



Rockyfield Newsletter

US Economy & Housing Market

October non-farm payroll came out as 271,000, far greater than the consensus 190,000, stirring concerns over the FRB's rate hike in December. The current FRB's target FF rate is a range between zero and 0.25%. We expect the FRB will set a specific number this time. If it is from 0.25%, the new rate would be 0.50%. The Federal Fund rate is the overnight rate when one bank borrows from another bank to balance the day's account. It is not the FRB's direct rate; it manages the rate through market operations (buys and sells papers). The zero interest rate is an undesirable monetary policy, and it should be raised in a measured manner to restore the FRB's tools. It should not affect the real economy so much; it rather reveals today's financial market structure.

The purpose of the financial market is supposed to provide capital to the real economy (businesses). The liberalization of the financial regulations during the past 30 years and the advent of financial products like futures and options have transformed the financial market to be independent. Under the zero interest policy, markets are driven by borrowed money, creating unproductive circulations of money within the financial market, without flowing out to the real economy. The stock market can rise with bad economic news, indicating the market is more sensitive to interest rates than the real economy.

In the classic economic theory, "saving equals investment." Non-financial investments are considered to contribute better to the economic growth with less inflationary consequences. How to increase business investments is the top priority for conservative economists. Given more disposable income, the poor will spend all while the rich will save (invest) more. However, the saving= investment theory assumes a "closed economy." If invested overseas, or invested in financial products without providing capital to the economy, more saving will not help the economy.

The wage increase in October is meager, given the wage stagnation in the past years,

Prices Stabilizes While Oversupply Worsens

2016 PV Housing Market

We finally have the budget for the first time in 5 years, eliminating the risk of the US technical default due to the debt ceiling fight and government shut down for the next two years. Worries over another international financial and economic crisis have been eased, and some optimism for the next spring season has resurged. The demand-supply condition has deteriorated since August; we have more inventory, less in escrow, and little hope for the rest of the year. The housing market usually becomes very active between March and June every year. However, we are likely to start the New Year with a bad market condition. We list a few facts below that may help forecast for the New Year's housing market.

- Mortgage rates are at historical low, and such super low rates are expected to continue at least for the first half of next year.
- There are still many buyers and the potential demand will continue to be strong.
- Middle-class household income is still stagnating. Financial abilities of the buyers for properties below \$1.5 million have started having difficulty in keeping up with the housing price increases. Prices are still too high for them after the recent price decreases. And household income is unlikely to greatly rise.
- New listings have kept coming in large numbers again this year. It seems there are still so many potential sellers who are waiting for the next spring season.

Summing up these factors, we expect seesaw games between prices and sales volume though the number of transactions may substantially increase next spring. There will be many small peaks and troughs. Sellers need to keep a close watch on the dynamic market changes, and micro manage their marketing strategies. High-end market will continue to be active and sell well for the foreseeable future.

and would not precipitate inflation. A cautious and measured rate hike will rather appease the concerns for the future inflation. So, it is unlikely that long-term rates, including 30 year mortgage rates, will substantially go up; the reaction to the rate hike should be limited.

Palos Verdes Housing Market

After the heavy slump in September, the market showed some life in early October. However, the PV housing market activities started slipping in the latter half of October, and became dormant in early November. The market price began declining in early October, reflecting the September slump. Please note that price movements lag behind the market conditions.

While the market inventory of single family homes has been hovering around 200 since mid-September, listings in escrow started sharply decreasing in October due to the combination of slumping sales and a number of closing. The gap between active and in-escrow listings has been exceeding 110 during the past few weeks. This dire situation is more acute in RPV along PV Dr. East and South. Los Verdes is also hard hit. Prices have started recovering amid the declining sales in late October because expensive properties are less susceptible to the general market condition, contributing to higher median prices.

Thanksgiving is just around the corner; we are entering the holiday season. This over-supply condition is likely to continue until late January. However, good or desirable properties, especially with great view, are still selling well if priced reasonably. Under the circumstances, sellers should be modest about the price. Listings with no view that are not remodeled may stay on the market for a long time unless its price is cut. The sellers' market until July has been totally reversed.

Closed sales of single family homes in October were 68, 8 more than a year ago. Both average and median prices were up.

The townhouse market which had been steady for so long finally started showing some weakness, following the slump of the single family home sales.

Transfer Death Deed to Avoid Probate

Transfer on Death Deed with Named Beneficiary (TOD) allows a homeowner to transfer to a named beneficiary a residential real property upon the owner's death without a probate proceeding until January 1, 2021. Existing law provides that a person may pass real property to a beneficiary at death by various methods including by will, intestate succession, trust, and titling the property in joint tenancy or community property with right of survivorship, among others. This law applies only to:

- Residential one to four unit properties,
- Condominium units and
- Single tract agricultural land (40 acres or less) improved with a single-family residence.

The revocable TOD deed must be signed, dated and acknowledged before a notary public, and must be recorded within 60 days after execution. During the owner's life, the deed does not affect his or her ownership rights. There are three ways to revoke this deed: 1) complete, have notarized and record a revocation form; 2) create, have notarized, and record a new TOD; 3) sell or give away the property, or transfer it to a trust, before your death and record the deed. A TOD cannot be revoked by will.

The law may void a revocable TOD deed if, at the time of the owner's death, the property is titled in joint tenancy or as community property with right of survivorship. This law also establishes a process for contesting the transfer of real property by a revocable TOD deed. One remarkable aspect of this law is the list of statutory Frequently Asked Questions (FAQ) that must be part of the TOD deed. In other words, the TOD deed is not merely a single sheet of paper indicating transfer but also includes a 24-question FAQ on subsequent pages which provides a clear explanation of all facets of the TOD deed and other issues affecting transfer of real property upon death.

(This is a summary of California Association of Realtors publication, and we do not guarantee the accuracy or completeness of this column. Please consult with a legal counsel before taking any actions.)

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(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

Free weekly market information

We can provide a free weekly update of the housing market in your area, including graphs. Please contact us via e-mail with your property address. The list below does not include many listings.

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.



SELECTED LISTINGS

Please contact

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A: Active B: Backup P: Pending S: Sold
Prices in '000s. Source: MLS (as of 11/11/15)