

# The Desert Housing Report

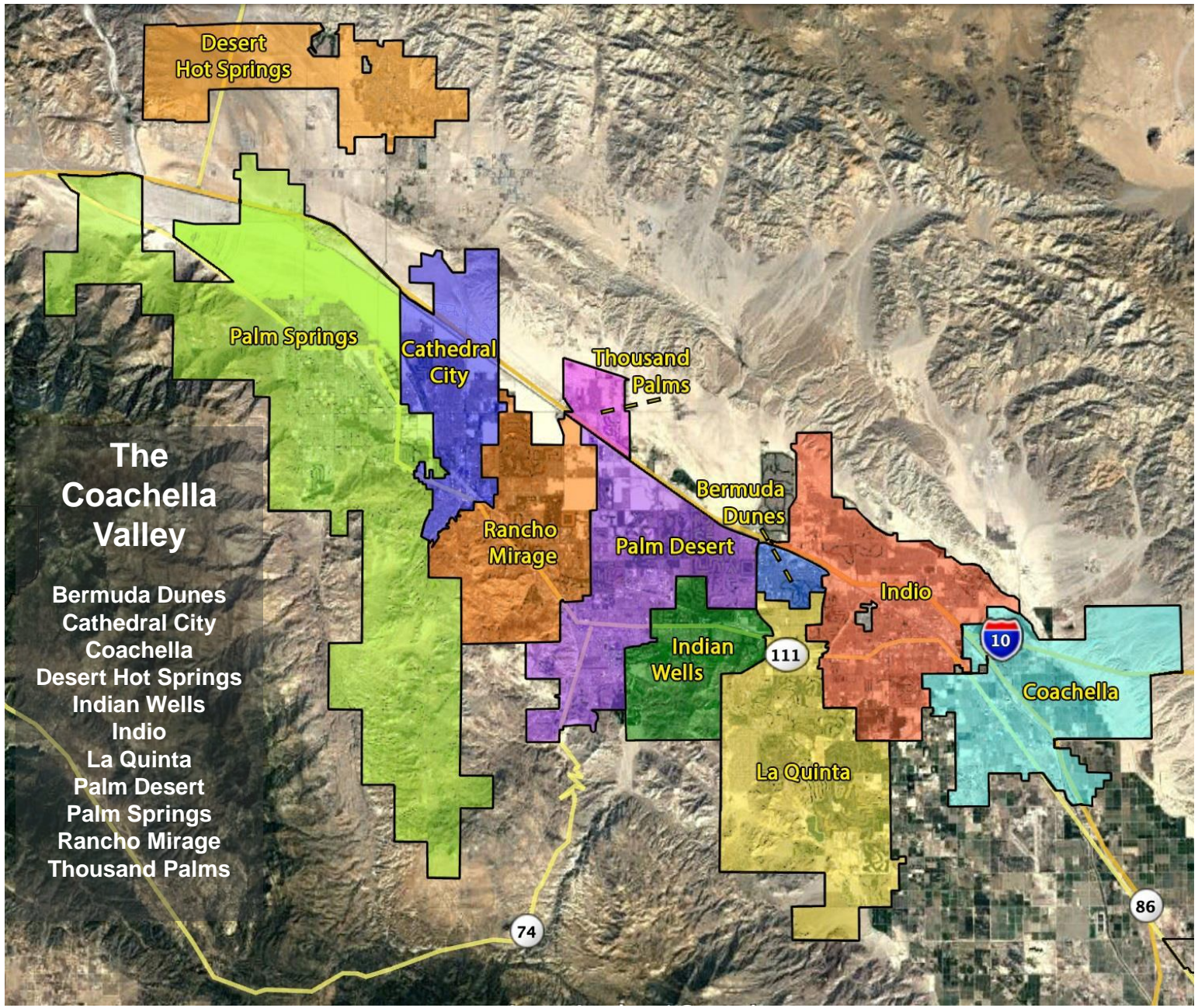
## July 2023





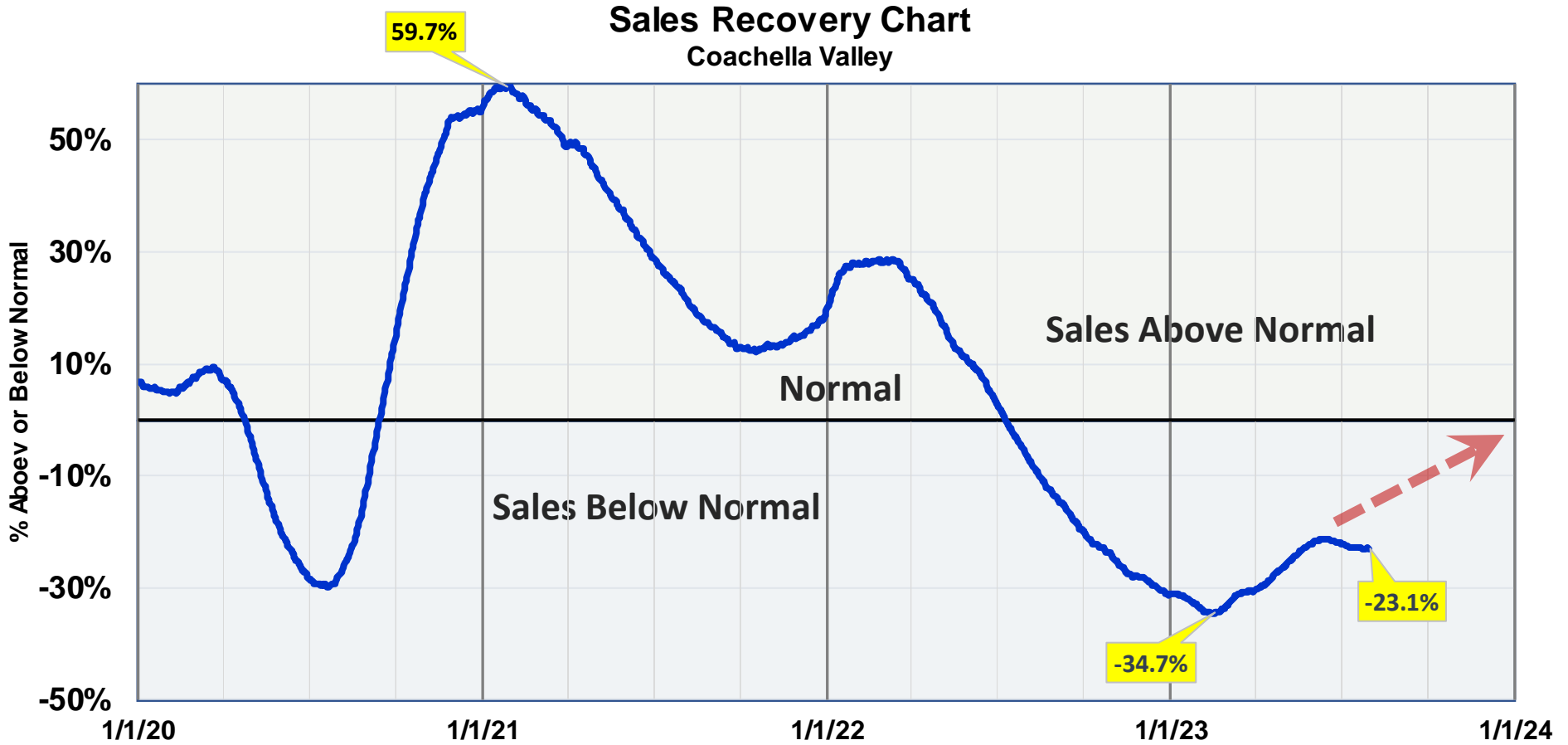
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### The Sales Recovery Chart

This seasonally adjusted curve shows where current sales are as a percent of historic norms. The light blue area is when sales are below average, and the light green area when they're above average. The norm is calculated from sales over the years - 2016, 2017, 2018 and 2019. For example, at the height of the pandemic in January of 2021, sales were 59.5% above the norm. Sales then fell to 34.7% below normal by January of this year. After improving for four months, sales have stopped moving toward normal and are currently 23% below average. Our projection for normal sales by the end of the year (red dotted line) is now overly optimistic. It was based on our belief that inflation would fall to 3% and mortgage rates would be 5.5% by then. Recent actions by the FED now make this unlikely.



