

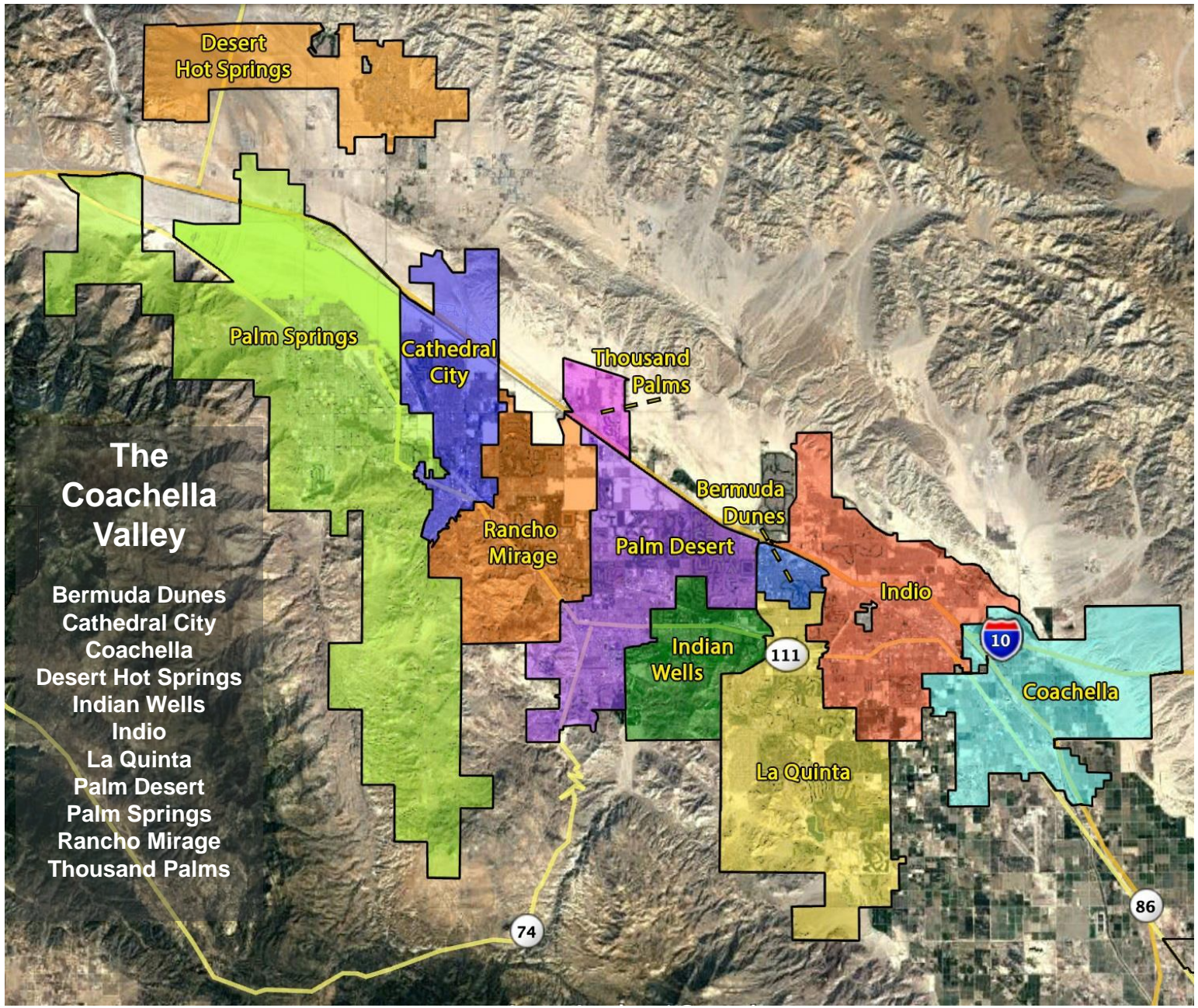
The Desert Housing Report

August 2023



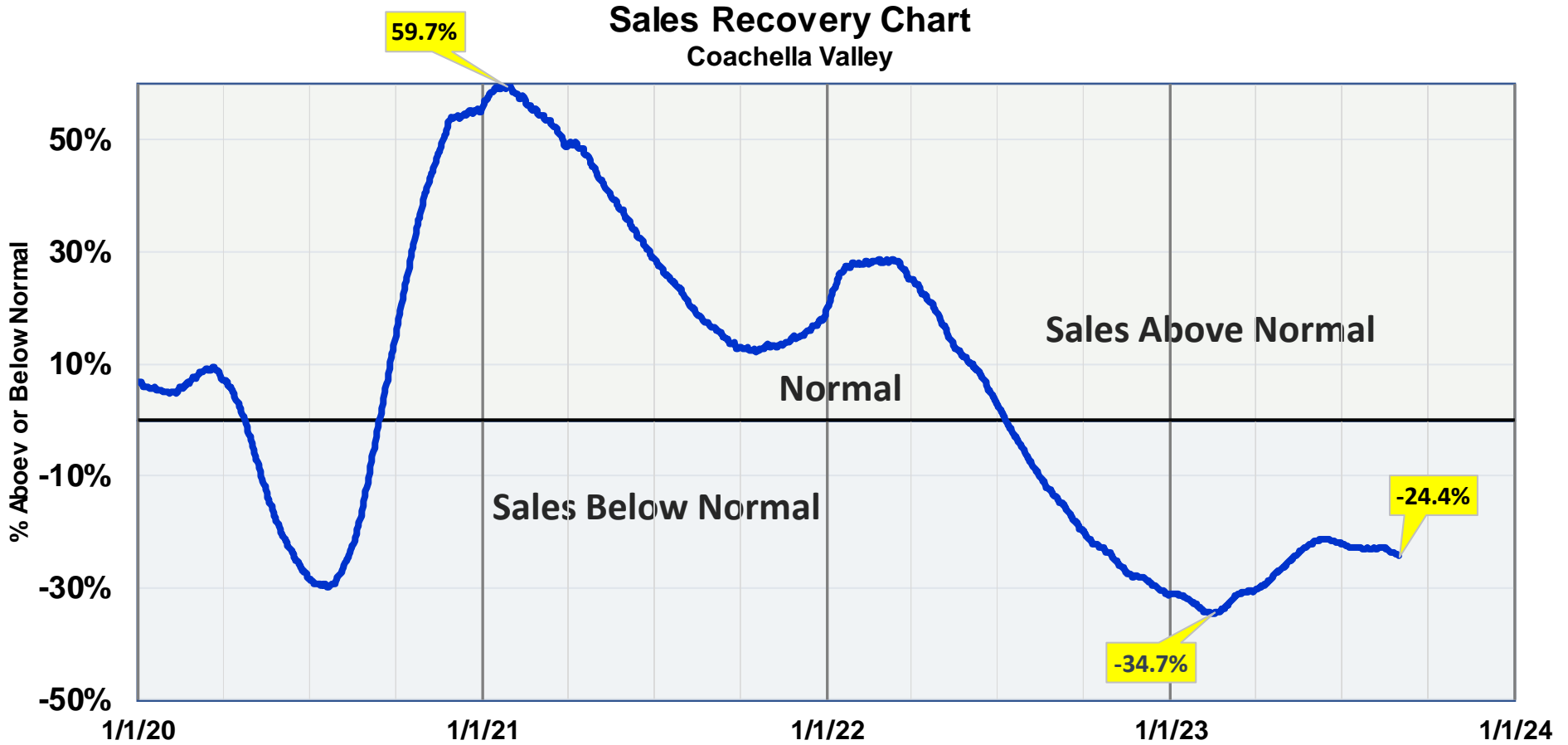
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The Sales Recovery Chart

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, the light green area when they're above average. What is normal 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 24.4% below average. Our projection for normal sales by the end of the year is no longer realistic. It was based on our belief that inflation would fall to 3% and mortgage rates would be 5.5% by the end of the year but recent actions by the FED now makes this unlikely.

Summary

PRICES: The median price of a detached home in the Coachella Valley at the end of August fell \$5,000 to \$660,401, down 3.1% year over year. This decline is primarily a seasonal decline since the summer months almost always bring some price weakness. The median attached price declined to \$439,000 and is now down 6%. Every city but Desert Hot Springs continues to have a year over year price decline in its average size detached home. The declines range from -3.2% for Rancho Mirage to -11.6% for Indian Wells. Desert Hot Springs is higher by just .2%. Four cities have gains for their attached homes - Indian Wells, Desert Hot Springs, La Quinta and Rancho Mirage.

SALES: The three-month average of sales declined in August to 623 units, which is 51 units less than last year. The decline is occurring proportionally in both the detached and attached market. The sales decline mirrors the seasonal price decline. Sales over the last four months are running about 24.4% below normal. Every city except Cathedral City and Rancho Mirage has lower three-month sales, but the numbers compared to a year ago continue to improve. The largest percentage declines were in Palm Springs, down 18%, and Indio, lower by 11%.

