



Rockyfield Newsletter

US Economy & Housing Market

We just returned from a two week vacation in Brazil which is arguably the only large economy that continues growing fast while US, Europe, Russia and Asia are in slump, and China is slowing. Infrastructure works and constructions are further accelerating the economy in Brazil that will host the soccer World Cup in 2 years and the Olympics in 4 years. While excellent highway systems have existed for decades, basic infrastructures are still very poor: sewer systems that do not allow toilet paper to be flushed; low pressure water supply requires rooftop water tanks; messy and unstable mixture of 100V and 220V power supplies; crazy winding, bumpy roads in large cities. Pollution control cannot catch up with the fast growth. Beautiful modern high rise apartments (condominiums) and old dirty houses exist together. Despite these deficiencies, people are wearing high quality clothes, driving better and larger vehicles. (Automobile imports often cost double our prices). Restaurant prices are similar to ours. The same goes for clothing and shoes.

The Brazilian economic success has become possible by departure from the old social structure where a very small number of the super rich ruled over the majority of people in poverty with almost no middle class. And they have successfully created the large middle class. This transition has been accelerated during the recent years after populist policies have been instituted. However, side effects of the Labor Party policy are emerging too. Business owners and corporate executives we met all told us the same thing: They cannot recruit good workers; even low skilled people are difficult to hire because they are typically on welfare and do not want to lose the welfare money. They demand that they will work only if they are not registered as employed by the company, trying to earn double. We understand that Brazil used to have less racial issues, but now, the economic class frictions are creating racial tension.

Despite Tight Market Prices Stagnate

Purchase Loans

We hear some improvements with mortgage loans, but they are rather limited to refinancing loans, not for purchase loans in our own experience. The first hurdle is "appraisal" because of fewer appraisers and a huge number of refinancing loans. It often takes two weeks before an appraiser shows up; it is not uncommon to have an appraisal report in three weeks. This long period only will exceed the standard loan contingency removal period in the CAR purchase agreement.

It seems that lenders' internal procedures, especially for purchase loans, are overkill after the 2008 meltdown. They concern too minuscule items with many redundancies. Buyers tend to question: "Why now? Or Why again?" We also have the difficulty of monitoring the progress; we often do not receive a clear approval notice; instead, small requests keep coming until we hear "Now the loan docs are ready!" We sometimes cannot help feeling that the principle of purchase loan priority over refinancing has not been observed. Nonetheless, many purchase loans have been closed in about 45 days as opposed to 60 days or even longer that used to be common. The difficulty to monitor the progress unnecessarily tends to make sellers uneasy. Some buyers' agents never remove the loan contingency.

Our advice is: do not choose a purchase loan lender based on refinancing experience. Information flow may be better with direct lenders than with loan brokers. Use of the lender of an REO or short sale property should be considered. We also know that some lenders can consistently close purchase loans in 30 days.

The US economic recovery efforts have been often mere handouts, including those tax credits during the Bush Administration. If the government money is used, it would be more productive to provide jobs through government projects. Investing and improving our poor infrastructure would be better than almost permanently extending unemployment benefits and payroll tax cuts. As the economy recovers, large spending in infrastructure could be inflationary. This is the time to do so.

Palos Verdes Housing Market

The gap between the market inventory (for sale) and the in-escrow listings is a practical indicator of the supply-demand condition. The gap that exceeded 190 in June has declined to "3" as of this date (single family homes). This almost zero gap has never happened since April 2005! While new listings became normal in October, sales have continued more than 15 a week almost every week. One year ago, the gap was just below 100. We are going through the holiday season with such a tight market condition this year. Unless the "fiscal cliff" problem destroys the economy, we should expect a very strong spring selling season next year.

Closed sales in 2012 are likely to surpass 600, just short of the 2005 sales. Regretfully, the median escrow price has been hovering around \$1,100,000 with seasonal ups and downs through the year. Despite the tight market condition, the high unemployment rate, lower household income and lack of optimism in the economic future seem to have been holding prices from rising. In fact, a closer look at sales records shows that sales have been concentrated in low price ranges. Nonetheless, listings below \$700k have finally disappeared with more sales around \$1,000,000. Meanwhile, the very high priced property market has been doing well this year, though small in number.

It should be noted that the towhhome market, which started recovering in the fall of 2011 has been fantastic this year, causing an extreme shortage.

2013 New Laws

Disposing Abandoned Personal Items

What to do with personal items left behind by terminated tenant is often a headache to landlords. The total resale value of personal property left behind by a tenant after termination that a landlord must sell at a public auction, rather than merely retain for his or her own use or dispose of in any manner, has been increased from \$300 to \$700, if certain procedures are followed. This law, however, also prohibits a landlord from assessing any storage cost if the tenant reclaims personal property within 2 days of vacating the premises. The statutory notices of Right to Reclaim Abandoned Property have been revised to reflect these changes. In addition to sending this notice to a former tenant by first class mail as specified, a landlord may also send the notice by email if the former tenant provided the landlord with the tenant's email address. Finally, a landlord's notices of termination of tenancy and pre-move out inspection must contain specified language that former tenants may reclaim abandoned personal property left on the premises, subject to certain conditions.

Disclosing NOD to Prospective Tenants

Since many tenants have had to leave due to foreclosures, a new disclosure is now required. Every landlord who offers for rent a residential property (one-to-four units) must disclose in writing to any prospective tenant the receipt of a notice of default. This disclosure must be made before executing a lease agreement. If this law is violated, the tenant can void the lease. If voided, the tenant can recover one month's rent or twice the amount of actual damages, whichever is greater, plus all prepaid rent, as well as any other remedies available. If the lease is not voided and the foreclosure sale has not occurred, the tenant may deduct one month's rent from future amounts owed. A property manager will not be held liable for failing to provide the written disclosure notice unless the landlord has given the property manager written instructions to deliver the written disclosure to the tenant. This law will expire on January 1, 2018. Rockyfield provides a disclosure statement by landlord as a part of the lease agreement, declaring that no NOD or such sort currently ex-

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.

visit: www.rockyfield.com

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

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For Listing Information

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