



Rockyfield Newsletter

US Economy & Housing Market

The one thing liberal and conservative economists can agree is that the US economy is not as robust as it should be. The majority forecast the 2016 growth to be around 2.5% because consumption and capital investments are slow. Despite the improved employment, household income is still stagnating; despite large corporate profits, sales volumes are not growing due to the tepid consumption to justify long-term commitment to capital investment.

The impact of the 0.25% rate hike was short lived. Under today's economic pessimism, it is uncertain if the FRB can go for the next rate hike during the 1st quarter. However, if another recession comes, the FRB has no effective monetary means to shore up the economy. A rate hike would ironically impact the supply via the strong dollar. International uncertainties are also casting dark clouds over our economy.

China may be experiencing the growing pains, going through its adolescent period. Its socio-economic problems include pollutions, geographical disparity, fragile (corrupt) financial system, and these are the ones developed nations have been through; however, it is unknown if the Chinese economy can move on to the next maturity stage under the communist rule.

We still maintain that the Euro zone will sooner or later face another financial crisis. There are many things that should have been unified before the currency. Under either inflation or severe recession, stress among member nations accumulates without a safety release valve (currency exchanges), and eventually burst into a crisis. The UK's possible departure from the EU would be another blow. It is unlikely that Europe can fully recover on their own.

Strong US economic growth will help other countries out of their doldrums. While today's world economic condition negatively affects our economy, the US can create a robust growth by itself.

Different economic policies must be adapted to different circumstances (recession or inflation); there is no such thing like an absolute, universal economic policy.

*Happy
New Year*

Rockyfield Business for 2016

Rockyfield will enter the 15th year of our real estate brokerage business in May. Our sustained efforts with this newsletter, notary service and referrals of handymen and others have begun winning trust of homeowners in Palos Verdes during the recent years. We keep studying and researching the new laws and transaction documents to provide the best possible services and advice to our clients.

Since the inception of Rockyfield business, we have avoided expanding and hiring many agents. We have only three agents. Based on my own corporate CEO experience, I know, we will have to set the profit as our priority if we incorporate Rockyfield with many agents. It is ideal and CEO's responsibility to coordinate three possibly conflicting objectives: management philosophy, profit and value to customers, and produce good synergistic results. In reality, profitability must be the necessary condition for going concerns, often at the expense of the other two.

Under the sole proprietorship, we can conduct our business in our own preferred way to achieve non-profit business objectives. If our customers are happy, profit naturally follows, and satisfied customers will bring future business opportunities.

We also believe, after retiring from corporate life, our business must be enjoyable. We no longer want to do things we do not like for the sake of money. Because we enjoy doing our business, we are happy to provide the extra-mile services, or in other words, to "give first."

Catarina and I will continue making our best efforts so that we will be praised by our clients and win some respect from other brokers. (Y. Anthony Iwata, Broker)

The supply side policy would be effective during steady growth or inflation; a deep recession would require fiscal policy. Given the weak consumption that is curbing capital spending, investments in infrastructure to stimulate consumption is needed, while handing out money is undesirable.

Palos Verdes Housing Market

Sales of single family homes in PV last year were 709, 10% up from 2014 and 4.7% over 2005. Both average (4.1%) and median (5.1%) prices rose, surpassing the peak years, 2006 and 2007. The housing recession is over and we have entered another growth period.

We opened the New Year with similar inventory and in-escrow listings to 2014. Our price measurement: median escrow price tends to move irrationally during the holiday seasons and early January; however, it has been stable around \$1,450,000.

Many listings taken off the market during the holiday season will come back in early January; many sellers who avoided the holidays will come on the market, too. Buyers have already been active, but it takes a while before they decide on a property and reach an agreement. So, the market inventory is expected to sharply rise for the next few weeks and may cause weakness in price. During January, we do not expect significant price increases until purchases begin surpassing new and returning listings, or when the market inventory flattens and begins decreasing.

The mortgage rate only temporarily rose after the rate hike; now the 30 year fixed rate is below 4% again, as the 10 year Treasury Note yield declined. The environment surrounding the housing market is quite favorable.

We reported last year that today's buyer preferred houses which did not require repairs or additional work, even if they had to pay a premium. In Palos Verdes, many of mid-price range buyers are foreigners who are not familiar with DIY. When the market gets hot, this trend may turn around quickly. We also expect less buyers from China this year. For our PV market, there are still many domestic cash buyers.

Smart Glass

Glasses are getting hi-tech, offering smart ways to manage privacy and energy vs. viewing enjoyment. "Smart Glass" has already gained popularity for commercial buildings; and now luxurious homes, especially with ocean views, are adopting these high tech glasses. (Sources: WSJ and manufacturers' website)

Privacy Glass:

Polymer dispersed liquid crystal film between two glass panels becomes transparent when switched on and opaque when switched off. Applications can be endless and it can be used with a motion sensor. The cost of electricity is modest, but the Privacy Glass would cost around \$200/sf. There are size limitations and the glass does not become completely clear. You can do web search and see a few manufacturers.

Mirror/TV:

A mirror becomes a TV when switched on. It can be installed in any rooms, including bathrooms as it is water proof and only 1.3 inch thick. This mirror TV is custom made and the cost would be \$1000 and up, depending on the size, TV quality, and type of frame and decoration.

Sound/Heat Resistant Glass:

Three layers of glass with a special coating will shut the UV, heat and noise. This is ideal for windows of ocean view homes. The cost is about \$22/sf.

Smart Upgrade:

A LC film included in the smart privacy glass can be applied onto existing glass to have the quality of privacy glass: clear when switched on and opaque when switched off. This is a much cheaper option as it costs around \$85/sf.

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, 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 01/12/16)