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## Summary

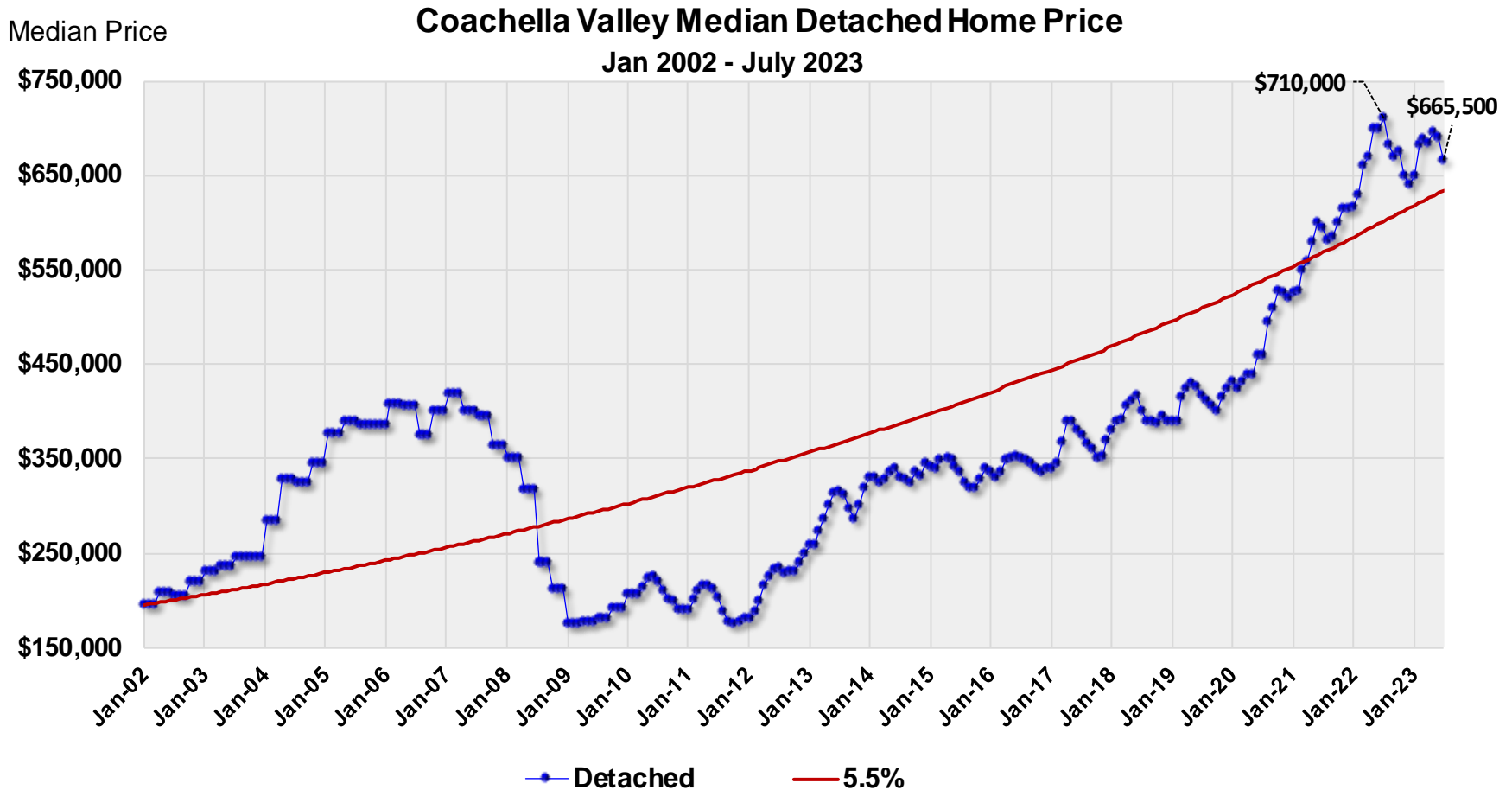
**PRICES:** The median price of a detached home in the Coachella Valley at the end of July fell to \$665,500, down 6.3% year over year. The median attached price declined \$25,000 in July to \$450,000 and is now down 6% year over year. This monthly decline, while abnormally large, is still within the seasonal pattern. Every city but Desert Hot Springs has a year over year price decline in its average size detached home. The declines range from -4.3% for Coachella to -10.2% for Bermuda Dunes. Desert Hot Springs is higher by 2%. Three cities have positive year over year changes for their attached homes - Indian Wells, Desert Hot Springs and Rancho Mirage.

**SALES:** The three-month average of sales rose three units this month to 717 units a month, which is now only 74 units less than last year. Some of this decrease is seasonal and it's occurring equally in both the detached and attached market. The largest percentage declines were in Bermuda Dunes, down 40%, and Palm Springs, lower by 18%. Sales numbers in every city continue to improve against last year.

**INVENTORY & "MONTHS OF SALES" RATIOS:** On August 1<sup>st</sup>, Valley inventory was 1,629 units, which is again down a little more than one hundred units from last month. The Valley's "months of sales" ratio was 2.8 months, which is .2 month less than last month but .9 months more than last year. At 2.8 months, this fundamental ratio, which measures supply versus demand, is at a level that represents a balanced housing market. Seven cities now have ratios under three months, which is in the middle of the range of ratios that indicate a balanced market. It continues to be notable how close the ratios are in all the cities.

**DIM:** At the end of July, the median number of "days in the market" in the Coachella Valley was 39 days, compared to 24 days last year. Because of dwindling inventory, we continue to expect this number to gradually move lower. The city of Coachella has the lowest median selling time for detached homes at 17 days, followed by Cathedral City at 33 days, then Desert Hot Springs at 34 days. In the attached market, Desert Hot Springs has the short average selling time at 29 days, followed by Palm Springs at 32 days.

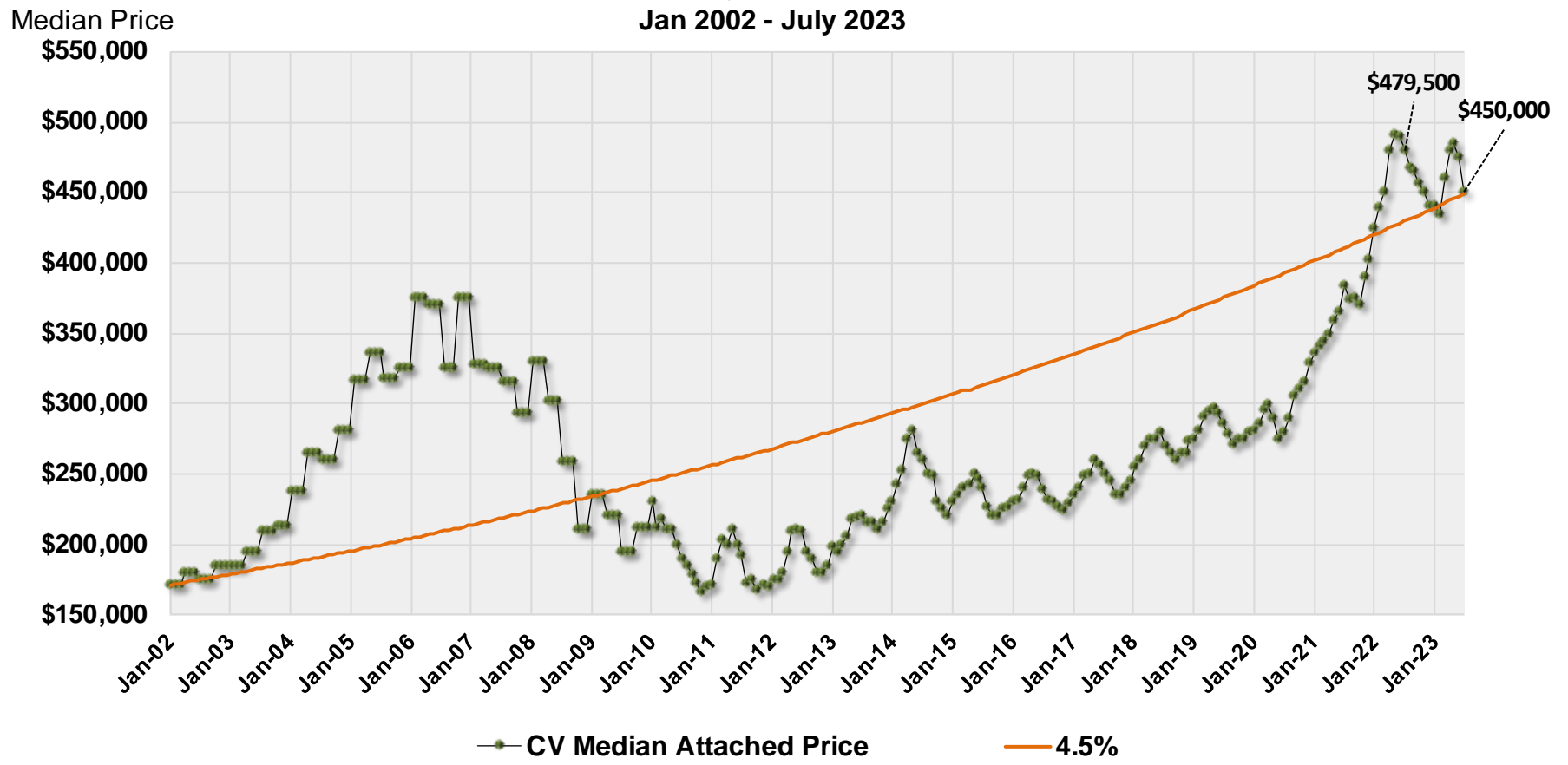
**PRICE DISCOUNTS/PREMIUMS:** In July, 17.9% of homes sold above list price, compared to 48.3% a year ago. The percent this month is effectively the same as last month, and the percent means that about one in every six homes currently sells above list price. Every city but Coachella is averaging a selling discount for detached homes, which range from -.3% in Cathedral City to -2.9% in Rancho Mirage and Indian Wells. Discounts for attached homes range from -.8% in Indio to -6.1% in Bermuda Dunes.



