



September 7, 2021 VOL.178-WEB

Rockyfield Newsletter

US Economy & Housing Market

Delta variant has altered the economic outlook. At personal levels, we had looked forward to travelling, dining out, working in the office (?). Many vaccinated people became more brave, nonetheless, while the economy has kept growing with strong demand. However, this trend has been changing in a unique way due to supply chain disruptions. Chip shortage has forced many manufacturers to cut production and fail to meet the demand; and now, Delta outbreaks in Asia have created disruptions in many parts and component supply. Less production at manufacturers of finished products have decreased their orders for basic materials like steel; the demand for iron ores has sharply dropped. This whole supply chain disturbance has created a strange phenomenon: higher consumer prices and lower raw material prices.

Despite the rising consumer prices, manufacturers' sales are slumping; due to the lack of choice and higher prices, consumers are discouraged to buy durable goods. From this point of view, the demand for vehicles and housing may cool down in the coming months.

We do not like the FRB to get too much involved in economic policy as its purpose is to maintain good order of the financial market to provide capital and liquidity to the economy. Everyone would agree that we have too much money stock in the financial market, creating the frenzy housing market. Now that the large infrastructure bills are coming out, more money will pour into the economy, and the FRB must taper down their bond purchase program to pre-empt harmful inflation. As described above, unless the supply chain problem is eased soon, the demand for construction materials to consumer goods would substantially increase and create huge supply shortages across the board. Such condition cannot be dealt effectively by the traditional anti-inflation measures like rate hikes. If Chairman Powel is replaced, the new FRB chair could be more permissive of inflation and step out of the FRB original roles.

Serious mismatch is also found in the labor market: employers cannot find workers; people cannot find suitable

Delta Changes Economic Trajectory

First Time RE investment

A few people with some excess money want to take advantage of the low interest rate to purchase a small property. It feels like losing money to keep the money in a bank that pays effectively zero interest. The very first thing they have to decide is whether they will target future capital gain or current rental income, and they are usually not compatible. First-time investors typically prefer properties that meet their own taste in a good area (e.g., good school district); properties in good areas are pricey and produce negative cash flow for years. Because a passive loss cannot be offset against their regular non-real estate income, tax benefit may be wasted. So, we would agree that they go for a small property like a one-bedroom condo to minimize recurring losses. However, such properties would not appreciate in value as much as single family homes.

Apart from interest rate levels, people tend to be encouraged to buy an investment property in a booming time (rising prices). Those properties bought during the booming time may have to endure to remain under water for years if a reactive recession hits. They should wait until a housing slump comes around because 1) prices would naturally be affordable; 2) interest rates tend to be low when a recession hits; 3) more demand for rental housing during a slump as financially struggling homeowners are forced to sell their homes.

In analyzing the profitability, the cost of vacancy (largest) and repairs should be accounted (for condos, the HOA fees too). Flipping to make lots of money? It is too risky for many reasons.

jobs. Through the pandemic, large corporations accelerated automation adopting robots and AI. Corporations continue making good profit while operating with less people and real estate. The majority of new jobs are offered by small businesses, especially restaurants, retailers and other unskilled services. This may not change so much after the pandemic is over; we will need novel economic policy.

Palos Verdes Housing Market

The market nervousness about "tapering" was softened by the FRB's focus on employment. Interest rates, including mortgage rates, calmed down after a temporary spike. Desire to take advantage of the super low rates is still very strong for real estate investments. Foreign buyers remain significant players as we see many buyers with Chinese and other foreign names. June-Aug closed sales of single-family homes were: 82, 83, 80; new contracts (estimate) were: 90, 84, 87, proving no sign of fatigue in the housing market.

Apart from those new houses adjacent to the RH Golf Course, which are selling well, the number of new sellers seems to be dwindling, probably because it is so difficult to buy a replacement home. We do not believe potential sellers are waiting for prices to go up even higher. In fact, the market price statistics has been leveling during the past couple of months. It used to be normal to see many homes closed much higher than their list prices; now, quite a few have closed at lower prices, maybe in part because they were listed too high.

Before Delta, we hoped that things would become normal again in September with people busy with schools and jobs, and rates would be higher to have a calming effect on the housing market. Such trajectory has completely shifted. Well off people have ample financial resources; The PV housing market is likely to continue being hyperactive.

Many buyers are pressed to make offers and later regret such a hasty action; that is another reason for the recent increase in escrow failures.

The townhomes, which recently stumbled, have recovered, but those priced too high tend to remain on the market.

Ants Problem

Every summer, we receive quite a few phone calls from tenants as well as homeowners about ants problems. Luckily, we are having rather cooler summer and have not had too many ants coming inside buildings. However, in late August it got warmer and many people started experiencing nuisance of ants. Some people tried pest control services, but they would be lucky if ants do not come back for a couple of months. Ant killers can kill only those visible.

First of all, we have to understand that we will never be able to eradicate ants as many colonies exist all over, including under the house. Pest control cannot attack all those underground colonies. Secondly, it is almost impossible to seal off the house from ants because they come in through seemingly impossible narrow spaces. It is wise not to leave any pieces of foods on the kitchen counter and actually on any floors or counter tops. You will still see a few reconnaissance ants looking for foods.

We hear that Windex or vinegar will push them away; well, we tried without much success. So far, Terro is the only one that is marginally effective ONLY if used correctly. Terro is not a trap with bait; in fact, some people throw it away when they see many ants in it. You must wait until all ants disappear from the Terro bait case because it is designed to kill the queen and destroy the colony when many ants take the poison bait back to the colony. It will take a few days to a week.

We use a bottle and place a few drops of the poison liquid on a tiny plate near places where ants are coming in. They clean up the plate in a day and we keep adding. Terro is not a perfect solution, but it helps. If you know any other good way to deal with ants, please let us know.

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



Rockyfield contacts

DRE Broker License: 01328577

727 Silver Spur Rd. Suite 205
Rolling Hills Estates, CA 90274
Phone: (310) 544-0857

Anthony Iwata - Broker
(English+Japanese)

Catarina Zerbinatti Iwata - Broker Associate
(English, Spanish, Portuguese, Japanese, Italian)
email:properties14@rockyfield.com

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 09/06/21)