the avenue
CENTRAL COAST REALTY

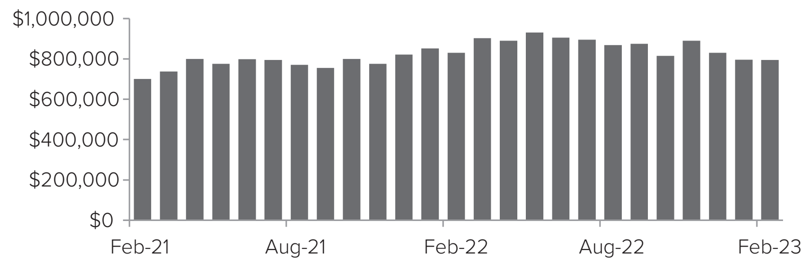
MONTHLY NEWSLETTER

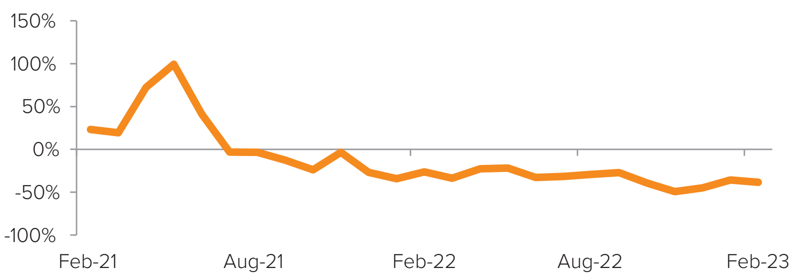
(805) 548 2670
1333 JOHNSON AVE
SAN LUIS OBISPO, CA 93401
THEAVENUESLO.COM

San Luis Obispo County Market Update

Most Recent Trends At A Glance Reported: **Feb. 2023**

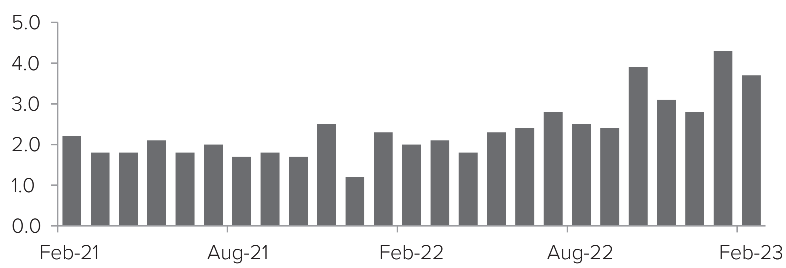
MEDIAN PRICE
For SF Detached Homes
$795,000
-0.1% MTM
-4.3% YTY

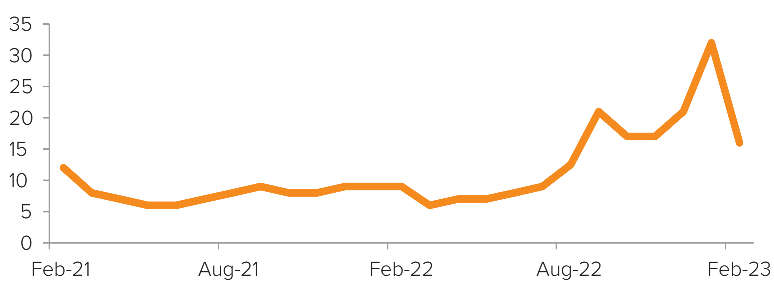




HOME SALES
For SF Detached Homes
-38.3% YTY
18.1% MTM
-37.1% YTD

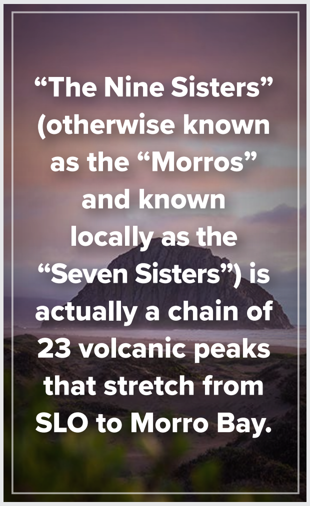
UNSOLD INVENTORY
For SF Detached Homes
3.7 Months
-14.0% MTM
85.0% YTY





MEDIAN TIME ON MARKET
For SF Detached Homes
16 Days
50.0% MTM / 77.8% YTY

INTERESTING FACT



MOST EXPENSIVE HOME SOLD IN SLO COUNTY THIS PAST MONTH

5495 Vista Serrano Way
Paso Robles, 93446
Selling Price: $3,330,000

3 BED / 2 BATH
2,819 square feet

PRICE PER SQ-FT:
$1,181.27

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Bank Failures & Real Estate

The beginning of March brought about three bank failures within a week. Many people wonder if these collapses will trigger volatility in the real estate market as well.

