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Rockyfield Newsletter

US Economy & Housing Market

With a few COVID-19 vaccines to be available soon, being followed by many, it seems that we can return to normal life during the latter half of 2021. However, for now, the situation across the nation is getting worse, and the economy may stall again. If Pandemic damages become severe, the economy may not be able to recover by itself. And, when we get out of this dark long tunnel, the humongous deficit will weigh on everyone's shoulder. We already have zero interest rates and unprecedented volume of money supply; the Federal Reserve's monetary toolbox is almost empty. With the need to deal with deficit in the future in mind, large fiscal spending to restore the employment and consumption, such as infrastructure investment, will be still necessary.

Even though the FRB keeps the zero interest rate policy, the long-term Treasury yields are already moving upward with fear of future inflation. The question in the financial market is when inflation and high interest rates will happen. Inflationary pressure would begin mounting when capacity utilization exceeds 80%. Before the Pandemic hit, it was about 77%, and plunged to 64% in April. Since July, it has been around 72% and rose to 72.8% in October. The real economic recovery would not happen until COVID-19 is vastly (internationally) contained. Even if the special economic stimulus like infrastructure investment is made, it is unlikely for inflation to materialize soon. However, interest rates can start rising earlier with investors' anticipation for the future.

The 30 year fixed mortgage rate is loosely linked to the 10 year Treasury yield. Interest rates are determined by 3 factors: credit risk, length to maturity and supply-demand. (All of them are affected by speculation for the economic and financial future.) The gigantic government debt since post WWII may cause supply-demand imbalance. With anticipation of inflation as the economy recovers, interest rates may start accelerating upward. The question is WHEN. It depends on how quickly a vast majority of people can be inoculated, and also very importantly, how Congress can cooperate to shore up the economic recovery.

Housing Market Slowing for Holiday Season?

Too Busy Agent

When we are invited for an interview by potential sellers, or buyers, they sometimes ask us how many transactions we have a year. Of course, they do not want to have a novice, inexperienced agent. Those sellers or buyers are typically first-time sellers or buyers. Seasoned customers can tell how knowledgeable and resourceful an agent is through discussing issues. How many transactions an agent has is not necessarily an indicator of how well they will be served.

It really depends on how much time and effort an agent spends on each client. For example, at Rockyfield, two of us always work together, and the maximum number of transactions we can manage simultaneously would be four or 25 a year, including leases. We feel very comfortable with two at a time. When we have too many at the same time, we are often unhappy and frustrated with the quality of service and attention we could provide to each and every active client.

As working as a team is becoming popular in real estate business, some of "star" teams may have 40-50 transactions a year. They are "mass production" agents and typical of newer innovative large corporate brokers. We are recently stunned by a buyer's agent who did not want to attend the occasion when their buyer got the key and opened the house for the first time. It is a very important for an agent to be present for such an occasion. The most critical factor in choosing your agent is if he or she always put your interest first, not the agent's own.

The lower-end housing market will be depressed by resurging job losses in the short run and higher interest rates in the mid-term. Despite being affected by the low-end segment, the high-end housing market can remain active. However, if the capital gain tax rate is raised and 1031 exchange is ended, the housing market in general will be depressed. There will be no chance for the universal exclusion (joint \$500,000) to disappear.

Palos Verdes Housing Market

Dark clouds may be gathering over the almost insane hot single-family home market. We have two major concerns: 1) Increasing mortgage delinquencies. Facing the recent soaring COVID-19 cases, new restrictions on businesses are causing job losses again, and if the special unemployment benefit extension program expires this month, many people would fall behind mortgage payments. It could be Déjà vu of the financial meltdown in 2008. With the previous experience, it can be avoided. However, the political turmoil may bring about the same disaster again; 2) Unreasonably soaring prices in low-priced markets like San Pedro. We have seen such early signs for housing slumps during our 19 years of experience. If another credit crunch happens, it would be difficult to obtain loans, leading to a general housing slump, including high-end.

The recent housing boom originated in "evacuation" to single family homes in less crowded suburbs due to the Pandemic. High income earners from the high-tech industries which are thriving in the Pandemic, have been the driving force of this housing boom, followed by other people thanks to the super low rates.

Every year, both housing volume and prices grow in March to June; however, the housing market dived straight down in March and April this year, and the unbelievable recovery and growth started in July. Given the recent resurgence of COVID-19, we would not be surprised by a slump in spring. How quickly the market can recover depends upon when and how much the Administration and Congress can agree on and effect pandemic support and fiscal investment, assuming we will have vaccine widely available by early summer.

DRE Enforces COVID Showing Rules

In a letter released on October 9, the Enforcement Division of the Department of Real Estate (DRE) reiterated that the health and safety of consumers is a priority, and that complaints regarding non-compliance with the showing protocols have been and will continue to be investigated.

COVID showing protocols (per the COVID-19 Real Estate Guidance or "the Guidance") require that all visitors to a property wear masks, agree to the posted rules of entry and use hand sanitizer. Agents must also clean and disinfect the property and ensure that social distancing and all other COVID showing protocols are adhered to.

The Enforcement Section announced the steps it will take upon receiving information of non-compliance.

1. Attempt to educate the licensee(s) and licensee's responsible broker. It will review the Guidance with the licensee and seek to obtain assurances from the licensee and the licensee's broker for compliance.

2. If a licensee or that licensee's broker continues to operate outside the Guidance, the Department may consider pursuing citations and/or other disciplinary action. The Department also may refer the licensee and the licensee's broker to state or local health and/or law enforcement officials.

The DRE has gone so far as to actually encourage agents to come forward and make complaints.

The Realtor Association also requires COVID rules. For example, all visitors are required to read and sign a form called PEAD which describes the similar guidance before showings.

Open house is basically not allowed. No ads for open houses are possible. As showings can be done with appointments, some agents arrange many appointments on weekends. The issue is that they set up open house signs on the street. If all showings are with appointments, there is no need for signs. They actually hope to have walk-in buyers.

Houses are now selling so fast, and conventional marketing wisdom, including open house, may be becoming irrelevant.

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



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Looking for Panoramic View and Tennis Court

Our buyer is looking for a property with panoramic view and a full size tennis court in Palos Verdes. A combination of those two are unexpectedly hard to find. He is ready to remodel the house.

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

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 even if you have no plan to sell. No strings attached.



SELECTED LISTINGS

Please contact

Rockyfield

For Listing Information

A: Active U: Contracted P: Pending S: Sold
Prices in '000s. Source: MLS (as of 11/30/20)