PALOS VERDES RESIDENTIAL PROPERTIES

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Rockyfield Newsletter

US Economy & Housing Market

The US economy seems to be accelerating its recovery this year. Unlike the past recoveries, consumption is not acting as a driving force. The major reason is because of the difference in recession policies. During the 2000 recession, the declining interest rates drove up the housing market; homeowners obtained cash to consume; rising Dow (blue chips) stock prices, beefed up by the dividend tax cut, deregulations and corporate subsidies, helped consumption to keep its high gear through the recession. The same policy eventually led to the 2008 meltdown of the financial and housing market. Many consumers lost their homes or had no chance to take advantage of low interest rates; declined stock prices eroded their 401K; the middle class who typically own houses suffered major crisis. Consumption heavily depends upon the middle class.

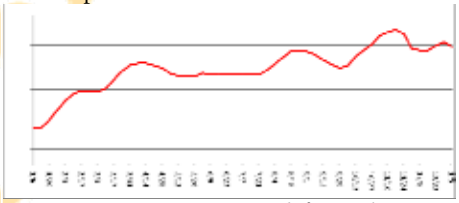
The meltdown came when the war spending and tax cuts created the large deficit. Then, the stimulus and rescue (banks, GM and others) spending exploded the government red ink. Political fights over spending made fiscal economic policy impossible; in fact, government spending has been decreasing during the past few years. Meanwhile, unemployment has been persisting in both numbers and lengths. The economic and employment recoveries had to rely on the Federal Reserve's easy money policy. Since "Zero" interest policy had been already in place, they started purchasing $85 billion of mortgage securities and US Treasury bonds every month. As today's financial market is more independent from the general economy, such huge increases in money supply benefited financial market participants without "trickle down" well to the real economy. Consumers' pockets are still tight; or at least they feel very tight.

The recent rise of housing prices is finally bringing the economic growth and improved employment. The average single family home price in 2013 was up about 10% from 2012; the price for the recent months is 20% up from a year ago. The shift of funds from gold to stock investments is boosting 401K and mutual fund holders who are typically middle class. Unless the Congress derails the recovery over the debt ceiling, we should be all happy for the next 6 months.

Palos Verdes Housing Market

In quantity, the housing market boomed in 2013. While waves of many new listings continued until August, sales matched or even exceeded. Sales took a deep breath in September and fewer new listing came on the market. No major change happened in the tight market condition. To our surprise, sales continued in December. PV's closed sales (SFR) in 2013 were 688 (10% up), which is the largest since 2004 (788), and an 88% increase from the bottom 2008.

Prices generally increased through the year though they tumbled in September. The graph below shows weekly median escrow price movements.



Last year's price recovered from the 2009 bottom; yet a 12% short of the 2006 peak.

Our forecast for 2014 is as follows: Given the accelerating economic growth, better employment and income will further boost the housing market. Due to the seasonal reasons, the demand-supply condition is expected to be temporarily loosened in January. Active listings increase first while sales will need some time to start showing in numbers. We expect housing prices to start rising in mid February after the debt ceiling fight is over.

Depending on how the FRB handles the reducing bond purchases, they may chill the economy or fire up the inflation or even both – it will be a very delicate and difficult task. Homeowners, considering to sell their homes may want to do so before summer.

Happy New Year

Interest Rate Rising

Since Federal Reserve has begun tapering the $85 billion bond purchase program (January purchase will be reduced to $75 billion), long-term interest rates seems to be heading north. As employment is lagging behind, inflationary pressure is still low; the total purchases by the FRB has exceeded $4 trillion, so much excess liquidity that exists in the financial market is pointing to future inflation. Contrary to the past economic recoveries, today's consumption is not strong enough to be the main engine for the economic growth. Given the weak labor market, the FRB is expected to keep the short term interest rate (Fed fund rate) low (currently almost zero). However, as soon as they see a sign of inflation, the FRB's monetary policy may quickly change.

The difference between long-term and short-term mortgage rates is widening. For example, 30 year fixed rate (conforming) is almost 1% higher than 15 year fixed rate and the 1 year variable rate is remaining well below 3%. Assuming 30 fixed rate is 4.6% and 15 year rate is 3.6%, the monthly payment for a $400,000 loan is $2051 and $2879 respectively. A borrower with a good cash position may choose a 15 year loan. If you have a loan for many years, refinancing with a 15 year loan may not increase the monthly payment or may reduce it as the principal amount is smaller now. 5 ARM is not very attractive.

New Law 2014

Adjoining Owners Equally Responsible for Shared Fences and Boundaries

We often receive questions like: "I want to replace the damaged fence of my backyard. Do you think my neighbor should share the cost?" or simply many buyers ask "Who's responsibility is this fence?" We have a new law attempting to clarify the responsibility and rules. Assembly Bill 1404 (codified as Cal. Civil Code § 841) (effective January 1, 2014).

Adjoining landowners, with properties contiguous or in contact with each another, must share equally the responsibility for maintaining boundaries and monuments between them.

Adjoining landowners are presumed to share an equal benefit from any fence dividing their properties, and unless otherwise agreed in writing, are presumed to be equally responsible for the reasonable costs of construction, maintenance, or necessary replacement of the fence.

A landowner must give each affected adjoining landowner a 30-day prior written notice of any intent to incur costs for a division fence. The notice of intent must include the following:

(1) a notice of the presumption of equal responsibility for the reasonable costs of construction, maintenance, or necessary replacement of the fence;

(2) a description of the nature of the problem with the shared fence;

(3) the proposed solution for the problem;

(4) the estimated construction or maintenance costs to address the problem;

(5) the proposed cost sharing approach; and

(6) the proposed timeline for addressing the problem.

In the next issue, we will cover how this process should proceed between homeowners.

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*

DRE broker license: 01328577

27520 Hawthorne Blvd. Suite 144
Rolling Hills Estates, CA 90274
Phone: (310) 544-0857

Anthony Iwata Ext. 1#
(English+Japanese)
Catarina Zerbinatti Iwata Ext. 2#
(English, Spanish, Portuguese, Japanese, Italian)
email: properties11@rockyfield.com
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 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. No strings attached.

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.

The Year of the Horse

SELECTED LISTINGS

Please Contact
Rockyfield
For listing information

A: Active S: Sold B: Backup P: Pending
Prices in '000s. Source: MLS (as of 01/16/14)