WHAT HAPPENED:

The first bank to fall was Silvergate, based out of La Jolla, CA. It had highly invested in cryptocurrencies (which are not marketable securities) and announced it would close operations and return assets to depositors. Two days later, Silicon Valley Bank (which served a niche clientele of venture-backed tech startups) experienced a classic bank run as investors started withdrawing their funds to meet liquidity needs; their appetite for risk slowed by the Fed's interest rate hike. Another two days later, regulators shut down New York's Signature Bank, (also heavily invested in crypto) in an effort to curb the contagion as depositors were withdrawing large amounts of money, their fears piqued due to the failure of Silicon Valley Bank.

A HISTORY OF FINANCIAL CRISIS:

Many people remember the 2008 financial crisis and the impact it had on the housing market. Because banks provide lending for mortgages, when a bank fails, there can be a ripple effect.

However, in the years leading up to the meltdown, banks were on a lending spree, with even subprime borrowers approved for loans. This created a saturated housing market; so as interest rates rose, prices of homes fell dramatically. Many people became upside down in their homes and were forced to sell for much less than what they borrowed. The resulting foreclosures caused a glut of homes on the market, further depressing prices.

By the end of the fallout, 3.8 million Americans had lost their homes to foreclosures, unemployment was at 10%, the FDIC had closed 465 banks and the economy was in a full-blown recession causing stock markets around the world to tumble.

In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was passed, prohibiting banks from repeating the risky behavior, increasing government oversight and forcing banks to maintain larger cash reserves. These improvements are meant to help mitigate the potential for another large-scale collapse.

WHY TODAY IS DIFFERENT:

The bank failures in March have a limited effect on the real estate market for a few reasons, starting with the fact that the current real estate market is fundamentally different than the market we had in 2008.

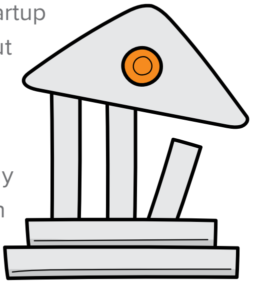
Prior to the 2008 crash, there was an oversupply of homes and an increasing number of homeowners who were unable to make their mortgage payments. This led to a large number of foreclosures, which further exacerbated the oversupply issue.

Today, the market is characterized by a shortage of homes, which has resulted in increasing prices and competition among buyers. Additionally, mortgage lending standards have become stricter, which has resulted in fewer risky loans being issued.

The real estate market is also not directly tied to the crypto market. The failure of SVB, Silvergate and Signature does not mean that the broader banking industry is in trouble. Some banks may have exposure to the cryptocurrency market, however most are well-capitalized, well-regulated and not at risk of failure. The banking system is much more resilient now. Banks are required to hold more capital as a cushion against potential losses, and the Federal Reserve has established mechanisms to provide liquidity to the market during times of stress.

Last month's bank failures may have some indirect impacts, given the fact that these banks were lenders that provided financing to many businesses, including those in the real estate industry. It is true, there is now less lending capacity available. However, these three banks are not likely to cause a widespread collapse because the banking and real estate industries are both vast and diverse, with many different types of buyers, sellers, lenders and investors. Some experts believe the loss of Silicon Valley Bank will have an effect on the Silicon Valley startup economy and commercial real estate, but a negligible impact on the residential real estate market within Silicon Valley itself.

There is always risk and uncertainty in any market, however our current system is much more resilient than it has been in the past.



BANK FAILURES BY YEAR - 2004 — 2023 *Data from **fdic.gov**

4	0	0	3	25	140	157	92	51	24	18	8	5	8	0	4	4	0	0	2
2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023

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