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# Rockyfield Newsletter

## US Economy & Housing Market

Countries must maintain foreign currency reserves for a variety of reasons; and 60% of the world reserves are held in US dollars. And they are usually invested (or kept) in US Treasury debt. The immense size of the US Treasury market (\$24 trillion) assures liquidity (easy buy and sell) at perceived "Risk Free" given the economic power and stability of the US. Financial institutions keep their dollars in Treasury papers.

Just imagine, if the prices of US Treasury debt plummet; or investors cannot sell their Treasury holdings. Foreign exchange markets worldwide would halt; international trade of goods and services would be disrupted; 80% of international trades, excluding Europe, are denominated in US dollars. Playing with the debt ceiling is such a dangerous game.

The collapse of the US Treasury market also means soaring interest rates. US Treasury yields are used to set out many rates: prime rate, commercial lending, credit card, auto financing, mortgage loans, and so forth. If the situation gets worse, banks would be unable to lend money; some of them may go bankrupt. Such disaster would not happen only in the US, but also all over the globe. Many people could suffer from misery; yet governments may not be able to help.

In reality, the above pessimistic scenarios may not happen with just a one-time default caused by political reasons. However, given today's light-speed financial system, the problem may permeate and explode quickly.

To reduce the growth of the US debt, the fiscal deficit must be contained. It is true that either or both spending cuts and/or tax hikes are needed to reduce the government deficit. However, there is no link between the current debt obligations (arising from the past deficit) and the current/future deficit. If your borrowing comes due, you have to repay it; you cannot unilaterally set your payment limit. Tax revenue will increase as the economy grows; a larger GDP means more government spending. Policy makers' job is to manage them.

While employment is still very strong,

## *We Need More listings*

### Knowing Seasonality

The pandemic disturbed the seasonal patterns in real estate sales, especially 2021 which was also a record year. Although we still have to see this spring sales, the seasonal patterns seem to be more or less restored.

The best time (quick sales, meaning good prices) for new listings for sale is the spring time between March and June with exception of the first two weeks of April (tax time). July's market is difficult to predict. Prices may be a little higher in August but may take more time to sell; then come September that is the worst time to start selling homes.

We believe that the most important factor for a buyer is to purchase the one that fits their needs and preferences at the price they can afford. To respond to a buyer's question: "When will be the best time to buy," we always advice: "When you find the one you really like." All properties are different and unique. As there will be less buyers in the market in September and until December, a buyer has more time to choose an ideal home with some leverage for negotiations.

When it comes to leasing, it is quite different, because renters do not have so much choice in timing. You can lease almost any time through the year, except for September. Even December is not so difficult. For the areas where rental demand is driven by schools, the good time is March-June.

The seasonality of the real estate market depends upon property types, areas and price ranges; we will be happy to answer more specific questions.

there are signs like soaring credit card delinquencies and cooling consumption. Consumer prices are expected to remain high even though they are no longer rising. We are expecting a slowing growth rate, not a serious recession. The FRB should be able to manage through it without making another mistake.

### Palos Verdes Housing Market

Substantial decline in housing sales may give a wrong impression of the housing market slump. However, the demand in PV is still vigorous. There are many "ready" buyers if not as many as until last May. It is clear that fewer sales are attributable to the thin inventory. New listings often get below 10 a week. Unlike those desperate buyers who paid premiums, today's buyers are tough on prices. Of course, there are always buyers who must buy NOW; old listings that have issues in one way or another are sometimes being sold. Today's prices are roughly 20% down from the May peak, and about the levels in the latter half of 2021.

Usually new listings start increasing toward the end of January; no such signs have been seen this year. A few sellers come to the market with a grossly wrong price perhaps because the shrunken market does not give a clear picture.

The inventory has decreased below 60 which is quite different in nature from spring last year when more than 20 new listings a week often happened. They were sold immediately and depleted the inventory to 30. More than 25 contracts were often made per week then.

One of the reasons for fewer sellers is: those owners who refinanced at below 4% do not want to have a 6.5% loan by buying new homes. Prospect for the future price is another reason. Even those owners in financial trouble can get away with it by selling their homes easily with lots of cash still left on hand. So it is unlikely to have many defaults and a serious housing recession.

Increases in new listings, especially around \$1.5M would instantly boost sales. So sellers do not have to worry about not selling; however, it may take for a while before prices will go up again.

## Revisiting Proposition 19

Those homeowners who are planning to sell their homes need to take tax issues into consideration. Especially for downsizing or up-leg purchases, Proposition 19 is relevant for seniors/disabled and also disaster relocations. Proposition 19 was enacted on April 1, 2021. We would like to revisit this transfer of the current home value to a new principal residence. Property tax is based on such value. Thanks to Prop 13, property values for the purpose of computing property taxes are usually below, often far below, the market value, except for the time of free fall. The following is a summary of main points, not comprehensive.

- Senior at Age 55 or older/Disabled
- Principal residence
- New purchase within 2 years of sale
- New location: Anywhere in California
- Value limit: Any price; however, the amount above "equal or lesser value" is added to transferred assessed value. "Equal or lesser value": 100% if purchased before sale; 105% during the first year; 110% during the second year.
- How many times? Up to 3 times in life.

There are new rules effective April 2021 for grandparent-grandchild transfer and disaster relief which are not covered here. For more information, we suggest: <https://www.boe.ca.gov/prop19/>. You can also explore the LA County website.

## 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

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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

Rockyfield

A: Active U: Contracted P: Pending S: Sold  
Prices in '000s. Source: MLS (as of 02/08/23)