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Rockyfield Newsletter

US Economy & Housing Market

The President stunned everyone by agreeing with Democratic leaders on the debt ceiling increase. However, it is just a 3 month extension; there may be a big fight in December again, especially given the tension between Republican leaders and President. The risk of defaulting the US debt remains as a serious concern.

The US obligations to pay interests and repayments at maturity are absolute and the US debt is a result of more spending than revenue. Having a ceiling on the US debt per se is a problem; it is an upside-down political ploy to set such ceiling with an attempt to curb the growing spending.

The US Treasury debt is different from any other government borrowings; it plays a crucial role in the international monetary system. Its huge market size guarantees high liquidity (you can buy and sell with ease). The US dollar is the international currency for trade and various settlements; governments and financial institutions keep their money in US Treasury papers just like we keep our money in a bank. And the Treasury yields are bases or benchmarks for all kinds of interest rates: Prime and loan rates for businesses, corporate bond rates, consumer borrowing rates, mortgage rates, etc. If the trust in the US Treasury market is lost, prices of the US Treasuries would collapse, the value of foreign currency reserves of all countries would plummet, financial intuitions would no longer be able to lend money as their assets being devalued, businesses would lose financing means, neither bank loans nor issuing bonds, notes or commercial papers. The mortgage rates would soar, bringing down housing prices.

As long as the debt ceiling exists, it will be always taken as a political hostage. It should be permanently removed.

The 2nd quarter GDP was revised upward to a healthy 3%. We are very encouraged by the growth of consumer spending and business investments, which have been lagging behind as we pointed

Inventory Decreasing Prices down

Ants Problem?

After weeks of unusual cool summer weather, we had extremely hot days for a couple of weeks. A barrage of ants started invading houses. Unlike rats that can carry diseases or termites that may damage the house, ants do not pose a serious threat, and there is no government guidelines. But they are so much nuisance. Ants killer chemical could pose more danger to small kids or pets. And ants exist everywhere and it is impossible to permanently eradicate them.

Basic advice is: to keep the house clean and not to expose any foods that ants like. They love a wide range of foods, not just sugary stuff. Interestingly, pure honey or chocolate do not seem to attract ants.

Pest control for ants may cost as much as \$250 for inside and outside the house with a few months of warranty. Though it is effective for a while, ants will eventually come back. So you will need periodical pest control services. According to one pest control guy, Windex may be useful to prevent ants from coming inside. (We have not confirmed if it works.)

Over the counter ant traps do not work very well. We use Terro (ant baits): ants come in and take the baits back to their nest, and kill them, hopefully including the queen. Many people throw away when the case is filled with ants. It should be discarded only after ants disappear from the case. It takes a week or two. When summer is over, so are ants problems

We are looking for a new
Rockyfield office

out many times. If the international tensions were absent, the US economy could accelerate its growth rate. The August payrolls increased 156,000, short of the market forecast. However, we have near full employment; 125k to 150k will be more desirable to avoid inflation.

Palos Verdes Housing Market

While we skipped the August newsletter, PV's housing market made a big turn. After peaking at 223 listings, the market inventory started its downward trend in mid July. It was because the number of new listings became "normal" while sales (contracts) remained steady at high levels. The pace of inventory decline accelerated in late August and the inventory is now below 190. The strong buyers' appetite for inexpensive properties keep pushing down, though gradually, the median escrow price. However, we do not believe individual property prices are falling.

It should be noted that all statistics are better than a year ago: the inventory, in-escrow listings, supply-demand condition and prices are all better. And sales are still steady. "September slump" may not be as severe as usual this year. The price range up to \$1,500,000 is still going well; the strong demand for listings below \$1 million reminds of the pre-meltdown boom. On the other hand, unusually strong sales for high-end properties since the recent general housing slump suddenly slowed during the past several weeks for unknown reasons. The domestic economy is healthy and interest rates are even lower. Rich domestic buyers should still exist; China money may be stopping to come in.

Last year, we advised potential sellers to wait until next spring if they can; however, this year, we advise sellers to sell whenever it is most convenient for them.

Townhouse and condos are still selling fast, while the lease market is very slow this year perhaps because renters are buying as household incomes are improving.

Remodeling VS. Higher Value

It is just natural for a seller to feel: "My house should sell at a price as high as the money that was spent." However, the price is determined by the market force; how much the market would value your home with the current remodeled condition is more important than the cost.

The National Association of Realtors (NAR) announces every year the value vs. remodeling cost in its Remodeling Impact Report. We can see which projects can be more viable than others; however, it should be not used to determine the listing price because the numbers are based on average current condition and average quality remodeling. A return on investment greatly varies depending on the current condition. For example, a kitchen remodel yields only a 67% return; however, if the current condition is bad enough to be hated by any buyers, the return of remodeling will be much higher, maybe profitable. Even if the kitchen is old, but clean and functional, then the return can be lower. A house with a damaged roof with many leaks will need to be replaced anyway. In conclusion, the current condition determines if a remodeling project is viable.

Ease of sale is more important than statistical higher value vs the cost of remodeling when you prepare your house for sale. Those items the majority of buyers hate need to be addressed: like old wallpaper, linoleum floors, old fashioned carpets with outdated colors, etc.

Low cost cosmetic upgrades should be considered. Pruning overgrown trees to make the property bright and shake off an old image; Quality interior painting; Exterior power wash if applicable; Reglazing bathtub to make it look like new; Replacing dried lawn with succulent plants and mulch.

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 09/12/17)