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Rockyfield Newsletter

US Economy & Housing Market

The Fed Fund Rate is expected to be cut by 0.25% on September 17; however, we do not expect various markets to substantially move. The FF rate is a guided overnight rate between commercial banks to balance their cash position, not a lending rate by the FRB. Even though the FF rate is used to support the economy and financial market, it cannot deviate too much from the market rate. Given the persistent concern over future inflation, a too much too rapid rate cut would shoot up long-term rates. In short, mortgage rates would not decrease substantially with this coming rate cut; and may increase with further rate cuts if done recklessly.

Normal inflation is caused by overheating demand and subsequent shortage in both human and material resources that trigger bottlenecks among suppliers. If left alone, the inflation would accelerate. Expected price increases by tariffs did not occur as much as feared. As explained before, a 25% increase in imported component cost will impact much less on retail prices. And as opposed to the "normal" inflation, the cost increases by tariffs are one time event and remain the same at the elevated level. Eventually, tariffflation should subside overtime.

Because general price increases by tariffs diminish purchasing power or demand, a small rate cut may be a good thing to support the economy. Many economists and financial analysts were wrong in predicting a recession by the tariffs. If a serious recession materializes, it would be coming from overseas as other economies may slow down due to suppressed trades. We are also concerned that the current trend of isolationism or protectionism could get US behind in cutting edge technologies, and cost effectiveness. We need to compete and win in free and fair markets.

Financially, as the debt limit has been increased by \$5 billion, we should not have a default risk for at least one year. However, the government shutdown may happen at the September end. Increasing numbers of people are worried it may happen this year. It would give the opportunity to lay off

Sinking Little by Little?

Sales and Lease Markets

During a normal year, the housing market fluctuates with seasonal factors. In Spring, both sales and prices will advance. Prices tend to follow volumes with some delays; prices may continue increasing even at a slower pace into July while volumes start decreasing in June. September is a dull month for both volumes and prices. Throughout our business over 20 years, this seasonal pattern was broken only by the COVID times. And this year is again not following the seasonal movements. The PV housing market has been struggling since June 2022; the seasonal pattern had been noted until last year. This year, the spring selling season was a total disappointment. Mortgage rate has been just below 7% since January. It notably improved in August without boosting housing sales so far.

The lease market is greatly effected by school calendars: robust in spring through June and slumps in September. While those seasonal trends are similar to sales; leases are being made in December, indicating the lease market is less susceptible to seasonal factors than sales. The co-relationship between lease volumes and rents is not very clear.

When sales start dwindling due to a recession, leases tend to increase. Sellers who struggle to sell switch to lease, and Buyers who cannot buy decide to rent. Since COVID, properties with totally remodeled condition still attract many buyers and sell high today. Such trend has become evident in the lease market, too. Especially younger people in high salary industries have good income, but may yet to have enough financial assets to buy a house. They can afford to pay a high rent for a beautiful modern house, while they snub houses with an old image or poor condition. As a buyer can upgrade a house after purchase, other attributes like view and location are also very important.

This new trend poses a headache to lease owners because it takes many years just to recover the remodeling costs, or it may not pay off.

The lease market suddenly got frozen since July this year. We have never experienced such a sharp dive. In general, both sale and lease markets are in a serious slump this year.

more government employees, and it would be the time for full effects of the tariffs to emerge. Under such circumstances, the government shutdown may contribute to economic slow down.

Palos Verdes Housing Market

The 30-year mortgage rate made a clear decline in August to last year's September level. While a vague sign of recovery may be seen in open house buyer turnouts, today's buyers tend to procrastinate in making an offer even when they come across their dream home. It is not certain how much a lowered interest rate would help. As the market price seems to be softening, some buyers may jump in if rates further go down. However, until the anxiety over general uncertainty disappears, especially in employment, a robust recover of the housing market is doubtful. It is true that the market inventory is very high; however, it is not because of increased new listings, but due to the lackluster demand. Psychology of ensconcing in status quo may be prevailing. It is supposed to be American Spirit to always take on new challenges.

Cool down of the housing industry will spread to many corners of the economy. The combination of elevated interest rates and high housing price makes refinancing more difficult. Homeowners, who cannot do cash out refi, may not easily sell their houses. The surging remodeling material prices that have been accelerated by the new tariffs. Even though shiny houses are very popular, it is imperative to carefully evaluate the cost-effect.

So much money is still available in the market; that is evident as about one third of transactions are in cash. If priced attractive for the value of the house, it is well possible to sell quickly.

By areas, in PV Estates, Lunada Bay and Montemalaga have too many listings while Valmonte is in a good shape. In RPV East, PV Dr East is in over supply; it is surprising to see the unusual slow condition of Mira Catalina; RPV West is normally fast selling where lack of good value properties has become chronic.

2025 Tax Reform

SALT

Property Tax Deductions (For taxpayers who itemize) Under H.R. 1 the \$10,000 SALT (state and local income taxes, sales tax and property tax) deduction cap is temporarily increased to \$40,000 for tax years 2025 through 2029 (joint filing), with income-based phase-out thresholds. The cap increases slightly each year through 2029 before reverting to the \$10,000 limit in 2030..

Mortgage Interest Deduction

For any new loans as of January 1, 2018, (for principal residence and second homes combined), the deduction is limited to interest on \$750,000 of principal. Under H.R. 1 this limit is now made permanent. The mortgage interest deduction for mortgages up to \$1 million taken out before December 15, 2017 remains unaffected. For Homeowners who refinanced mortgage debts existing on December 14, 2017, up to \$1 million could still deduct the interest, so long as the new loan does not exceed the amount of the mortgage being refinanced.

Skipping Probate Process

A decedent's real property used as a primary residence may be disposed of outside of probate administration when the gross value does not exceed \$750,000. In lieu of probate administration, a successor may petition the court to determine succession.

This increased limit will be in effect for the period starting April 1, 2025, through March 31, 2028, after which the value would be adjusted at a three-year interval based on the Consumer Price Index.

(Source: CAR Quick Guide)

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.

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 see

Contact Rockyfield

A: Active U: Contracted P: Pending S: Sold
Prices in '000s. Source: MLS (as of 09/05/25)