### Coachella Valley Median Detached Price

The median price of a detached home in the Coachella Valley at the end of July fell to \$665,500, down 6.3% year over year. This decline is primarily a seasonal decline as the summer months almost always brings some price weakness. We do not expect this to translate into anything more than a seasonal issue since the forces of supply and demand in the region seemed to be rather equally balanced. While supply is contracting, sales remained at low levels, maintaining a balance.

## Coachella Valley Median Attached Price Jan 2002 - July 2023



### Coachella Valley Median Attached Price

The median attached price declined \$25,000 in July to \$450,000 and is now down 6% year over year. This monthly decline, while abnormally large, is still seasonal. As the chart clearly shows, the seasonal range of the price of attached homes is much larger than that of detached homes. The pattern implies that we will probably see additional price weakness over the next two or three months. We expect supply and demand to remain in balance, however, and believe this weakness will pass.

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Price of The Average Size Detached Home in Each City

City	Avg. Size Home	Pr. per sq/ft	Price of Avg. Size Home	Price One Year Ago	12 Month Change	2011-12 Price Low	% From Low
Desert Hot Springs	1,600	\$259.34	\$414,938	\$406,717	2.0%	\$86,656	378.8%
Coachella	1,700	\$246.91	\$419,741	\$438,620	-4.3%	\$111,367	276.9%
La Quinta	2,550	\$387.57	\$988,310	\$1,038,748	-4.9%	\$318,164	210.6%
Indio	2,000	\$281.71	\$563,414	\$594,318	-5.2%	\$156,340	260.4%
Indian Wells	3,450	\$510.37	\$1,760,781	\$1,872,794	-6.0%	\$666,885	164.0%
Palm Springs	2,175	\$594.17	\$1,292,328	\$1,377,813	-6.2%	\$323,879	299.0%
Cathedral City	1,800	\$316.09	\$568,966	\$612,869	-7.2%	\$153,216	271.3%
Palm Desert	2,200	\$332.53	\$731,566	\$803,165	-8.9%	\$302,302	142.0%
Rancho Mirage	3,175	\$403.44	\$1,280,925	\$1,409,568	-9.1%	\$506,317	153.0%
Bermuda Dunes	2,500	\$319.65	\$799,136	\$890,386	-10.2%	\$239,325	233.9%

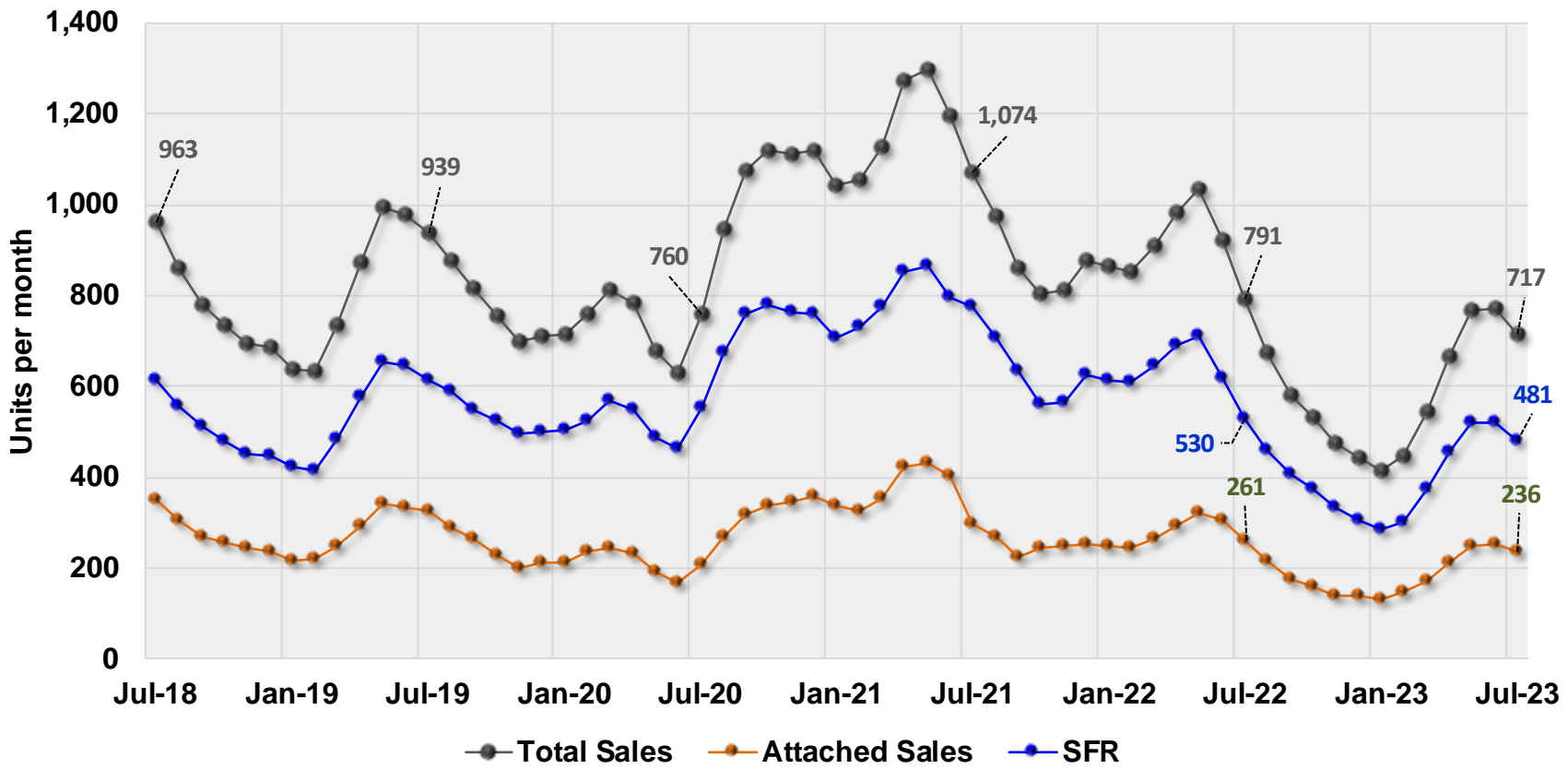
Price of The Average Size Attached Home

City	Avg. Size Home	Pr. per sq/ft	Price of Avg. Size Home	Price One Year Ago	12 Month Change	2011-12 Price Low	% From Low
Indian Wells	1,950	\$383.98	\$748,770	\$674,803	11.0%	\$259,126	189%
Desert Hot Springs	750	\$191.36	\$143,517	\$135,553	5.9%	\$16,013	796%
Rancho Mirage	1,775	\$346.67	\$615,333	\$608,953	1.0%	\$211,030	192%
La Quinta	1,750	\$378.52	\$662,412	\$665,167	-0.4%	\$247,713	167%
Cathedral City	1,250	\$265.08	\$331,351	\$345,760	-4.2%	\$80,544	311%
Palm Springs	1,250	\$366.16	\$457,705	\$478,245	-4.3%	\$129,788	253%
Indio	1,050	\$273.44	\$287,109	\$307,367	-6.6%	\$56,396	409%
Palm Desert	1,600	\$333.33	\$533,333	\$574,473	-7.2%	\$197,896	170%
Bermuda Dunes	1,450	\$230.11	\$333,665	\$395,383	-15.6%	\$89,117	274%

## 12 Month Change in The Price of The Average Size Home

These two tables display the *price* and *price per square foot* of the average size home in each city. The home size is listed in the second column. The latest price is then compared to the price a year ago, and to the all-time lows that occurred in 2011. Every city but Desert Hot Springs has a year over year price decline in its average size detached home. The declines range from -4.3% for Coachella to -10.2% for Bermuda Dunes. Desert Hot Springs is higher by 2%. Three cities have positive changes for their attached homes - Indian Wells, Desert Hot Springs and Rancho Mirage.

