



PALOS VERDES RESIDENTIAL PROPERTIES

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Rockyfield Newsletter

US Economy & Housing Market

When complaints mounted over flight delays, the Congress swiftly passed the law to exclude the air traffic control from the Sequestration. Even though the Sequester cuts are small in dollar terms, they are direct cuts in government operations that means reductions in government services, employment and business with private companies. The Sequestration will continue causing a wide range of negative effects; some of them may not be so visible. The April payrolls surpassed the market consensus accompanied by upward corrections for March and February (114,000 up in total); meanwhile the government payrolls dropped 11,000 in April.

Support for austerity policy has been gaining steam during the past several years. There are two academic studies by Harvard professors, underscoring austerity as a growth policy. "Expansionary Fiscal Consolidations" by Albert Alesina/Silvia Ardagna and "Growth in a Time of Debt" (dangerous debt threshold at 90% of GDP) by Carmen Reinhart and Kenneth Rogoff. The IMF has issued a harsh criticism against the former: the periods of spending cuts and growth were inappropriately chosen. In short, they were selected to support their desired conclusion. The study also ignored crucial effects of interest and foreign exchange rates. As to the latter, the famous Excel flaw has been found and the study's choice of countries has been questioned. Excess debt is undesirable, possibly leading to higher interest rates and lower living standard. However, austerity during a recession is rather harmful as we have seen double dip recessions in Europe.

During the 1970's, South American countries borrowed money in unruly manners, only to become insolvent, forcing themselves to adapt austerity plans in return for loan rescheduling and financing from the IMF and World Bank. The US and European nations, without danger of bankruptcy, do not need austerity which would rather slow the recovery. The US deficit increase was primarily caused by dip in revenue. After large stimulus spending, gov-

Sales Still Strong Will Prices Rise Again in May?

Pitfalls of 1031 Exchange

1031 Exchange is deferral of capital gain taxes, not to avoid taxes, by exchanging the current property with a replacement. The property must be held for productive use in a trade or business or for investment. In reality, a "qualified" intermediary administers transactions. Strict rules of 1031 Exchange include:

Within 45 days from closing of the relinquished property, a replacement property (up to 3) must be identified and reported to the intermediary. If you fail to identify within this period for whatever the reason, the 1031 Exchange will fail. After 45 days, no change is allowed. The replacement property must be closed within 180 days. Depending on the time of the year, your tax return can be messy with penalty and interest. The cost of an intermediary is \$700 to \$1000.

Under the seller's market (difficult to buy), it is recommended that you start finding a replacement property simultaneously or even earlier. Within the 45 day period, you can change the target property even if the purchase transaction fails.

As reported in the February issue, there are several additional taxes for a sale of investment properties. Investors who sold their properties last year were much better off.

If you consider moving into a rented property and living there for two or more years to use the \$500,000 deduction (for joint return), consult with a knowledgeable CPA very carefully. If the house you are moving into was acquired through 1031 Exchange, the deduction will be prorated; you will not get the full \$500,000 deduction. The accumulated depreciation is not deductible in any case, and will be taxed (normally 25% for the federal tax).

ernment deficit has been decreasing for the past few years. The current recovery solely relies on the FRB's easy money policy, which could be very dangerous once the economy picks up the pace.

Palos Verdes Housing Market

As we envisaged, the median escrow price of single family homes in PV leveled off after soaring in March. The demand-supply condition was a bit eased as sellers, who had been waiting for higher prices, rushed to the market in huge numbers while sales have remained brisk though short of absorbing all the new listings. The weekly number of new listings were 25, 22, 22 and 23 in April. Despite the increase in the market inventory, buyers' sentiment is unchanged: "I will lose unless I put an offer now." We have also noticed an unusually number of escrow cancellations at an early stage of escrow. Escrow failures due to loan problems tend to happen a little later. We suspect, though unwarranted, that some buyers are submitting offers simultaneously to multiple properties. Seller should be very careful during the buyer selection process; if it fails, a higher price means nothing. Sellers should also examine how much the buyer likes the house and how serious the buyer is, in addition to the buyer's financials.

If the new listing rush cools in May, prices are likely to resume inching up, given the ever strong demand and continuing historically low mortgage rates which have been artificially suppressed by the FRB. However, because the median escrow price is already around \$1,200,000, we expect price increases will be rather gradual. The next two weeks should give a better picture of the future prices.

By areas, there is no change in the extreme supply shortage in west RPV; only one listing under \$1,000,000 is available for sale, and only 8 listings in the entire PV. The price range between \$2 and \$3 million is still performing very well.

Townhomes have been in shortage for a couple of years, and their prices, which have been capped by house prices, are finally moving up.

Residential Hazardous Waste

House waste contains a wide range of hazardous materials: electronic products including TVs, monitors, computers; fluorescent tubes, energy saving bulbs, thermometers that contain mercury; printer toners, paints; engine oil, cleaning chemicals, fertilizers, and pesticides. There are too many to list. These materials may be thrown sometimes into trash cans for regular garbage collections. They are often confused with recyclables.

If engine oil is disposed into swage or to the ground, it could contaminate tons of water. Many gas stations and car repair shops would take engine oil waste. For the residents in PV Estates, Lunada Bay Automotive accepts up to 5 gallons free of charge.

LA County holds house hazardous waste collection events every month in different locations. (Check their website.) Rancho Palos Verdes periodically holds similar events next to the City Hall. EDCO and UWS in cooperation with the City collect E-waste free of charge. What are included in these E-Waste can be confirmed on the City's website.

The easiest and most convenient way is to take your hazardous waste to the LA County's collection center in San Pedro, located across the DMV. They are open every Saturday and Sunday. Take them in your car's trunk, and a few crew there will take them out. You even do not have to go out of your car. And, it is completely free. They accept all kinds of hazardous waste and also recycling materials.

Gaffey SAFE Collection Center
1400 N. Gaffey Street, San Pedro
Open every Saturday and Sunday (closed on weekdays)
From 9 a.m. to 3 p.m.

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 should 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 LISTINGS

Please contact

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A: Active B: Backup P: Pending S: Sold
Prices in '000s. Source: MLS (as of 05/08/13)