



Rockyfield Newsletter

US Economy & Housing Market

Concerns about the second dip in the economy surfaced after the disappointing non-farm payroll number: 54,000, a far cry from the market expectations. The highest public sector job losses, Japanese parts shortages and employers' worry over consumption due to higher energy prices were cited as main reasons. Lagging components in the economy are housing and consumption, both of which depend on employment. Though unlikely, the political fight over the debt ceiling is also making employers nervous and cautious about hiring. Moody's has already warned that it would review US debt rating.

It is frightening that many people simply do not have a clear idea of the possible consequences if the debt ceiling fails to be increased and the US defaults on its debts. If people understand the true nature of this issue, politicians will never play with it. The US dollar is the world currency for trades and financial settlements; the US Treasuries (bills/notes/bonds) are crucial means of many countries' reserves and temporary investments by financial institutions. The US Treasuries are second to none in terms of safety and liquidity; their default will instantly cause world-wide money crunch across all currencies and failures of many banks; no money available for corporations from banks or markets. All markets, stock and other financial, will crush with no transactions possible. These consequences will be far beyond the 2008 meltdown and could be long lasting. While the probability that the debt ceiling increase fails may be almost zero, the mere existence of such worry is significant, maybe contributing to the continued strength of the gold market.

Washington seems to be preoccupied with debts and spending cuts. As Bernanke stated, the deficit is a long-term issue and should be dealt by a solid long-term plan. The economy has just started recovering. Focus on the housing market and jobs is more desirable. The government should concentrate its efforts on

Still No Sign of New Listings to Slow

Raise Interest Rates?

Kansas City FRB president said it is time to raise interest rates to avoid causing inflation and economic problems and we should learn lessons from the last decade when low interest rates ended up discouraging savings. Despite the recession after the dot com burst, consumers kept their lavish life style by borrowing (especially refinancing home loans) with increasingly risky loans, resulting in the 2008 financial meltdown. Higher leverages as in any investments signify volatility over the market fluctuation. The same goes for the economy; higher consumer debts mean larger fluctuations in consumption: for stable economic growth, higher consumer saving is preferred. Higher rates may cause more harm than good because the US economy is debt ridden from governments to consumers. In the long run, as the monetarist theory goes, stable money supply and higher saving rate will lessen the economic cycles.

Japan needs higher rates. The frozen consumer spending is the major cause of the two decade long recession/zero growth. The Japanese individual financial assets are estimated to be \$15 trillion. A 1% increase means \$150 billion for individual income. If the actual increase in household income is assumed to be 1/3, it is still \$50 billion. That would be a good boost.

If the value derived from comparable properties sold (closed) between Jan. 1 and March 31 is below your home's assessed value, you may claim to reduce your property tax. The form is available now, and you can process everything on-line. We will be happy to assist you.

mortgage loans under water with government funds as the housing market recovery will benefit all homeowners.

Palos Verdes Housing Market

We have been reporting the huge new listing rush for a while; however, there is no sign of letting up. The inventory of single family homes in PV has reached 285. Sales, which are still going well, cannot catch up. Between May 10 and June 9, 103 new listings have come on the market. Sales in PV never reached 100 in any month since July of 2002. Due to this oversupply condition, prices are stagnating and weak. We hope that the surging new listing rush during the recent few weeks is just because many sellers want to sell before summer when the market usually becomes smaller. As buyers' appetite seems to remain strong, there may be less new listings and prices may go up in late July. In reality, however, we have no idea how many homeowners are waiting in line to sell their homes. We could not anticipate the listing rush to continue this long and our prediction for price recoveries in May and June turned out to be wrong.

Two of our clients have decided to postpone their listings until next year. However, those who are also buying a replacement home should consider this market condition more positively as they have more choices and purchase price will be also low. As to the forecast for the next year, the election year political war may get even nastier, forgetting to deal with real issues; the economy and housing market may be hindered. It should be also noted that Palos Verdes is doing much better than many other housing market.

By areas, northwest areas of RPV continue performing well. By price ranges, \$800,000 to a little over \$1,000,000 are in good condition. Meanwhile, multi-million houses are selling at a steady pace.

May closed sales were 61, a very large number. The average price as \$1481000 and the median price was \$1195000, which is not as much as May 2008, but above 2009 and 2010.

Preparation for Earthquake (2)

We often see a room built on the top of the garage. If the garage door opening is not in line with the rest of the house but is "L" shaped on the side of the house, the garage may need braces or plywood panels around the garage door opening. The large opening of a garage and the weight of a room built over the garage can result in the walls being too weak to withstand earthquakes. If the room was recently built as the original design or added with a permit and later inspection sign off, it is supposed to meet the earthquake standard. If it was built many years ago, or the room was added without permit, you may want to have it inspected by a professional. Just to be safe, you may want to put steel braces or plywood panels on the frames around the garage door opening.

An automatic gas shutoff valve is not required at the time of sale, but some home inspectors may recommend to install one. Any plumber or handyman can install one at a reasonable cost. (A large round device at the gas meter is a regulator, not a shutoff valve.) However, we must caution on two issues: Never install a valve on the side of the gas company line. The gas company will shut off the gas unless the valve is installed on the house line. It is recommended that you remind this point to the handyman. Automatic gas shutoff valves are often very sensitive; large trucks passing by may shut the gas, and you need to press the reset button. In any case, you need to know how to shut the gas. Gas valves are usually located next to the gas meter and you will need a wrench to open or close it.

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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Search properties for sale on the MLS.

visit: www.rockyfield.com

South RPV House for Lease

4262 Dauntless Dr., Rancho Palos Verdes

Rent: \$3,300 per month
4 bedrooms / 2.5 baths, 1909sf

Enjoy relaxing ocean and Catalina view from this bright and airy four-bedroom house with high ceilings and hardwood floors. Grassy backyard and covered patio. The gated RV space can be used for barbecue fun, or simply as an additional parking space. This established community is close to the Trump Golf course and Terranea Resort.



Happy
FATHER'S
DAY

SELECTED LISTING SAMPLES

Please contact

Rockyfield

For listing information

In your area

A: Active S: Sold B: Backup P: Pending
Prices in '000s. Source: MLS (as of 06/09/11)