### Detached, Attached and Total Sales 3 month moving average



### Monthly Sales – 3-month trailing avg.

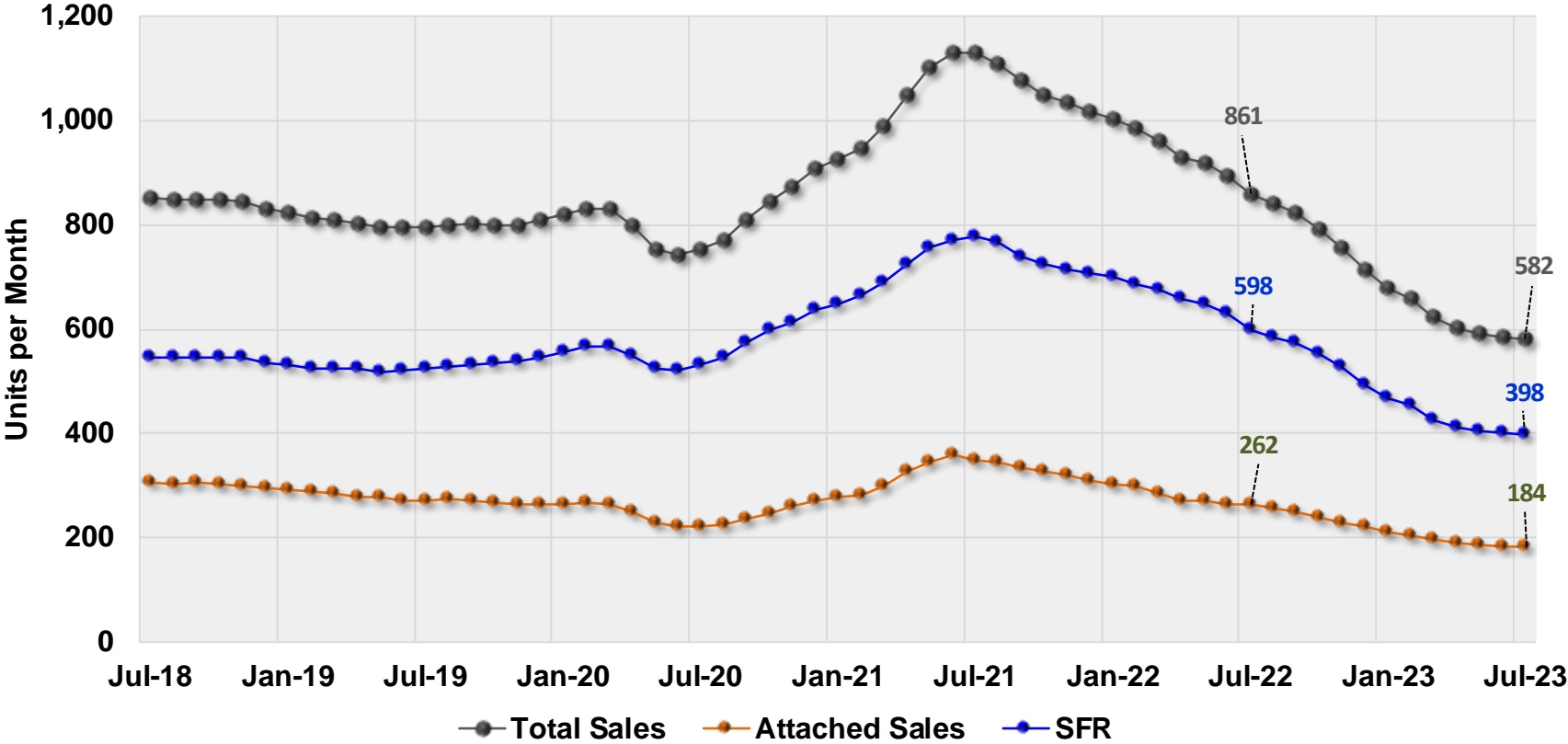
The three-month average of sales rose three units this month to 717 units, which is only 74 units less than last year. Some of this decrease is seasonal and it's occurring equally in both the detached and attached market. The decline mirrors the seasonal price decline. We created a new chart in the first part of this report designed to specifically separate seasonal changes from real ones. The chart will assist you to follow where sales are against historic norms, and it shows that sales over the last four months are running about 23.1% below normal.



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### Detached, Attached and Total Sales 12 month moving average



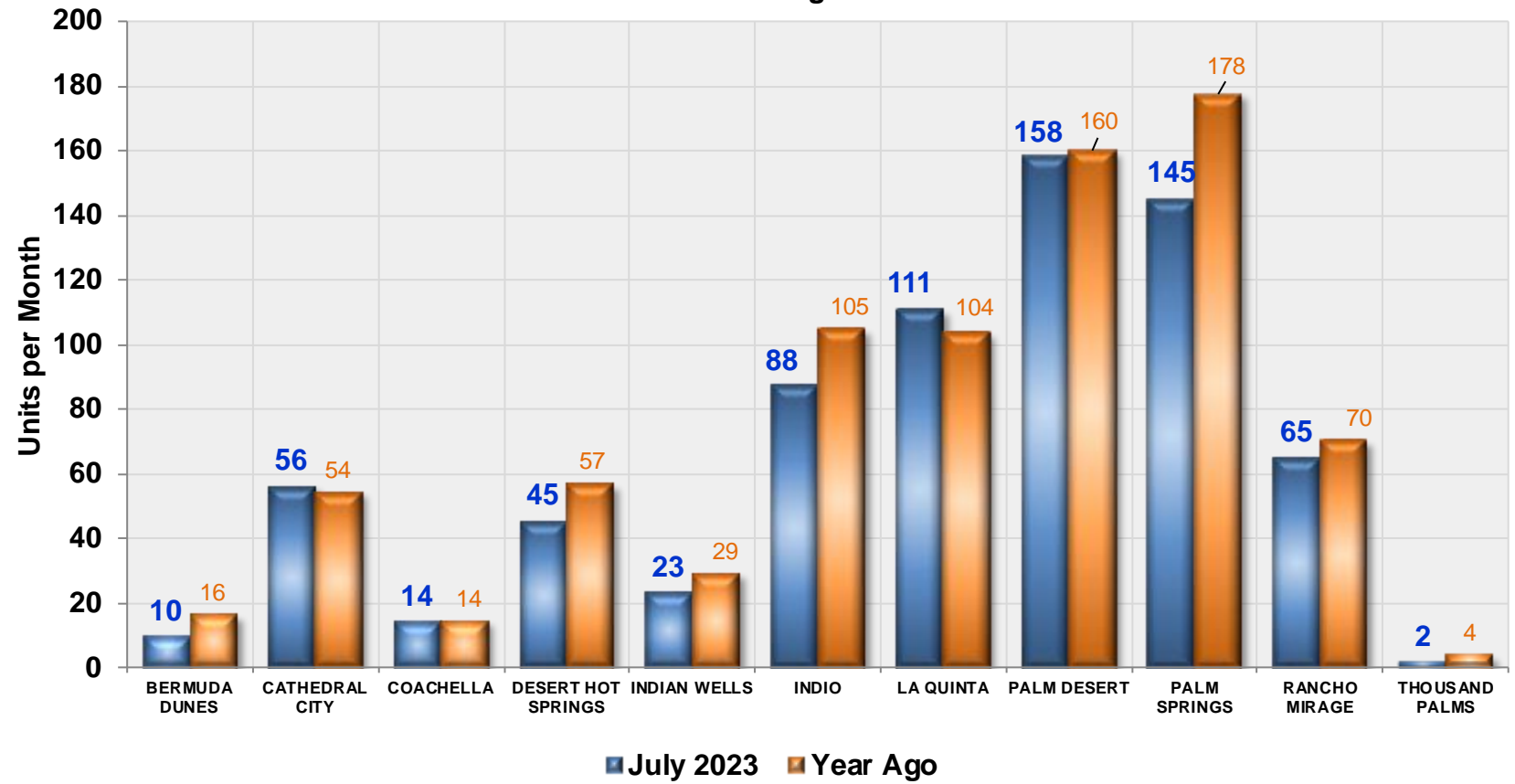
### Monthly Sales – 12-month trailing avg.

The 12-month average of sales, which takes out seasonality, shows total sales are averaging 582 units a month. This is three units less than last month. These sales numbers should begin to slowly rise in a month or two, finally breaking the long down trend. But we don't believe sales will fully recover until mortgage rates come down from 7.5% to around 5%.

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### Home Sales by City 3 month avg sales



