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Rockyfield Newsletter

US Economy & Housing Market

May employment figure was 38,000 as opposed to the market consensus 158,000. The disappointment pulled down the US treasury yields, and concerns over the US economic future are looming. Economy is always shaped up by a series of reactive counter forces: interest rates went down; the FRB indicated to keep the FF rate; the US dollar depreciated raising hopes for exports. Mortgage rates, which once started rising with concerns over the housing market, also dropped. However, unfavorable employment figures historically tend to be followed by housing sales declines as people are worried about their own jobs.

There are many reasons behind the May employment number. The US economy is still fragile and susceptible to external factors because business investments are still flat and consumption lacks momentum. We cannot deny the risk of the possibility of another economic slowdown.

The May employment figure may be exaggerated due to the strike at Verizon and downstream layoffs. It is also true that the first estimate is often greatly revised. The downward revision for the previous two months may indicate that the US economic growth is losing steam. While it is good that interest rates remain low, the 3-month Treasury bill yield is now lower than the Federal target overnight rate. We have a risk of deflationary trap like Japan and Europe. We know how to deal with inflations and recessions; no one knows how to effectively get out of deflation. Crude oil stockpiles have been decreasing during the recent weeks; the weak dollar sent the oil price higher above \$50 and rising gas prices pour cold water on general consumption.

Under the uncertain international economic environment, the most effective economic policy in the US would be infrastructure investments. In addition to aging roads and bridges, improving power grids and Internet services will support today's businesses with respect to economic/socio efficiency and international competitiveness.

Inventory Swelling Listings/Sales Dwindle

Radon

Recently, an outside-area agent recommended the buyer to do radon inspection here in PV; as a result, the seller ended up giving a large sum of credit.

PV is generally a modest radon gas area. Radon is a naturally occurring colorless, tasteless, and odorless radioactive gas that comes from the decay of uranium found in nearly all soils. It enters buildings from the ground through cracks and openings in concrete slabs, and many other ways. When the pressure within a home is lowered, more radon can be drawn from the soil. It happens during colder months when heated air rises, and in tightly sealed houses through use of exhaust fans. Once inside a building, radon can become trapped. Unless the building is properly ventilated to remove it, the gas can become a health hazard.

Radon is said to be a risk of lung cancer if a person is exposed to radon for at least 20-30 years. Both length and level of exposure are the factors. Smokers have higher risks. Because it takes a long time before symptoms appear, it is difficult to determine the "safe level" of radon exposure. California Dept. of Public Health recommends an action to reduce radon levels if the annual average exceeds 4 picocuries per liter (pCi/L). Radon test kits are available from CDPH's website for \$7.95, and also available for \$15 or less in many stores. Radon mitigation would cost \$2000-\$4000 depending on the size and configuration of the house.

It is unlikely that a buyer would do radon inspection, but if they do and find elevated level of radon, we suggest a seller gives a credit and let the buyer do the mitigation to avoid future liability.

We effectively have two choices only here in PV for Internet service: either fiber optics (not everywhere) or cable. And unless you bundle with TV and telephone, it is quite expensive. Competitions have been suppressed in our economy everywhere.

Palos Verdes Housing Market

Sales (contract) of single family homes in PV were steady at high levels, yet unable to match new listings that exceeded 30 in two weeks in a row, and the market inventory continues rising sharply since March. The monthly average of PV's single family home sales is 60. Thirty per week is not a sustainable number. While new listings calmed under 25 per week toward the end of May, sales started slowing now below 20 per week. There is little room for rates to further go down; price increases in April and May seem to be discouraging sales. However, the tight market condition still exists up to \$1,500,000. Although the median escrow price is gradually decreasing, we see no weakness in price for individual listings. Listings under \$900,000 are not selling this year in traditional volume.

The uncertainty of economic factors surrounding the housing market makes any forecast very difficult. Even a little earlier than last year, the spring selling season seems to be ending in early June. Bad labor statistics may be making buyer cautious. Even though supported by low rates, the median escrow price is slightly but consistently decreasing. We suggest sellers not be too greedy. Because there are many overpriced listings in the market, a modest price can attract many buyers, possibly resulting in a quick sale, receiving multiple offers, and a higher contract price in the end.

It has been also noticed that there are many escrow cancellations due to the buyer's failure to satisfy income to debt ratio as many buyers are stretching to their limit. Buyers' financial strength must be carefully examined beyond a loan approval letter which is computer generated based on unverified buyer's information.

May closed sales totaled a large number: 74. Both average and median price went up 9% and 7% respectively.

Water Conserving Plants and Flowers

Even though the statewide water saving measures have been lifted, we still continue our water saving efforts. We have started seeing artificial lawns. Alternative grasses are usually more expensive. We have mentioned a few options before while we were not a great fan of artificial grass. Apart from the cost, which can be 30 times more than regular sod installation, it gets hot in California summer and pet's urine or drops could create a maintenance problem. However, we now feel, artificial grass can be great for front yard and sidewalk. It enhances the curb appeal too.

You can also consider planting draught tolerant flowers. They are also very beautiful.

California lilac (Ceanothus): This beautiful shrub flowers in late winter/early spring, emits a lovely fragrance, and shows flowers that run from white to purple. The "Concha" variety is prized for its deep blue blossoms. California lilacs grow best on dry, sloping land or in front of any structure that protects them from wind. They also prefer well-drained soil, and they don't do well in clay.

Salvia, heatwave series: These dependable perennials were developed in Australia to withstand extreme weather. As a bonus, they bloom spring through fall, to the delight of hummingbirds and butterflies. Colors include white, pink, and salmon.

There are unexpected plants you should avoid, and Wisteria is one of them. Yes, it's beautiful. But this python-like plant can twist around a tree so tightly it can kill it. The stout stalks of Chinese wisteria — and its cousin, Japanese wisteria (*Wisteria foribunda*) — can grow to more than a foot in diameter, forming a thicket that can smother other plants and collapse arbors. Nineteen states list wisteria as invasive. Yank it from trees, arbors, and pergolas, then spray with a systemic herbicide

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 See

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For Listing Information

A: Active B: Backup P: Pending S: Sold
Prices in '000s. Source: MLS (as of 06/10/16)