

## Volatility in Banking Causing Major Concern for the Economy

The FDIC recently took the reins at two major banks following massive bank runs at Silicon Valley Bank and Signature Bank. According to the FDIC, 2023 already represents the largest year in bank failures in terms of total assets (\$319.4 billion combined between the two banks) since 2008, when 25 banks failed (representing \$373.6 billion in total assets). As of yesterday, First Citizens Bank agreed to purchase the assets of Silicon Valley Bank. The largest bank failure was Washington Mutual in 2008. Bank failures by size are depicted in the data shown below.

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The consensus is that many banks around the country are reeling from years of investing in low-interest Treasury bonds, which have plunged in value amid the Federal Reserve's nine consecutive hikes to the federal funds rate. The latest rate hike by the Federal Open Markets Committee came at its March meeting last week, increasing the federal funds target rate to a range of 4.75 to 5 percent, a 475-basis-point increase in 12 months.

Trepp data shows that \$270 billion of bank commercial real estate loans are maturing in 2023, which is an all-time record year for loan maturations. Approx \$79.3 billion (or 30 percent) of maturities are backed by office properties, the highest amount among all property types. This is a concern as office has had a tough recovery due to remote work taking a foothold during the pandemic. "Multifamily could be a little challenged when we enter debt ceiling issues in a couple months," said Buschbom. Reuters reports that the Congressional Budget Office expects the Treasury to exhaust its resources by the third quarter of this year.

#### Top 10 Bank Failures Ranked by Bank Size

Rank	Bank Name	Assets (\$Bn)	Year of Failure
1	Washington Mutual Bank*	\$307.0	2008
2	Silicon Valley Bank	\$209.0	2023
3	Signature Bank	\$110.4	2023
4	IndyMac Bank	\$30.7	2008
5	Colonial Bank	\$25.5	2009
6	Guaranty Bank	\$13.5	2009
7	BankUnited, FSB	\$13.1	2009
8	Downey Savings & Loan	\$12.8	2008
9	AmTrust Bank	\$11.4	2009
10	United Commercial Bank	\$10.9	2009

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**Effective Rate for SBA 504 For  
March 2023 is 6.32%-6.76%**

Source: Trepp Research 03/28/2023

## Bonus Depreciation Expiring

Starting Jan 1, 2023, 100% bonus depreciation initiated by the Tax Cuts and Jobs Act in 2017 expired, and was reduced to 80%. That percentage will continue to decrease by 20% year-over-year until it expires completely in 2026.

This accelerated depreciation has been a great tool used by exchange buyers to write off the entire purchase of qualified investment property in their first year. This has allowed investors to offset major gains that same year—such as from the sale of a business.

Due to this tax-saving tool slowly expiring, more investors are seeing that window close. They will need to consider taking advantage of this while it is still in effect.

Another method of deferring capital gains when selling commercial real estate or a business is using an installment sale. IRC Section 453 (Installment Sale) allows a taxpayer who sells a property on an installment basis to defer paying capital gain taxes to future tax years when the

installment payments are actually received. Essentially, in this scenario, the taxpayer provides “seller carryback financing” for the buyer and only pays capital gain taxes as the payments are received over time.

Please contact me if you would like to discuss this further at 626-358-8287 or email [Linda@TopComRealty.com](mailto:Linda@TopComRealty.com).

Source: Asset Preservation and Wealth Management

## New Listing for Sale!



303 S. Alta Vista Ave Monrovia

Approx 2,500 property used as a church for over 25 years. Zoning allows multiply medium density.

Sanctuary with 60 seats, private offices, nursery, teen room, full kitchen, 2 restrooms & storage area.

Private parking lot and additional street parking available. Located in a quiet neighborhood.

Two blocks south of Foothill Blvd. and 2 blocks West of Old Town Monrovia.

Fenced yard area perfect for a small playground.

Call for more information and pricing.



*Linda Vidov* (CA Broker Lic. #1715788)

Linda specializes in commercial and industrial sales and leasing throughout the San Gabriel Valley. She has extensive knowledge in 1031 exchange transactions, investment opportunities, and market analysis. Feel free to contact Linda with any questions or requests for information.

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