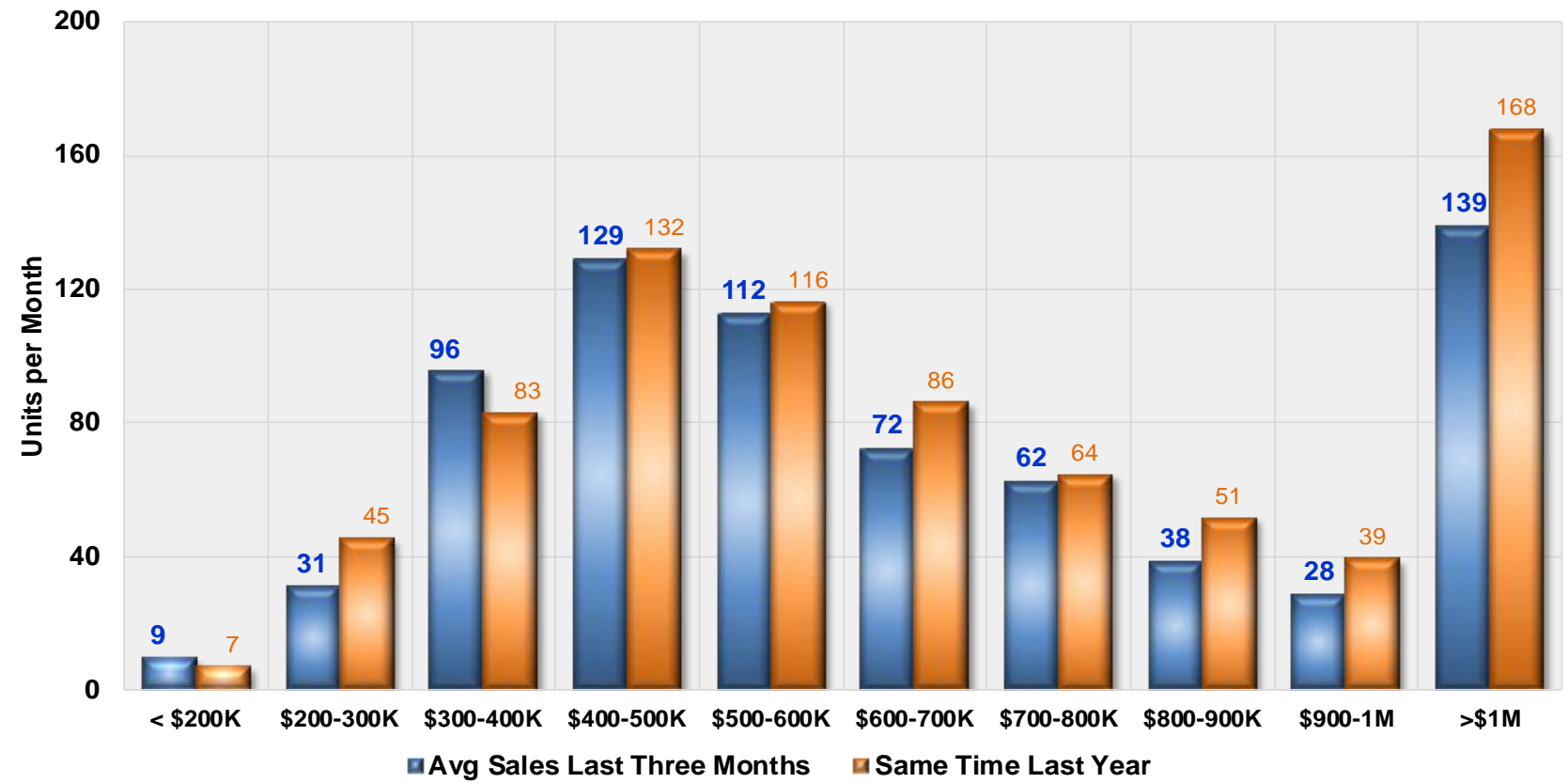
### Home Sales by City

Every city except La Quinta and Coachella has lower three-month sales, but the numbers compared to last year are improving. The largest percentage declines were in Bermuda Dunes, down 40%, and Palm Springs, lower by 18%. It is easy to see from the chart that sales numbers continue to improve compared to last year in every city.

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### Home Sales by Price Range 3 mos avg

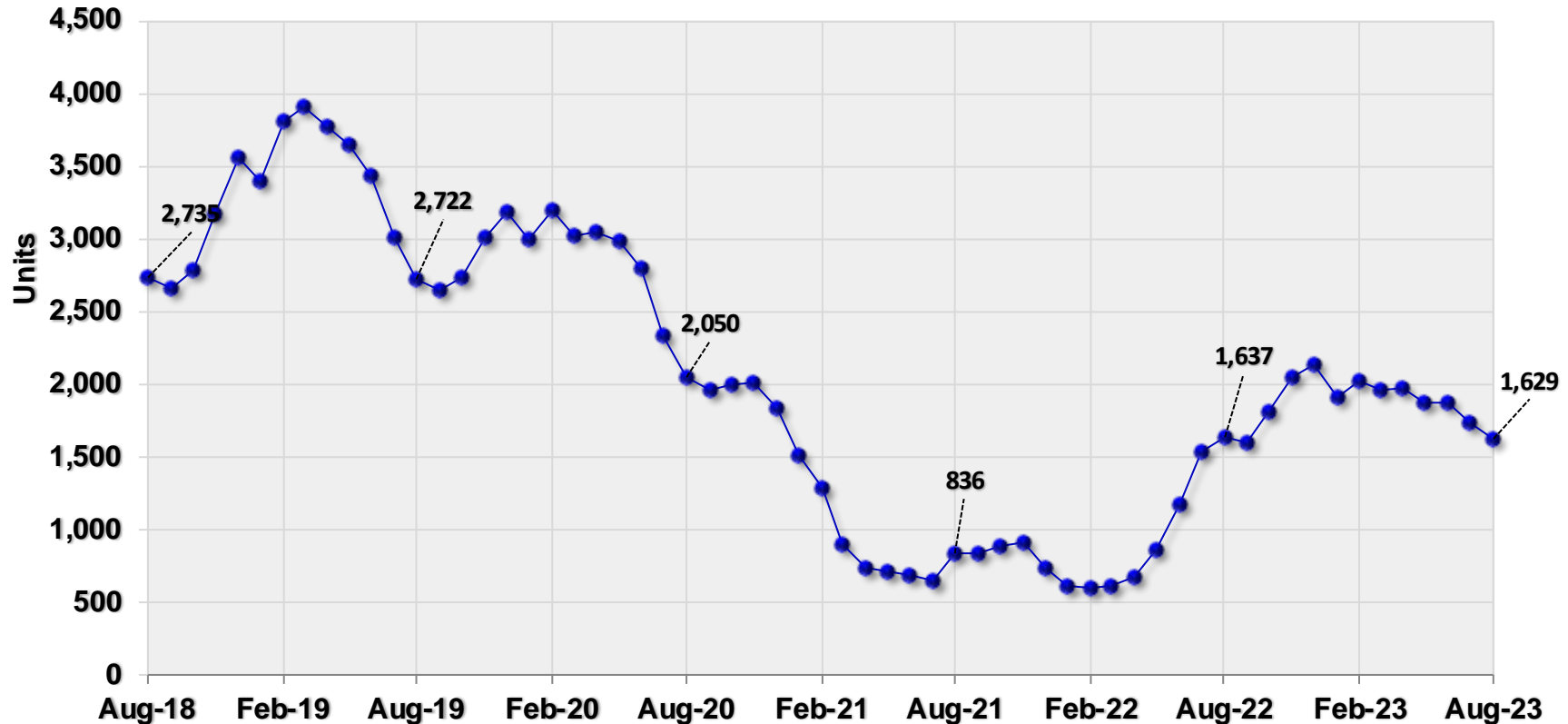


### Home Sales by Price Range

Sales of homes in all price brackets are finally comparable to year ago levels. Only sales of homes priced from \$300k to \$400k, which are primarily condominiums and attached homes, were higher than a year ago. Sales of million-dollar homes are off 17%, which is about the same as last month.



