



Rockyfield Newsletter

US Economy & Housing Market

The European financial crisis has finally swept Italy, and no effective rescue plan has emerged due to its magnitude, especially when leading nations have not recovered from the great recession and their financial capacities are limited. Demise of European banks would be also disastrous for US banks whose capabilities to absorb losses from foreclosures and short sales would further diminish. If the US economy were stronger and recovered earlier, the EU's economies could have been better and able to weather this financial crisis. The financial melt-down in the US caused the world-wide financial crisis. But US financial institutions were not alone, pursuing profit by ignoring risk management and loading up with extremely high leverage (like Lehman's 40:1); European and other banks were not innocent either.

The currency integration (Euro) started in 1999 when differences in tax systems, productivities and wages were large and language and cultural barriers still existed. Weak economies benefited from stability and low interest rates while Germany and other strong economies reduced cheap imports and brought back production to their own countries. However, a few people raised concerns that the Euro would produce serious stress in severe inflation or recession, bringing financial disasters for weak countries. We thought it was wise for the UK to have stayed out of the Euro.

The past international tax cut boom and the great recession following the financial melt-down caused a big hole in tax revenue, which in turn panicked many governments to cut their spending amid the recession, even worsening the deficit and debt crisis. We are in a serious vicious cycle. It is unlikely for the US to rescue Italy. Italy, Greece and others could suffer lower living standard for years.

The US is the only country in the world that can still finance by issuing Treasury bonds despite its large fiscal and trade deficit. A great international depression that can originate in Europe can be avoided by

Market Inventory Sharply Down Prices Still Weak

Banks Positive About Short Sale?

We have come across interesting news reports. Sometimes banks pay compensation, so called "cash for keys" to occupants to move out of the foreclosed homes quickly and cleanly rather than choosing lengthy costly eviction process. This "cash for keys" is extended to short sales.

A couple of years ago when many short sales started popping up, we felt that banks preferred foreclosures over short sales, maybe due to different loss accounting or to simply unfamiliarity. This year, more short sales have been approved in shorter periods of time. Accordingly to RealtyTrac, short sale properties are typically sold 20% below the market price as opposed to bank owned properties with 40% discount. It is clear that banks incur much less losses with short sale than foreclosures. At the time banks recognize that owners have difficulty with loan payments, it is better to sell the property as short sale, saving time, legal and other costs. In fact, the sooner the better, even if banks offer incentives.

The point is: there has been a clear change in banks' attitude toward short sales. Buyers now can make offers for short sale properties with some confidence. We can positively recommend our clients to buy short sale properties. However, there are a few pieces of advice we want to give.

- You cannot expect any repairs by sellers.
- Some banks require a buyer not to sell within 90 days.
- If there are two loans, especially by two different lenders, it will be very difficult to get approval from the second lender.
- Thanks to banks' positive attitude, competition among buyers of short sale properties may sharpen.

strong economic recovery in the US, along with Europe's own effort to avert the further financial disaster.

Palos Verdes Housing Market

The market inventory of single family homes in Palos Verdes began decreasing in mid October and is declining faster in recent weeks. This is largely because the new listing rush, which started in February, finally stopped. The number of sales is keeping its high pace, bringing down the gap between active and in-escrow listings below 130 from 190 in July. While the market inventory is still near 230, we expect the number to be close to 200 as many sellers pull out of the market during the holiday season. The real issue now is the "Price." This year's strong sales have been lead by the houses below \$900,000, keeping the average market price low. While sales are good in number, due to the large inventory, it is still tough for individual sellers who face many competitors. Some sellers are cutting their prices as low priced properties are selling well. The market prices that sharply dipped in September have been crawling at the lowest price level this year. Price movements usually follow the supply-demand condition with a few weeks to more than one month delay. However, at this time of the year, such delay falls during the holiday season. The real price recovery may not happen until next year.

The high price range over \$3 million is doing well, and so are townhouses and condos, though prices of townhouses and condos are capped by the single family house prices.

October closed sales of single family homes was only 39 reflecting the September slump. The average price (\$1289k) and median price (\$975k) are both down.

Just looking at the market trend so far, the rapid improvement in the supply-demand condition is very encouraging, though prices are stagnating. Given the European situation which may result in another recession, it is very difficult to envisage the future of the housing market.

Reduce Property Tax! Deadline is November 30 this year

There are several programs that could reduce your property tax. During the past few years, "Decline-in-value" has been widely utilized due to the depressed housing prices. Basically, if the market price is lower than the assessed value, you may submit petition to reduce the assessed value for your home (or lower property tax). The market price is defined as the value estimated from two similar houses in the area that were closed between Jan. 1 and Mar. 31 of this year. If you have received the reduction during the past couple of years, the County should have automatically re-assessed your home value for 2011. As a result, many people got a further reduction in property tax without taking any action.

If you have not submitted the petition and if you believe your home price (again during the first quarter) is below the assessed value, you will need to make such application by November 30th this year.

There are many predators trying to cash in by offering the filing service for you. The truth is that it is very easy and you can do it by yourself. Just ignore those junk mails and phone calls.

We can help our readers to make the petition, of course, free of charge. The first step will be to determine if there is any chance to get a lower property tax. If you want our assistance, email us your name, property address and the assessed value on this year's property tax bill. As the deadline is close, we will respond quickly.

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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For listing Information

Please Contact

Rockyfield

A: Active S: Sold B: Backup P: Pending
Prices in '000s. Source: MLS (as of 11/13/11)