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Rockyfield Newsletter

US Economy & Housing Market

We are familiar with the term "Debt Ceiling," yet it may be poorly understood due to the political games by both parties. Government debt is created when it spends more than its tax revenue. Debt is a result of deficit, and limiting the amount of debt does not serve the original intent; the balance between tax and spending needs to be managed. Interest on debt and interest on interest keep adding like a snowball.

When the GDP grows, or special events like a war, pandemic or disaster, happen, the government must spend more. Limiting the debt in dollar amount is unwise. In short, the debt ceiling does not do any good, but create anxiety.

The debt is financed by US Treasury issues (bills, notes and bonds). Unlike any other government debt, the US Treasuries serve a crucial role in international financial markets. T bills (short terms) are deemed as risk free instruments; like a bank account for people, it provides a place for governments and institutional investors to keep their US dollars. US Treasury yields are bases for many kinds of interest rates. In short, the US Treasuries offer a huge liquid (easy to buy and sell) and safe financial investment. World financial markets cannot function without the properly functioning US Treasury market.

Default or real threat of default on the US debt will all at once make the world markets dysfunctional; all economies will halt and collapse. People cannot get money out of banks or security firms; all kinds of payments become impossible.

The Treasury Dept. will re-allocate and prioritize government payments to earn some time; then the next step would be government shut down; default on the US debt would be eventuality. This time, Congress agreed to avoid shut down, only to turn out to do nothing. Political games over debt ceiling are such a waste of time and money when we have so many pressing issues.

Although the demand for housing remains strong, partially due to the small market inventory, sales volume is decelerating. And now mortgage rates have started moving up. The margin of in-

Fewer Sales Due To Supply Shortage

Remodeling for Sale

Many of newly built and completely remodeled houses include new appliances. Increased number of foreign buyers who demand immediate move-in condition may be one of the reasons. Buyers who will purchase brand new appliances may appreciate availability of old appliances until their new ones are installed. An old fridge can be moved to the garage as a backup. Buyers who want to use what they bring in may request to remove all existing appliances; that can be done if so requested during escrow.

Remodeling kitchen and bathrooms to meet today's fashion is a good idea because today's buyers tend to pay premium for them: the price increase exceeds the cost of remodels under today's market condition. For a 3-bedroom house under 2000sf, a kitchen remodel would cost \$50K-\$70K and \$5K-\$10K for a medium size bathroom, although prices would vary substantially depending on many factors.

Corrections or eliminations of negativities are important, and popcorn ceilings are something every buyer hates. Due to the concern over asbestos, many people believe it would be a huge expensive job. Well not so much. Even if strictly following the safety code, two different contractors are involved: an asbestos specialist, who tests and removal specialist if asbestos is present, and a ceiling finishing contractor. The total cost would be still affordable compared to other remodeling projects. If the house is empty, a general contractor or painter may do it much cheaper.

crease is only about 15 basis points; and rates are still historically at the lowest level. Because the economic recovery seems to be decelerating, general interest rates are unlikely to soar. When rates move, housing sales are affected; however, when rates are stabilized even at a higher level, housing sales resume.

Palos Verdes Housing Market

Since the beginning of September, the market inventory of single-family homes has been below 80, creating a severe shortage. It bounced back a little during the last two weeks, but not enough. Fewer new listings are one of the reasons. The effect of higher rates is expected to emerge from this week on. September has been a lackluster month until 2019; this year's sales volume was not bad for typical September. However, it seems that the heat of the housing market is cooling. As buyers' appetite remains strong, interest rates would determine the market condition from now to Thanksgiving.

The median escrow price has been rising but this is a typical pattern when the market size shrinks; it does not mean individual prices are rising.

Closed sales for August (contracted about 30 days earlier) were 80. The difference between list and closed median pieces was \$190,000; September sales were 97 (normally 50-60), and the price difference was \$145,000. The final prices are still much higher than list prices.

Since we started feeling a change in the market atmosphere, we have visited public open houses to see buyer turnout. We noticed a clear polarization between very crowded and empty houses. Wrongly encouraged by the strong market, some sellers set their prices too high, and especially properties with little attractive features have few visitors. In fact, those listings tend to take a long time to sell. It is wise and safer to set the price within a reasonable level or even a little lower, and to boost the price with multiple offers.

This trend is so clear in the townhouse market where we see only overpriced listings available as those reasonable ones sell very quickly.

Rent Increase

State's Eviction Protection measures finally ended. California still has TPA (Tenant Protection Act 219) which limit rent increase(s) during a 12 month period to 5%+CPI in total, and also a few requirements for eviction by a just cause (e.g., sale, etc). Single family homes and individually owned townhouses and condos are exempted from this TPA; however, during the pandemic tenant protection, this exemption had been on hold, subject to the COVID-19 requirements. A few cities like Los Angeles, Costa Mesa and LA County territories, had rent freeze too, and it seems that there is a moratorium period after the expiration of the special measures.

Although PV and Torrance landlords could raise their rents, most of them refrained from rent increase until now (month-to-month or M2M). The disparity between the new tenant's rent and existing rent have widened so big that we expect many landlords of M2M tenants will raise rents this fall. They will need a 30-day notice for rent increase; however, notice by email does not qualify to be legal binding; if the change is limited to rent increase only, regular mail by USPS should do. The inflation rate (local CPI) is now about 5%; however, more than 10% increase will require a 90-day notice. So, we would suggest rent increase be 9% or less to be safe even if exempted.

It is also important to assess how the tenant will react because the cost of vacancy and marketing could be expensive. Since this rent cap is over any 12 month period, the increase can be done twice, each a smaller amount to minimize the impact. Each case can be quite different; we will be happy to give free advice withing our expertise.

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

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3-bedroom Townhome for Lease

We are looking for a tenant for a 3-bedroom/2.5 bath townhome in the well-managed Ridgeway community. If your family members or friends are looking for a lease, please contact Catarina 310-544-0857

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.



SELECTED LISTINGS

Please Contact

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A: Active U: Contracted P: Pending S: Sold
Prices in '000s. Source: MLS (as of 10/06/21)