling; rather the market condition is tightening. Foreclosure related listings, including short sales and REO's, have been down below 10; mortgage rates are still historically low. There has been a change in buyer psychology, changing from "Prices will go down further" to "started going up." In short, the market environment for higher prices is here. The graph below shows the median escrow price movement for the last one year (moving average).



(bump on the left is due to year-end market)

Today's price is more than 5% higher than a year ago; yet still much lower than the peak in early June. The market becomes lull after Thanksgiving; under today's tight market condition, prices may further recover.

West RPV is going very well; East RPV that was good through summer has become quiet. (Eastview along Western Ave. is still selling very well thanks to their lower prices.) While lower price ranges are still leading the market, the segment up to \$1,250k is in great condition, and we feel that buyers are buying higher prices properties. Very expensive homes, if they are good properties, are also selling well.

An extreme supply shortage exists in the townhome market.

## New Smoke Alarms For Home Improvers and Landlords

Effective January 2014, for all housing units, for which a building permit is issued for alterations, repairs, or additions for more than \$1,000, the issuer of the building permit will not sign off on the completion unless the owner demonstrates that all smoke alarms required are devices approved by the State Fire Marshal. This rule applies to any dwelling unit intended for human occupancy. Also to be approved and listed by the State Fire Marshal, a smoke alarm must display the date of manufacture, allow a place for the date of installation to be written, incorporate a hush feature, incorporate an end-of-life warning, and, for battery-operated devices, contain a non-removable 10-year battery. These rules may be superseded by a local rule or ordinance that is more stringent than the State law.

For properties rented or leased, an owner is generally responsible for testing and maintaining smoke alarms in an apartment complex or other building after January 1, 2013, and in a single-family residence after January 1, 2014. Tenant is supposed to inform the landlord of non-operative alarms; we suggest that the lease agreement includes a paragraph which allows the landlord to check smoke alarms periodically, say every 6 months.

Beginning January 1, 2016, an owner of a leased or rented property must generally install additional smoke alarms as needed to comply with current building standards. This effectively means: a smoke alarm is installed in each bedroom.

Existing alarms need not be replaced unless the alarm is inoperable. New alarms installed may be battery-operated if approved by the State Fire Marshal. These installation requirements for landlords do not apply to fire alarm systems with smoke detectors, fire alarm devices that connect to a panel, or devices that use a low-power radio frequency wireless signal.

(Under the new law, smoke detectors are now called "smoke alarms." We do not know the reason.)

## 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 us

For

Listing Information

A: Active S: Sold B: Backup P: Pending  
Prices in '000s. Source: MLS (as of 11/09/12)