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# Rockyfield Newsletter

## US Economy & Housing Market

With vaccines becoming available, we hope this Pandemic will be over this year. The economic and financial consequences, however, will take a long time to be overcome. Until COVID-19 is eradicated, any economic stimulus spending will be ineffective; for now, it is crucial to keep people fed and in acceptable shelters. From that point of view, relief checks may be necessary; however, such money goes to everyone, both suffering and thriving. The government spending should target unemployed people, struggling sole proprietor business, and single parents, rather than cash handouts to everybody.

The significant and long-lasting consequence of the Pandemic is much widened income and wealth gaps. Apart from the social concerns, such disparity is a detriment for the sustainable economic growth. Corporations have been adjusting to smaller offices with less employees and remote work and investing in more automations. Unlike normal recessions, the Pandemic has created a skewed economy where some industries are prospering, such as high-tech for web meeting, video streaming and games, other on-line services, deliveries and so forth, while many others, especially small businesses are severely suffering.

The new Administration is slated to focus on providing good paying jobs through infrastructure and other investments. However, such policy alone will not correct the disparity to restore a strong middle class, and financing huge projects will become an issue after piling up gigantic debt through this Pandemic. Steeper progressive tax, higher capital gain and corporate tax rates may be put on the table. Since it is unlikely that the \$500,000 exclusion (joint) will be touched, homeowners should not be too worried, although it will affect real estate investors and even more so if the 1031 exchange is eliminated.

The huge debt as a sequela of the Pandemic will be a serious headache for the new Administration and Federal Reserve. Economic recovery will exponentially accelerate the government debt obligations, if interest rates shall rise with the economic growth. Therefore, faster revenue increase than economic recovery will be im-

# Happy New Year

## COVID Business Policy

Realtors are classified as "Essential Business" and allowed to continue operating; however, we have the obligation mandated by both governmental and association rules to protect our clients, visitors and ourselves with a high standard which must take the priority to our business goals. As the COVID-19 situation is expected to worsen in January and February, we have set forth a new set of business policy.

We regret that no lease listings will be accepted until March 1, 2021, subject to further development of the Pandemic.

We continue accepting listings for sale. For the sake of the owners' safety, we do not recommend marketing owner- or tenant-occupied properties for sale. We will list a vacant home with stricter screening of visitors and safety measures: We prepare a property for showing each time before buyers enter it; Potential buyers must present a loan approval letter and proof of funds to limit visitors to serious buyers only; No more than three people can enter the property at a time, and so forth.

We also continue representing buyers who respect and follow the showing rules.

Notary Public: we continue providing "essential" notary service as long as signers, including accompanying persons, wear a mask and keep the safe distance. No more than two people can enter our office at a time if signing happens in our office where we operate a HEPA air filter, maybe with doors open. If signing at a signer's location, an outdoor setting like in a yard is preferred.

perative; or, rising interest rates will hamper the growth. The FRB also needs to absorb the large excess liquidity (money supply) in the financial market without interfering with the recovery.

Any measure to address any one of those issues will conflict with others. It seems that the new Administration and FRB must undertake impossible tasks. It will be a delicate balancing act.

## Palos Verdes Housing Market

Housing fever started in July. Many listings each received many offers, pushing up prices sharply. Some sellers responded by setting their prices higher in October, finally cooling the frenzy buying activities in November; however, as the inventory of mid- and low-priced properties depleted, many buyers diverted their appetite to townhouses, and at the end of the year, there was no townhouse for sale in PV. Then traditional condos started selling. Outside Palos Verdes, sales are still skewed to single family homes. Two buyers of ours, who are targeting Cerritos, Cypress, Long Beach, San Pedro and others, have made several offers without success in fierce competition. The housing boom may be boosted by the Pandemic.

Even when COVID-19 is contained by the vaccines and the economy turns around with stimulus spending, interest rates are not expected to rise rapidly enough to hurt the housing market at least during the first quarter.

We started the New Year with less than 80 in inventory of single family homes in PV. Due to the limited choices, sales may not pick up immediately. Those sellers who pulled out of the market during the holiday season are expected to return early in January. High prices should lure many potential sellers to list their homes soon. If those entries come in a short period of time, oversupply condition may emerge. However, the market price may plateau if not fall as the demand is still so strong. Especially, the supply-demand condition for properties over \$2 million may loosen.

Sellers should take extra caution when they set their list prices as they are likely to face more competitors in the same area. Setting a price that is a slightly lower than the market value may attract multiple offers, leading to a higher selling price.

## NEW Prop 19: Property Tax Transfer

As Prop 19 passed which gives more flexibility and benefit for seniors to transfer their current assessed value (i.e., property tax) to a new replacement home, while limiting the cases for intra-family transfers. The State is expecting to increase revenue in net total from this Prop 19.

Because "Parent-Child & Grandparent-Grandchild Exclusion" is rather complex, you will need to consult with your tax counsel, and we do not discuss it here.

Prop 19 offers 3 huge positive changes to senior (55 or older) and disabled.

- 1) Transfer to anywhere in California (currently the same county or within 10 corroborating counties)
- 2) New home can be any (higher) value (currently equal or lesser value). However, amount over 100% is added to the transferred value.
- 3) Up to 3 times (currently only once in life with exceptions)

It still has to be Principal Residence, and Purchase (or new construction) within 2 years of sale. And this new regulation will become effective April 1, 2021. Special disaster relief measures are still available with new limitations.

As home prices are sky-rocketing, this is great news for aging homeowners, who want to move to a one-level home with the similar comfort, or who wants a great view home to enjoy their retirement. After living in the same home for so many years, the property tax must be very small. When they downsize or buy a more suitable home for retirement, they tend to be hit by not only the higher price, but also a sudden increase of their property tax by tens of thousand dollars. Retirees may have good assets, but may not have good income any longer.

The question remains. The following is California Association of Realtor's comment:

"Although we believe that the tax benefits under Proposition 19 apply to transactions where either the sale or purchase of a primary residence takes place before April 1, 2021, as long as the subsequent sale or purchase takes place within two years and on or after April 1, 2021, others have taken the position that both the sale and purchase must occur on or after April 1st, 2021. C.A.R. will seek official clarification of this issue."

## 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



## Rockyfield contacts

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## Lease: The Courtyards 2bed townhouse

Ready to move in. 1122sf spacious 2 bedroom townhouse in The Courtyards on Western Ave. Airy living room with high ceilings and both front and rear decks. Large master en suite. Contact Catarina 310-365-6309.

### 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.



## Year of the Ox

### SELECTED LISTINGS

Please Contact Rockyfield

A: Active U: Contracted P: Pending S: Sold  
Prices in '000s. Source: MLS (as of 01/10/21)