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Rockyfield Newsletter

US Economy & Housing Market

One third of economists and researchers are concerned about the risk of recession in 2023: China with economic disruption by geopolitical and COVID issues and higher energy costs; Europe, energy crisis; inflation finally showing up here and there in Japan. While signs of possible recession are appearing in many areas of the US economy, we are not in a recession yet thanks to the strength of employment (maybe because many people do not return to work after the Pandemic). The housing market can trigger a recession. Even if a recession occurs, however, the inflation may persist (stagflation) due to the supply disruptions and high costs of resources. While government spending shall be controlled, we need more infrastructure investments (less inflationary) to keep the economy from falling into a recession and improve socio-economic efficiency.

The housing slump this time is fundamentally different from the 2008-2009 meltdown when the loan industry's intractable practice and cheap tricks like risk swaps in the mortgage securities market caused massive mortgage loan defaults, and then the financial market ruptured. Today, homeowners who face a financial difficulty can avoid NOD by selling their homes, while being able to retain a good amount of cash thanks to the recent price surges. Today's loan industry more or less follows the rules. And, surprisingly, there are still many active buyers; sales volumes have been small since last fall mainly because the market inventory has been too small (too few sellers). If new listings increase, we believe sales will grow again as prices are more affordable and mortgage rates are lower than the peak rate.

Since the sharp price declines in June, many investors backed out, and high rates discouraged homeowners from replacement (up leg or downsizing) transactions. As wage growth is easing, the FRB's rate hike could be modified. Considering those factors, we hope that this coming spring housing market will revive and become active again.

Happy New Year

GDP and Population

GDP growth has long been a measurement of government's success in economic policy, and population growth is one of the indispensable components of the GDP growth. Larger population means more demand, production and tax revenues to support nation's strength. A few European countries with typically higher taxes and emphasis on quality of individual lives have flat or decreasing population. In Asia, the Japanese government, which is interested in maintaining its economic power, has been worried about its population decrease while not being keen to accept immigrants.

Overpopulated countries, regardless of its economic strengths, are facing shortages of housing, food, water and energy; in addition, we seem to be facing possible consequences of climate changes. Environmentalists blame mainly fossil fuel on global warming. We people also exhale lots of CO2 constantly. Cattles for human consumption not only exhale CO2 but also emit methane gas. The root cause of many economic and social issues seems to be also related to overpopulation even in rich nations.

Population is a sensitive issue because "expansion" is in our sapiens DNA and having children is an essential component of our happiness.

Technological revolution accelerated by the pandemic has changed our way of living in a variety of ways. It may be weakening the link between population and GDP. Automation by robotics and AI can make it possible to produce more with fewer workers. We should watch how Japanese economy will fare with smaller population.

Many US corporations are trying to reduce their dependency on imports from China. Mexico and South American countries may benefit from such trend, and may offer investment opportunities.

Palos Verdes Housing Market

How will this spring housing market fare? Interest rates have the greatest impact on the housing market in the short-term, and the FRB will have to walk on a tight rope balancing between inflation and recession. As mentioned earlier, there are many signs of a future recession, except employment, which is also calming, especially in manufacturing. We expect a lower growth rate if not falling into negative. However, we also expect moderate inflation to persist; it would take many months before the FRB actually cuts the rate. So, the 30 year mortgage rate would possibly ease but not below 6.5% for the time being.

The major reason for the sharp housing sales slump is due to the very small inventory. Despite increased layoffs in the high-tech industry, there are still many active and willing buyers. Given prices are now cooled to 2021 levels, more new listings should boost sales. We are hoping that PV's housing market will recover and start growing by March. A large influx of listings should make it happen even earlier.

Sales of single-family homes in PV made a sharp dive (29%) to 617 homes from the record 876 homes in 2021. The number of contracts also fell from 848 to 609. However, the annual average price rose more than 10% thanks to the spike in June (May contracts).

We suggest you list your home no later than June if you plan to do so because of the uncertainty of the marketing condition for the second half of this year. Again, correct pricing is now crucial for a successful sale. For up leg or downsizing, you need to create a right strategy based on your cash position: the type of loan, contingency to buy, rent back and refinancing the current home are among options you may have, though all of them require meticulous planning.

Parcel Tax Exemption

We informed of PVUSD senior parcel tax exemption in 2020. Quite a few readers of ours and ourselves saved \$400-\$500; however, there are still many people who do not know about this exemption.

The filing period begins on January 15 and ends on Wednesday, May 31, 2023. A 2023 (2023-24 tax year) first-time parcel tax exemption application may be filed in person by seniors who are 65 years or older, born on or before June 30, 1958, and named on title of their primary residence. Only primary residences may be eligible.

An appointment at the PVPUSD Malaga Cove Administration Center, 375 Via Almar, Palos Verdes Estates, CA 90274-1277 is required for all first-time filers. To make an appointment with Megan Wescott, please call (310) 896-3404. The application form will be completed at your appointment, where you must bring the following required documents:

Verification of Date of Birth (One Only)

CA Driver License, CA Senior ID, Passport

Proof of Ownership

2022 Annual Property Tax Bill for primary residence

Proof of "Primary" Residence (One Only)

SoCal Edison (Date Bill Prepared ...2023, most recent) **OR**

The Gas Co. (Date Mailed ...2023, most recent)

For additional information, please refer to the Information and Frequently Asked Questions (FAQs) on PVUSD website or call Megan Wescott at (310) 896-3404 or email wescottm@pvpusd.net

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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We are looking for a good house cleaner.

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.

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 01/06/23)