



November 20, 2019 VOL.162-**WEB**

# Rockyfield Newsletter

## US Economy & Housing Market

Let us try to make a few forecasts for the next year, which are often incorrect.

We expect most of the tariffs imposed since last year to end regardless new trade pacts will be reached. The strong economy is vital for the re-election, and the quickest way to boost the economy is to remove those tariffs. The stock market should soar even if temporarily; and sentiment for the economic prospect would greatly improve. A world-wide positive turnaround would push up oil prices; wages would grow given the de facto full employment; and lower consumer prices without tariffs would boost consumption, and then inflation might follow. On the other hand, it is not certain that US agricultural exports to China would fully recover because China has diversified its supply sources. While there is no doubt that the US will continue leading the world economies, the strong US dollar may suppress US exports. The EU's recovery also depends upon if Germany could make fiscal spending as monetary policy has been already exhausted.

As 3-year and longer Treasury yields have risen during the recent weeks; the inverted yield curve is now almost flat, erasing recession fears. In the short run, higher long-term rates can hurt business investments in facilities and equipment; however, in the long run, it will restore stability and health of the financial market. Removal of the tariffs would accelerate the upward sloping yield curve. Mortgage rates (30-year rate is linked to 10 year T yield) would increase accordingly; however, higher household income should lessen the impact on the housing sales with better income prospects.

We still have a major concern about the financial market. The FRB has been repeating huge (over \$100 billion) REPO's when Treasury auctions are held. Foreign demand for the Treasuries has been leveling off or even smaller due to the slow international trade flows, while the fiscal deficit and the US debt are exponentially soaring. It seems that major financial institutions (Treasury primary dealers) have liquidity (cash on hand) problems. We wonder if the US debt is getting close to the volume that the market can absorb. It is not clear if it is temporary or not.

## *Much Better Than Expected Fall Market*

### Thanks for Your Support

Year 2019 has been such a tumultuous, unsettling year in all aspects of our society. And 2020 seems to be another turbulent year.

New entries to the real estate business by outside capitals attempted with a new mode of business (mainly on-line) as opposed to old traditional industry practice. Some are afraid that they would break down the current system. However, in reality, it is questionable if they can be sustainable. For example, it was reported Puplebricks would withdraw from the US; Zillow's cash purchase program may not work when another housing slump hits. On-line brokers have failed so far to take over the mainstream. The reason is: Residential Real Estate business is always "LOCAL" whatever technologies bring. National internet marketing does not work unlike other industries.

It has been already two years since we moved to the new office, and we will have the 18th anniversary in May. Coming from corporate background, we too tried to operate differently; however, we soon recognized the importance of locality and human nature. While we utilize technologies, we never depend on high tech when dealing with our clients. We still need to be unique as a small broker: no unsolicited phone calls or emails, no knocking on doors, never imposing our own agenda or opinion onto our clients. Two of us serve our clients as a perfect team. Many realtor teams have recently popped up. We are proud that we are a pioneer of team approach since 2002. We cannot compete with large brokers in terms of volume and profit. So we dedicate as a team of two to customers with more than double efforts and time of other single agents.

We measure our success by how happy we have made people including the other side of the deal. We appreciate your continued support for our unique modus operandi in 2020.

We expect the Year 2020 to be great for the housing market thanks to the election year's economic boost. However, such strength may not continue into 2021 if the exploding deficit and possible inflation force the government to implement austerity spending and tax increases.

### Palos Verdes Housing Market

Review of the actual numbers of contracts for the last two months shows that they were unexpectedly larger than previous years. The seasonal slump did not happen in September. Sales around \$1M became active in September, and then the strength spread up to \$1.5M. The market inventory showed a clear downward direction in mid September. Compared to 2018 houses in August, it is 190 today. Good sales volume is seen now up to \$2M; and the oversupply condition in the \$2M's has started easing. This fall market has been far better than expected, considering the seasonal factors. The median escrow price has also recovered since mid October.

Buyers of lower priced properties are particularly price sensitive this year. Even if it has been beautifully remodeled or it has good view, if priced too high, it struggles to sell unlike last year when remodeled houses were sought. We also find that many flipped houses coming on the market as follows: 1) permanent attributes (location, view, etc) are not suitable for flipping; 2) listing prices are too high perhaps because they were bought too high and/or excess money was spent.

As the number of new contracts continue to be often larger than that of new listings, we expect the market inventory to keep decreasing this year. Though the competition among sellers is still tough, the condition allows you to sell within reasonable time if correctly priced to the market. However, because the period between Thanksgiving and Christmas is short this year, buyers may disappear after Thanksgiving. If you plan to sell your home next spring, it is a good time to start preparation. Repairing and remodeling take more time and efforts than you would think.

In Torrance, townhouses and condos (except for seniors) are in extreme supply shortage. The townhouse market in PV remains steady. The lease market has been in a serious slump this year.

## AB1482 Rent Control

A new law covering the whole State of California will become effective in January regarding rent cap and termination (eviction). It is quite complicated to explain fully here. Should you have any questions, we are here to help.

First of all, single-family houses, independently owned townhouses and condos are exempted. However, the owner needs to notify new as well as current tenants that the property is exempted from AB1482 by early January. It should be a part of the agreement for leases. The new addendum for this purpose will be available some time in December. Please note that LLCs and corporations cannot be exempted.

The new rent cap is 5%+inflation rate or 10%, which ever is lower during any 12-month period. Even if your property is exempted, it is recommended that you follow this rule because a large rent increase will be subject to the price gouging law. We suggest that every year, you increase the rent by an amount which is small enough to be accepted by tenant without any resistance, rather than ask for a large increase later to catch up with the market rent.

You must have a just cause to evict the tenant, and there are two kinds: At Fault (11 items) and No Fault (4 items) reasons. They are more or less conventional wisdom. However, in case of "No Fault" reasons, it is required to pay "One Month Rent" as relocation assistance.

In addition, SB329 now force landlords to accept Section 8 tenants (government subsidized) for the reason the applicant is a Sec 8 tenant. Of course, you can still decline them for their financial or credit rating reasons.

We have a few written articles of these new laws. Please feel free to request them.

## 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

## 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.

## 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

Rockyfield

A: Active U: Contracted P: Pending S: Sold  
Prices in '000s. Source: MLS (as of 11/19/19)