



# Rockyfield Newsletter

## US Economy & Housing Market

Bank of Japan surprised the international markets with its bold quantitative easing, resulting in a sharp fall of the Yen and a huge jump of stock prices. However, it is questionable if the cheaper Yen would rescue the chronically ailing Japanese economy. Except autos, Japan has lost in electronics and other consumer goods on the world markets. Industrial product exports will not quickly respond to the foreign exchange rates. Yen's depreciation only boosts corporate profits without real increases in volume. Besides, consumption (demand) is either mediocre or depressed in most countries. With quantitative easing on top of the "zero" interest rate, money stock will be circling within the financial market; it will not help Japanese people who typically have little debt to consume more. Cheap Yen rather hurts consumers with higher import prices.

In the US, according to the WSJ's analysis, while profit gains have generally been solid, many large companies are posting weak sales growth or outright year-over-year revenue declines, causing worries about their long-term growth prospects. Their unusually large profit margins seem to be driven by share buybacks and cost-cutting efforts, not by real increases in business. The recent rise of the US dollar is also a negative factor.

Employment has been over the 200,000 mark every month; at this stage of recovery however, the growth should be accelerated. In fact, the last employment figures disappointed the market. Mediocre sales increases seem to be the reason; businesses are busy cutting costs rather than expanding to deal with increasing sales.

Corporate sales growth has been tepid because consumption is not growing; that is because household income is not increasing enough and prospect for future income is bleak. In fact, median income (inflation adjusted) is still \$2100 less than income in 2009 and \$3600 less than 2001. While widened income disparity, education and tax reform must be tackled in the long-run, we need short-term measures to

## *Heated Market Normalized; Still Very Active*

### Psychological Effects (?)

You may have seen "How to prepare your house for successful selling" in many newspapers or realtor newsletters. Suggestions are usually "the same old stuff." Being active in real estate for many years, we have experienced many factors that cannot be reasonably explained.

Of course, all sellers "want" to sell; yet their seriousness may vary. We had a seller who did not want to even have showings, let alone signs or open house. The reason why it does not sell is clear in this extreme case; there are quite a few sellers who have reservation or hesitation to sell their homes. Some say: "It is OK if does not sell." Some sellers have a mindset: "I have to sell although I do not want to sell." Often there is difference in temperatures between the husband and wife. In any case, when seller's mindset is frail, good offers do not seem to come in. "Sale or lease" listings are often unsuccessful in part for the same reason. We often hear "The first offer is the best offer." While it is not necessarily true, we tend to receive good offers during the first week of the listing because, right after the listing, almost every seller is anxious and focused. After the initial enthusiasm is over, their minds start wondering. Then sellers' eagerness returns when they start preparing for the new life elsewhere. It is then almost magical that good offers start coming in again.

Buyers, who are having difficulty to find a suitable house, may make an offer to a property that has been on the market for months, hoping for a discount, only to find the seller has just received other offer(s). It really happens very often.

boost consumption. It is a pity that little can be expected under today's political environment. We should also learn a lesson from the FRB's easy money policy that boosted the stock and commodity market but has failed to revive consumption.

### Palos Verdes Housing Market

The market inventory of single family residence (SFR), which dipped below 180 in mid October, increased again over 190 in part due to fewer sales. During the past few weeks, new listings are relatively modest in numbers, while sales have been good (about 15 a week). The market inventory is now getting close to 180. The market is unusually active for November.

Prices started receding in early August, and recovering in late September. It is still at the levels before August, and about 5% short of the peak in early May. It is questionable if this upward trend will continue because of the seasonal factors. The recent sharp drop of interest rates pushed down the 30 year mortgage rate as low as 3.75%. Though it was temporary, rates are still historically low, shoring up the housing price recovery. Due to the poor world economies, sharp rise in rates is unlikely; however, it is also unlikely for rates to go down any further. Given the shrunk market size and rate movements, prices may level off around this price level (median escrow price \$1,400,000). A further increase in price may encourage many potential sellers to come on the already contracted market. Please note that price statistics are unreliable between mid December to early January.

If consumption grows faster, corporate sales increase, employment improves and eventually wages will follow. Household income is the key for the housing market in spring 2015. It may not be as good as this year for the housing market.

October closed sales were 60; both average and median prices dropped sharply from September. The median price was \$1,157,500.

The townhome market suddenly reinvigorated, while the condominium market continues to be anemic.

## Postponement of Property Taxes for Senior and Disabled Citizens

This law revives a modified version of a similar law that expired in 2009 which allowed income-eligible seniors and disabled citizens to defer payment of their property taxes. Senior and disabled citizens may file a claim with the Controller to postpone the payment of ad valorem property taxes if household income does not exceed specified amounts. The Controller, upon approval of the claim, may either make a payment directly to the county tax collector, or issue the claimant a certificate of eligibility that constitutes a written promise of the state to pay the amount specified on the certificate. All sums paid by the Controller for postponed property taxes are to be secured by a lien in favor of the State of California with limited priority equal to that of a judgment lien.

The Controller may accept applications for postponement under the program as of July 1, 2016.

This bill would limit the household income amount of a claimant to \$35,500 and would exclude losses and nonexpenses from "income" for purposes of these provisions. This bill would also exclude mobilehomes and houseboats.

### Property tax exclusion for solar energy system is extended

This law extends a solar tax exemption for new active solar energy systems until 2025. An existing law, set to expire in 2017, bars property tax increases based upon the construction or addition of a solar system. (Without this exemption, such an improvement would add value to the property and thus result in an increase in the property taxes assessed.)

California Solar Initiative (CSI)'s rebates are still available.

<http://www.gosolarcalifornia.ca.gov/>

## 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, bathtub repairman, rain gutter installer 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

A: Active S: Sold B: Backup P: Pending  
Prices in '000s. Source: MLS (as of 11/17/14)