



Rockyfield Newsletter

US Economy & Housing Market

We have reiterated in this newsletter that dependence on the FRB's monetary policy only to improve the economy is inefficient and also risky in the long run. The purpose of the financial market is to provide businesses and the real economy with financing in efficient and effective manners in a large scale. Since the Glass-Steagall Act was repealed in 1999, the walls separating commercial banks, security firms and insurance companies have been torn down. The recent developments in trading technologies have also contributed to transforming the behavior of the financial markets. Investors used to reap profit from real economic growth; now, regardless of the economic conditions, investors can profit from financial trading. The FRB's zero interest policy after 2000 and massive bond purchase program after the financial meltdown in 2008 have created gigantic excess liquidity in the financial market, which did not permeated into the real economy as much as hoped to help the economic recovery.

This empty circulation can be depicted by the following example. Investors A, B and C can borrow money very cheaply. A buys a security for \$100 with borrowed money; B buys it from A at \$110 with borrowed money. After repaying the principal and little interest, A can profit almost \$10. Then C buys it from B at \$120 with borrowed money; and A buys it again from C at \$130. This circle continues as long as the excess liquidity exists. All investors make money with no money of their own. As a result, today's financial market is more sensitive to interest rates than to the economy.

Due to the bitter political fights, fiscal spending to help the economy has been next to impossible; politicians solely depend on the FRB's monetary policy. The excess money within the financial market has also been invested abroad. Fiscal spending can target specific geographical areas, industries or business sizes, while the monetary policy cannot.

As there is no imminent sign of inflation,

PV's Housing Prices Start Soaring, But...

Private, Pre-Marketing Sale

Sometimes, your listing agent or his/her colleague happens to have an active buyer who may be interested in your home. If it is genuine, you can avoid all the hustles of showing, open house and curious neighbors by contracting before putting your home on the market. However, it is another question if it is the most profitable way. Of course, you can reject any such offer if you feel the price is low. If the listing agent is competent, she/he would estimate your home's fair market value. However, if the buyer is the agent's own customer, the situation becomes a bit obscure. The best way to know what price the market will bear is clearly to publicly list your home. Another very important point to consider is: these privately introduced buyers may or may not be interested in your home. In general, buyers in private transactions expect a better deal. If such buyers are keen to purchase your home, they will make an offer when your property is publicly listed. And it is possible that you may receive a better offer from someone else.

"I have a buyer who is looking for a house just like yours" is a typical scripted sales pitch. If the purpose of the agent is to obtain a listing of your home, you have a reason to be cautious. During a listing presentation, an agent of a large broker may boast how many agents they have, and your home will be presented to them before going public to save your time and efforts. (Presenting the listing privately before public listing without your consent is illegal.) They may bring offers; however, how do you know if it is the best possible one without the market's scrutiny?

In any case, unless it works beautifully (and many do), you will waste a couple of weeks. Our policy is to immediately maximize the exposure unless you instruct us otherwise.

the FRB may accelerate tapering the bond purchase program, and may take action to absorb excess liquidity after the election. Unless inflation starts showing up, the near zero interest policy is likely to continue.

Palos Verdes Housing Market

The median escrow price of single family homes in PV started soaring in late April, and surpassed \$1.4 mil, getting close to \$1.5 mil. We can no longer dismiss it as a temporary or statistic surge. We are also amazed by Sellers' fine sense of the market price; as soon as prices started going up, a massive number of sellers have jumped into the market. Note that it takes a while for us to confirm price increases with numbers. There have been over 25 new listings every week, which is equivalent of 107 a month. Last year's average monthly sales were just over 50. The largest record in the past 10 years was less than 80. So you can see how large the current weekly number of new listings is.

Sales are also going very well, but not enough to catch up with new listings. The market inventory has been moving one way: from 97 in January to over 160 now. If the inventory levels, it means that sales are catching up with listings with an expanded market size.

As a whole, the supply is exceeding demand; however, a closer look at individual price ranges finds quite interesting trends. Listings below \$900k, which used to have overwhelming demand against few supplies, now seem to be easing. To our surprise, the best selling price range is between \$1.25m and \$199m, not just above \$1 million. Those listed at \$2.0m to \$3.0m are also doing well. These new trends are behind the soaring median escrow price.

Given that interest rates remain stable and a few price ranges are still in very tight condition, we have doubt if prices will continue moving up, though we do not expect prices to a substantially drop.

April closed sales were mediocre 50, and the median price dipped reflecting the slump in late March.

Radon

Radon is a naturally occurring colorless, tasteless, and odorless radioactive gas that comes from the decay of uranium found in nearly all soils. It enters buildings from the ground through cracks and openings in concrete slabs, crawl spaces, floor drains and the many tiny pores in hollow-wall concrete blocks. Once inside a building, radon can become trapped. Unless the building is properly ventilated to remove it, the gas can become a health hazard.

Long-term exposure to elevated levels of radon can increase your risk of getting lung cancer. Tobacco smokers are at an even greater risk. The amount of radon entering homes varies from home to home. Because radon is colorless, odorless, and tasteless, testing is the only way to find. Exposure to radon does not result in any immediate symptoms. Any cancer resulting from inhaling radon is not likely to arise for at least 20-30 years, and both the level of exposure and duration of exposure are factors which determine the risk of developing lung cancer. Generally, the living area closest to the soil surface has the highest level of radon. Upper stories have lower levels of radon. Consequently, radon is rarely a concern in high rise apartment buildings, other than at ground level.

Currently, the California Department of Public Health (CDPH) recommends that you take action to reduce radon levels in your house if the annual average indoor air concentration exceeds 4 picocuries per liter (pCi/L). The CDPH Radon Program is now offering short term test kits for \$7.00 for California residents. CDPH has contracted with Alpha Energy Laboratories (DrHomeAir) to provide this service. The test kit can be ordered on-line at www.drhomeair.com/. The CDPH Radon Program maintains lists of currently certified testers, mitigators and laboratories at www.cdph.ca.gov/HealthInfo/environhealth/Pages/RadonServiceProviders.aspx. This list of certified radon providers can also be obtained by calling the CDPH Radon Program Hotline at (800) 745-7236

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 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

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A: Active S: Sold B: Backup P: Pending
Prices in '000s. Source: MLS (as of 05/8/14)