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Rockyfield Newsletter

US Economy & Housing Market

Despite the strong 1st quarter finish of the stock market, making up 4th quarter loss, the future of the US economy is still in doubt. Personal spending increased a meager 0.1% in January after falling 0.6% in December. The FRB has halted planned rate increases; it indicates that the FRB is seeing signs of slow down. The FRB also technically cannot raise the rate as the yield curve is almost flat. Because the current rate (2.25-2.50%) is too low to act on a recession, they are now studying a new tool to cope with a recession.

The real worry derives from the slumping international economies and trade wars. Turkey, heading for a financial crisis; weak German and EU economies, the UK's Brexit turmoil and slumping China. The new NAFTA is in jeopardy due to the tariffs on steel and aluminum. Nikkei reported that Japanese meat imports from the US plummeted after two new trade pacts (TPP and EPA=EU-Japan). In April, their tariffs will be further reduced and Japanese meat imports from them are expected to sharply increase, meaning US agricultural exports may be hit even harder.

In the long run, the real problem of the US economy is industry concentration; many industries are dominated by few large companies: oil, banks, airlines, supermarkets, phones, cable TV, endlessly on and on. They are fine if they have strong foreign competitors like autos. Market economy is fundamental to capitalism; and more importantly, in order for a market to function properly, fair competition among suppliers and buyers is imperative. Oligopolistic and monopolistic industries slack on ingenuity, invention, efficiency, quality that are all needed for the US economy to compete and thrive.

However, the tech industry is different where market dominance is not achieved by unfair competition or M&A's, but by technological inventions and advancements. And their product cycles are very short. Microsoft once monopolized operating systems with Windows; but no more.

PV Housing Prices Rising

Income Property-1

It is a great idea to have a rental property to secure retirement income, and if necessary, you can sell it for a chunk of money. Since the cashflow tends to be negative (if financed) in early years, given today's housing prices, it is important to start as early as possible in your life. The rent will increase over time and generate good income by the time of retirement. Ideally you should have 3 or more properties to keep income coming in when one of them becomes vacant. Three \$400,000 2-bed condos can produce more revenue than a single \$1,200,000 house. If your priority is capital gain, a single family home may be better.

People tend to seek a property of their personal preference; however, since you will not live there, profitability should be the priority. Properties in good school areas can rent quickly and have less risk of delinquency; however, due to their premium price tags, returns will be limited. Convenient places for commuters where property prices are reasonable can be found in RPV Eastview, San Pedro, Lomita, N. Torrance and other cities. Condos will provide larger depreciation, but due to "passive investment," a loss cannot be applied to regular income, and irrelevant unless you acquire the property with cash or you already have profitable income properties.

The largest cost for rental properties is vacancy. If you have to repair and remodel to attract tenants, you will incur double costs of vacancy and of repair/remodel, let alone the loan cost. So, it is better to choose a property ready to rent. The HOA fees are another consideration. Although they can be expensed, good amenities included in the HOA fees will benefit the tenant, not the owner. But a complex with a low HOA fee may be poorly maintained. It is imperative to obtain the information on what exactly HOA fees cover. It is recommended you directly contact the management company. Many complexes limit tenant occupied units: no rental is allowed for a couple of years for a new owner, or/and above a set percentage of tenant occupied units.

Apple is now losing its iPhone's market share. High tech companies' market dominance is rather short lived; they have to keep coming up with new technologies and inventions, or they will become obsolete and wiped out. Therefore, dividing those large high-tech companies is unnecessary. Anti-monopoly or fair trade policy should focus on ensuring and promoting market competition and new entries.

Palos Verdes Housing Market

The median escrow price soared in January and early February due to the slump in low-end housing sales. Then, low- and below \$1.5M listings started selling in large numbers, depressing the escrow price. It was a statistical illusion. Our daily experience and observation indicated prices were moving up, but due to slow sales of \$1.5M or higher, it seemed rather "corrective" increases. However, since mid March, both statistics and our own sense have matched: Prices are certainly going up. Listings below \$1.1M become rare to find in the west RPV, and if there is one, it sells right away. Listings around \$2M started moving, followed by over \$3M properties. We seem to have a robust market if not red hot.

One of the reasons for higher prices is very low interest rates. However, weekly contracts are still around 15, a far cry from booming 20 or more. Encouraged by rising prices, more sellers are rushing to the market. A traditional warning sign is appearing: a pair of the increasing market inventory and decrease of in-escrow listings. This means, if interest rates turn upward, the market condition may quickly deteriorate. Be rested, the possibility of substantial rate increases is minimal for the next couple of months. We believe we will have a great spring housing market.

Every year during the tax filing time, the number of contracts dwindles. It seems this year is no exception. We hope the market will pick up after April 15. There is still room for prices to go up further, being supported by low interest rates.

The townhouse market continues to be strong with short supplies though some overpriced ones remain unsold.

Coyotes

Coyotes, a member of the dog family, can be anywhere in Palos Verdes and they resemble a small German shepherd. They are extremely adaptable and can survive on whatever food is available. They hunt rabbits, mice, birds and other small animals, as well as young deer and sheep. They will also feed on the carcasses of dead animals and will accept "hand-outs" from people in the form of table scraps, pet food and garbage.

Problems occur when people begin feeding coyotes. Coyotes will quickly lose their natural fear of people and become bold, even aggressive. Pets are often attacked, injured or killed by coyotes. In a few tragic cases, coyotes have attacked small children, causing serious injury or even death.

Deliberately or inadvertently feeding coyotes will put you, your pets and your neighbors at risk. Put trash containers out in the morning of the scheduled pick-up, rather than the night before. Clear brush and dense weeds from around dwellings to reduce protective cover for coyotes and make the area less attractive to rodents. If coyotes are present in your area, keep small pets, such as cats, rabbits and small dogs, indoors. They are easy, favored prey. Some coyotes seek cats in residential areas. Even large dogs should be brought inside after dark.

If coyotes begin frequenting your neighborhood, let them know they are not welcome. Make loud noises, throw rocks, or spray them with a garden hose. For everyone's safety, it is essential that coyotes retain their natural wariness of humans.

You can report coyote via

<http://coyotesightings.rpvca.gov>.

The Coyote sighting map is available at

<http://www.rpvca.gov/1065/Coyote-Reports>.

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

BRE Broker License: 01328577

727 Silver Spur Rd. Suite 205
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

New Lease: 2-bed condo in Lomita

We just listed totally remodeled 2-bedroom condo in Lomita. The monthly rent is \$1,950. No one has lived there after the remodeling. If any of your acquaintances is interested, please contact Catarina.

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

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A: Active U: Contracted P: Pending S: Sold
Prices in '000s. Source: MLS (as of 04/04/19)