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# Rockyfield Newsletter

## US Economy & Housing Market

The 10-year Treasury yield reached 3%. It was 2.41% at the beginning of the year. Accordingly, the 30-year fixed mortgage rate is more than 0.6% higher than January. The strong US Dollar, thanks to the higher interest rates without material inflation (now reaching 2%), is keeping inflation from flaring up. However, inflationary pressure persists: Oil price has reached \$70, and prices of other resources and consumer goods are also inching up; we have full employment, huge tax cuts in the midst of the excess money stock and exploding deficit. There are also signs of economic slowdown. The possible trade war is one of them. The first quarter GDP shows a tepid increase in business investments despite the corporate tax cuts, and consumption was subdued to 1.1%.

The supply-side economic theory's principle is that fiscal spending as a recession policy creates more volatility in the economic cycles and leads to inflation. Shifting the supply curb to right by boosting productivity should bring about sustainable economic growth without inflation. This is theoretically correct. In a closed economy, saving is equal to investment; tax cuts for the wealthy and corporations would boost investments. In reality, corporations tend to use excess cash for buying back shares, M&A or financial investments unless they are certain that their real business will grow. A CEO can be ousted if she or he invests for expansion just because they have lots of cash. If they invest in business, specially equipment and facilities, large corporations may do so in foreign countries.

While large established corporations' growth prospect is limited with more focus on profit, small businesses ever need money to finance their growth. They invest in expansion of physical assets as well as human resources. Giving them more money means more investment and jobs. Although pass through businesses can get a 20% deduction on income, their average tax rate will be still much higher than the 21% corporate tax rate.

The US economy seems to be becoming inefficient due to poor infrastructures, dysfunctional governments and converging industries. Economic inefficiency poses a

## *Good Market With Shadow of Negative Factors*

### Acoustic Ceiling

Popcorn, cottage cheese or acoustic ceilings was very popular and almost standard in the 60's and 70's for bedrooms, hallways, and also often living and family rooms. They can hide imperfections and acoustic characteristics. Although those acoustic ceilings could originally offer bright and white appearance, they now look dark or shady, or even dirty. They were usually made by spraying plaster, which was often reinforced by asbestos fibers to prevent them from breaking up or falling apart. (Please note, plaster walls are supposed to have no asbestos.)

In 1978, asbestos was banned in ceiling treatments, and popcorn ceilings after 1980 were made out of paper based or Styrofoam products. Though the popularity of acoustic ceilings died after 1978, we can assume acoustic ceilings before 1980 generally contain asbestos. It is important to know that the California State's recommendation is not to touch materials with asbestos if asbestos is not disturbed.

If you want to remove popcorn ceilings in your home, do not go cheap! You need to hire a licensed specialist and you should not stay at home during the work. Usually, it takes about one week to 10 days, including drying time, to complete smooth ceilings. After the work, you must completely ventilate the whole house for a period of time and thoroughly clean the house for your own safety.

threat of both inflation and recession. The widening income disparity is negative for future consumption. The ballooning deficit has not so far produced higher interest rates ("crowding out") or weakened US dollar thanks to trust in the US debt and economy. However, soaring rates could be triggered if such trust is disturbed. Issues with China may go beyond just trades and develop into the question of hegemony. All these economic and political conditions may cause an economic slowdown.

### Palos Verdes Housing Market

Driven by low priced properties, single family home contracts in April rose to 80, exceeding 2016 and 2017. Though April started with disappointing numbers due to scarcity of low priced listings, sales picked in late April and extended to \$1.5M, to \$2.0M. So far, the \$2.0M's have been struggling; if this price range starts selling, we could declare that the usual spring selling season has finally, though belatedly, arrived. The median escrow price has been around \$1.6M, about 6% up from last year's average. The same increase is evident from the median closed price.

Houses around \$1.0M are selling with ease; if below \$1.0M, even fixers can sell fast. As reported before, remodeled houses at any price or good view properties are still popular and can collect multiple offers, contracting at a price higher than the listing price. Buyers who pay a premium for a remodeled house seem to be unfamiliar with the locality of Palos Verdes.

Listings left unsold tend to be priced unrealistically high, especially those expensively remodeled or expanded houses in lower price areas. It is a typical "diminishing return on investment."

Due to the uncertainty over the macro economic prospect, including interest rates and foreign buyers, we are unsure about how long this selling season would last. There is a genuine risk of a housing slump over this summer. If you need to sell your home, we suggest, you make quick cosmetic upgrades in crucial points like kitchen and bathrooms and put it on the market no later than mid June.

## Bed Bugs are Serious Issue

The Bed Bug Disclosure is now a part of the lease agreement package; many landlords are not considering it as a serious liability issue. A California family was recently awarded \$1.6 million by civil jury after a 3-year-old boy was scarred by bed bugs. It was the highest amount ever paid to a single family in a bedbug case in the United States. The problem began in 2012, two years after a couple moved into an apartment in Inglewood, Calif. They discovered that their 3-year-old son had red spots all over his body, including on his face. Concerned, they took him to the hospital. The diagnosis: Bug bites. As per the doctor's advice, the couple searched the apartment and found the bed bugs. Their daughter, then 3 months old, was also bitten.

They told the management company about the infestation right away, and were instructed to throw out all of their furniture, including the baby's crib. The management company then sent someone to fumigate the apartment, blanketing it in white powder. However, they continued to get bitten, and made numerous complaints. Finally, after nearly four months, the management company removed the carpeting in the apartment, which helped end the infestation. They stayed for two more years before eventually moving out in 2014; then, they sued the Apartments for breach of warranty of habitability, emotional distress, negligence and breach of contract, among other charges. The family endured "slum-type living conditions," including a cockroach infestation.

Many people wrongly believe Bed Bugs live in beds; we hear "the lease is unfurnished" (landlord) or "we use our own beds" (tenant). Bed Bugs can be hiding anywhere. According to this news, termite fumigation did not kill them. If your tenant reports bug bites, you need to react quickly by hiring a pest control company with expertise in Bed Bugs. We also suggest that you involve the tenant in the process of eradicating Bed Bugs. Carpets may be replaced with wood floors. In any case, it is imperative for a landlord to establish that you have done everything reasonably possible.

## 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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## 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.

## 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. No strings attached.



## SELECTED LISTINGS

Please Contact Rockyfield

A: Active U: Contracted P: Pending S: Sold  
Prices in '000s. Source: MLS (as of 05/08/18)