### Valley Housing Inventory August 1st 2018 to August 1st 2023



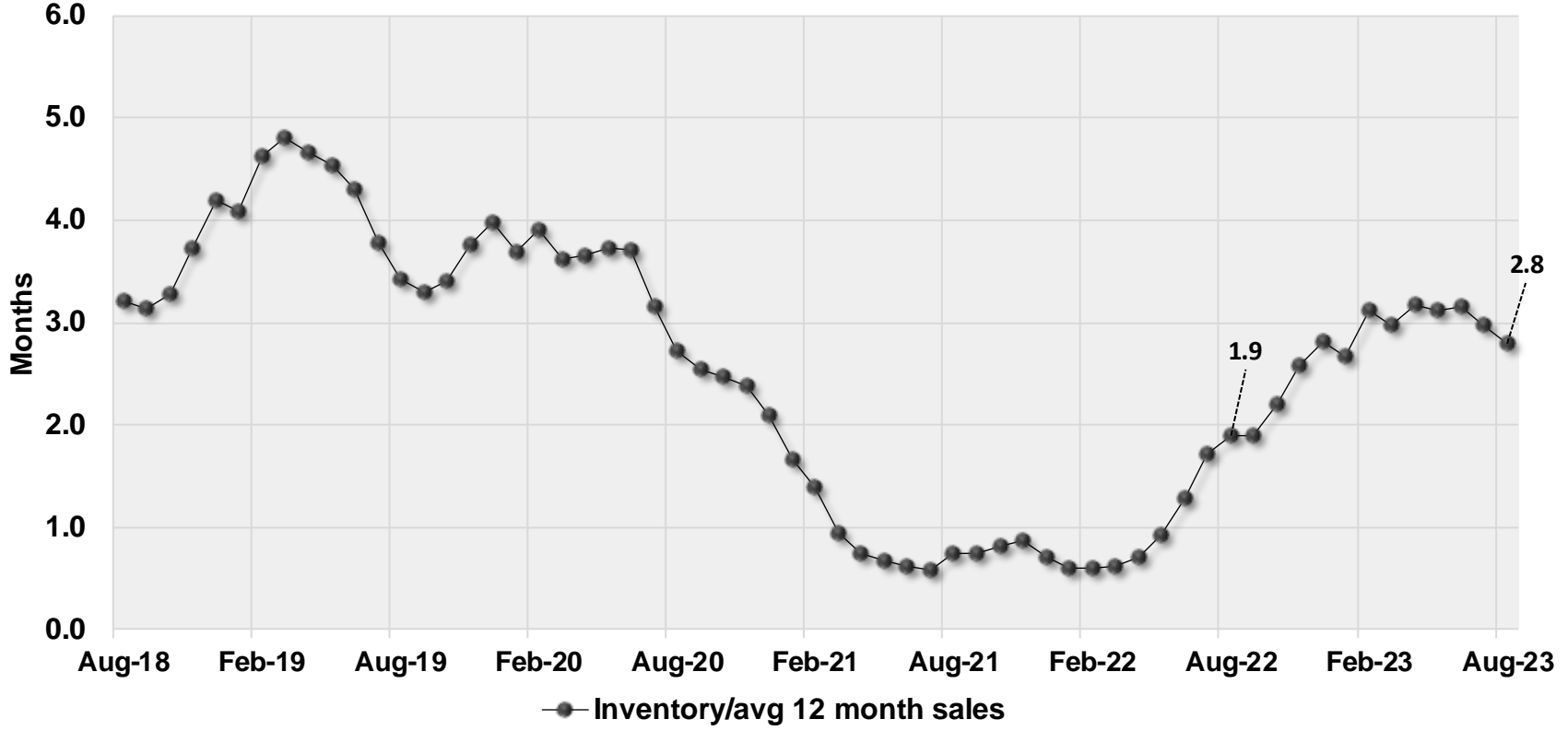
### Coachella Valley Total Inventory

On August 1<sup>st</sup>, Valley inventory was 1,629 units, which is again a little more than one hundred units less than the previous month. The graph shows that inventory has been declining very gradually over the last five months. Some of this is seasonal but a primary reason inventory isn't growing is the low number of new listings. Valley inventory also has a seasonal pattern, and we expect it to begin its seasonal increase starting next month.

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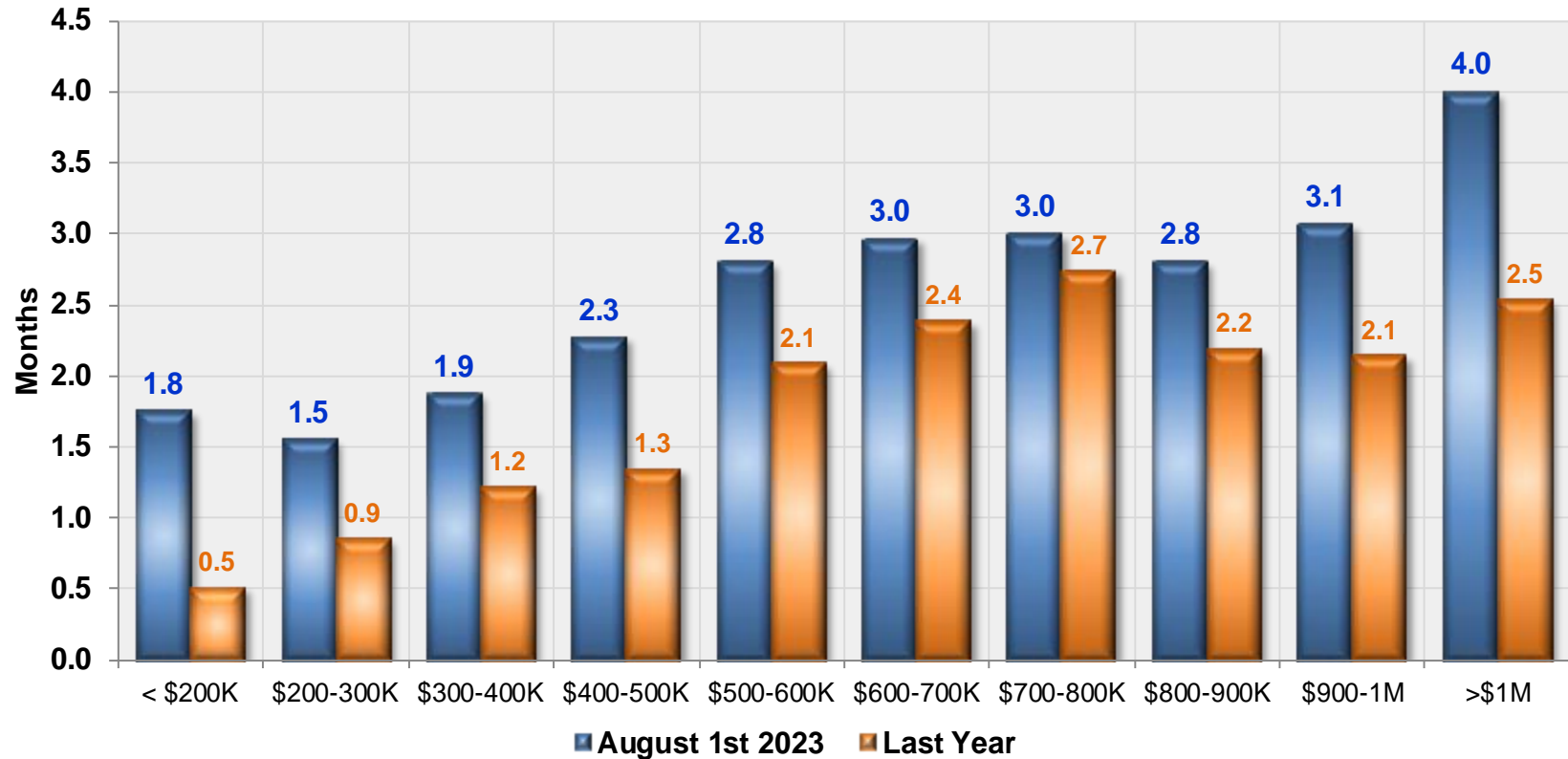
**"Months of Sales" Ratio**  
Coachella Valley  
August 1st 2018 - August 1st 2023



### Regional "Months of Sales" Ratio

On August 1<sup>st</sup>, the Valley's "months of sales" ratio was 2.8 months, which is .2 month less than last month but .9 months more than last year. At 2.8 months, this fundamental ratio, which measures supply versus demand, is at a level that represents a balanced housing market. The current ratio points to a continuing balance in the marketplace, which helps keep home prices stable.

## "Months of Sales" by Price Range uses avg. twelve month sales



## "Months of Sales" by Price Range

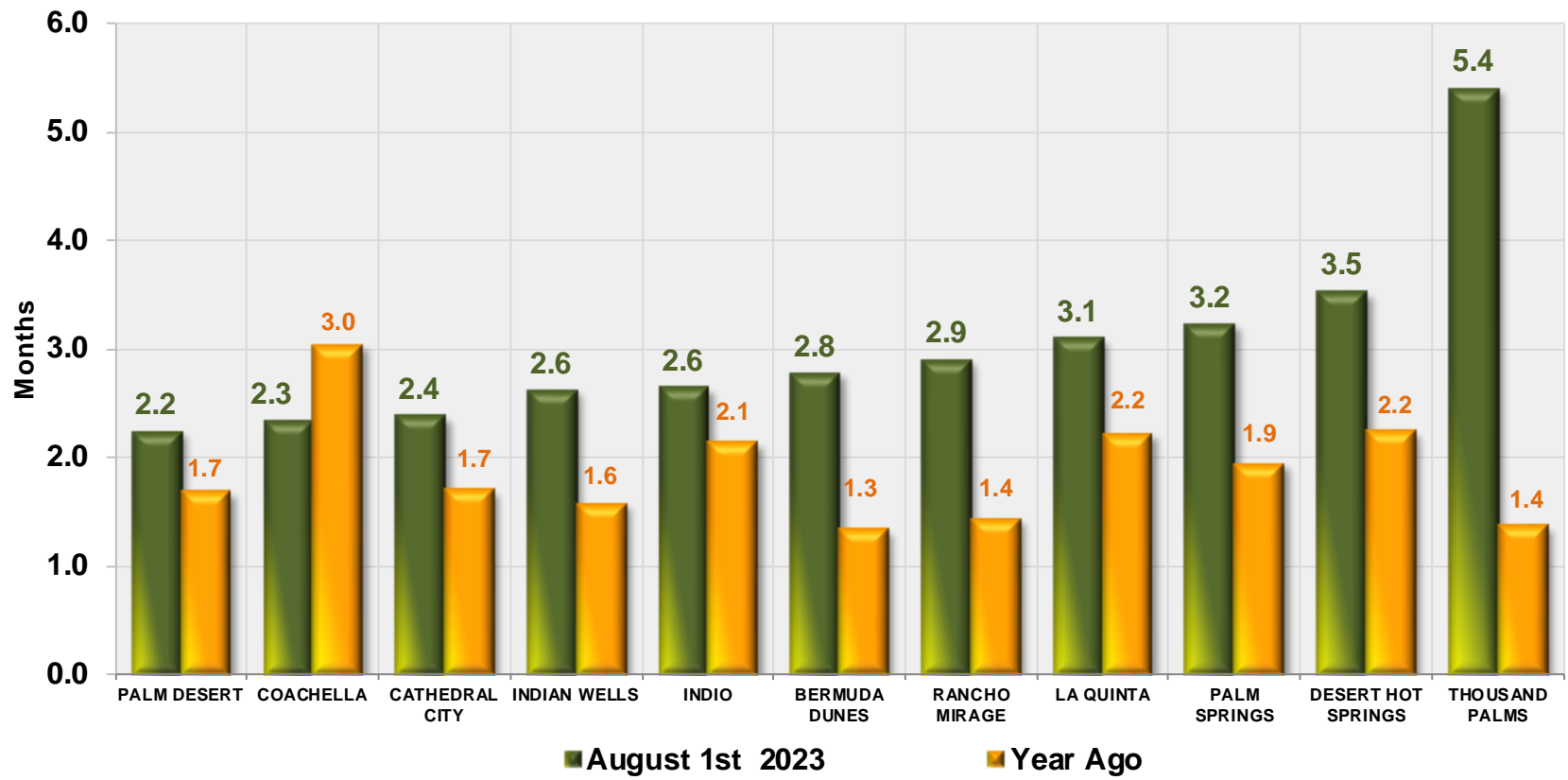
This chart displays the current "months of sales" ratio by price bracket compared to last year. Blue bars are current ratios and orange bars are the ratios for last year. Every price bracket continues to have a ratio above year ago levels. The increase in the ratio as prices get higher is the normal pattern for markets, as higher price homes usually take longer to find qualified homebuyers.



