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Rockyfield Newsletter

US Economy & Housing Market

As the economy is effectively at full employment, the March payroll figure was not a concern at all even though it was almost 80,000 less than the consensus forecast. If the labor market keeps adding more than 150,000 job every month, it would heat up the economy to inflation.

The stock market has been on a wild ride primarily because of the fear of a trade war with China. In addition to those negative effects warned by many, protectionism makes the economy inefficient, and the consequences will be long lasting. We are thriving on intellectual industries and we should keep focusing on what we are good at. "Inefficiency" means higher costs, lower productivity and wages. There is a genuine risk of having a recession and inflation at the same time. It is true that we need to stop abuses of US intellectual properties in foreign countries; however, a trade war will not solve the problem.

Even if those harsh exchanges with China is only a part of negotiations, our serious concern is China's huge holding of US assets, especially US Treasuries, which are relatively easy to dispose. China has indicated that they might not purchase new US Treasuries; and if they publicly threat to dispose them, the US Treasury market would plummet and interest rates would jump double or even more. That will kill the economy. More seriously, if the US Treasury auctions (new issues) fail, it is possible for the US to default on our debt obligations. The Fed may be able to avoid it temporarily by printing money; however, it would make the situation worse.

Our wealthy allies, like Japan, Germany and others are all aggressively doing quantitative monetary easing (buying their own securities) and have little room to buy a large amount of additional US Treasuries to save them. If the US Treasury market collapses, it would create turmoil in the international financial systems. The whole free market economies will come to a halt.

Apart from the possible trade war, there are a few bad signs for our economy: less

This Spring Selling Season, Different

Property Tax Bills

Property tax bills can be very confusing for a buyer, depending on when the property is purchased. Closing at this time of the year, it would be rather simple because the property tax for a purchased property should have been paid through June 30 which is the end of the property tax year. The new owner will receive first a supplement tax bill which makes up the difference between the previous and new tax amount between the closing date and June 30, and then a new property tax bill with the new owner's name in October.

However, if you are buying a house now, the closing will happen in late May or thereafter. Then, you may have a very confusing situation. The Assessor's office cannot prepare a new tax bill (July 2018 to June 2019) with your name and the purchase price. You will receive a supplemental bill, and substitution bill, possibly after you receive a new tax bill under the previous owner's name. Please note, whether a seller or buyer gives a credit to the other depends on the closing time.

The most important thing to remember is that it may take more than one year for a new owner's property tax to become normalized. It is also better to overpay than to pay less to avoid penalties, if it is too difficult to sort out. Excess payments will be eventually refunded. You can call the phone number on the bill. Another way is to go for a web payment, and you will see your account, where you can pay all unpaid invoices.

and less competition as very few corporations dominate each industry; sharply growing deficit; high-tech industry's growing social and legal problems; widening disparity among states paired with failing public education.

Palos Verdes Housing Market

During the month of March, we heard many agents complaining the market was very slow; the records show otherwise. And we felt somewhat similar. It may be because of large fluctuations by weeks; the severe shortage of listings below \$1.25M, and many buyers are flocking to very few properties. Many agents' focus is those below \$1.5M where sales numbers are limited simply due to few new listings.

One of clear differences from normal years is: Certain buyers tend to pay a premium for fully remodeled houses, even if done cheaply, while houses with good attributes like views and locations, but with old condition, are having trouble selling. Though completely remodeled or new houses will become old in years, buyers visiting from foreign countries clearly prefer new condition perhaps because they cannot remodel or repair by themselves. They are often represented by agents from outside PV who may have limited local knowledge, or a true value in the property. We are also worried that China buying may stop if this trade war fiasco explodes.

While new listings of single family homes are not increasing, sales (contracts) are steady but not exceeding 20 a week. Neither the market inventory nor in-escrow listings are growing. The median escrow price is also stable after having risen 6-7% from the last year's average.

Up until last year, we advised most remodels would not pay off; this year, if remodeled before listing, a house may be sold with a good gain. However, it requires a few weeks to months while making mortgage payments. It is not certain how long this new trend would last. Fixer uppers need to offer a quite low price to attract investors because fewer home buyers are interested.

Analysis: Numbers of Contracts

Statistics available by media are typically closed national sales which are two months old; not very useful to assess today's market for single family homes in Palos Verdes. We keep weekly records of contracts of single family homes in PV. This spring season is supported by the strong economy and full employment; however, concerns are looming over higher interest rates, inflation, trade war and political instability. We have been cautious whether this spring's housing sales will follow suit of the past records. We have compiled monthly contract numbers to see how the market is moving this year. After the market resumed early in January from the holiday season, it slowed in February, and March turned out to be a good month despite many realtors felt otherwise. The market becomes very active in April and May every year, though tax returns disrupt buying activities in early April. Due to the new tax law, many people made many tricks in December, and their tax returns may be more complex. Because interest rates are stable after rising early this year; we expect strong April and May sales. Modest numbers of new listings will also help sales and prices.

of contracts of Single family homes in PV.

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|------|------|------|------|------|------|
| JAN | 37 | 46 | 45 | 43 | 59 |
| FEB | 36 | 57 | 62 | 55 | 51 |
| MAR | 62 | 74 | 67 | 60 | 70 |
| APR | 55 | 70 | 76 | 77 | |
| MAY | 66 | 71 | 83 | 87 | |
| JUNE | 81 | 73 | 58 | 75 | |
| JULY | 55 | 63 | 60 | 63 | |
| AUG | 62 | 76 | 47 | 66 | |
| SEPT | 59 | 47 | 56 | 59 | |
| OCT | 47 | 53 | 67 | 38 | |
| NOV | 49 | 49 | 51 | 42 | |
| DEC | 37 | 33 | 40 | 31 | |
| | 646 | 712 | 712 | 696 | |

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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2 bedroom Townhouse for Lease

Two master suite townhouse in the Ridgeway community is immediately available for lease. Two car garage and private patio. Bright and spacious kitchen. \$2700 per month. For showing, contact Catarina (310-365-6309)

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.



SELECTED LISTINGS

Please Contact

Rockyfield

A: Active U: Contracted P: Pending S: Sold
Prices in '000s. Source: MLS (as of 04/10/18)