



# Rockyfield Newsletter

## US Economy & Housing Market

The US economy's structural issues are the oligopolistic trend and income disparity. Actually, the latter may be enforcing the former: the weakened middle class means diminished consumer power and disparity among market participants. The FTC has also been tolerant of monopolization of industries during the recent decades. In an Oligopoly (dominated by very few large companies) where suppliers can dictate products/services over consumers, the market cannot function properly. The 2008 meltdown was a result of the market failure. In the mortgage industry, there is always serious disparity in knowledge and negotiation power between borrowers and lenders. Regretfully, little lesson has been learned from the disaster as to restoring the middle class. Since the US purchasing power is the main pillar of the world economies, less US purchasing power means weaker US power in general.

Income disparity seems to be the political focal point for this election year. While excess disparity could lead to fascism, "income equality" is also perilous. The extreme form of income equality is communism under which people lose incentive to work for success and quality people tend to get out of the country. Ironically, a handful of people at the top will enjoy a concentration of wealth; an extreme case of income disparity will inevitably emerge under communism.

In short, extremism is always damaging; being practical and moderate is imperative for any economic policy, and there is no such thing like universal economic policy through both economic ups and downs.

Some people say, increased consumption by the middle class will also enrich the wealthy. However, the growth of the financial market in the recent decades transformed business investors to financial investors, often active in borderless financial transactions. Investors no longer see a direct connection with the real economy.

As the housing market rapidly recovers, many cash investors are buying out houses, especially properties in once heavily

## *Available Homes and Buyers Mismatch!*

### Creative Credit Unions

Contrary to our perception of credit unions (traditional, conservative), today's credit unions are becoming more creative in their mortgage products; some of them are more innovative than Wall Street banks.

As member-owned, nonprofit institutions, credit unions have a low tolerance for risk. And these innovations do not fall outside the new regulatory criteria for "safe mortgages," (no negative-amortization or goofy teaser rates). Credit unions typically keep a large portion of their loans in portfolio rather than sell them. They have flexibility in tailoring loans to better meet consumer needs instead of the expectations of investors.

For example, a 15/15 adjustable rate mortgage (ARM) offers a slightly lower interest rate than a 30-year fixed-rate loan, and more stability than typical 3, 5, 7 ARMs.

A 5/5 ARM adjusts once after five years, and the rate then remains fixed for another five years. This loan has a better rate than the 10/1. Another 5/5 ARM, with an added rate-reset option that gives a borrower to choose resetting the rate up to five times during the life of the loan (the initial rate is a quarter percent higher). Some credit unions are offering "interest-only" and even 100% financing for qualified young borrowers. If you are a member of a credit union, it is always good to talk with them for your financial needs. They may offer something that is not available from conventional banks.

(Ref: The NY Times)

depressed areas. Young people with good equity and financial standing are being priced out of the market by those cash investors. An investor driven market will help higher prices; however, we need more home buyers for stability in the housing market.

### Palos Verdes Housing Market

Currently, serious supply shortages are apparent in Torrance, Lomita, Harbor City and other South Bay cities. Palos Verdes is recovering but yet to be "red hot." There are still more buyers in the lowest price ranges here. However, the shortage in the low priced listings is boosting sales over \$1,000,000. Listings below \$800,000 are now limited to Eastview along the West-ern Ave. Just one or two listings below \$900,000 are available in the west RPV.

Our ready buyers cannot find the right property while there are many in the market: properties with undesirable locations, other major issues, very bad condition, or over-priced. Encouraged by the recent price increases, some sellers have been unrealistic in pricing, and inflexible in negotiations. We have already witnessed in multiple occasions in which competing buyers started paying large premiums in multiple counter offer situations.

In short, a major mismatch between buyers and available properties exists. And more surprisingly, some buyers are paying premiums. However, sellers should be aware that a buyer with 20% down payment may have to increase the down payment or the agreed price needs to be reduced if appraisal comes below the purchase price. Under today's market condition, 20% down payment is risky.

The market inventory of single family residences in PV exceeded 130, while the in-escrows are just under 80. But almost half of the inventory are over \$2 million. Up to \$1,500,000 the Active vs. In-Escrow are about 50/50 (equal numbers). The majority of buyers are experiencing a tight market condition even in Palos Verdes.

February closed sales of SFR were only 31, and the median price was \$1,325,000.

## New Law 2014

### Rancho Palos Verdes

In addition to California smoke and carbon monoxide requirements, the City of Rancho Palos Verdes now requires all sellers to submit a form to the City before the transfer, which is called:

#### **SMOKE AND CARBON MONOXIDE ALARM ACKNOWLEDGMENT AND STATEMENT OF CONFORMANCE WITH ORDINANCE 410**

On this form a seller must check all 3 boxes as indicated below:

- Smoke and Carbon Monoxide Alarms: On the ceiling or wall outside of each separate sleeping area in the immediate vicinity of bedrooms and in each hallway outside of the bedrooms.
- Smoke Alarms: In each room used for sleeping purposes.
- Smoke and Carbon Monoxide Alarms: In each story

This new requirement will cause a higher hurdle to sellers in Rancho Palos Verdes. Remember, the new specifications for smoke detectors to obtain Fire Marshal's Approval means higher prices because the battery operated smoke alarms must have a built-in and tamper free "permanent" (more than 10 year life) battery. However, we have a serious question about the interpretation of the ordinance 410.

*1007.2.9A.5 Transfer of title. No person may transfer title to a dwelling unit or guest room required by this section to be equipped with a smoke detector without first filing with the City and the purchaser a statement that the dwelling unit or guest room is equipped with smoke detectors meeting the requirements of this section.*

The new RPV Form also cites California R314.3.1 and R315.2 which require only when a building permit is issued for a scope of work that is valued at \$1,000 or more. We are not sure "required by this section" means the same as the California law. We asked the City Building & Safety who just repeated "no exception. All sellers must do." No grandfathering is unthinkable to us; but as long as the City says, we have to comply. Therefore, we recommend all homeowners to install smoke/CO1 detectors accordingly.

### 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.

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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. 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.



### SELECTED LISTINGS

Please Contact  
Rockyfield  
For information

A: Active S: Sold B: Backup P: Pending  
Prices in '000s. Source: MLS (as of 03/09/14)