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Rockyfield Newsletter

US Economy & Housing Market

The majority of people would agree that our country badly needs to repair, upgrade and build infrastructure like roads, bridges, power grids, airports, seaports and so on. And they have been neglected too long. But, when it comes to how and who to pay for them, serious disagreements emerge. No one wants to pay more taxes. Governments generally tax certain groups of people and re-distribute to others. However, infrastructure spending benefits everyone, though regional disparities may happen. We are increasingly more dependent on electricity. During the summertime, we tend to have power outages in California, which is not only inconvenience, but also disruptions for businesses. What would happen when all vehicles become electric? Improved transportation will reduce costs for all across business operations: material procurements, product shipments, employee commute and business travels. Improved social efficiency will allow people to spend more time with family, recreational activities and work.

In general, corporations are the most beneficiaries of efficient infrastructure. Nonetheless, raising corporate taxes will pose two challenges: multi-national corporations may move abroad; the economic recovery and growth may be hampered. The latter can be alleviated by progressive marginal tax rates with which higher tax rates apply only when businesses become more profitable. Remember, 70% of US employment is provided by small businesses.

Pressing the need for infrastructure investments will not be enough; clear links between cost and benefit must be presented. Without infrastructure investments, we will gradually lose economic superiority in the world.

Unfortunately, the government debt has exploded by a combination of the tax cuts in 2018 and the Pandemic spending. Such huge money supply has been causing the skyrocketing housing

Higher Prices Buyers Not Discouraged

Buying Up-leg Home

Under this seller's market, it is difficult for buyers who need to sell their present home to purchase a replacement home. If contingency for sale of buyer's property (COP) is added to the offers, they have no chance to win tough competitions. If you are one of those buyers, considering to buy an up-leg home, you have a few workable options depending on your situation.

If no or little loan balance is on your current home, you can take a loan or refinance for your existing home. Just ask for a pre-approval letter to be attached to your offer for a new home. The loan can be a variable rate, short-term loan to have a very low interest rate (a variable rate loan may require a higher financial standard). During the escrow for your new house, you can start marketing your current home.

If buying a new house is tough, you have power and control as a seller of your home. You can add contingency to sell your current home. However, this must be crafted very carefully. The new loan for an up-leg home may not be easy due to the current encumbrance. Necessary coordination of two closing dates may become a circus act. If you attach the COP for your purchase offer, the current home must be in escrow and your offer price must be high enough to convince the seller.

We understand a bridge loan is still not readily available. Another option may be selling your current home with a long rent-back or rent elsewhere. However, under the circumstance of rising prices, unless you buy a new house very quickly, you may be priced out of the market.

prices. As the economy and employment grow, higher interest rates and inflation are very possible, eventually killing the sustainable growth. PPI and CPI both jumped in March due to soaring raw material costs. We believe, however, it would rather slow the recovery than cause damaging inflation.

Palos Verdes Housing Market

Soaring fiscal spending, excess liquidity (money supply), swelling deficit and debt, and GDP growth seem to have formed an incubator for inflation. Long-term interest rates rose, then they have been rather stable for the last couple of weeks. The 30-year fixed mortgage rate first jumped by about 0.5% from early February, and then it has been stable or even a little lower. Despite lingering fears, inflation is yet to materialize because of the large pool of unemployed people; labor shortage and wage hikes are still remote enough not to lead to inflation as the economy grows further. The ballooning government debt may still push up interest rates without real inflation. In conclusion, mortgage rates may increase without sharp, shocking jumps.

Observing skyrocketing closed prices, many sellers have become aggressive in setting listing prices. Unless interest rates materially go up, buyers appetite seems to sustain. So, the question is how long this will last. The possibility is double whammy by higher prices and rates: then, many buyers can no longer afford what they want. This situation would be particularly applicable to low-end properties. If the housing markets outside PV slow, it means a yellow signal. Today's housing craze was initiated by moves from crowded cities to single family homes in suburbs. From that perspective, the popularity of the PV housing market may persist longer.

Soaring single-family home price have pushed many buyers to the townhouse market, which is small in size with limited supply. We have seen "No active listing" for couple of times.

Property Tax Transfer

When you purchase a replacement home, the new property tax could become a few times more. Due to the recent increase in housing prices, seniors have trouble transferring the assessed value to a new home. Prop 19 is designed to address this problem by relaxing the hurdles of this advantage for seniors.

Prop 19 offers 3 huge positive changes to seniors (55 or older) and handicapped.

- 1) Transfer to anywhere in California (currently the same county or within 10 corroborating counties)
- 2) New home can be any (higher) value (currently equal or lesser value). However, amount over 100% is added to the transferred value.
- 3) Up to 3 times (currently only once in life with exceptions)

No change in the "primary residence" rule. The interval limit is 2 years. The new rules became effective on April 1, 2021. Special disaster relief measures remains with righter rules. However, the original bill's wording was unclear about the dates. Finally, the BOE explains the rules on their website and the LA County Assessor's Office also released an announcement for general explanation with clarification. Either buy or sell needs to happen after April 1. If the transactions happen before and after April 1, it is still recommended that CPA be consulted. Transfers to a child or grandchild require more complex rules.

COVID-19 Tenant Protection

COVID-19 Tenant Protection law was extended to June 30. Single family homes and individually owned townhomes and condos are no longer exempted from Just Cause requirements; rental contracts cannot be terminated with a 60 day notice without a just cause like selling. A term lease may be ended at the end of the lease period; however, it is recommended that a legal opinion be obtained. There are basically 2 kinds of just cause: breach of contract (with fault) and sale or off market (no fault). Inability to pay the rent due to COVID-19 is protected by the law (currently 25% minimum payment required); termination for a sale of the property is allowed.

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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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 04/14/21)