PALOS VERDES RESIDENTIAL PROPERTIES

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Rockyfield Newsletter

US Economy and Housing Market

Productivity has been increasingly improving during the recent decades, thanks to high-tech automation in offices and factories. It is now happening even in fast food restaurants. Traditionally, improved productivity leads to higher wages and economic prosperity without inflation. However, wages did not grow before Covid. Covid accelerated the high-tech trend and the robust economic growth creating labor shortage and wage hikes, followed by inflation. Now that the inflation and labor market are cooling, we will face long-term consequences of rapid improvements in productivity via AI and robotics: Widening income and wealth disparity. Let's make an "extreme case analysis." Imagine a company that used to operate with 100 employees now can make the same result with only 10 people. Theoretically, those 10 people would be 10 times richer. So, what happens to those 90 employees who left the company? Would the US society become a country like an oil rich kingdom?

In the housing market, the economic disparity is already showing. The PV market is relatively doing better than many less affluent markets. Even in PV, many super expensive properties over $4 mil are selling well and many in cash. We do not expect the mortgage rate to come down so much due to extremely inverted yield curve, even if the FRB cut its rate now. The majority of buyers who take loans would not be helped.

There are four major areas of concerns for the economy: 1) Prices and interest rates remain high; 2) Rapidly increasing consumer debt and delinquencies; 3) Those property buyers who stretched their finance to buy properties with expectations of near-future refinancing still cannot do so. We suspect the fourth factor may be hindering the above 3 issues: The high level of money stock in the market. We thought that the FRB was reducing its portfolio (selling bonds) to absorb the money supply; however, the recent records show it is not happening, and money circulates faster today. The combination of high short-term interest rates and low long-term rates proves it.

The elections would pump more money to the economy and inflation would not ease too much. Even though we expect good numbers from this month's CPI and PCE, the probability of rate cut at the July FOMC meeting (30-31) seems slim.

Palos Verdes Housing Market

The disparity in financial strength is showing in sales statistics. In PV, affordable property sales are slower than normal not simply due to the supply shortage. In contrast, South and West Torrance housing sales are going strong. While low priced properties in PV tend to be small and often undesirable, some buyers are moving to Torrance for better houses at similar prices.

A few listings in PV below $1.5M are overpriced; it is unusual that low end properties are staying on the market. The spring selling season is over. Weekly new contracts have been just a little more than 10 since early June while the number of new listings often surpass 20 a week, worsening the supply-demand gap. E/A Ratio (Escrow/Active) that was 60% in mid May is now 35% which is a figure of a housing recession. It was more than 200% in February 2022.

Closed sales cannot get out of the slump since July 2022; they are falling further during the recent weeks. The slump of single-family homes is now spreading to townhouses and condos. As we cannot expect future interest rates and economic prospects to support housing sales, homeowners who plan to sell soon should take a special caution in pricing. It seems wise to price a bit lower than competing listings and sell quickly.

We still see final prices that are $100,000 or more over the listed prices, and cash sales are still prevalent. Super expensive properties, though small in number, continue selling very well. Properties at a great location or/and great view still attract many buyers. Recent undesirable trend is: buyers demand a tens of thousand dollar credit or discount during escrow, and apparently many sellers accept them. It is more notable in cash with high price offers.

Sales Slump, Inventory Soars

To Empty The House

"When you sell your house, unless you take everything to a new place, you will need to dispose of many things, from furniture, appliances to personal items. It is specially a hustle if you have lived in the house for many years. Given the closing date, a garage sale, selling or giving to friends may not be a reliable way because you cannot clean up everything or your friends may change their mind. You have so many things to do on top of your regular life; disposing things is such a distraction. It is not easy to throw away, either. Estate sale service is often almost a scam: very high price and they take things as freebies at the end.

Salvation Army would not take everything. Apart from big items, some donation resale shops would accept clothes, dishes and others if you take them to the shop. When we list a property for sale, we usually help the owner by taking those small items to the donation places. Some charity organizations will arrange needy people to pick up washers and dryers, fridges and other things.

A few moving companies take and dispose a few things. We would not recommend so called "junk busters" who are too expensive. We know a company that empties the house (no personal items) at a reasonable cost.

You can make an appointment with trash collection companies like Edco, Waste Management and Athens to pick up large items.

We can take residential hazardous materials like paints, certain electric devices and chemical products to the LA County's Safe Center in San Pedro (Sat and Sun).

New Buy/Sell Rules Start In Aug

The new rules as a result of the NAR settlement will take effect on August 17. Two major points are:

1) Buyer's agent commission cannot not be published on the MLS listing.
2) Buyers are required to sign a buyer representation agreement even before seeing a house.

(1) is an issue for realtors and sellers. A delay in showing the house is possible as buyer's agents need to obtain information about the commission from the listing agent. Buyer's agents may be selective in showing houses. Because how much commission other sellers are offering is not readily or clearly known, it is difficult for a seller to decide on the commission rate for a buyer agent. If the listing agent can communicate very efficiently and effectively with many buyer's agents, and if the seller trusts the listing agent, then it would not be so much different from the current practice.

(2) Buyers are not used to pay a commission to their agents, and effectively they are now forced to do so unless the seller side pays for them. If a buyer wants to buy a property no matter what, the buyer may not mind paying a commission to their own agent. But it also depends on the market condition.

Any buyer needs to confirm if the agreement is exclusive or non-exclusive, and cancellation is allowed or not. It is important that a buyer has an option to switch the agent if the buyer does not like the agent. The amount of commission in the agreement needs to be disclosed to the seller side; the mechanism is awfully complicated. The agreement should be allowed to be changed or modified by mutual agreement.

The details of the new rules, especially for each unique case, are yet to be clear. New transaction forms were delayed due to Consumer Federation of America's complaint and DOJ's further inquiry. It is possible that there would be technical disruptions and confusions, or even lawsuits after the new rules start.

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

Due to an increased number of inquiries, we need to have more reliable handymen on our list. If you know someone you can trust, please let us know. It will help other people.

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.

SELECTED LISTINGS

Please see

Contact Rockyfield

A: Active U: Contracted P: Pending S: Sold
Prices in '000s. Source: MLS (as of 07/10/24)