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# Rockyfield Newsletter

## US Economy & Housing Market

The US economy is going very strong with full employment and rising household income. More than \$10 billion is slated to be spent on the 2020 elections; the new North American trade treaty is in place. Trade war is expected to be settled. The economy should accelerate at least for the next several months. Politically, it is unlikely that the President is removed by the Senate; the impeachment should not interfere with the economy. While the FRB has been successfully keeping rates low, long-term rates have moved up a little enough to avoid negative effects and the inverted yield curve has been corrected, wiping out the recession fears. Given the short supply condition since late last year, the housing market should surge with buyers' strong appetite, thanks to low rates and good employment.

There is a risk in the financial market, however. The recent soaring debt all across governments, businesses to individuals is a concern, though it is not an immediate one. The US public debt has surpassed \$23 trillion; the fiscal deficit for 2019 is \$984 billion, a \$205 billion more than 2018. It is expected to reach \$1.2 trillion this year. Our economy is in good shape; such increase should create a super growth. Normally, inflation becomes an issue if spending increases so much under the fast-growing economy and full employment; however, we do not see such sign. As the debt increases this much, a large portion of new borrowings must be used for interest payments, further ballooning the debt. The FRB has been continuing REPOS with Treasuries primary dealers in huge amounts. It could be the case that the primary dealers may have the difficulty in pre-placement. Due to the shrunken trades, China and others may not be buying US Treasuries as much as we want them to. If so, the US debt may be temporarily hitting the ceiling.

Consumer debt is also sharply increasing and so are late payments. The number of people using revolving credits reached 205 million in the 3rd quarter for the first time on record, and the percentage of delays in payment over 90 days is the highest in 10 years; an increasing number of homeowners

## Happy New Year

### Automation vs. Population

Many of the problems we are facing, including the climate change, mass refugees, soaring housing costs and other issues can be attributable to overpopulation. We Homo Sapiens have a strong drive for expansion and growth, overcoming potential food shortages and other problems through technological innovations. Now with the advent of AI (artificial intelligence) and robotics, we can produce and operate business with less people; assistance for elderlies and medical surgeries can be performed by robots, if not all; they are already coming into our life like robot vacuum cleaners. Fast food restaurants may be operated by intelligent vending machines. The real question is what people will do, or earn money, if their services are not needed. If they are unemployed, consumption will diminish, and business cannot sell even if they can produce more with less people. In modern economies, population growth has been essential for the GDP growth. But it seems to be changing.

Japan may be a good test case. Japan's births in 2019 are 864,000, the lowest on record; and the number of deaths exceeded births by more than 50,000 for the first time to 51,200. Japan's economy has been suffering from a series of recessions and marginal growth since the late 1980s, during which many of their consumer product businesses were lost to other countries, mainly China, forcing Japan to overhaul the economic structures. Japan now seems to be on the recovery and growing again with industrial products/services and digital businesses despite its decreasing population and international economic slumps. Labor shortage in Japan is everywhere, and they must continue replacing people with machines. We should keep observing how they deal with population declines, possible income disparity and social discord. (Japan's population is 126 million). And the US population growth is slowing.

ers are taking cash-out refinancing. North American oil and gas companies have more than \$200 billion of debt maturing over the next four years.

Those debt problems are unlikely to damage the economy for now; however, they may force austerity spending cuts and tax increases in the future.

### Palos Verdes Housing Market

The market inventory that was hanging over the housing market through last year sharply declined toward the end of the year as we forecast. As of Jan. 5, it stands at 129 that is fewer than a year ago (145) with 19 more in-escrow properties. We began the New Year much better in terms of supply-demand condition. New and returning listings are coming on the market during the first half of January, pushing up the market inventory as new contracts need a couple of weeks to catch up.

We were surprised to see and experience great buyers activities in South Bay in general after Christmas, and they are showing in numbers. While we see such sign in PV, perhaps due to higher prices, we are having a slow start. There are extremely few listings just above \$1 million on the west side of RPV. Unless the price is unreasonably high, new listings in this price range should be sold very quickly.

As to the market price, because more lower price properties will be sold first, statistical prices such as the median escrow price will need some time before it starts rising. During January, professional sense of prices should be more reliable than statistics. We expect many sellers to receive multiple offers, and individual property prices will rise, even though the "market price" lags behind.

Increases in interest rates are expected to be moderate with negligible impacts on the housing market. Thanks to the growing confidence in future employment and income, we hope that the housing market this spring will be more robust than the last two years. As long the strong economic growth sustains, the housing market in both volume and price will continue to be advantageous for sellers.

Townhouses continue to be in short supply everywhere. The prospect for leasing is yet to see.

## PVUSD Parcel Tax Exemption

We provided information about the senior exemption from PVUSD parcel tax in February last year. We understand quite a few people obtained the exemption on the 2019-2020 property tax bill, and so did ourselves. If you haven't, you have the opportunity to save \$400-\$500.

Palos Verdes Peninsula Unified School District assesses "Parcel Tax" (Measure M) to support advanced programs in math, science and technology, keep classroom technology up-to-date, attract and retain highly qualified teachers, and to maintain manageable class sizes. The PVPUSD also offers its senior residents of age 65 or older an exemption from parcel tax.

The senior parcel tax exemption filing period begins on January 15 and concludes on the last business day in May. Only primary residences may be exempted from the tax. There is no need to re-apply.

An appointment at the PVPUSD Malaga Cove Administration Center, 375 Via Almar, Palos Verdes Estates, CA 90274-1277 is required for all first-time filers. To schedule a meeting with Rita Moyers or GiGi, call 310/ 378-9966, Extension 404. The application form will be completed at your appointment, where you must bring the following required documents (one of each):

### Verification of Date of Birth

CA Driver License, CA Sr ID, Passport

### Proof of Ownership

2018 Annual Property Tax Bill

### Proof of "Primary" Residence (One Only)

Most recent bill from So CA Edison or The Gas Co.

## 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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### New Lease Listings

We will list for lease a 4 bedroom house (3100sf, built 2009) in early February on PV Drive North, and a 3 bedroom house (1300sf) on PV Drive West in Lunada Bay in early March. Rents have not been decided.

### 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

### 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 even if you have no plan to sell. No strings attached.



## SELECTED LISTINGS

Please Contact

Rcokyfield

A: Active    U: Contracted    P: Pending    S: Sold  
Prices in '000s. Source: MLS (as of 01/08/20)