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# Rockyfield Newsletter

## US Economy & Housing Market

Interest rates are clearly on the rise, especially for 10- and 30-year Treasuries, which exceeded a year ago. The economy is growing despite the Pandemic, being accelerated by vaccines and the \$1.9 T Corona rescue package. We already have excessive money stock; such large fiscal spending worries the financial market over future inflation. There are signs for higher mortgage rates, following the 10-year T note yield; it may be a good thing that higher rates cool down the overheated housing market which may be ready to pop.

The FRB can suppress long-term rates by buying bonds. The FRB's balance sheet has already been too large; buying operation will increase money supply and exacerbate inflation fears. It's a vicious circle. Higher rates? 1.6% for 10-year T and 3% for 30-year T are still historically low. The FRB may let the higher long-term rates tame inflation without further large bond buying while it is for now unlikely to sell bonds they own. As higher interest rates will increase the US debt obligations, Government debt issuances may be skewed toward short-term bills. Despite the high demand for T bills, short-term rates may be pressured upward if auctions go poorly. If the FRB buys them, it means they are printing money; it means inflation.

Despite the steady economy, 9.5 million unemployed workers still exist, and the disparity among businesses are widening. Support for suffering people and businesses may be needed; however, the question is how to finance such spending without triggering inflation or even debt crisis. There will be lots of debates over revenue increases: higher marginal tax rates for profitable corporations and well-off wealthy people. However, it seems to be unlikely because oppositions to tax hikes exist even among Democrats.

Since corporations are investing in more factory automation and downsizing office space and personnel through remote work, as many economists predict, lost jobs during the Pandemic may never come back. Use of robotics and AI is ex-

## Despite Rising Rates Still Red Hot

### Great Stress Relief is Here

Even if we are not aware of, most people have been more or less affected and stressed by Pandemic. Normally stress relief is possible by traveling, party, drinking with friends, sports, music concerts, theater and so forth; however, all of those are nearly impossible right now.

Since the AAA magazine featured Palos Verdes several years ago, Pointe Vicente, Del Cerro Park (nature preserve) are packed with visitors on weekends, and it is worse now under Pandemic. Yet, many popular spots are still not so crowded on weekdays. This is the season for whale migrations. We remembered whales and recently visited Pointe Vicente twice, and saw a couple of gray whales spraying in quite close distance. Spending a warm sunny afternoon, looking for whales and others is quite relaxing. The season will be over soon; so try as soon as possible.

We never knew there are many trails in Palos Verdes Peninsula, and they are all indicated on Google Map! Check on them. They are all over and some of them have mesmerizing views. It is also a great exercise. Except for those coastal trails, our trails are not crowded at all even on weekends. The weather is still cool, so you do not need to take much water. Because many parts of the trails are a bit rugged, we suggest you wear a studious pair of walking or hiking shoes with good grip.

pected to accelerate to reduce human employees. For instance, if a company can produce the same result with half of the current employees, the other half will be unemployed while retained half can get better income. If the income disparity becomes extreme, consumption by those unemployed will diminish; the company sales and profit would go down accordingly. Unless new social and economic policies are devised, a society would collapse if companies employ very few people only.

### Palos Verdes Housing Market

Higher mortgage rates mean the same as higher price to buyers with more monthly payments, and more difficult to qualify for a loan due to lower debt/income ratio. Recent price increases may have stretched many buyers' financial capacity. Meanwhile, some sellers are setting list prices very high, seeing much higher closing prices.

Weekly contracts are around 20; if there are more listings, the number could be more than 30. There are only 4 available for sale under \$1.5M in PV. The supply shortage has spread to the townhome market (zero) and even condos. Given this extreme shortage, the overheating condition will not change with a little higher rates. The only exception is those above \$4M.

The current overheated housing demand originated in moving out of crowded cities to single family houses in less populated suburbs, and we have noticed many buyers with Chinese names with many of them buying cash. We know people in Hong Kong are buying into the UK housing market; they may be here too. Fully remodeled and ready-to-move-in residences are sought after right now.

Sellers may be concerned about setting list prices too low. They should not be. Quite a few listings are sold \$100,000 to \$200,000 with multiple offers. Therefore, the list price is not as important right now unless the price is set too high to make buyers shy away. It is better to have many offers. We seem to have all lost a sense of the "market price."

## Home Warranty for Landlord

Home Warranty has been a part of housing transactions for many years. Usually, Buyer request one year warranty to be paid by Seller for various appliances, equipment and options to add many items, including code violations and structural damages with limitation on each coverage. It is more to minimize Seller's liability after sale. More than 10 years ago, landlords started buying home warranty to let Tenant handle repairs. The term "first repair cost" means Tenant pays the trade call fee which is \$70-\$100. If the repair costs over the limit, then the landlord will pay for the excess cost. Years ago, home warranty companies sent out licensed quality repair service contractors and we actually recommended all of our landlords to buy a home warranty contract from a company we had a verbal agreement for a special discount. Some home warranty companies are now aggressively marketing to homeowners.

However, we have noticed in recent years that the quality of service contractors they send in seems to have become very poor, causing so much frustration and friction between tenant and landlord. Since the standard Lease Agreement's repair clause changed for better a few years ago, we no longer recommend home warranty to landlord. Service contractors' attitude is quite different when they are paid by a third party from when paid by the owner, in terms of timeliness and quality of service.

While home warranty will and should remain in purchase transactions, it is often nothing but troublesome to landlords who do not want to be bothered by tenant's request for repairs.

### 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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### 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.

### 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.



### SELECTED LISTINGS

Please Contact

Rockyfield

A: Active U: Contracted P: Pending S: Sold  
Prices in '000s. Source: MLS (as of 03/09/21)