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Rockyfield Newsletter

US Economy & Housing Market

A V-shape recovery or not depends on how long this pandemic will last. Currently many people are furloughed, and it is possible to quickly gear up the operations. If businesses become idling too long, then it will take a long time and money to resume. In short, it depends on when effective vaccines become available or full economic activities may not be attainable.

When businesses have a loss or little profit, and individuals are unemployed, they are not paying taxes and tax cuts have no effect. The priority is to create demand for business. To create consumption which comprises 2/3 of the US GDP, the best way is to provide massive employment which businesses may not be ready for. The aging US infrastructure needs lots of repairs and rebuilding across the country; infrastructure investments will create immediate jobs and make the US economy more efficient and competitive.

As predicted by many, the post Pandemic economy may greatly differ from the one we know. The two pillars of the post WWII economy have been population growth (more consumption) and globalization. Given the disruption in global supply chains, businesses are seeking domestic supply sources. Physical globalization is likely to shrink; however, intellectual globalization will continue expanding. Even domestically, physical movements of people may become less as we get used to tele-work/meeting. Now that people are forced for on-line shopping, stores may never see the same number of customers.

Another unescapable factor is automation by robots and AI. This pandemic makes businesses to fantasize what if they require no people, all done by robots and machines. Corporations will certainly accelerate automation, further replacing people with robots and AI. In the coming years, less and less "ordinary" jobs will be available, and businesses will be operated by a few highly educated people with special expertise (and well paid). The office size and cost will shrink with more teleworkers. So, the real question is where people can find jobs. Even fast food restaurants are being automated.

The income disparity could be further widened. However, there is a fundamental

Single Family Homes Sales Slowing

COVID-19 Restrictions

COVID-19 has forced many restrictions on our real estate marketing. All parties: sellers, buyers, agents, must follow the guidelines set forth by the Federal, State, County and City authorities.

Accordingly, the California Association of Realtors (CAR) has issued our own guidelines: no open house, showings by appointment only, separation of each showing, etc. Buyers need to sign Coronavirus Property Entry Advisory and Declaration (PEAD) as a condition to see a property. Its content includes washing hands (or use of sanitizer), a mask and gloves, no touching anything, 6 ft distance and other general requirements. Agents should open windows and doors to keep air flows and only up to two visitors and an agent can enter the property at a time. No flyers or brochures may be kept inside.

The guidelines also direct that showings be limited to serious buyers, who are approved for a loan with a proof of funds to close the deal. CAR even recommends virtual showing only, avoiding in-person showings.

Rockyfield has prepared an additional form which explains practical showing procedures and requirements to protect all parties. So far buyers and tenants have been very understanding and cooperative.

Note: "Virtual Tour" will never substitute for a real visit. It is still possible to hold a showing with a carefully designed protocol.

irony: If the majority of people are impoverished, then there will be little demand or sales for businesses. We have no answer for this predicament. The only thing we are sure about is: this pandemic will change all aspects of our life, cultural, social, personal and so forth.

Palos Verdes Housing Market

Inexpensive homes began selling in late April. During the first week of May, 21 homes, including a few expensive ones opened escrow. In response, new and on-hold listings started coming on the market. The market inventory soared by 20 in May. However, it seems sales have been dwindling after the surge in early May; soaring unemployment may start affecting especially lower priced market. Being encouraged by the good sales in early May, sellers are still rushing to the market. This is the time sellers need accurate and timely advice.

A closer look at what are selling indicates that homes in good conditions or view, which are listed at the prices perceived to be a great bargain, tend to open escrow very quickly. Meanwhile those listings priced with the pre-COVID mentality are not selling. "Flipping" investors are forced to sell as quickly as possible upon completing remodels even at an unprofitable price, adding downward pressure on the market price. We also see quite a few closing prices that are substantially lower than listing prices: often discounted by \$50k to \$100k, occasionally up to \$200k for expensive houses. In short, we have anxious sellers and opportunistic buyers.

A couple of loan officers told us that they have no clear standard or guidelines to evaluate applicants' future credit worthiness, given this unprecedented Pandemic; large banks are becoming cautious and defensive. Individual business owners may have difficulty to obtain a loan as their future income prospect is scrutinized. Especially those who have taken a PPP loan may not be able to obtain a mortgage loan even though they may not have to repay the loan if they keep employees, due to the potential debt/income ratio.

If you need to sell your house, it is still possible with a well-thought and realistic strategy.

Eviction Moratorium

Landlords are concerned that some of their tenants may not be able to pay rents due to a loss of jobs or slump of their own business. We take care of almost 20 landlords who own more than 30 rental properties. So far we have been aware of only one tenant who requested a large rent discount because his own business was facing difficulty. The landlord agreed to a lower rent for 3 months, and tenant was very appreciative. This was a good case.

If a tenant suddenly stops paying the rent, and worse, becomes incommunicado, it poses so much trouble to the landlord. Under the COVID-19 circumstances, landlords cannot immediately begin the eviction process. While the federal eviction moratorium has ended, LA County has extended until June 30, allowing unpaid rents to be paid over 12 months after June 30. A landlord cannot charge interests or late payment penalty. Of course, the tenant can be evicted if they fail to pay as promised. The tenant may abandon the lease without telling the landlord. As it is uncertain when this pandemic would end, it would cause too much burden on landlords.

Lease/rental markets have been active, nonetheless; it could be even better as unemployed homeowners may start selling their homes as it happened after 2009. Therefore, it could be less painful for a landlord to reach a settlement with the struggling tenant and let them go; the tenant can avoid an eviction which hurts their credit standing. As the market is good, it would not be so difficult to recruit a new tenant.

A 25% discount in rent for 12 months proposed by AB828 has been eliminated.

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 are looking for new tenant for two houses in Torrance High area. Both are a three-bedroom house. They will become available in mid to late June.

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

Contact Rockyfield

A: Active U: Contracted P: Pending S: Sold
Prices in '000s. Source: MLS (as of 06/02/20)