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Rockyfield Newsletter

US Economy & Housing Market

While prices are going up everywhere, interest rates are persistently staying low. The FRB is yet to shift its easy money policy due to the need to support financing our record high deficit. The FRB can afford to keep doing so because there is still a large pool (over 7 mil) of unemployed people including those who are not counted in the labor statistics. Many schools are still closed or in remote learning, and few childcare facilities are available. This Pandemic has revealed that for businesses to get full commitment from their workers, availability of affordable childcare and after-school programs are essential. Our economy can thrive with highly productive workers even if they are expensive. Providing childcare is much better than handing out child credit. Healthy workers are more productive. Unlike other developed nations, our healthcare system depends on businesses; it is a heavy burden especially on small businesses. While those proposed social investments would balloon the spending, the revenue, accelerated if combined with higher marginal tax rates, would increase too. But, it is difficult to predict how much "net" deficit would materialize.

This Pandemic has forced us to change our way of life and business as well. In fact, many corporations are making profit even with less sales, less employees and smaller offices. Businesses are now more aggressively adopting technologies, setting a vision for future business models.

Hiring is most directly linked to sales volume. Now that sales are increasing, we believe, net payrolls will accelerate while weekly first-time employment benefit claims will decrease. If so, the inflation risk will become real. Then, what would the FRB do? They have a few options. We believe that its bond purchases would shrink though it cannot be done too rapidly. Naturally, the long-term rates would increase; the government deficit would be financed more

Housing Market Even Hotter So are Sellers

Devil's Advocate

When this overheating housing market does not have any end in sight, we have started sensing a few signs which are reminiscent of the last burst in 2008-2009. Increasing number of sellers are becoming bold and overly aggressive in pricing, and more importantly they tend to stay in this hot market longer. The apparent example is the Eastview area (along Western Ave) which is traditionally the least expensive and fast moving area of RPV. Those houses are still selling well, but now taking more days to open escrow.

Today's buyers may be desperate enough to pay a large premium, but they are also very well informed. Abnormally large numbers of sales have been continuing since July last year. Many buyers have also exited. We had 4 very qualified active buyers who made many offers without success, and they got tired and are now no longer active. So, there may be fewer home buyers remaining active. Although professional investors are entering the game, their number is limited and they also make more rational business decisions.

Californians are dying to travel this summer, and schools are expected to open by September. People's attention may be redirected to other things from home buying. Among many conditions that are ready for a market adjustment, two factors are likely to trigger disturbance in the housing market: interest rates and schools. While we have no idea of how serious it could be, September may be a turning point.

heavily by short term Treasury bills to avoid exponential increases in government debt. We hope that ending easy money policy would tame the economy from growing too fast.

We expect the FRB will gradually shift its policy in or after this coming fall.

Palos Verdes Housing Market

Since May, the overheating housing market has accelerated price increases amid reduced sales volumes. This pattern is a typical prelude for a major adjustment in the stock and other financial markets. However, the slowing housing sales are due to the extreme supply shortage. As soon as more new listings come in, new contracts increase. So, we are not concerned for a major slump. More sellers should jump into the market when prices are soaring; however, they hesitate because it is almost impossible to buy a replacement home (upleg or downsizing) right now, or they will be priced out of the market.

Quite a few listings under \$1.5M have closed \$200,000 higher or even more than their listed prices. There seems to be no such thing as a market price. Normally PV Estates has been more expensive than RPV. It is not always true any longer. We feel buyers and agents who are coming from outside this area may be contributing to many strange phenomena. Those buyers paying too much may remain under water with no possibility of refinancing for years if a major slump comes.

Sellers, who need to sell due to relocation or other reasons, should sell easily at a good price now. We advise: Listing modestly and selling high.

People who want a larger house, better location or view would welcome a slowdown in the housing market if they have little or no loan. Given the current economic and financial conditions, interest rates will eventually increase though "when" is not clear. Housing prices do not immediately follow the general interest rates. They may have a chance to sell high and buy low.

Open House Resumes

The California Dept. of Public Health updated its guidance on open houses and California Realtor Association (CAR) now allows us to hold open houses. The open house input page of the MLS has been restored, and advertising open houses is allowed. Appointments for open houses are no longer required. However, two conditions remain.

Social Distancing: Showings, including open houses, are somewhat relaxed under the new social gatherings guidelines but still include social distancing between members of different households while attending an open house, and are subject to capacity issues depending on the tier of the county where the house is located.

Signing In: Visitors are required to sign either PSI (Property Sign-in), or PEAD (Property Entry Advisory and Declaration) form before entering the property.

As proven during the Pandemic restrictions, houses have been selling so fast without open houses; we continue asking buyers to make an appointment for an open house; in this way, we can avoid two parties inside the house at the same time. It is even more important for an owner occupied home.

Appointment only open houses have a few advantages. 1) it will screen out unqualified and curiosity only buyers; 2) we will have a better chance to talk with potential buyers; 3) it will enable us to enforce the COVID-19 rules more effectively.

Brokers Open houses: We believe open houses for realtors are still important even under this hot selling market for various reasons. One of them may be: Agents who have previewed the house can make a better presentation to their buyers. No appointments will be required; however, we do ask them to sign in with a traffic control to limit the number of agents inside the house at a time.

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 06/05/21)