

## San Luis Obispo County Market Update

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

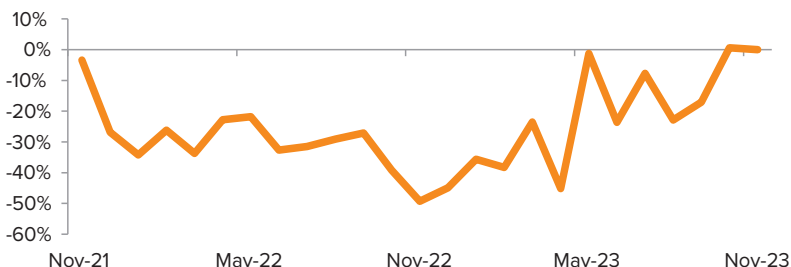
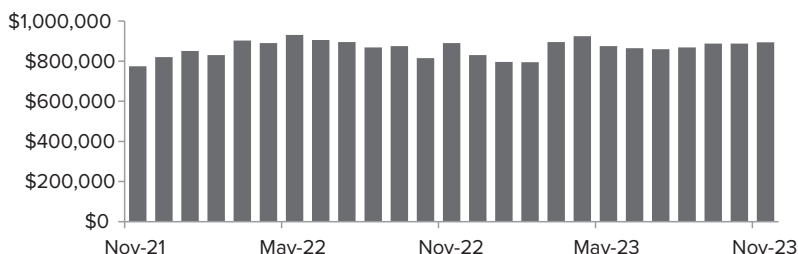
### MEDIAN PRICE

For SF Detached Homes

**\$894,500**

0.8% MTM

0.5% YTY



### HOME SALES

For SF Detached Homes

**0% YTY**

-15.3% MTM

-20.1% YTD



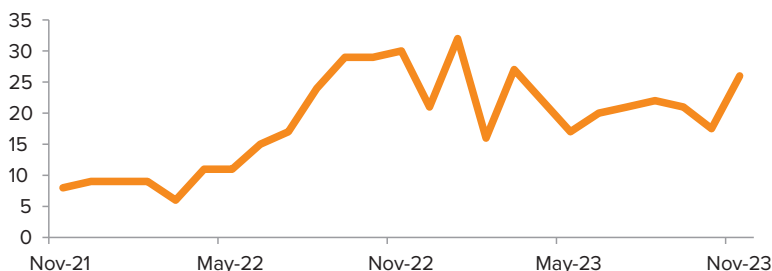
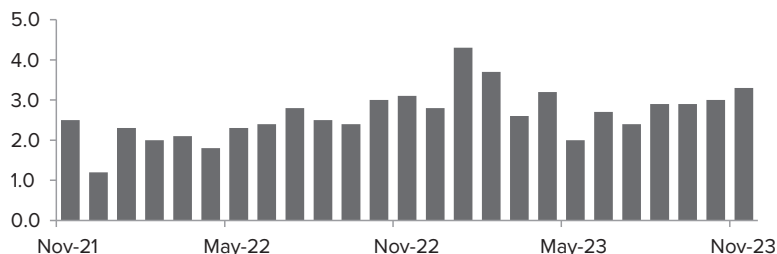
### UNSOLD INVENTORY

For SF Detached Homes

**3.3 Months**

10.0% MTM

6.5% YTY



### MEDIAN TIME ON MARKET

For SF Detached Homes

**26 Days**

48.6% MTM / -13.3% YTY



### INTERESTING FACT

Rent in  
San Luis Obispo  
County has  
increased 28.9%  
since the  
pandemic.

### MOST EXPENSIVE HOME SOLD IN SLO COUNTY THIS PAST MONTH



240 Jespersen Rd.  
San Luis Obispo, 93401

**Selling Price:**  
**\$3,620,000**

4 BED / 5 BATH  
5,853 square feet

PRICE PER SQ-FT:  
\$618.49

## 2023 vs. 2024

As we welcome the new year, it's customary to look back at where we've been and anticipate what's coming next. 2023 was definitely one for the books and 2024 is being met with cautious optimism. When it comes to real estate, we all wish we had a crystal ball. Although that's not the case, we're constantly researching and we'd like to share our knowledge and what other experts are saying.

### 2023 in Review

#### **Interest Rates:**

Mortgage rates rose to a 20-year high with the average rate for a 30-year fixed mortgage at around 7.79% in October. (According to Freddie Mac.) This had a cooling effect on the market with potential sellers feeling stuck with their current rates and potential buyers being pushed out of the market entirely. Research shows that nearly 5 million potential buyers leave the market for every 1% increase of the rate.

#### **Supply & Demand:**

By now, most people are well aware that we have a housing supply issue in California. Not only do we have potential sellers deciding to stay put but we also aren't building quickly enough to satisfy the needs of our current population. Overcoming this imbalance would require 3.5 million new homes to be built before 2025, which is highly unlikely to happen. Low inventory has pushed home prices sky-high and kept California squarely in a seller's market. Prices have continued to rise regardless of the fact that overall home sales have decreased by roughly 10%.

#### **Legislation:**

In 2023, lawmakers looked to encourage more construction of moderate and low-income housing including accessory dwelling units (ADUs) with the passing of AB 1490 & AB 976. AB 42 prohibited local agencies from imposing fire sprinkler requirements on any dwelling less than 250 square feet (aka tiny homes) in smaller communities intended to house the homeless population.



### Looking Forward to 2024

#### **Interest Rates:**

Economists are optimistic that interest rates will be lowered over the course of 2024. For many would-be buyers, the housing market will remain unattainable as the federal funds rate is not anticipated to fall more than .75%. Mortgage rates are indirectly influenced by the federal funds rate, so they will take some time to reflect the change. Given the recent rate hikes, however, even a small decrease is welcome. In some markets it's expected that those lowered rates will translate into slightly lower home prices, although the central coast, with its high desirability and low inventory, is not one of those markets.

#### **Supply & Demand:**

Historically high interest rates averted buyers in 2023, but mortgage demand rose after interest rates lowered to 7.35% in November. The Mortgage Bankers Association (MBA) believes the low amount of new mortgage applications means we're currently at the bottom and mortgage origination volume will increase from \$1.64 trillion in 2023 to \$1.95 trillion in 2024 as rates drift closer to 6% by the end of the year. Buyers are slowly entering back into the market. Although we don't think we'll see significant change yet, we do think things are looking up.

#### **Legislation:**

AB 1033 was signed by the Governor in October and allows ADUs to be partitioned and sold separately from a primary residence. SB 4 removes certain barriers, allowing churches, religious organizations and nonprofit colleges to build affordable housing on their land. In April, SB 567 effects landlords that make tenants move out so they can move in. It will require that the property owners or their family move in within 90 days and live there for at least 12 months. Starting July 1st, AB 12 goes into effect, which limits the amount landlords can charge for a security deposit to one month's rent instead of two.

#### **Elections:**

Historically speaking, a presidential election doesn't have much effect on mortgage rates, especially when an incumbent president is seeking re-election. More importantly though, our next president will have the opportunity to appoint 2 new members to the 7 member Federal Reserve Board of Governors. On the ballot in November, California voters will also find a measure regarding rent control and another initiative removing the voter approval requirement for public low-rent housing projects.