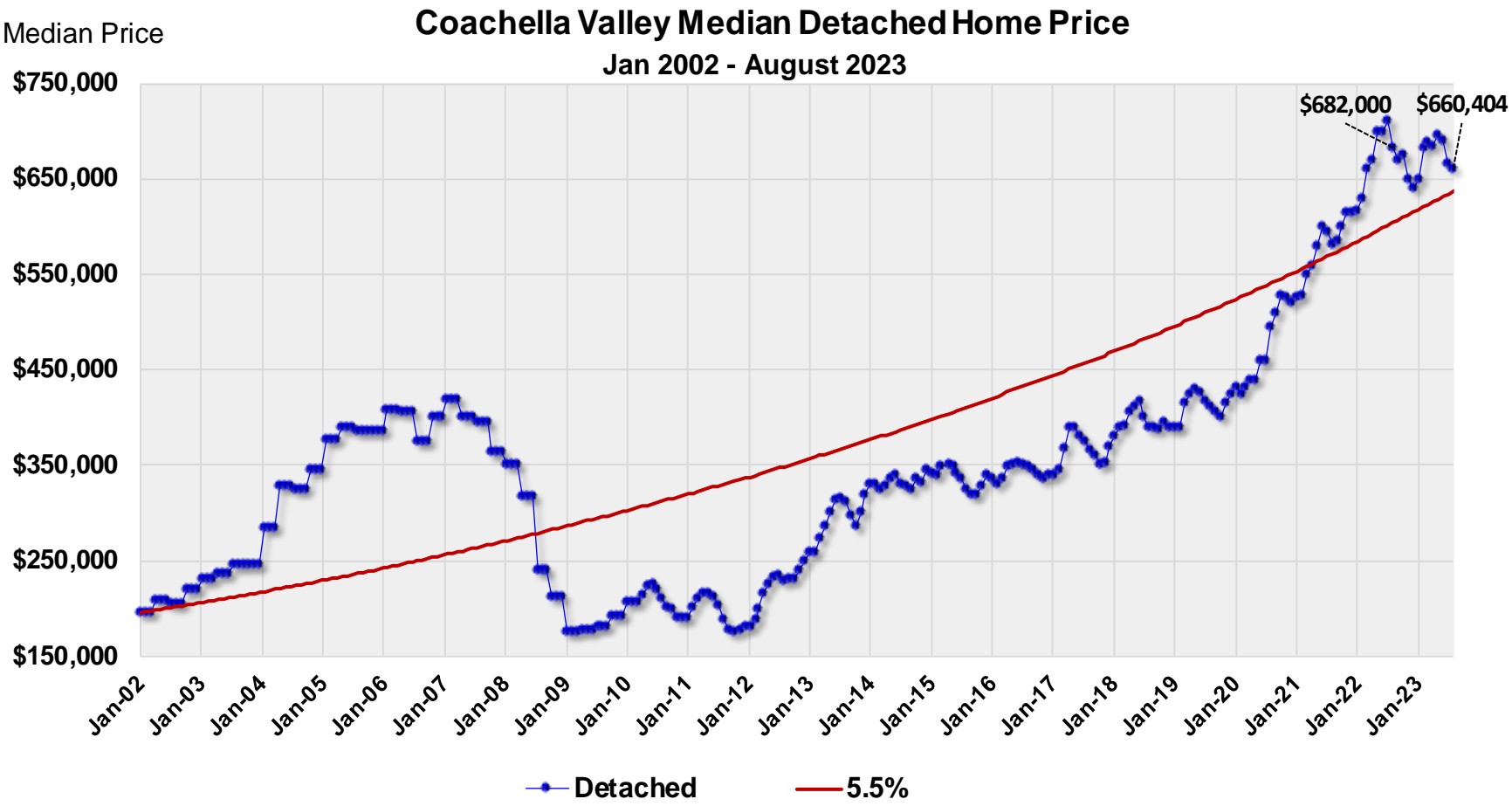
INVENTORY & “MONTHS OF SALES” RATIOS: On September 1st, Valley inventory was 1,601 units, which is just 28 units less than the previous month. Current inventory is almost the same as last year. Some of the decline is seasonal but a primary reason is the low number of new listings. The Valley’s “months of sales” ratio was 2.8 months, which is one month more than last year. This fundamental ratio measures supply and demand and at 2.8 months, it’s at a level that represents a balanced housing market. The current ratio points to continuing stable home prices.

DIM: At the end of August, the median number of “days in the market” in the Coachella Valley was 38 days, compared to 28 days last year. The city of Coachella has the lowest median selling time for detached homes at 22, followed by Cathedral City at 31, and then Desert Hot Springs with 32 days. In the attached market, Desert Hot Springs has the short average selling time at 29 days, followed by La Quinta at 30 days and Palm Springs at 33 days.

PRICE DISCOUNTS/PREMIUMS: In August, 17.5% of sales sold above list price, compared to 38% a year ago. We expect this percent to stay around current levels as inventory grows as we move into fall and winter. Every city is now 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 -1.4% in Indio to -5.8% in Bermuda Dunes.

