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Rockyfield Newsletter

US Economy & Housing Market

The US economy has been strong, and better than any other leading economies in the world. We have been also providing a cautious note for our future economic growth, primarily because of the weakness in the international economic environment. The recent discussions about infrastructure raises a concern about inflation which is still very low despite over 3% economic growth. The period after the meltdown in 2008 would have been the best time for infrastructure investments, which could have stimulated the economy and improved our aged infrastructure at the same time. Now, we have full employment with increasing wages, fast growing GDP and excess liquidity (money stock) in the financial market; there is no need for further stimulus. In short, the timing is not ideal.

Upgrading infrastructure enhances the economic efficiency: better transportation and communication will improve productivity in businesses. This will shift the supply curve to right: i.e., sustainable economic growth without inflation as the supply-side economics indicates. Our aging infrastructure is also posing safety concerns, so we cannot wait too long.

Republicans and Democrats are unable to reach an agreement on how to finance it. Incurring additional debt for infrastructure is out of the question. Therefore, there are only two options: cutting other spending or tax hikes. In conclusion, we have two major obstacles to infrastructure investments: fast growing economy with full employment and how to finance. One way to look at it is who will be the beneficiary of better infrastructure. While the answer is "everyone" in general, businesses are likely to receive more direct benefits.

Why inflation is so low under the continued economic strength is a mystery to many economists. We can think of three factors though they may explain only partially: increased productivity, stable oil prices and relative weakness in the manufacturing sector. Recently the crude oil inventories rose to the highest level in 19 months, as domestic production hits a rec-

PV Housing Prices Stop Rising

Income Property-2

Many sellers prefer to sell their beloved home to a buyer who will make it their own home. However, income property investors have one advantage: They can offer the seller a rent back, maybe free stay for a week or two. It will be received very well by a seller who is buying a replacement home, and it will ease all seller's stress in selling and moving out.

If a property purchase is highly leverage (small down payment), the future capital gain will accelerate in percentage of the equity investment. However, it is very tough to keep injecting money to make up negative cash flow. Ideally, the first rental property should be bought with a large down payment. Even with 100% cash purchase, it is possible to obtain more than 5% in gross return and the net return can be 3% which is still better than a saving account, and you can also expect an increase in value. When the first property becomes profitable, you may consider buying another to generate a loss to offset against the first one's profit. Of course, if you need an income stream, a different strategy is necessary.

As today's 30 year fixed rate is historically low, it is good in the long run if the market rate increases in the future. Consider, higher interest rates normally mean higher inflation and rents. You may consider a short-term variable rate loan. If you have a good cash reserve, you can pay off a part of the variable rate loan when the rate goes up too fast.

Many landlords tend to be lured by a higher rent offer by an applicant; however, in renting business, it is far more important to have a tenant with good payment records. Besides, a tenant with a high credit rating tends to keep the property clean. And applicants with bad credit tend to offer a higher rent amount.

Finally, we always remind landlords that tenants are "business customers" and they deal with their tenant accordingly. A happy tenant will pay well and care for the house better.

ord and refinery activity slowed down.

Given the low inflation and large money stock in the market, we expect interest rates to remain low in the near future, giving optimism to the housing market.

Palos Verdes Housing Market

The median escrow price is finally getting normalized after being boosted by the strength of expensive properties and slow sales of low-end ones from February to early April. Too many new listings have kept coming on the market every week while sales are just not good enough to match new listings. The market inventory was 145 in early January and is now exceeding 230. This over-supply condition is the main contributing factor for the calming market price. However, it is not uniform across all areas in Palos Verdes.

There are too many active sellers in PV Estates. In RPV, the area along PV Dr East has a poor supply-demand condition, and unlike PV Estates, this area's sales are mediocre at best. Contrary to the east and south of RPV, the west RPV tends to have supply shortage where listings with apparently too expensive price tags are still selling. The low-end homes have been slow since last year; scarcity of good properties with right prices is a part of the reason for the slump. We have also noticed more over-priced listings are apparent among inexpensive properties. In the west RPV, homes can be sold easily as long as priced right despite the general over-supply condition in Palos Verdes.

Realtors propose listing prices based on comps (analysis of comparing prices of similar properties); they usually pick up similar nearby properties and compute the average price. Veteran realtors may make further adjustments with their professional judgment. We at Rockyfield use method similar to the formal appraisal process without being constrained by the time and area limitations. We keep weekly price movements to make a percentage adjustment to each comparable's price for its time of the contract. Because prices are more volatile this year, the average price with no timing adjustment may be very misleading.

Pine Cones in Place of Mulch

Thanks to the rainy winter, we seem to have gotten out of the draught. However, many homeowners converted grassy yards to succulent plants, covering empty spaces with mulch. If bought in a bulk like a truck load, mulch is inexpensive and gives a nice contrast to the plants and also keeps moisture. However, they tend to fade in colors, to be blown away or washed away by heavy rain. You will need to replenish mulch from time to time.

One of the good alternatives to mulch to cover limited areas like flower beds is pine cones which can offer a few advantages. Their spiny cones will deter pests and mischievous pets. Plants and flowers are likely to prosper because pine cones acidify the soil. Especially woody flower plants like azaleas and rhododendrons will burst with vivid color.

Pine cones also decompose slowly, requiring less replenishments or replacements. As you may be able to pick up pine cones in many places, the maintenance cost of pine cones is another advantage. Other alternatives to traditional mulch are either costly or unattractive in appearance.

Revive Rusted Patio Furniture

Summer is around the corner. Metal patio chaises may be rusted. Removing rust and paint in your favorite color should be more desirable than buying new patio furniture which is not cheap. You may remove rust with sand paper, a wire brush or steel wool. To make it easy, you can use an electric drill with a wire brush attachment.

If the rust condition is severe, an acidic agent like vinegar can be used. A chemical "rust converter" actually changes the rust into a different substance and protects against future rusting. You can find them at any hardware stores. Now you can paint them for summer enjoyment.

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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Lease: Large Free-standing Townhouse

We will list a large 2300sf free-standing townhouse in North Redondo Beach in early June. It has 4 bedrooms and 2 ½ baths. It was built in 2006. We can show only when we list it. The rent has not been set yet.

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.



SELECTED LISTINGS

Please Contact

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A: Active U: Contracted P: Pending S: Sold
Prices in '000s. Source: MLS (as of 05/07/19)