



# Rockyfield Newsletter

## US Economy & Housing Market

There are different kinds of investments. Business investments in plant and equipment contribute the most to the economic growth, and higher productivity and efficiency for many years to come. Stocks and bonds may not directly impact the economy, but they make business financing easier, and higher bond prices means lower interest rates that help consumers with mortgage and other borrowing rates. Gold investment, on the other hand, is not very productive. Gold is normally considered as a hedge against inflation. During the past several years, however, gold became an instrument to make money. The FRB has injected a huge amount of money into the financial system; however, such money did not permeate to the real economy, but stayed circling within the financial market. However, since the gold future declined below \$1700, a new pattern has emerged: stock and gold prices move in opposite directions, implying that money is shifting from gold to stocks. In short, it is a sign that the US economy is now on a strong recovery path. We believe that the postponed fiscal cliff spending cuts could be substantially watered down by both parties; the housing market is showing a strong recovery; jobs are returning. Nonetheless, super growth is unlikely. While the deficit may become less threatening by higher tax revenue and further cuts in spending, the most serious problem is the gigantic excess liquidity in the financial market. Due to the political impasse over fiscal policy, the FRB is still continuing open-ended bond purchases. Once the economy starts growing fast, inflationary pressure will mount; then, the FRB must switch to tight money policy to pre-empt inflation. As to the housing market, interest rates are very likely to move up during the first half of this year.

Under the supply shortage, the housing prices are expected to rise; a combination of rising prices and higher mortgage rates may hurt the housing market again. Improved employment and higher personal income can compensate for such condi-

## High Expectations For 2013 Housing Market

### Reasons for Higher Prices

While single family residence (SFR) sales in 2012 hit 625 which is the largest since 2005, prices are still stagnating. Nonetheless, we expect higher prices during this spring selling season. Here are the reasons for our forecast:

- **Very Tight Supply-Demand Condition**  
The gap between active and escrow listings has sharply narrowed from over 100 a year ago to below zero. Many buyers are competing with each other; buyers who are after a discount or too slow to act, tend to lose deals. The new listing rush which started two years ago seems to be finally subsiding. As a result, the market inventory decreased from almost 300 to below 100.
- **Reversed Buyers' Mindset**  
Today, we often hear buyers saying "The price may go up if I don't buy now." It is a 180 degree reversal from "Prices will still go down." This new mind set is predicated on their actual experience of losing deals and multiple offers. The supply shortage is also contributing.
- **Disappearing Lowest Price Range**  
Fewer good properties below \$800,000 are available; while sales of listings over \$1 million are recovering.
- **Still Historically Low Mortgage Rates**  
Although general interest rates seem to have hit bottom as the economy recovers, the FRB's aggressive short to long term low interest policy will continue keeping mortgage rates from rising sharply.
- **Few Foreclosure, Short Sale Listings**  
Bank owned, short sale and fixer listings are becoming scarce.

tion. However, given the large pool of unemployed people who are not showing in the statistics, the recovery in household income is likely to lag behind.

## Palos Verdes Housing Market

Even listings that have been on the market over one year are now selling. Prices dipped over the holiday season as usual, but they have already recovered this year. Unlike past years, there have been much fewer returning and new listings this year, further exacerbating the supply shortage. In-escrow listings have surpassed active listings in numbers. Such tight supply-demand condition is apparent in every area of Palos Verdes. While low price ranges are extremely tight, improvements are obvious for those over \$1,000,000. Interestingly, listings over \$2 million have been selling very well since the New Year.

Contrary to the general perception of the housing slump, sales of single family residences (SFR) in Palos Verdes were 625 in 2012, the largest since 2005 with 677. (The lowest was 366 in 2008) The number of sales alone indicates we have a housing boom. However, prices are yet to recover for sellers. After reaching the peak in 2006, housing prices plummeted in 2008. They recovered a little in 2010, and then hit bottom in the last quarter of 2011, a 31% drop from 2006. Through 2012 the median price stayed around \$1,100,000 which was still 20% lower than the peak.

Every year, the housing market becomes very active from February to June. Given the unusual tight condition, we have hopes for higher prices this spring. This may be the great opportunity for those homeowners who have been postponing sale of their homes. Considering the looming spending cuts and higher interest rates, we recommend that sellers list their homes in mid February. Even aggressive pricing may be possible. Rockyfield is here to help you. Our dedicated service and strategic negotiation skills will surely benefit you. Our flexibility thanks to our small size and multi-language capability are also advantages we can offer to you.

## Lease Security Deposit

The things Landlord should know are summarized here:

- The maximum amount of security deposit is up to the equivalent of 2 months rent for unfurnished units, and 3 months rent for furnished units. An additional deposit for a water-filled furniture is allowed; however, pet deposit is not clear. It is safe to consider the max amount includes the pet deposit.
- In addition, a landlord may collect first month's rent in advance. At the time a lease agreement is executed, a landlord can collect the security deposit and the first month's rent. If the agreement is signed long before the lease commences, we often suggest that the landlord collect the security deposit when the agreement is signed and the first month's rent about a week before the lease period begins to help Tenant, only if Tenant is highly qualified.
- It is not well known that a landlord may collect six months or more of advance rent payment on leases of at least 6 months duration; however, collecting 2, 3, 4 or 5 months of advance rent would violate the law. We have no idea why. Applicants with a poor credit history may offer advance rent payments. Do not take it. We have heard many of such tenants become delinquent after the paid lease period. Of course, paying in advance for the entire lease period will be excellent.
- No lease or rental agreement may contain any provision characterizing the security deposit as "nonrefundable."
- Security deposit can be used to remedy defaults in payment of rent, to repair damage caused by the tenant (beyond normal wear and tear), to clean the unit, and to satisfy any other tenant defaults or obligations under the rental agreement or lease.
- A landlord must inform tenant of a detailed accounting of the deductions within 21 day after the tenant vacates the property.
- The bad faith retention by a landlord of the security deposit (or a portion) may subject the landlord to statutory damages up to 2 times the amount of the security deposit, in addition to actual damages. When the landlord-tenant relationship begins in bad terms, disputes tend to happen over deductions from the security deposit and release of it. It is so important to get started right.

## 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

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Search properties for sale on the MLS.

visit: [www.rockyfield.com](http://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

Rockyfield

For Listing Information

A: Active S: Sold B: Backup P: Pending  
Prices in '000s. Source: MLS (as of 02/03/13)