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Rockyfield Newsletter

US Economy & Housing Market

Cautious warnings of new vaccines and remedies have been reported; however, there are so many unprecedented international efforts and so many different kinds of vaccines and remedies are being developed. As we learn much better about this COVID-19 virus, more effective remedies will be available. Optimism and patience will overcome this Pandemic. However, it is also clear that until the Pandemic is subdued, we cannot expect a real economic recovery because infection spikes return every time or everywhere we try to re-open business for normal life. So, we just have to be patient.

We are normally not in favor of money handouts as an economic policy for a variety of reasons. However, if the government asks people not to work, those affected citizens need direct financial supports but only until the Pandemic is overcome and real re-opening starts.

Once the Pandemic becomes under control, the economic policy should shift to stimulating general consumption via employment. \$2 trillion of infrastructure investment will be a good start. However, we will have to deal with the gigantic government debt and humongous money stock in the market; not just reducing the deficit, we must actually create surplus, which will be possible only through a combination of economic growth and incremental marginal tax rates which must not impact the early stage of the recovery.

The current government debt is exceeding the GDP and similar to the same level at the end of the WW II. The FRB needs to absorb at least \$7 trillion without hampering the economic growth. These are extremely delicate tasks and require micro management because growth may trigger inflation and higher interest rates that will in turn damage the sustainable growth.

The importance of foreign exchange rates is often overlooked. We need to keep the dollar's strength by ensuring international trust in the US economy,

Red Hot Housing Market

Catarina Got Broker License

Catarina Zerbinatti Iwata has recently passed a real estate broker test, and was granted a broker license on August 26. Catarina obtained a salesperson license in 1997, and launched Rockyfield with Anthony (broker) in 2002. Since then she has not only been involved in numerous real estate transactions, but also been providing Notary Public service to local customers. Being proficient in 5 languages (English, Portuguese, Japanese, Spanish, Italian), Catarina enjoys a wide client base with various backgrounds. She helps many PV residents to efficiently communicate with Spanish speaking handymen, contractors and other service providers. She has been Office Manager at Rockyfield. Catarina was born in Brazil to an Italian family. After she graduated from college, she came to California, she learned administration at one of UC graduate schools. She lived in Tokyo for 5 years. Since 1990, she has been residing here with temporarily living the UK for 4 years in the late 90's.

Catarina is now Broker Associate at Rockyfield, though there will be no big change in her work.

especially in the early stage of recovery. As to the housing market, the current super low mortgage rates are unlikely to continue for good reasons as the economy recovers next year. Nonetheless, we do not expect a housing slump under a booming economy.

Palos Verdes Housing Market

The Federal Reserve recently removed the 2% inflation target. It may keep short rates and the stock market going, while the long-term bond yields may rise, especially 30 year T-yield. However, the 10-year T-yield has not been affected, and the 30 year fixed mortgage rate is expected to remain stable at this historical low level for the time being.

July and August contracts of single family homes in PV (80 and 81) were phenomenal for the summer time. The COVID-19 seems to be causing the national trend of moving to single family homes in suburbs. Although prices in PV are high, such trend will make our housing market more attractive and going further.

The market price is an issue right now. While the availability of low and mid priced listings is scarce, sales of listings over \$2.0M are going very well, pushing up the median escrow and closed prices. If many inexpensive houses were sold, the median price would have been lower. Though prices in general seem to be rising, it is very difficult to determine where the real market price is.

Although the number of new contracts of single family homes may be a little cooling down in September, the housing demand remains strong and solid. The normal September slump should not be a concern this year. However, there exists uncertainty over how the market will fair after the November election.

For homeowners who are planning to list their houses, setting the initial listing price will be the most crucial and difficult task. If priced too high based on statistical data only, it could be a disaster. If the property has great attributes, it is better to set the price low and jack up the price with multiple offers.

Why Housing Market is Booming?

After the initial sharp dip in April, the PV housing made a robust recovery and it is recently red hot. Many people cite extreme low mortgage rates. There is more to it. Rates are low because the economy is down and many people are unemployed or have reduced income. This Pandemic has created uneven economic conditions: some are thriving while others are suffering. In fact, overall mortgage delinquencies are down while serious defaults are sharply up.

Huge liquidity (money supply) in the financial market is likely to be the main driving force for this robust housing market. The stock market also keeps going up and up, but investors are very nervous given the P/E (price to earning) ratio is now 24.5, double the historical average; stock prices are increasing with an expected future business recovery. Then, corporate earnings will grow to reduce the P/E ratio only if the earnings grow faster than stock price increases. So, it is inherently risky and unsettled condition for the stock market. This is a FOMO (Fear Of Missing Out) market. Nevertheless, the excess money must be invested somewhere. The housing market is much more stable in price movements; no overnight straight dive, where there is always more demand than supply. Houses are also "Things" and less susceptible to inflation, while higher interest rates due to the inflation may suppress the housing market. When the economy recovers next year, rents are expected to soar. In conclusion, it makes a good sense for investors as well as home buyers to purchase houses given the extremely low mortgage rates. The housing market is the safest bet right now.

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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New Lease Listings

We are looking for new tenant for a house in Torrance West High area. One level, 4 bedrooms and 2 baths, 2100sf. The rent is \$4200 per month.

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 Rockyfield

A: Active U: Contracted P: Pending S: Sold
Prices in '000s. Source: MLS (as of 09/09/20)