



Rockyfield Newsletter

US Economy & Housing Market

After the disappointing number in December, January non-farm payroll figure was far short of the market expectations. However, other economic indices have been positive; the ADP's private employment estimates showed very large numbers for two months in a row; productivity is running quite high, meaning that employers are running expanded business without adding workers. We believe employment will continue improving for the coming months, maybe at somewhat more accelerated pace. The lagging employment is attributable to large cuts by state and local governments and corporations' hesitance with domestic business investments. Consumption (sales) must increase for business to hire more workers; in turn, better employment condition is necessary for consumption to grow. This circular relationship must be broken.

Since local governments' financial crisis would not ease until their revenues (income/sales taxes) recover by increases of corporate and individual income, and until the real estate market recovers, especially in price, to boost property taxes, employment by local governments cannot be expected for years.

Although many housing markets have started recovering in prime areas, such recovery has been helped by depressed prices. Improvement in employment is imperative for housing prices to recover. Due to the gigantic pool of liquidity in the financial market, the economic recovery stirs inflation fears, pushing up interest rates even in absence of actual inflation. Higher rates always have negative effects on the housing market, and improved employment and individual income can overcome higher rates. As housing prices recover, many homeowners will be able to refinance or sell without short pays. It will eventually create a positive circle.

Another key to the economic and employment recovery is small businesses. SBA loans have been bogged down by bureaucracy; healthcare costs are ever rising;

Prices Rebound Brisk Sales Season Starts?

New Fashion: Sauna

A WSJ's recent article reported that Saunas are gaining popularity in American homes. Dealers are selling 40-50% more saunas this year.

We see saunas in high priced homes in Palos Verdes. More homeowners are soon converting closets, bathrooms, basements and a part of pool houses or sheds into saunas in place of whirlpools.

Today's saunas are not necessarily for family use only; some people are inviting guests to their home saunas for just a get-together, party or even business meeting. Sauna is known for its health benefit and relaxation. Hesitant guests soon warm up (literally) and pleasant conversation will take place in a very cozy relaxed atmosphere. Cold beers or beverages will delight everyone afterwards.

There seem to be two major reasons for the gaining popularity of saunas: health concerns over whirlpools with water contaminated by microbial growth; and the cost, perhaps the number one reason. The cost of a sauna is typically from \$5,000 to just over \$10,000. There is no need for new plumbing like spas that could cost more money. Prefabricated DIY sauna units are also available although it may still require preframed walls. Infrared sauna with heaters built into the walls offer much cheaper prices, as little as \$2,000. In 2008, the Consumer Product Safety Commission recalled and reported fire incidents. However, technology has improved since then, and the high quality infrared saunas seem to be OK.

venture capitals are still scarce. Meanwhile, the new requirement for 1099 even for payments to corporations will kill small business with paperwork nightmare.

Palos Verdes Housing Market

Sales of single family homes in Palos Verdes are accelerating in February while new listings are also coming on the market in large numbers, sending the market inventory above 200 again. As the number of listings in escrow has been showing a healthy growth, we can say, the market size is increasing. More importantly, the market price, which dipped in October, then leveled, and started steady declines in early December, finally stopped falling and increased for three weeks in a row. We are now convinced that the market price has bottomed out and turned upward. The market price is down almost 20% from April last year; we are still unsure it will recover and surpass the last year's peak. Recent brisk sales are mostly in lower price ranges below \$900,000; however, sales in the mid and high price ranges are also increasing during the recent weeks, resulting in the higher market price. We feel with confidence: "It is definitely getting better."

Of course, due to the rising interest rates, we cannot expect rapid price increases. Movements of rates affect more than their levels. When rates are rising, refinancing borrowers may rush with fears of even higher rates; however, buyers' ability to pay the monthly mortgage is limited, and higher rates will force them to consider houses with lower prices or even stop buying until their incomes increase.

Nonetheless, we are expecting with stronger hopes that the PV housing market will continue improving and create a mini boom in the coming months. The real question is WHEN. We are hoping that it will start happening in March.

January closed sales were 38, quite large for the month. Reflecting the price decline in December, both average and median prices were substantially down. The sales numbers should be good for February, too.

2011 Fed Tax Credits For Consumer Energy Efficiency

The federal tax credits for energy efficiency which expired last year have been extended at lower levels.

- (1): 10% of the cost up to \$500 or a specific amount from \$50-\$300. Expires: Dec. 31, 2011. Must be an existing home & your principal residence; New construction and rentals do not qualify.
Included are: Biomass stoves; Heating, ventilating, air conditioning (HVAC); Insulation; Roofs (metal & asphalt); Water heaters (non-solar); Windows & doors.
 - (2): 30% of the cost with no upper limit. Expires: Dec. 31, 2016. Must be existing homes & new construction. Both principal residences and second homes qualify, but rentals do not.
Included are: Geothermal heat pumps; Small wind turbines (residential); Solar energy systems.
 - (3): 30% of the cost, up to \$500 per 0.5 kW of power capacity. Expires: Dec. 31, 2016. Existing homes and new construction qualify. Must be your principal residence. Rentals and second homes do not qualify.
Fuel cells (residential fuel cell and microturbine system)
- (Not all ENERGY STAR products qualify for a tax credit.)

State of California offers attractive support for solar systems.
<http://www.gosolarcalifornia.ca.gov/csi/index.php>

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, electrician, gardener or contractor, we will 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. If you have no plan to sell your home, please say so when you contact us.

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 LISTING SAMPLES

For listing information

Please contact

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A: Active S: Sold B: Backup P: Pending
Prices in '000s. Source: MLS (as of 02/16/11)