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Rockyfield Newsletter

US Economy & Housing Market

The baby formula shortage highlighted our economy's structural issue. The US economy is supposed to be a free-market economy that everyone embraces. However, the reality is far from it. Many industries are dominated by few suppliers and the baby formula is one of them: the closure of one factory has created a nationwide shortage. Think about a few industries: oil, auto, phone network, restaurant/hotel chains, meat processing, department stores, grocery chains, major banks, pharmaceutical, real estate, and so forth. Through mergers and acquisitions, which are also used to eliminate competition, many industries tend to become close to a monopoly or oligopoly, where quality of products and service deteriorates despite higher prices, and investments for innovations and efficiency become secondary.

High-tech businesses are less regulated, or regulators cannot follow fast developing technologies. Even one company's domination is unlikely to last too long like Microsoft due to changes in technologies. A typical natural monopoly used to be landline phone companies with higher barrier (cost) of new entries. Today's natural monopoly is based on consumer's convenience or benefit like Facebook or Twitter.

Regulators should encourage competition while ensuring public safety, security and welfare. However, those "good" regulations also tend to protect dominant players in the industry. Traditional anti-trust action was to split a monopoly like Standard Oil and the original AT&T. Such measures cannot apply to today's high-tech companies as they create only inconvenience and confusion among consumers. High-tech businesses are constantly under threats from "yet-to-be" new technology, and they must keep investing and reinventing themselves.

We have no clear answer for how to ensure the free-market mechanism to work for high-tech businesses. In the meantime, we do need to create more competitive environment for traditional industries for the long-term healthy US economic prosperity.

In the short term, our economy remains

Cooling Maybe Coming To PV Market

Mortgage Rates Stabilized, For Now

Good news! Mortgage loan rates have stopped rising, actually down about 0.30% from the peak. This gives us hopes that the housing market can be normalized without a major collapse like 2008. Freddie Mac says: "Higher rates are impacting affordability." The lower 10 Year T-note yield due to the slumping stock market helped mortgage rates to stabilize. While housing sales are cooling down in many places, the Palos Verdes market is still going strong: many listings open escrow quickly and are closing with a large premium. There is one new trend, however: increased new listings and decreased weekly contracts. So, the market supply-demand condition is changing.

Since early 2021, we have been reiterating our preference of Fed asset (bonds) reduction to rate hikes. The FRB lost the opportunity to start doing so last October; instead, they began raising rates first. Finally, they seem to begin disposing of their bonds now, including mortgage security bonds, attempting to absorb money from the financial market. It cannot be denied that the soaring housing prices and rents are also contributors to this cost inflation along with material prices due to the supply chain breakdown.

Decreases in mortgage-backed bond prices mean higher mortgage rates. Unlike the direct impact of rate hikes on the consumption and stock prices, FRB's asset reduction would have indirect pressure on the mortgage rates; it would rather be gradual upward pressure.

The last thing we want is a disastrous collapse of the housing market like 2008. We hope FRB's rate hikes would not be too aggressive.

in good shape: consumption keeps going strong as employment growth is easing the effect of inflation. However, consumers are now digging into their savings. Further rate hikes will suppress consumption as well as the stock market.

Given the extraordinary housing demand, we are hoping that those negative factors will have only cooling effect on the housing market.

Palos Verdes Housing Market

In many areas except for expensive real estate market, increased new listings do not produce more sales or even sales numbers are slightly decreasing. The PV housing market has been robust despite all negative economic factors: shockingly only 9 single family homes opened escrow during the last week.

Although we should not judge by one week record, our supply-demand indicator, E/A (escrow/active) ratio graph is clearly showing a down trend since early April. On June 5, for the first time since early January, active listings exceeded in-escrow listings. In short, the supply and demand relationship reversed. This trend seems to continue with occasional sales increases. Historically, we consider a good market condition if the E/A ratio is above 50%; slumping if below 50%. It is still around 100%; so it is still a tight market. Sellers may have difficulty due to their outdated judgment and downward market trend.

Due to the shrunken market size (fewer transactions), price statistics are unreliable for the moment. Given little change in the tight supply-demand condition and quite a few remaining desperate buyers, prices are unlikely to dive sharply; it is still possible that smaller premium over listed prices and price cuts by some sellers may happen.

As competing buyers drive up final prices, listing prices have not been crucial unless they are set unrealistically high. From now on though, the importance of listing prices will revive with serious market analysis and reasonable forecast for the near future market condition will define successful and miserable listings. The time when whatever or whoever can sell is ending. It is the time of "flight to quality."

Disposing of Hazardous Products

We are not supposed to throw away hazardous products, that includes:

Various cleaning products for drains, carpet and oven, bleach, etc.; Metal polishes; Garden supplies such as weed and insect killers, rat poison, and fertilizer; Charcoal lighter fluid and kerosene; Automotive supplies; Paint, varnish, paint removers, glues, and waxes; Electronic products; Universal wastes such as fluorescent lights, small batteries, and products containing mercury.

The best way to dispose of household hazardous waste is to take it to a community household hazardous waste collection center in your area.

FREE! Permanent drop-off location for recycling and safely disposing of hazardous waste and electronics! S.A.F.E. Collection Center 1400 N. Gaffey St., San Pedro near Capitol Dr. Open every Saturday, and Sunday from 9 a.m. to 3 p.m. (Closed Holidays and Rainy Days). This service is free for all L.A. County residents and is provided by L.A. County Department of Public Works. Call 1-800-988-6942 or go to www.ladpw.org/epd for more information. They will recycle old computers, paints, motor oil and filters, TVs, phones, batteries, medicine, VCRs, stereos, pesticides, chemicals, and more. There is a limit of six (6) electronic items per visit. Printer ink and toners can be recycled at a Staples store.

Junk disposal services are very expensive. If you have hazardous materials that is difficult to carry, you may consult with a contractor or handyman. They have to take them to a special collection center where they have to pay. With their time, you will have to pay a reasonable cost.

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 06/07/22)