



# Rockyfield Newsletter

## US Economy & Housing Market

Non-farm payrolls added more than 200,000 for 3 months in a row; the economic recovery from the Great Recession seems to have finally reached general consumers. While corporate profits soared and the stock market repeated record highs, consumption that accounts for 70% of our GDP has been dragging its feet; household income has been stagnating since 2000. The transition from the recovery to growth has not happened yet. Despite the improvement in employment, many economists, including the IMF, now believe the low growth will continue for years. The reasons are both international and domestic: Europe in the deflationary spiral, the decelerating Chinese economy, the ever struggling Japanese economy, and of course geopolitical crisis in the Middle East and Ukraine.

The US economy has been historically the engine of the world economies. Without our economy's strong growth, Europe and Asia cannot get out of their problems. These economists who cast doubt about the robust growth cite long-term and structural problems, and many believe such long-term trend of slow growth started way before the Great Recession. While the US still leads the world in inventions, many significant innovations are expected due to the lack of manufacturing experience. (The recent trend of returning manufacturing to the US is encouraging.) Others point out that many of those who left the labor market during the recent years do not seem to return, and the bad economy has also reduced the US birth rate. Our old, deteriorating infrastructure poses a serious obstacle to the economic prosperity. The current condition of our infrastructure cannot support super growth; productivity and socio-economic efficiency are hampered by the poor infrastructure. The widening income disparity is another issue for the future growth; without an increase in household income, consumption will remain stagnating and business sales and GDP cannot grow fast. We believe, however, that the number one

## Market Inventory Stops Rising? Prices Recovered

### Signage Ordinance

Four cities in Palos Verdes have individually quite strict signage ordinances. These rules used to be respected by most realtors; in recent years, however, they have been ignored and violations are getting worse. Especially, we are concerned about unruly open house signs by outside area agents, while we, realtors in PV, are observing the rules. Apart from Rolling Hills where no signage of any type is allowed:

**Flags:** are prohibited in the entire Palos Verdes. PV Estates/Miraleste does not allow flyer boxes. (Of course no balloons)

**Lead-in Signs:** Saturdays and Sundays with specific location rules. PVE does not allow lead-in signs on public land; only one allowed on Mon-Fri. RPV does not allow logos or addresses, and lead-in signs must be in brown and gold, and up to 3. RHE requires a city permit on public property.

**For Sale or For Lease Signs:** Only one per property. Three cities have different size and height restrictions. The smallest size is 450 sq inch in RHE, and the largest size is still smaller than those used in Torrance or other cities. PVE's max. height is 3 ft. Those tall wooden posts usually seen in other cities cannot be used here.

**Open House Signs:** Basically Saturdays and Sundays only with one per property. RPV restricts hours from 1 – 6 pm only.

While minor violations may happen, flags and large signs are not preferred in this tranquil Palos Verdes with natural beauties. PV Estates police used to confiscate signs in violation; the realtor association has attempted to contain them. But we are afraid it will continue getting worse. Seller's instructions for their listing agents to observe the local rules may help.

cobweb for strong growth is oligopolies across many industries that suppress the competitive market mechanism.

However, under the current political environment, it is next to impossible to resolve any of these issues.

## Palos Verdes Housing Market

A few weeks ago, thirty-eight (38) new listings hit the market during that 7 day period, almost same as a low monthly sales in the past. (Single family homes in PV) The market inventory continued going over 200 and 210. Though no clear direction is observed, it seems to have passed the peak because new listings have been moderate in number during the recent weeks, and sales are gathering steam again. We hope the inventory will decrease below 200 very soon. Given today's oversupply condition, many potential sellers must think twice.

The median escrow price has turned back to an uptrend, too. There are two major reasons behind this. First, sales of expensive properties over \$3 million are unusually robust. Second, low-end listings are struggling to sell. The Eastview along the Western Ave had been leading in sales through the housing slump, and prices in the area are now rising. Although listings below \$800k are still selling well, those over \$800k are not moving in Eastview. If a buyer has to pay more than \$800,000, the buyer can find a better and larger home in Torrance, or a house in other parts of RPV by paying a little more. These two reasons, more sales of high-end properties and less sales of low-end listings, are pushing up the median price. Therefore, it is difficult to say if individual property prices of the main price ranges (\$1 mil. to \$1.5 mil) has been increasing so much. In west RPV, just below \$1 million is the best selling price range right now.

It is surprising to see so many cash purchases. Cash buyers are not limited to foreigners or investors; quite a few home buyers are also paying in cash.

We believe strong sales will continue into August this year.

## Purchase Offer with Escalation Clause?

An escalation clause (relative bid) attached to an offer is not a new thing; it happens when competitions among buyers heat up. We have seen them before 2008 and now started hearing about them again. An example should explain well: "The Purchase Price shall be \$1,000 higher than any other offer."

Is it legal? In a recent court case, the judge stated: "A relative bid may be valid, but only where a party expressly solicits relative bids or such bidding is objectively reasonable as being customary in a particular trade or industry." This statement would not help us to determine its enforceability. In short, it is a gray area and it depends upon other factors. Beyond its enforceability, there are many questions over such practice. The final price may become so high that is beyond the winning buyer's financial ability. While it is likely to happen as a response to multiple counter offers, it also happens with an initial offer. The highest bid may have other undesirable terms, including buyer's financial ability. How to verify the highest bid is another issue for the buyer. Seller can simply make multiple counter offers denying such clause; and the buyer with the escalation clause has difficulty to set the best and final price unless Seller discloses the current highest price.

From Seller's point of view, selecting a buyer with an escalation clause may expose the seller to risk of legal claims by other bidders for unfair treatment. Disclosing prices and other terms and conditions is not considered illegal; however, few listing agents dare to do so. If bidders get an impression that the seller is unfairly instigating competition with greed, some buyers may become upset and exit (We have experienced such cases). Certain sellers are suspicious about buyers with an escalation clause, being concerned about what kind of demand will come from such buyer during escrow.

Real estate agents are advised by the Realtor Association that they caution buyers who want to include an escalation clause in their offer; and such clause be written by buyer's own legal counsel, not by the agent.

## 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. 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.

Request: [properties14@rockyfield.com](mailto:properties14@rockyfield.com)



## SELECTED LISTINGS

Please Contact

Rockyfield

A: Active S: Sold B: Backup P: Pending  
Prices in '000s. Source: MLS (as of 07/16/14)