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# Rockyfield Newsletter

## US Economy & Housing Market

The election is finally over! During the campaign season, candidates emphasized more on benefits for voters than how to deal with the growing deficit. Even without spending growth, interests will continue adding to our debts. Political rhetoric always hides the truths about the US debt: The US Treasury debt plays an imperative role in the global financial market as reserves for governments and private entities, and base for various interest rates. Eliminating the US debt will cause a dysfunction in the global financial markets. The current public debt is 3.2% of our GDP, and the total debt is 105% (72% domestic), compared to Japan (243%), Germany (70%) and UK (89%). While no consensus exists for the right amount of debt, it should not keep growing.

The surplus cannot be achieved by curtailment of spending only. Increased revenue by a strong economic growth can. The progressive marginal tax rates (higher rates for higher portions of income) will help while a flat rate tax is less effective due to the natural deficit growth. On the spending side, there are automatic spending mechanisms like unemployment and other benefit programs that increase during a recession and decrease in a good economy. Therefore, the economic growth is the key to tame the deficit.

However, what would politicians do when they have surplus or even reduced deficit? Republicans cut taxes and Democrats boost spending. We now have a good economic recovery and shrinking debt. Interest rates are still extremely low and no sign of inflation is in sight, which could change dramatically when the economic growth accelerates. This is the time to focus on reducing the debt rather than spending or tax cuts. Tax revenue would be zero under either 100% or 0% tax rate. So, there should be an optimal rate that maximizes the revenue though no one knows it. When Reagan cut the taxes, the highest marginal rate was 70%. But, the recent history indicates minor tax rate increases boosted the revenue. Handouts are

## Recovery under uncertainty

### Property Tax Postponement Program

The State Controller's Property Tax Postponement (PTP) Program returned in 2016 after being suspended by the Legislature in 2009. The program allows homeowners who are seniors, are blind, or have a disability to defer current-year property taxes on their principal residence if they meet certain criteria including 40 percent equity in the home and an annual household income of \$35,500 or less.

To be eligible for PTP, you must:

- Be at least 62, be blind or have a disability;
- Own and occupy the home as your primary residence;
- Have a total household income of \$35,500 or less;
- Have at least 40 percent equity in the property; and
- Other requirements.

The interest rate for PTP is 7% per year. Funding is limited, and applications will be processed on a first-come, first-served basis. Only current-year property taxes are eligible for postponement.

Repayment becomes due when the homeowner:

- Moves or sells the property;
- Transfers title;
- Defaults on a senior lien;
- Refinances;
- Dies; or
- Chooses to obtain a reverse mortgage.

The application form is available as of September 2016. We can send you the form (PDF) upon request.

ineffective to help the economy while spending for investments (typically infrastructure) can be good for the economy as they improve the economic efficiency.

## Palos Verdes Housing Market

The housing market made a robust recovery from the September slump. Since the start of this year, the inventory, in-escrow listings and median escrow price were all worse than a year ago. Finally in October, these numbers are better than last year. New listings have been modest while sales have been steady. The inventory of single family homes which was over 240 in late August is now 180. The escrow/active ratio has restored 50%. The median escrow price is down a little after sharply bouncing back in October from the September bottom. Although the inventory is declining faster than expected, we are entering the off-season. The inventory may persist with decreased sales. If it becomes below 120 by the year end, there is hope for the next spring selling season.

October closed sale increased to 53 from 39 in September; still low for October. Total sales for 2016 will be substantially below 2015 sales (709). The average price was \$1,690,000 and the median price was \$1,375,000 in October. Year to October, the average price is down 2%; the median price is up 1.6%.

It was a great relief that the financial market recovered and soared after the initial sharp drop precipitated by Mr. Trump's victory. A sharp drop in stock prices could erode buyers' cash position, and force down the housing prices.

As how the new Trump economic policy would shape up is totally uncertain, we are not sure how the economy will be next year. Republicans who are the majority in both chambers are expected to restore the Bush tax cuts and dramatically reduce corporate tax rates. However, the Republican Party is pro free trade and Mr. Trump is a protectionist. Our take is: actual policy will greatly differ from what was promised during the campaign.

## Curb Appeal - Landscaping

Everyone would agree that Curb Appeal is extremely important; it is a pride of ownership; it is the crucial first impression buyers perceive. National Association of Realtors (NAR) conducted a research on outdoor projects over the summer of 2016 with respect to their value, owners' satisfaction, appeal to buyers and recovery on costs.

- REALTORS® ranked a standard lawn care program as the number one project that appeals to buyers. REALTORS® also estimated that lawn care would recover 303 percent of the cost estimated by landscape professionals.
- Upgrading the landscape with seed lawn had the highest cost recovery of 417 percent, followed by a standard lawn care program (303 percent) and upgrading the landscape with sod lawn (143 percent).
- An overall landscape upgrade, new patio, new deck, and softscape upgrade all rendered roughly 100 percent in cost recovery and each project received a Joy Score of 9.6 or higher.
- A new pool received the highest Joy Score of 10, but REALTORS® estimate that it would only recover 50 percent of the costs. There are many buyers who hate pools. Unfortunately, we are still in the drought. High return items: standard lawn care, seeding lawn and new sod require lots of water. It is a catch 22 for homeowners in California. Artificial lawn is too expensive and lawn alternative will not recover the cost either.

This research does not take the time for landscaping into consideration. For the owner's own satisfaction, artificial lawn or lawn alternatives may be considered. For the purposes of selling the house, bearing higher water costs and reviving the lawn may be the best. You will need to cover seeds with soil to prevent birds from eating them.

## 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#



## Rockyfield contacts

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## 2.5 Acre Vacant Lot with Spectacular View

The whole Catalina Island spreads in front of you. It is extremely rare in Palos Verdes: 2.5 acre with all utilities coming in or close to the entrance; geological and engineering surveys were done and the owner once got RPV city approval (already expired) for a 4000sf house. The current price is attractively \$1,000,000. A great opportunity to build your dream home. Text Catarina 310-365-6309.

## Lease: 4 bedroom 1900sf home with ocean view

It is located near Trump golf course; just south of Ladera Linda park. This Sea View community is secluded from urban hustles and noise. Enjoy the view of Catalina Island. Unlike general perception, this location is convenient to Harbor Freeway, Torrance via Western Ave, shopping at Western and 25th, or Golden Cove where Trader Joe's is located. Contact: Catarina 310-365-6309



## SELECTED LISTINGS

Please see

Attached sheet

A: Active U: Contracted P: Pending S: Sold  
Prices in '000s. Source: MLS (as of 11/11/16)