



# Rockyfield Newsletter

## US Economy & Housing Market

Negative interest rates have been employed by Japan, EU, Denmark, Sweden, Switzerland. Japan's economic struggles started in the late 1980's, and nothing worked - fiscal spending, zero interest rate, quantitative easing - running out of possible measures. After the 2008 financial meltdown, "Abenomics" made debut amid the deflation trap. It was ingenious that it set a goal to turn the economy to inflation. In reality, it was adaptation of the failed Koizumi cabinet's policy biased toward deficit reduction and dependency on financial tools, which was a copy of the US economic policy. The Abenomics ended up in "Cheap Yen" policy to boost the economy by increased exports: traditional Japanese recovery process since the 70's. Of course, it did not work. The negative rate is effectively a penalty on the excess cash position of banks with an attempt to force banks to lend more money. While loans for growth may be positive, loans for survival may negatively affect banks' financial health. It is better for banks to invest in financial products.

Marred by the financial crisis, the EU is also extremely nervous about deficit. Running out of financial tools, they also adopted "negative interest rates." Switzerland followed the EU to avoid huge influx of money into Swiss Franc, which may destabilize the European financial system.

We have had a few ups and downs in our economic recovery, stirring worries over future growth with some talks about negative rates. There is no basis or justification for negative interest rates which will only harm the financial system and economic recovery. We were very glad to hear Yellen exclude such intention. There is the consensus among FED officials. The Yen actually appreciated after the negative rates started. They say, no one knows the real effect of negative rates; Japan and Europe are conducting a risky experiment. The FRB

## Housing Slump Tough Months Ahead?

### Newly Developed Homes

Newly built homes offer nice modern amenities; we have a few new condos and townhouses for sale in Palos Verdes, too. There are also new developments which offer freestanding homes elsewhere.

During the boom times, buyers' concern may include the quality or misleading information. However, during housing slumps, there is a different kind of concern. We are now entering a mini housing slump with large inventory of unsold properties. New homes are naturally more expensive, and sales seem to be slow. In South Bay, new condo or townhouse complexes are rare, and developers tend to make them as luxurious units at high prices. If these units do not sell well, an HOA cannot be formed or a management company cannot be hired because not enough HOA fees are collected. It is possible that the maintenance of common areas may be affected. If worse comes to worst, prices of the complex units may plummet if the developer faces financial difficulties. New constructions are required to provide a 10 year warranty; this process may be affected.

New planned unit developments are likely to be built where nothing has previously been built for a variety of reasons. Of course, safety of the lot must satisfy the city's geological, engineering and other requirements. While it should be trusted, there may be some unknown factors.

Another consideration is: New homes tend to depreciate faster than existing homes, and there will be not too much difference in 10-15 years.

wants to raise the rate to restore tools for the next economic downturn.

Refrigerated, if not frozen, consumption is common to many economies. Near zero rates are depressing consumption in Japan where individual net assets are keeping the economy going, though just crawling.

### Palos Verdes Housing Market

Examining the E/A ratio (escrow/active listings), the turning point for the PV's housing market was mid June. The market inventory stopped growing in early July and there were a few signs for better demand-supply condition; however, the demand started softening in August, the gap between the market inventory and sales kept widening. Every year, the E/A ratio declines in late August and September; hitting 35% is the first time since 2010. Given the good recovery in both volumes and prices during the recent years, it is shocking. The median escrow price (the best real time price movement indicator) normally rises when the volume decreases as the low price sales have a larger share. So it went up in June but it started declining in mid August. The PV housing market is obviously in slump. But it is not clear if it is a temporary September slump or a more serious housing recession.

Today's inventory, 240, may not be adjusted close to 100 at least until the end of this year. As the 10 year T-yield is inching up, help from lower mortgage rate is unlikely. Prices are actually lower than last year, and have not been increasing much since 2014. Prices do not seem to be discouraging the demand.

It is not recommended that potential sellers list their homes right now. There may be small windows of opportunity in October and early November.

The next spring selling season depends upon the size of the market inventory in January. Oh, yes. The election will affect buyers' confidence for the future market.

## Seller's Option for Cancellation

Once the Purchase Agreement is accepted, it becomes a bound contract. While the buyer has a few contingencies to rescind the transaction, seller's right to cancel the contract is very limited. Unexpected occurrence like sudden illness, family emergency, job transfer, may leave no option for the seller but to cancel the contract; however, these personal reasons are not covered by the agreement. Asking the buyer for kind understanding may be the only way. It is out of the question to cancel the deal just because the seller receives a better offer. Seller can have contingency to buy a replacement property, in which buyer's performance day count will start after the seller removes such contingency.

Apart from these few exceptions, the seller's right to cancel the agreement is limited to buyer's breach of contract; typically, the buyer fails to remove a contingency within the agreed period. However, the seller cannot unilaterally cancel the deal; unless the proper procedures are fulfilled, a litigation may be brought by the buyer. Seller first sends a Notice to Buyer to Perform (NBP) to satisfy the contractual obligation within a reasonable period (72 hours is recommended). If the buyer fails to perform within the required period, the seller may choose to cancel the agreement. In such instance of Seller's cancellation, the buyer's initial deposit needs to be returned. If the buyer cancels the contract without any contingency, or by the buyer's own reason, then the deposit may be forfeited.

After all contingencies are removed and the buyer fails to close the escrow, then the seller can retain the deposit after exerting the required procedures as described above. In reality, however, a legal dispute may pose an obstacle for a new transaction. A clean cancellation may be more beneficial to the seller; it is important to set the emotion aside.

## 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 ext. 2#



## Rockyfield contacts

DRE broker license:  
01328577

27520 Hawthorne Blvd. Suite 144  
Rolling Hills Estates, CA 90274  
Phone: (310) 544-0857

Anthony Iwata Ext. 1#  
(English+Japanese)

Catarina Zerbinatti Iwata Ext. 2#  
(English, Spanish, Portuguese, Japanese, Italian)  
email: properties14@rockyfield.com

## 2.5 Acre Vacant Lot with Spectacular View

The whole Catalina Island spreads in front of you. It is extremely rare in Palos Verdes: 2.5 acre with all utilities coming in or close to the entrance; geological and engineering surveys were done and the owner once got RPV city approval (already expired) for a 4000sf house. The current price is attractively \$1,000,000. A great opportunity to build your dream home. Text Catarina 310-365-6309.

## Lease: 4 bedroom 1900sf home with ocean view

It is located near Trump golf course; just south of Ladera Linda park. This Sea View community is secluded from urban hustles and noise. Enjoy the view of Catalina Island. Unlike general perception, this location is convenient to Harbor Freeway, Torrance via Western Ave, shopping at Western and 25th, or Golden Cove where Trader Joe's is located. To see the house, text Yokko, 310-347-7580.



## SELECTED LISTINGS

Please Contact

Rockyfield

A: Active B: Backup P: Pending S: Sold  
Prices in '000s. Source: MLS (as of 09/01/16)