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Rockyfield Newsletter

US Economy & Housing Market

Both stock and housing markets are soaring with peak level performance. It is unpredictable if this path will end at a freefalling cliff, or further accelerate. It is like playing with a dream of economic recovery, riding on super low interest rates. Sooner or later this Pandemic can be overcome by vaccines; however, it cannot be achieved overnight. People and businesses who have patience will be the winners in the end.

The GDP fell 31.4% in the 2nd quarter and is expected to grow 20% for the 3rd. While a few industries are thriving, the majority are suffering. Over 13 million (including those outside statistics) are still unemployed, and initial job losses at small business seem to be spreading to large corporations. The decline in household income is another concern. Basically, until the Pandemic is subdued, a real recovery of employment and economy is unlikely. The warning by Powell, the FRB chairman, is real.

As the P/E ratio is growing, the stock market is so volatile as if it were ready to collapse. This recession is caused by forced lockdowns by COVID-19; with wise steering by the government, the economy can take a V shape recovery, and rapid growth of corporate profit will tame the P/E ratio. While a gradual increase in interest rates should not hamper the recovery, it can prevent the stock market from overheating. The above may be a rosy scenario. It is possible by wise and thoughtful economic and monetary maneuver. However, as we recover, the gigantic debt will become a heavy shackle. Next year's economic and monetary policy makers will face unprecedented challenges.

Even if the stock market plunges into a deep hole, the housing market is expected to continue for now. If large corporations start massive layoffs and the household income suffer more, unpaid rent and default on mortgage loans may pile up, suppressing the housing market. However, it is unlikely to repeat the after Lehman shock slump.

Overheating(?) Hungry Buyers Boost Market

Buyer's Tricks

We have encountered questionable or tricky buyer's tactics when we listed a house for sale. The most recent one is: (1) Offering an unrealistically high price to win the tough competition, and try to get money back through the repair request process where the amount of a credit or price reduction is tens of thousand dollars for beyond a normal request, including upgrades or even remodeling costs. When the competition among buyers gets keen, (2) they may make offers to multiple properties, and, if more than one offer are accepted, they will wait and see, then pick one and cancel others, knowing they can get the deposit back within a contingency period. Another case is, (3) offering a cash offer and after the acceptance, they try to take a loan. One thing common to those tactics is, the buyers are cash rich.

If sellers cannot afford to lose the transaction for any reason, they may accept those despicable tactics. For (1) and (3), a seller can force the buyer to pledge not to take certain actions via a counter offer. For (2), the listing agent can ask the buyer's agent a straight forward question if the buyer is making an offer to another property. Many agents do not like to lie. If the buyer does not take required actions in a timely manner, it hoists a yellow flag. In general in evaluating buyers, never accept an offer if any of buyers have not seen the house.

There are hopes that the economy can survive with government support through this year, and we can start a real and strong recovery as vaccines become available early next year. However, if there happens social unrest after the election, it could pop our hopes for the New Year.

Palos Verdes Housing Market

The Red Hot market condition for single-family homes is not limited to PV, more or less the same goes for South Bay and beyond. Not only receiving multiple offers, their initial offer prices tend to be higher than listing prices. It is becoming common understanding that any offer below the listing price will have no chance, unless the listing price is way too high. Though the situation varies for different price levels, we are surprised by robust sales up to \$2.5M.

You can see the supply-demand condition with the difference between the number of active listings and those in escrow. It was 86 in April when the market was hit by COVID-19; it is now almost ZERO! As many new listings continue coming on the market, you can see how strong the housing demand is.

Extreme shortage of low- and mid-priced listings pushed up the median escrow price from the reality. After peaking out in August, the statistics started reflecting the real market price trend. Today's price level is about 7% higher than the median escrow price in March before hard hit by COVID-19 in April.

While the 30-year US Treasury yield is up, the 10-year T-yield, with which 30-year mortgage rate is correlated, is not rising. Those super low mortgage rates are likely to continue until the economy starts growing fast. It seems that the upper-middle families are financially doing well both in income and assets; even if the lower priced housing segment slows down due to the Pandemic, the housing market in Palos Verdes may be able to continue thriving.

The townhouse market in PV is still going well, but does not have the vitality of single family homes.

Plumbers Are Busy

Plumbers are quite busy nowadays as people are spending more time at home, especially heavy use of toilet and shower may cause blockages. Another is the kitchen drain where oily food debris are dumped into, creating an inner layer to choke up the flow.

The most common troublemaker is hardwater scale (minerals like calcium carbonate) that is typical in Southern California. Scale builds up around faucets and shower heads, clogs a water heater, dishwasher, and eventually causes leaks. The possible costs of repairing/replacing those water related equipment will be quite high. A water softener can be a great prevention, though it costs \$1000 to a couple of thousand dollars (plus installation, plumbing, etc). There are two types: salt and non-salt. You should study them to choose the right one for you. There are a few special whole house water filters which can reduce scale and buildup. Those are water filter to remove various unwanted stuff in the water. Those filters may not be as effective as a large water softener systems; however, their cost is a couple of hundred dollars (plus additional plumbing cost), and the filter needs to be replaced every year. They are usually easy snap-in and out.

For the kitchen drains, periodical cleaning will prevent clogging and smells. After warming the pipe with hot water, pour baking soda into the drain. Your kitchen sink will be fine. However, if no maintenance is made for a long time, it could cause more serious problems. If the build-up spreads down the pipe, it will affect the dishwasher too. When oily stuff forms thick layers inside the pipe, those layers may get dry and hard. If the waste water backs up to the sink, try "drain cleaner" which is different from drain openers. If it does not work, you will need a plumber.

For dishwashers, there are special cleaning/descaling tablets like Affresh which works well.

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



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New Lease Listings

We are looking for a 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.

Happy Halloween



SELECTED LISTINGS

Please Contact

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A: Active U: Contracted P: Pending S: Sold
Prices in '000s. Source: MLS (as of 10/09/20)