



Rockyfield Newsletter

US Economy & Housing Market

The dark shadow casting over the otherwise robust recovery of the US economy is the uncertainty in Europe, especially those Euro currency economies. Our 4th quarter GDP grew 2.6%, much smaller than expected; however, it is not as bad as it looks: 1) reaction to the previous 5% growth; 2) negative net exports due to the stronger dollar; 3) positively, the lagging consumption jumped 4.4%. Increased consumption means larger corporate sales, which require more workers, eventually leading to recovery in wages. Increased household income supports strong economic growth (including housing), and also helps ailing and deflationary international economies.

Tension is rising in Europe as the leftists won the general election in Greece. The German finance minister immediately issued a warning against default on Greece's foreign debts. Greece's departure from the Euro currency has suddenly become realistic. I was in the UK in 1999, and predicted: "Euro will collapse when inflation or severe recession comes" because of the large disparity in productivities, different taxes, invisible cultural and language barriers among Euro nations. In short, there were too many things that should have preceded the currency integration.

Given that the 25% unemployment (same as Great Depression) and also that EU's financial aid monies only circulate back to pay for interests and repayments of borrowings without helping their economy, Greeks were desperate and it was no surprise that the leftists won. If Greece leaves the Euro, Drachma would plummet and so would their living standard. Meanwhile, tourism income could soar, and sooner or later, foreign capitals would begin flowing into Greece: fundamental structural solution would become possible. However, Greece has large foreign debts, and its default will rattle the European and international financial system. The European economy is already deflationary and very weak. Debt re-scheduling is already on the table, but the real question is if the

Buyers Already Very Active

Very Active High-End Market

We have been reporting that the high-end segment of the PV housing market has been very strong since last year. The actual number amazes us. The table below shows how many properties over \$5 mil. and \$10 mil. were sold last year. Two trends are clear from this table.

	5m	10m
2000		1
2006	10	1
2007	11	1
2008	11	
2009	8	
2010	4	
2011	8	
2012	7	
2013	9	
2014	18	2
2015	2	1

Chinese names with no indication if they were from China. Sales of houses over \$10 million are rare; 2 were sold last year and one closed in early January that was listed at \$15 million and sold for \$15.55 million all in cash. In general, properties over \$3 million have been selling very well and we expect this trend will continue.

The excess liquidity in the financial market has been boosting commodity/stock market, and corporate profit without matching sale increases. The income disparity is widening in part because the wealthy are not spending enough. As the economic growth becomes clear, the high-end property market is expected to further prosper.

First, the effect of the great recession has been little on the high-end sales. Second, sales doubled in 2014. Since 2014, 12 out of 19 were cash purchases! Many people speculate that they were Chinese buyers; however, we found only 5

EU governments and financial institutions have any room to swallow write offs.

International monies are buying into US Treasuries, keeping the interest rates at historically low levels. This trend seems to continue for the time being, and the housing market would benefit from it.

Palos Verdes Housing Market

The market inventory usually soars in January as many returning and new listings come on the market; however, listings have been modest so far while demand has been strong despite a lackluster week or two. As a result, the market inventory is rather decreasing this year. In the meantime, the median escrow price is soaring over \$1.5 million as a result of many sales of expensive houses. Potential sellers may rush to the market as they can see higher prices. Our "Trend Analysis" graphs are updated every Sunday.

We have recently noticed a few listings are unreasonably overpriced, especially among those listed by out-of-area agents. The properties, which remained unsold since last year, now have to compete with fresh-looking new listings, and may be forced to accept a substantial price cut to attract buyers. Some sellers who come on the market in early February may think: "I am not in a hurry. If there is a buyer who pays this price, that will be great; otherwise, I will wait until the market price catches up." We disagree. The seller should not list his/her house until the market price moves up to their acceptable levels. The high-end properties have few buyers with little seasonality. There is no need to wait for the "right" time.

As the market price may become out of reach for many buyers, and more sellers may jump into the market, we expect to see imbalance in the supply-demand condition. It is unlikely that prices will continue rising. And "more sales" means more sales of lower priced properties, which means the lower statistical market price (average or median). We may see a temporary and small dip in late February.

The townhome market has been good and even better now.

New Purchase Agreement (1)

Major changes were made late last year to the Residential Purchase Agreement (RPA), with which a buyer makes an offer. There have been no publication that provides comprehensive explanations of these changes and the reasoning behind them; many agents seem to be confused and uncertain about how to deal with a few items.

Number one question is about termite. Termite inspection and remediation used to be agreed with an offer as to the costs and responsible party. Now the RPA is designed in a way that termite will be handled through repair requests during escrow. In fact, the new Repair Request form contains who and how to handle termite matters. We, as well as other brokers, request Seller to be responsible for termite inspection and required work on the RPA to avoid future disagreement.

Certain disclosures used to be defined as attachments to the RPA; now the RPA does not make them as parts of the agreement, while the legal requirements were provided. We believe this change was to avoid unnecessary delays caused by "go-with-the-book" lenders who require submissions of these disclosures. And the change in the termite handling is likely to be for the same purpose.

Default loan contingency period is now extended to 21 days from unrealistic 17 days. Even though buyer could choose any number of days, just because it was the default number, many listing agents demanded 17 days, and in reality, many buyers no longer remove the loan contingency at all.

Another major change is about excluded and included personal properties which often become an emotional dispute between Seller and Buyer. The new form provides a big space to specify in details what to be included and excluded. However, in our view, the major source of disputes is change of mind or situation. We are afraid that it would be ineffective, or make it worse.

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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Investor needed for Income property?

Wisburn area attracts many people who work in the surrounding area of LAX because it has excellent schools, and is much cheaper than Manhattan Beach or El Segundo. As the Wisburn High School is slated to open in 2017, the property prices are on the rise. Demand for both lease and purchase is very strong. This income property (single family house) has 3 bedrms, 1 bath, 1086sf. The current lease expires on Nov. 30, 2015 and the current rent is \$2400. The owner has moved to San Diego and plans to buy a new home there. However, the owner has not made the final decision. If you are interested in purchasing property with tenant, please contact us.

For more information, please contact us. Because it is tenant occupied, we cannot show the property; we have pictures available for potential buyers with genuine interest.



SELECTED LISTINGS

Please Contact Rockyfield

A: Active S: Sold B: Backup P: Pending
Prices in '000s. Source: MLS (as of 02/06/15)