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**"Months of Sales" by City**  
city inventory divided by average twelve month sales



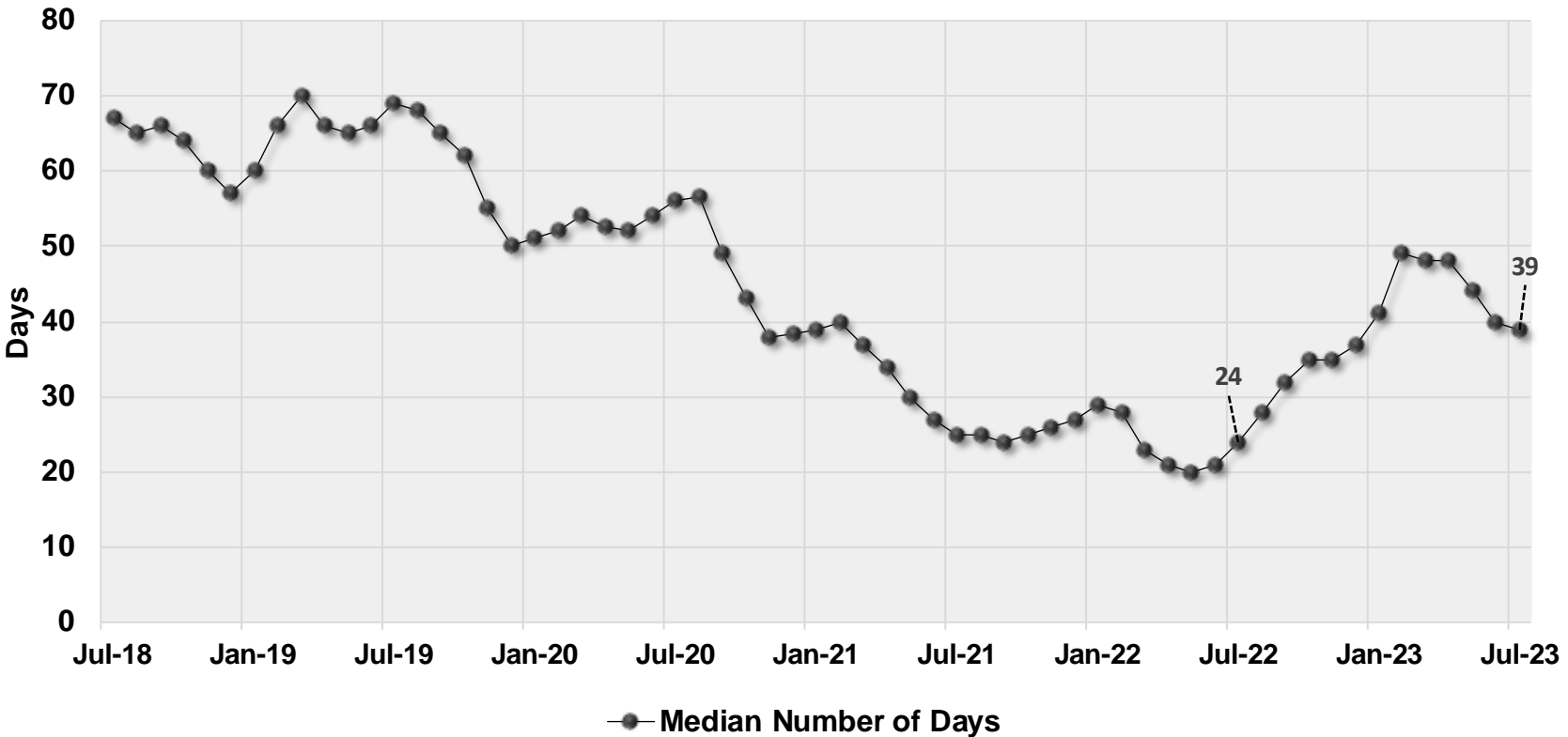
### "Months of Sales" by City

This graph compares current "months of sales" ratios in each city to their ratios a year ago. We have sorted the cities left to right by lowest ratio. Seven cities now have ratios under three months, which is in the middle of the range of ratios that indicate a balanced market. What continues to be notable is how close the ratios are in all the cities. This means that supply and demand in all the housing markets are in balance throughout the region.

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### "Days in the Market" Coachella Valley July 2018 - July 2023



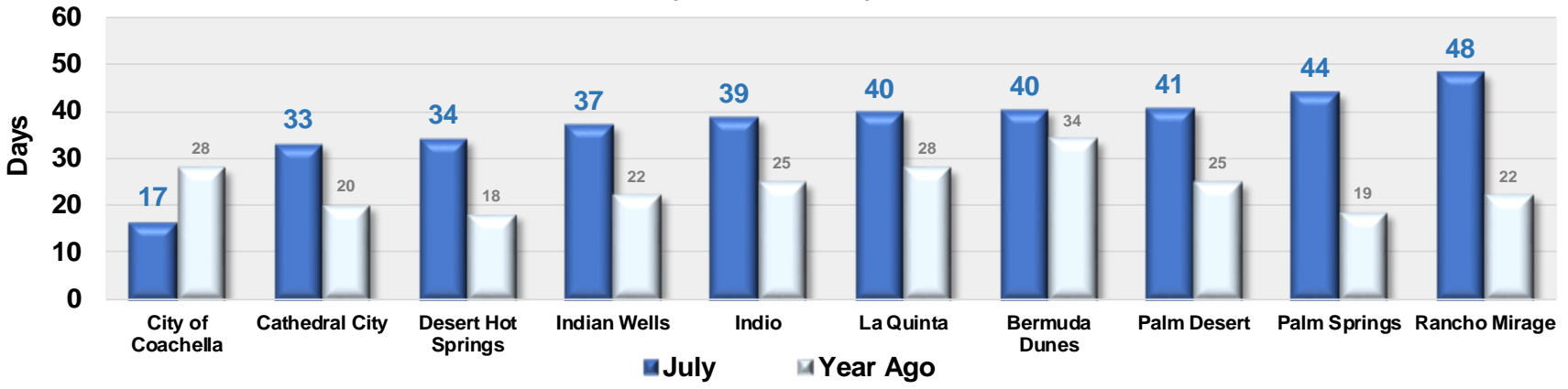
### Regional "Days in the Market"

The median selling time in the region is starting to decrease. At the end of July, the median number of "days in the market" in the Coachella Valley was 39 days, compared to 24 days last year. Because of dwindling inventory, we continue to expect this number to gradually move lower.

