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Rockyfield Newsletter

US Economy & Housing Market

Market concerns over the government shutdown sent the 10-yr T yield over 4.9% and mortgage rate was approaching 8%. Interestingly, the continuing political turmoil has brought back the recession worries, sending long-term rates, oil price and others down. As the housing market started feeling the pain of higher rates, this could help unless a deep recession emerges. However, another threat of shutdown and further political tremor can happen in November. As inflation still remains, we do not expect too much rate decreases in the coming weeks.

FRB apparently wants to achieve near zero growth to complete their inflation measures (soft landing), while they would try hard to avoid a deep recession. As they have plenty of tools to prevent a recession, we are not too much concerned. Nonetheless, there are a few signs of weakness like shrinking job openings and soaring consumer debt, while employment is still very robust.

Ballooning deficit and debt are legitimate concerns. One of the recent contributing factors is higher interest rates which have snowballing effects on the debt; cooling inflation would enable the FRB to lower rates and help slow the debt increase. We would like to emphasize that deficit/debt reduction would not happen without economic growth. Spending cuts tend to directly slow the economy and tax revenue. Tax policy's impact is rather indirect. Tax hikes may not immediately slow the economy; so they would increase revenue in a short-term. Monetary policy (interest rates and money supply) would have direct impacts on the final markets (bond and stocks) while it can affect the economy less effectively through money supply.

So ideally a right mix of fiscal, tax and monetary policies can effectively reduce the deficit/debt without a recession or inflation; however in reality, it is next to impossible. It should be noted that fiscal and tax policies require congress to pass bills, and they have been rarely implemented in a timely manner.

Dark Cloud Of Political Turmoil

Population to Peak

The U.N. expects the size of humanity would peak in the 2080s and a European research center places the peak in the 2070s. Many scientists think our earth has a maximum carrying capacity of 9 to 10 billion people based on the Earth's available resources.

The US population without immigrants is barely growing (0.1%) which is predicted to become zero around 2040 and turn into negative. With immigrants, the current 0.5% growth will continue to decelerate.

Japanese population has been decreasing; some European nations have negative growth with immigrants excluded. Even China is concerned about the declining birth rates. Economic growth traditionally depends on population growth for labor as well as consumption. Population decrease poses serious demographic and policy issues like pension and healthcare. Developed nations are seriously tackling this problem.

Japan's economy has been stagnating around zero growth since the late 80s. One reason seems to be its decreasing population. The government encourages marriages and child births without success. However, the Japanese economy (led by businesses) has almost completed fundamental structural changes with a few signs of economic resurgence. If productivity substantially improves, increased individual disposal income and consumption should bring economic prosperity. It is possible today with advent of AI and robotics.

Overpopulation may be the underlying contributing factor for the climate change, shortages of natural resources, foods, housing and others. GDP as an economic policy goal may need to be replaced. If Japan establishes steady economic growth under declining population, it could be a model case.

However, "Expansion" is Homo Sapiens' DNA. Without such drive, it is a legitimate question if human species can survive.

No one knows when and how this political uncertainty will be settled, and we cannot forecast how the housing market will go in the coming months.

Palos Verdes Housing Market

Sales (new contracts) have been slow since June 2022 apparently due to lack of sellers. Listings started increasing during the second week of September, boosting last month's contracts to 45, up from 37 last year. This number is not bad for September. Looking into breakdown, while strong performance of expensive properties continues to be obvious, affordable listings are selling not as fast as expected. As more contracts were made during the last two weeks, we hope for the October market. High rates have impacted less in the PV market apparently because there are still many cash buyers and strong sales of high-end properties. The general market price has been ups and downs within a small band since May 2021.

The housing market usually becomes quiet before Thanksgiving, and remains lackluster until January, with increased sales for a short period. Current sellers naturally wish to open escrow by late October or early November. Because the financial market, especially bond, has been overly sensitive or reactive to each piece of news, it is difficult to predict the future interest rates; the 30 year mortgage rate is now over 8%, and the October market depends on the rate. Even though there still are many buyers, many of them may be "unable" buyers right now. The effect of higher rates is apparent for condos which are cheaper.

We still see listing that are priced unreasonably high. During the past few weeks, many price reductions, including six figure cuts, happened, giving an impression that sellers were racing to cut prices. Most of them, however, are those which originally came too high, and we do not believe the market price is collapsing.

We hope that inflation will be over, and mortgage rates will come down due to slower economic growth in early January. Then the Year 2024 will be good for both sellers and buyers.

Home Insurance

As some insurance companies got out of California due to the risk of wildfires, Governor Newsom issued an executive order and Insurance Commissioner Ricardo Lara announced a package of executive actions aimed at improving insurance choices and protecting Californians from increasing climate threats while addressing the long-term sustainability. This will be the largest insurance reform since state voters' passage of Proposition 103 nearly 35 years ago

Recently more people have been pushed into the FAIR Plan (Fair Access to Insurance Requirements Plan), which is intended as California's insurer of last resort but has become the only option in some areas of the state.

One of the highlights of the executive actions is to help homeowners and businesses from the FAIR Plan back into the normal insurance market with commitments from insurance companies to cover all parts of California by writing no less than 85% of their statewide market share in high wildfire risk communities. We hope the insurance coverage and costs will improve soon.

Seller's disclosures now include "Fire Hardening and Defensible Space Disclosure" which many people find difficult to answer. For practical reasons, condominiums and townhouses are exempted from completing this form. Many homeowners receive "Annual Defensible Space Inspection Report" form the LA County Fire Dept. which is valid for 6 months. Please do not lose it.

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.

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 10/07/23)