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Rockyfield Newsletter

US Economy & Housing Market

Today's fad word on the Wall Street is "Stagflation," a mixed word for stagnation and inflation when inflation flares up during stagnating economy or even recession. Historically, a stagflation was experienced during the 1973-1974 oil crisis. The crude oil price soared due to the OPEC's embargo. We experienced long lines at gas stations and many disappearing products. The general supply shortage suppressed economic activities with inflation. Today's US and other economies appear to share a similar situation.

Conventional inflation occurs when the economy grows too fast and creates shortage of material and human resources. This will cause higher business costs that cause general price increases: Inflation. In the early 80's, the FRB successfully changed the monetary policy target to money supply from interest rates which became a mere tool. Since then, the FRB has developed various tools to fight inflation. We are confident of the FRB's ability to tame inflation. However, "cost inflation" emerges due to non-economic or financial reasons like the oil crisis. So, cost inflation can happen under slow economy or even in recession. In short, inflation and stagnation simultaneously go together.

This time, the pandemic has disturbed supply chains, causing parts and labor shortage. Wages have started increasing. OPEC seems to take advantage and the crude price has doubled. It is unique to today's economy that some industries like high-tech are thriving, and the financial market has been flooded with excess liquidity. Soaring housing prices are one of their symptoms. At the same time, many businesses, large of small, are suffering from higher costs of parts and operations as well as labor shortage. In total, the economy has started slowing its recovery, and inflation seems to accelerate in the coming months.

There are few effective tools for the FRB to cope with this stagflation. Higher rates to tame the inflation would push the economy over the cliff. However, carefully absorbing the excess money stock from the financial market is desir-

Housing Sales Revived In Late October

Housing Element??

The Housing Element (Plan) is required for all cities by the State of California as a general housing plan, including to accommodate all income levels. The Housing Element is not new; it has been in place since 1969. The current cycle will end in October and the new cycle has started in October 2021 through 2029. Therefore, how the new planning will unfold is drawing attention. Homeowners are worried that "very low income" housing units will negatively affect their home values; how, where and how many will be among their questions.

For example, PV Estates plans for 147 units for "very low income"; RPV, 253 units. There are four categories: "very low", "low", "moderate", "above moderate". Our cities seem to be focusing on "returning adults" who grew up in PV, wanting to return here; however, they cannot afford high housing prices. They can be apartments for seniors, mixed use (commercial like stores and residential along Western Ave.) and others. The recent newsletter from the City of RPV reads: "Although the City is not required to build the units, the City must ensure there are no governmental or other barriers preventing the units from being built by a private developer. Because there will be substantial penalty if a city cannot achieve the goals, no one knows what cities will do toward the end of the current cycle.

Concerned citizens of Palos Verdes Peninsula, including the unincorporated County areas should participate in the planning process via a variety of ways the cities are offering. Please note that our knowledge of this issue is very limited and this article may not be accurate.

There will be no December issue

able to ease inflation without damaging the economy. Demand is not an issue in stagflation; Supply is. Today's condition has been caused by supply chain problems due to the pandemic. When the pandemic ends, supplies should recover. As new vaccines and cure medicines are coming out, we hope the pandemic will end by spring next year, and normal economic activities may be restored. However, we will need to eradicate COVID-19 in poor nations; otherwise, new variants may spread again.

Palos Verdes Housing Market

Housing sales in PV began slowing in mid September not just due to the low inventory. However, the volume was still normal for September, and it soared again in late October, only to level off because of the lack of new listings.

The median escrow price kept rising because of less affordable properties in escrow. Individual prices were not increasing so much. In fact, when a few low-end listings came and quickly sold during the last week of October, the median escrow price notably dipped. When the market size shrinks, statistics becomes less reliable. Individual prices have been relatively stable since July.

It is worth noted that the mortgage rates have been less sensitive to movements of the 10-year Treasury note yield. The 30-year fixed rate (national avg) has been just above 3% with small ups and downs. This stable mortgage rate should support the housing demand for the coming weeks. The jumbo rate has been almost same as the conforming loan rate.

There has been no change in the strong popularity of remodeled or newer homes. Because buyers are paying premium for the good condition, many sellers remodel their homes before putting them on the market. Fixer uppers and houses with old condition need to be low enough to attract buyers.

The west side of RPV is still very tight, and houses can sell very quickly as long as they are reasonably priced. The supply-demand condition for the price ranges under \$3M continues to be excellent for sellers.

Love Letter to Seller

Although Buyer's letter to Seller is not new, given the difficulty to win competitions, many desperate buyers attach a "Love" letter to their offers. Realtor Association discourages such practice or advises to be cautious. And recently, a few listing brokers reject to forward buyers' love letters to sellers with fear of violating Fair Housing Act. Those letters tend to depict a warm family picture to gain seller's positive view of the buyer because many sellers confide to listing agents that they wish to sell their beloved home to a buyer with their preferred profile like a "happy family with children." We have received family pictures and videos which can visually show their personal background. If a seller picks a buyer based on the buyer's race, nationality, gender, marriage and family status, disability and such sort, seller is in violation of Fair Housing Act.

Sellers are not legally required to disclose the reason for their decision. If a seller picks up an offer which is lower in price than the other, the other buyer may complain. However, there are many other factors than the price: escrow period, contingencies, financing and etc. Therefore, it is unlikely that sellers can be held in violation unless they actually exercise bigotry. Besides, in our experience, at the last minutes, sellers typically select an offer that benefits them most, forgetting their preferred buyer profiles.

Buyers, if they want to add a letter to sellers, such letter should not include personal profiles; the letter should be limited to supporting their financial qualifications and additional incentives like free stay for up to 30 days after closing if the seller wants. Perhaps those things can be better communicated by the buyer's agent to the listing agent.

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

DRE Broker License: 01328577

727 Silver Spur Rd. Suite 205
Rolling Hills Estates, CA 90274
Phone: (310) 544-0857

Anthony Iwata - Broker
(English+Japanese)

Catarina Zerbinatti Iwata - Broker Associate
(English, Spanish, Portuguese, Japanese, Italian)
email:properties14@rockyfield.com

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

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A: Active U: Contracted P: Pending S: Sold
Prices in '000s. Source: MLS (as of 11/03/21)