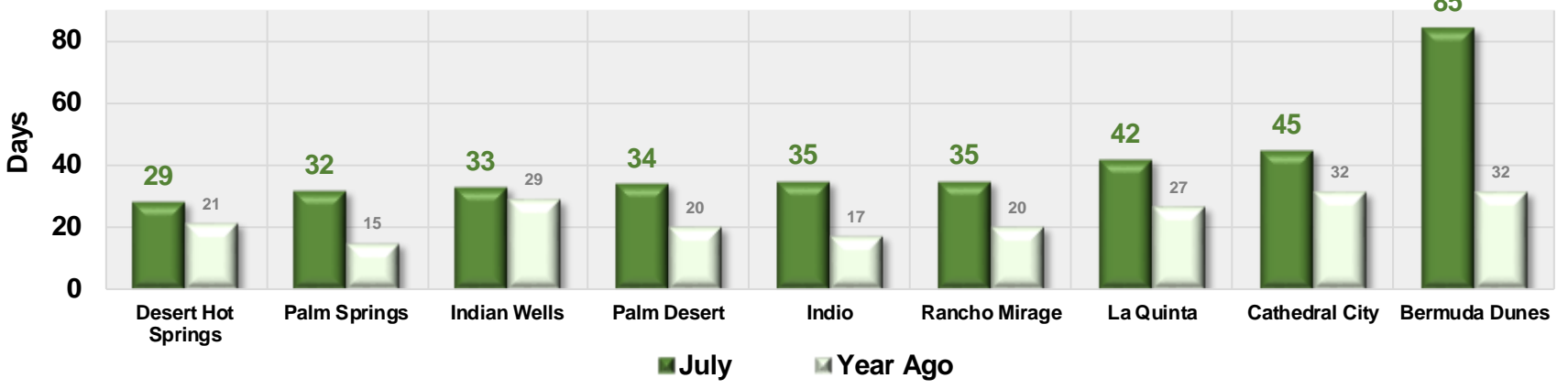
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**"Days in Market" - Detached Homes**  
(Median Value)



**"Days in the Market" - Attached Homes**  
(Median Value)



### "Days in the Market"

These bar charts rank the cities left to right by the smallest median number of "days in the market" for both detached and attached homes. The city of Coachella continues to have the lowest median selling time for detached homes at 17, followed by Cathedral City at 33, and then Desert Hot Springs with 34 days. In the attached market, Desert Hot Springs has the short average selling time at 29 days, followed by Palm Springs at 32 days.



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### % Homes Selling Over List Price Coachella Valley 2016 - 2023 (July)



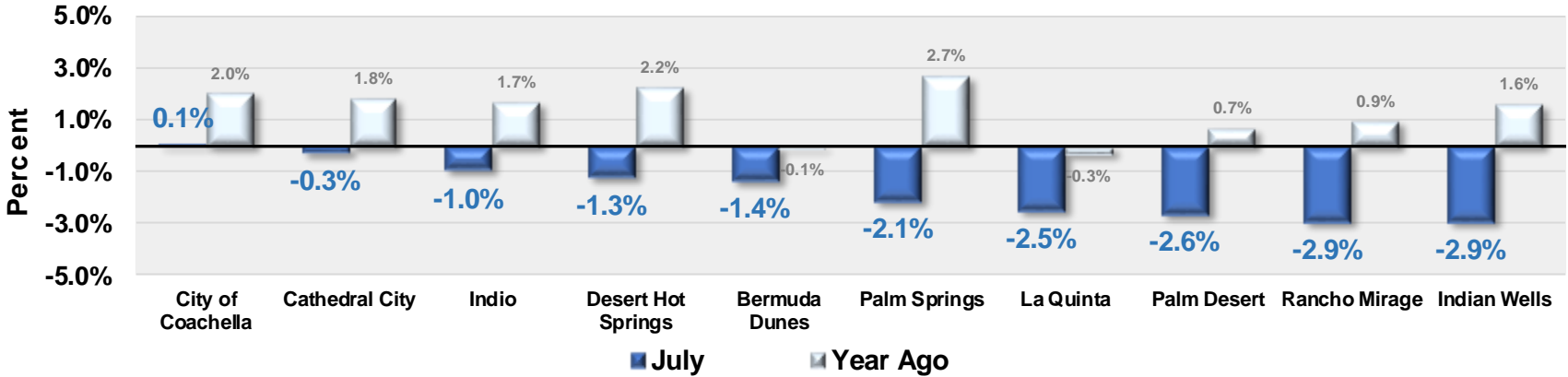
### Percent Homes Selling Above List

This chart graphs the percentage of Valley homes that sold above list price over the last three months. In July, 17.9% of sales sold above list price, compared to 48.3% a year ago. This month is almost the same as last month and the percent indicates that about one in every six homes sells above list price. We expect this percent to increase if sales stabilize and inventory continues to shrink.

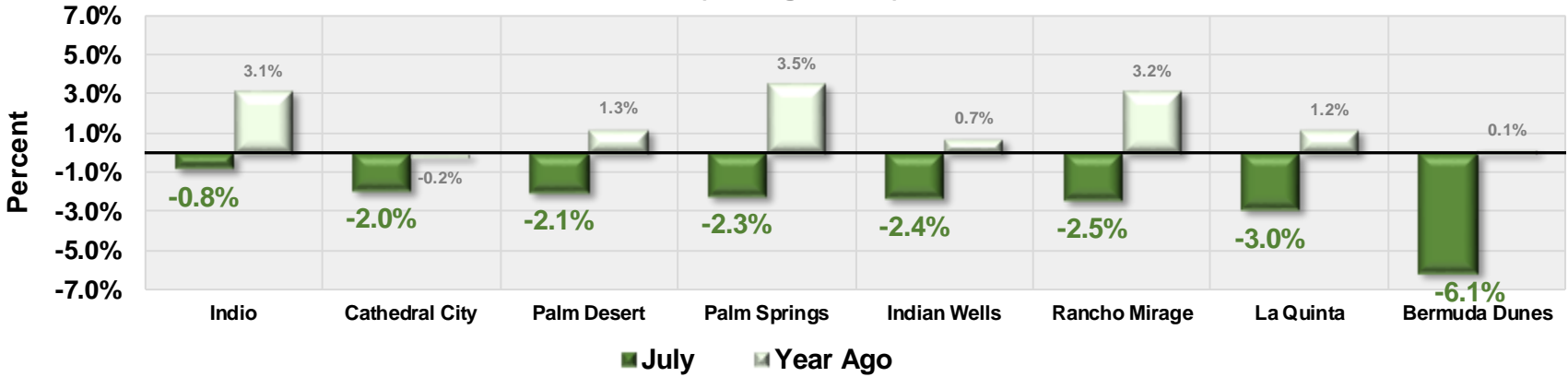
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### Price Discount - Detached Homes (Average Value)



### Price Discount - Attached Homes (Average Value)



### “Average Price Discounts”

These bar charts show the average price discount/premium for both detached and attached homes. We use the “average” value instead of “median” value because it’s a better metric during periods when so many homes are selling near list. Every city but Coachella is averaging a selling discount for detached homes, which range from -.3% in Cathedral City to -2.9% in Rancho Mirage and Indian Wells. Discounts for attached homes range from -.8% in Indio to -6.1% in Bermuda Dunes.

## Explanation and Description of Market Watch's Graphs and Calculations

**Regional Numbers:** For the purposes of this report, the Coachella Valley region consists of these eleven cities or CDPs – Bermuda Dunes, Cathedral City, the city of Coachella, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, Rancho Mirage and Thousand Palms. Regional sales and regional inventory numbers are the sum of sales or inventory of these 11 cities averaged over some time interval – usually three or twelve months. The Coachella Valley median detached home price is the median price of sales of single-family residences over the prior three months in all 11 cities. The Coachella Valley Median Attached Price is the median price of sales of condos and townhomes over the past three months in all 11 cities.

**City Prices:** Our city price tables display the median price per square foot as well as the price of the average size home of all detached or attached sales over the last three months (6 months for Indian Wells). The price of the average size home is determined as follows: the median price per sq. ft. is multiplied by the size of the average home in that city. The size of the average home is determined from the square feet of all sales in that city over the last twenty years, which is then rounded to the nearest 25 sq. ft.. The size of the average home is therefore constant month by month.

**Sales:** For cities, sales numbers are the sum of sales of SFR, Condos and townhomes. We present two sales numbers – three-month average of sales and twelve-month averages. The three-month average measures and shows the seasonal variations of the region. These three-month averages should only be compared against the same three months of previous years. For example, one should never compare three-month sales in spring to that of the fall. The twelve-month average of sales takes out all seasonality and is very useful when trying to assess the long-term growth or contraction of sales in the region and at the city level. In our calculations every month is represented by sales over the preceding 31 days. This gives equal weight to each month.

**Inventory and “Months of Sales”:** Our inventory numbers are homes classified as “active” listings; we exclude listings called “active under contract.” We believe this is a more accurate measure of real supply since most “active under contract” listings will soon be closed sales. Remember sales and prices are accumulative while inventory is a momentary snapshot of inventory on a specific date. When we provide a monthly report for, say, the month of July, all sales and pricing are done using transactions through that and the previous two months. However, when we measure inventory at the end of July, it's the inventory as of July 1<sup>st</sup>. Even though inventory July be labeled July inventory, it is the inventory on the 1<sup>st</sup> of the next month. Our inventory is the sum of both attached and detached homes.

When calculating the “months of sales” ratio, we almost always use average sales over the last twelve months and not three months. If we do use three month sales, we indicate it. We use the classic “months of sales ratio”, which is inventory divided by sales, and not its inverse called the “absorption rate” since most people feel the ratio is much clearer and more easily understood.

**Days in the Market and Sale Price Discount from List Price:** These calculations are also the median value of the metrics reported from the MLS listing and are calculated over the last three months of transactions like price and sales. This is done to help reduce random variation and movements.

**Call Out Numbers:** The two numbers inserted in the charts are the most recent value(s) and the value(s) one year ago. Each number is connected to the point on the chart it refers to by a small thin line.

To contact Market Watch call Vic Cooper at 714-390-1418.