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Rockyfield Newsletter

US Economy & Housing Market

Omicron has forced us to scrap all plans and forecast for the New Year. The only relief is that interest rates remain low. While Omicron patients do not seem to experience severe conditions, as it spreads ultra fast, it will certainly cause unavailability of workers. Even if Omicron may peak out quickly, the whole world is simultaneously experiencing the similar situation: the second wave of supply disruptions may occur.

Housing sales have been cooling since mid November; it is difficult to predict if Omicron would spark another housing buying spree as before, while we expect some pick up in sales in January thanks to the historical low mortgage rates and high personal savings. If Omicron slows the economy, interest rates should stay low. If Omicron subsides soon, the inflation could accelerate because the supply chain is unlikely to catch up fast enough with the economic recovery. Then, how the FRB would react is a big question. Once supply chains are restored, inflationary pressure should be diminished.

Many people sold huge amount of their stock shares last year before the possible capital gain tax increase; it seems that they are expecting the BBB bill to pass, even if much smaller than \$2 trillion. The infrastructure and BBB together would spurt the economic growth, but many of those projects should improve social and economic efficiency, meaning less inflationary than simple handouts. And the FRB has many tools to deal with inflation. Currently, COVID-19 complicates the Fed actions.

When analyzing the housing market, we take both seasonal and historical patterns into consideration. The Pandemic has been tearing up those patterns. We have been always confident about the spring booming housing market; however, due to Omicron, only "uncertainty" is certain for this coming spring. Historically, when the market volumes and prices have risen too much and too fast, a major adjustment is expected. During the Pandemic, some people had lots of free time and money. And ample cheap money (loans) is available, supporting the last two years' unexpected and unprecedented

Happy New Year

Still Tenant Protection

We recently closed an apartment building sale in Los Angeles, in which we learned a lot in a variety of ways. Even after the State's COVID-19 eviction protection ended, the City of Los Angeles is still keeping its no rent increase, no eviction and other tenant protections. And we were not aware that the State's rent relief program is still available. Basically, the tenant must be unable to pay their rent due to COVID (loss of income or health). There are also eligibility criteria for the tenant income and the location of the property. Although it is unlikely to apply to rental properties in Palos Verdes, many of PV residents own rental properties in the City of Los Angeles, including Harbor City and San Pedro, and other areas which may qualify for the program.

After a tenant applies for the program, the owner receives a notice from the State program with an invitation to the program. If the owner applies in response, the owner will directly receive the past and future unpaid rents. If the owner does not, the tenant will receive the money to pay for the rent.

We have no clear information when this program will end. Given the resurgence of COVID with Omicron, we expect it to continue for the time being. The City of LA renter protection was expected to end in January; however, from our reading, no definite ending date has been set and it remains until it is voted to end. A recent news article says, it will continue at least through 2022, possibly beyond.

Rental properties which are individually owned (e.g., single family residence, townhome, condo) in PV are not subject to State Rent Cap and Just Cause Law; nor are subject to those special programs..

boom. If the Pandemic comes to an end and the economy soars, people may become too busy.

While a sudden collapse of the housing market is totally undesirable, we would rather like to see a "soft landing" or moderate cool down of the red hot market to be sustainable. The Pandemic, or more specifically Omicron, holds the key.

Palos Verdes Housing Market

2021 was an epoch making year for the PV housing market. Closed sales recorded 867, the largest since 2003 and a 23.7% increase from 2020. The median price also rose 23.7% to above \$2 million (\$2,002,000) for the first time in history. It is unusual to see sold prices become more than \$100,000 or even \$200,000 over their listed prices, confusing our sense of the market. Those properties sold very high have one thing in common: Totally remodeled to new condition. With a special feature like view, fierce battles erupt among buyers.

It should be noted, however, that we started seeing properties closed below their list prices during the latter half of last year while closing with premium prices were still going on. It was because their list prices were too high, not because of price declines.

The Pandemic nullified the widely accepted concept, "Remodeling will not pay off as the price would not increase as much." We now recommend remodels and upgrades, even if only cosmetic face lift before listing. We caution, however, that the market may shift when the Pandemic subsides. If remodeling costs do not boost the price enough, it would be disastrous, including the loss of construction time.

Prices of popular properties go up regardless of the listed prices. If the market condition changes, there is risk for a listing priced high to remain on the market; in the end, it may be sold at a price lower than the price at which it could have been sold if priced correctly in the very beginning. It may be safer to price conservatively until we can see the consequences of Omicron.

Home Renovation Financing

HUD offers FHA loans called 203K and Limited 203K for repairs and remodeling; however, they have a few restrictions and rules that may not apply to many property owners. Fannie Mae's The HomeStyle® Renovation (HSR) Program provides financing opportunities for homeowners, home buyers and investors as long as it is for improvements, no tear down. As opposed to FHA loans, luxury items can be eligible, and a larger financing amount is possible. It also accepts a wider range of properties, including a second home for both purchasing and refinancing. As long as the property is eligible, investors can use this program. Another advantage is the max loan amount that can be 75% of "would be" value after the renovation.

Many homeowners use HELOC for home improvements. Given the prospect for higher interest rates in the future, an adjustable rate HELOC may not be a good option, though a fixed rate conversion option may be available. HELOC also has hidden fees and costs.

HSR may be a good alternative if a homeowner has little equity, or has difficulty to obtain a new conventional loan due to retirement with limited income (as low as 3% down payment). A landlord may need to remodel the property after a tenant leaves.

FHA, VA and HSR all offer energy efficiency programs, which many of today's homeowners are interested. They can be from small items like a shower head to solar system and others. You can explore and choose the most suitable program for you.

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

Rockyfield Will Be 20 Years Old

Rockyfield will celebrate its 20th anniversary in May. We are proud that we have been surviving for two decades as a totally independent broker without prior experience in real estate. Its secret is our business principle: "Our business must be joyous." We have been enjoying various relationships that people in Palos Verdes kindly extend to us.

We continue having no interest in expanding our brokerage because we, just Catarina and Anthony, would rather maintain high quality and dedicated services to our clients by avoiding to add more agents. Although we have been forced to minimize personal contacts and to depend more on on-line activities, we will love to resume our extra mile foot work once this pandemic is over. We believe we spend more time on each customer than any other realtors. Such policy applies not only to our active business clients, but also in the same manner to customers without any prospect for future business. In short, we find the value in serving and helping others. We hope all of us can soon enjoy our lives again.



SELECTED LISTINGS

Please Contact

Rockyfield

A: Active U: Contracted P: Pending S: Sold
Prices in '000s. Source: MLS (as of 01/05/22)