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# Rockyfield Newsletter

## US Economy & Housing Market

The fundamental of the economy is "EXCHANGE." If you were a farmer and your friend is a cattle rancher, both will be better off by exchanging farm produces and meat. Your economic condition will prosper as you exchange with more people. In reality, we exchange things via "money." The US was financed by tariffs only until 1914. The government not only needed more money but also we needed more exports/imports to prosper. Along with foreign exchange policy, tariffs were often used as an economic weapon, possibly exacerbating international disputes to a war. Since 1945, Western nations have been moving toward free trades, and China and other countries have become a part of it. Of course, dumping, poor labor condition and other unfair practices have been major problems, even though the WTO has been playing an important role.

Regional free trade zones were created like EU, Lafta and Nafta, and most recently TPP. However imperfect they are, free international trades have contributed tremendously to the world economic prosperity and peace. It is each country's government's responsibility to deal with economic victims resulting from international trades. Protectionism is not the answer.

The US has been running trade deficit almost permanently. Trade surplus of other countries in large part flows back into the US. However, there is more to the US trade deficit. The US hegemony has been founded on two major pillars: military might with bases in over 70 countries; and import power. Many countries, even well-developed countries like Japan, Korea, China and EU countries, cannot survive without exports to the US. Over years after the last war, "economic dependency on the US" has been created and became a crucial element of the US super power.

All-out trade war could bring about an economic tumult around the globe, and the US may lose her hegemony status. In the US, consumers would suffer not only higher prices but also shortages of many

## *Little Impact of Higher Rates Seen So far*

### Before Leasing

If you are renting out your home where you have lived for many years, or it has been occupied by a tenant for many years, it is quite possible that the property does not satisfy today's codes.

For earthquake safety, water heaters must be braced and fixed according to the code; and it is rare to see violations. The part of the gas pipe, touching the furnace case must be a solid steel pipe, and we often seen a flexible pipe there. A gas sediment trap is also required.

California law requires one smoke detector to cover all sleeping areas (e.g., hallway); however, many cities require one smoke detector in each bedroom. A carbon monoxide alarm must be installed in the area to cover all sleeping quarters on each floor. The location is not specified as CO1 spreads allover; it is suggested at the height of adult eyes where a small child cannot reach.

The new law for water conserving plumbing fixtures became in effect this year. The government definition of what is water conserving or not is difficult to understand for homeowners. As a general rule, plumbing fixtures, toilet, shower, faucet, dishwasher, washer, etc. that were installed in 1995 or after should meet the standard. Newer plumbing fixtures are even more efficient and water conserving.

When you rent a house, you will need to satisfy these standard, along with other safety concerns. However, we suggest all owner-occupied houses consider these minimum standards for your own safety.

products that we no longer produce here. Given the increasing consumer debt and higher interest rates, consumption would suffer. However, in reality, such trade war should be a limited one or even just symbolic. Nonetheless, another recession is very likely to happen.

## Palos Verdes Housing Market

While sales recovered in early January, new listings did not increase until February. The declining market inventory bounced then and has kept growing as more new listings started coming. However, the inventory growth is more evident for higher priced properties, and the supply shortage still persists for listings below \$1,250,000. Probably due to the higher interest rates and the smaller interest deduction under the new tax law, sales of higher priced properties are not very strong.

Just because mid- to low priced listings are scarce, sales in these price ranges cannot increase. The median escrow price which is the best indication of real time price movements has been statistically up due to the smaller share of low priced properties in escrow. When an attractive listing comes on the market around \$1 million, buyers swarm onto it. Even above \$1.5 million, well priced and attractive properties are selling fast.

We used to say, remodeling will not pay off for the purpose of selling; however, buyers from China have changed the trend; they prefer and often pay a premium for a house that is new or totally remodeled because of their inability to fix the house. Of course, they love views!

Unlike the past spring selling seasons, we are not so confident about the market condition for the next few months due to concerns over trade frictions, rising interest rates, inflation and so forth. If you need to sell your home this year, it seems to be safe to list your home as early as possible rather than waiting for a higher price. We are also cautious about how long the strong Chinese buying would last. But for now, they are buying!

Townhomes are in a great shape.

## Watch Out for Those Buyers

After an agreement is reached (Acceptance), escrow is opened and buyer makes the deposit; the first hurdle is cleared for the seller. The next, probably most stressful process is a buyer's repair request after an inspection is completed. There are still many cash purchases and we have noticed some of those transactions close with a very large credit from seller or price discount. While there is no way to know the reason for each case, we also have experienced similar cases, where a concession was demanded.

As the standard purchase agreement stipulates, houses are sold in their present condition. It is a buyer's responsibility to make necessary investigations, and the buyer has the right to rescind the transaction if the investigation result is unacceptable, or the buyer accepts the present condition and proceeds with the transaction. Based on this rule, a buyer may request repairs or a credit as a remedy for the buyer's findings; however, the seller has no obligation to accommodate such demand. In reality, most sellers do not want to lose the buyer, and negotiate with the buyer to reach a reasonable concession. When the purchase is financed, a credit is subject to the lender's approval: in general, a credit amount over \$5,000 should be a price reduction (specifically, it is a percentage of the price).

A cash purchase followed by a demand for a larger credit is typically made by a buyer visiting from a foreign country who may not be familiar with our contract laws. They tend to request "everything" to be repaired in the inspection report, or list 20-30 items for repairs because it is difficult for them to repair things. Of course, any inspector will mention every small thing to avoid their own liabilities.

It is the seller's decision whether they accept those aggressive demand to close the transaction, or refuse 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 ext. 2#



## Rockyfield contacts

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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 03/14/18)