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Rockyfield Newsletter

US Economy & Housing Market

Free market solutions to our healthcare system have been advocated. While many industries can work better without government interference, a few industries can exert monopoly or oligopoly power without regulations; the healthcare industries, including insurance companies, medical service providers, medical equipment and pharmaceutical companies are among them. For a free market system to function, we discuss here four major factors.

Many suppliers and consumers with no competitive advantage over another; they are indistinguishable and interchangeable: Obviously, no part of the healthcare industry can satisfy this condition. There are a large number of patients and doctors, but oligopolistic (only few) pharmaceutical and insurance companies exist. Each patient is unique and not interchangeable.

No disparity in information or expertise between suppliers and buyers: Related to #1, there should be no disparity in power between suppliers and buyers. Well, patients have little power over doctors; in an emergency, patients have no choice. They simply do not have expertise and knowledge of medical issues and drugs.

Perfect mobility of resources (capital and labor) and no entry barriers: Large capital is required to enter the medical insurance and pharmaceutical industries, and it is expensive to be a doctor, too! Allowing cross-border purchase of health insurance will let them further converge into an oligopoly through buyouts of small insurers.

No external interference: Healthcare is a matter of life or death. Government regulations for safety must exist across the board even though they inhibit competitions.

The free market system works ironically because individual companies attempt to eliminate their competitors. If left alone, many industries eventually become monopoly or oligopoly. That is exactly the problem in the US economy today: even if it does not seem to be, very few invisible holding companies own many companies or brands in almost each industry.

Market Volume Expands, Very Active

Tax Cuts... Why Now?

The financial market has been for some time worried about the economic slow down this year. The 1st quarter, which has been low or minus growth for the past few years, is not so much concern. It is related to the Trump Administration's economic policy, including trades. Recently the President has softened on these issues; however, the new tax reform poses a few questions.

First of all, its timing: the economy has been recovering steadily, and the labor market is in de facto full employment. Why do we need huge tax cuts now? We are afraid that inflationary pressure would be inevitable. The stock market will definitely be boosted, though likely to be temporary, thanks to instant increases in corporate after-tax-profit and their cash position that will increase dividends and M&A's. As most analysts concur, the deficit will pile up, forcing the U.S. to borrow more. Such combination of large increases in debt and inflation will send interest rates sharply higher. This can choke the consumption, housing market and almost the whole spectrum of the economy.

The positive economic impact of this tax plan will be short-lived and we will suffer from a cycle of inflation and following recession. The economic policy should address selected targets: tepid consumption and structural unemployment.

Healthcare debates tend to focus too much on insurance. Free market solution can be a part of the reform, but not in today's debates. A healthy population will improve efficiency in work places and our economic competitiveness in the world.

Palos Verdes Housing Market

The demand for housing has been consistently strong; now a great increase of good new listings and low mortgage rates set a fire on the buyer activities. Escrow openings are growing sharply, following the increasing market inventory. During the recent weeks, the E/A ratio (escrow/active listings) has been hovering around 60%. Today's buyers who are very well informed have been swarming to good listings. Many sellers are receiving several offers. It should be also noted that we have started seeing those old struggling listings being sold. However, due to an almost insanely large number of new listings (30 or more a week), there has been no little sense of supply shortage. Prices are modestly inching up.

While the market inventory that dipped to 110 at the beginning of the year is now close to 200, in-escrow listings more than doubled from 60 to over 120. In short, we have a larger housing market.

Mortgage rates have become stable again. Given the slumped GDP, the financial market is not expecting a strong economic growth; 10-Year Treasury Note yield, which topped 2.5% in early March, has been under 2.5% for a month. We expect low rates to continue supporting the housing market.

However, we do not expect the rates to further go down either; if housing prices soar too fast, many buyers will be priced out of the market. It is already May. If you are thinking about selling this year, it is better to put your house on the market soon.

The townhouse market continues to be steady; what surprises us is the condo market. Excluding new or senior condos, the traditional condo market has been very tight this year.

Water-Conservation Plumbing Fixtures

Since a new requirement for single-family homeowners to have "water-conserving plumbing fixtures" started this year, realtors ask sellers to sign a new disclosure form called "Water-Conservation Plumbing Fixture And Carbon Monoxide Detector Notice." However, some misunderstanding seems to exist. This statement is for a single-family property only (multifamily units in 2019) and more importantly, sellers are required to provide this notice, but water-conserving plumbing fixtures are not a requirement for a sale. We, of course, recommend all homeowners comply with the law. Some lenders may require the compliance, though we have not seen or heard of such instances yet.

California law requires property owners (for properties built before 1994) to install water-conserving plumbing fixtures by 2017 for single-family properties and by 2019 for other properties. Generally speaking, toilets, facets and other household fixtures made after 1994 are likely to be water-conserving. Additionally, if any property (built before 1994) is altered or improved after 2014, then water-conserving plumbing fixtures must be installed as a condition of final permit approval.

In 2012, Transfer Disclosure Statement was expanded to include a check box for water-conserving plumbing fixtures. The check box does not create a point of sale requirement. Beginning in 2017, a seller of a single-family property will also be required to disclose whether the property is in compliance with the law. This same disclosure requirement will apply to other types of properties beginning in 2019. Even then, the law creates no point of sale requirement.

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#



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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

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.

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. No strings attached.



SELECTED LISTINGS

Please Contact Rockyfield

A: Active U: Contracted P: Pending S: Sold
Prices in '000s. Source: MLS (as of 05/04/17)