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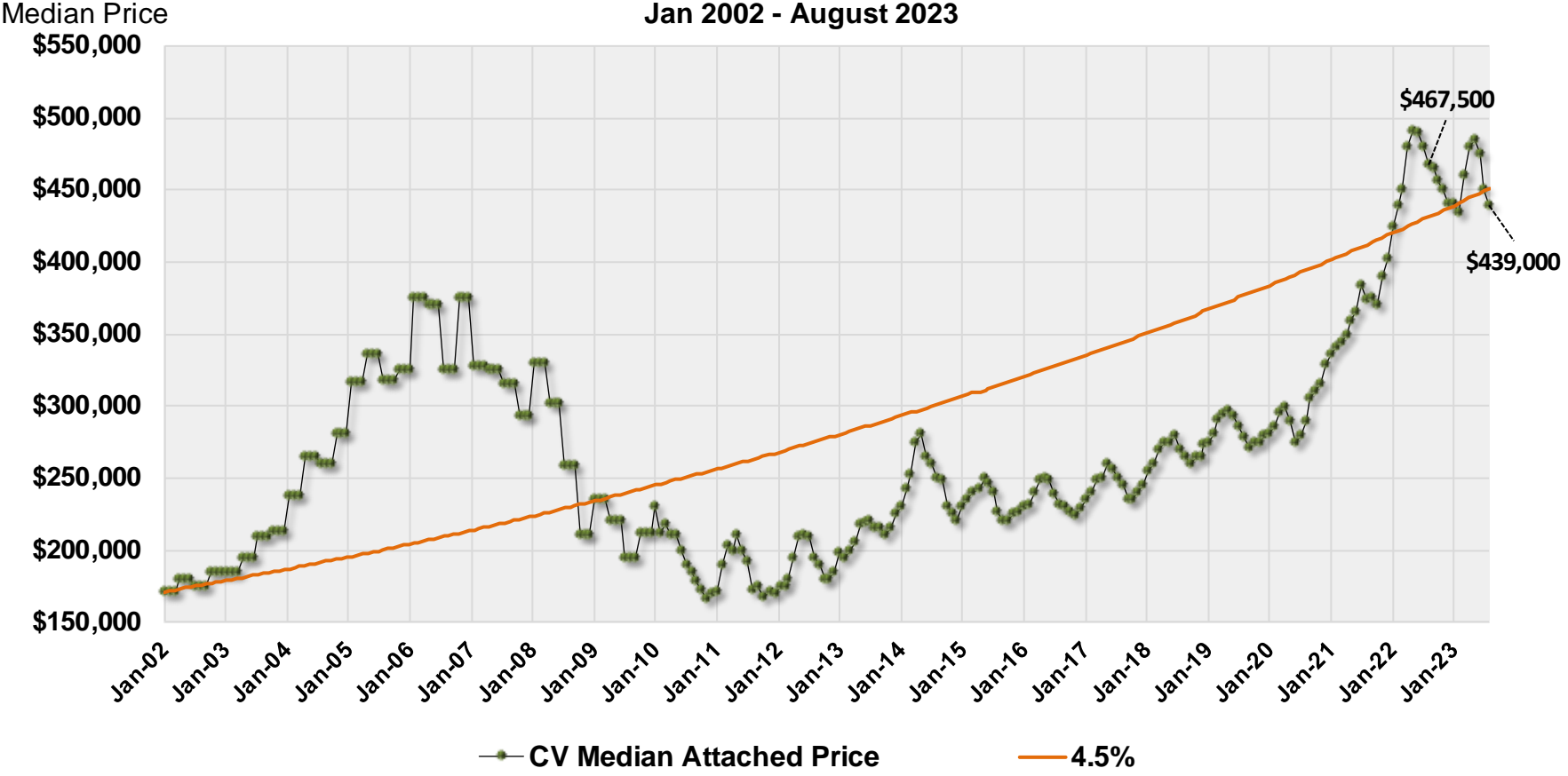
Coachella Valley Median Detached Price

The median price of a detached home in the Coachella Valley at the end of August fell \$5,000 to \$660,401, down 3.1% year over year. This decline is primarily a seasonal decline since the summer months almost always brings some price weakness. We do not expect this to translate into anything more than a seasonal issue. While supply is slowly contracting, sales are also low, so supply and demand remain in balance.

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Coachella Valley Median Attached Price Jan 2002 - August 2023



Coachella Valley Median Attached Price

The median attached price declined to \$439,000 and is now down 6% year over year. As the chart clearly shows, the seasonal range of the price of attached homes is much larger than that of detached homes. If the normal seasonal pattern continues, we should see price weakness for another month or two. We believe this weakness is seasonal since supply and demand remain in balance.

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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	\$258.33	\$413,323	\$412,661	0.2%	\$86,656	377.0%
Rancho Mirage	3,175	\$403.18	\$1,280,101	\$1,322,765	-3.2%	\$506,317	152.8%
Cathedral City	1,800	\$312.01	\$561,625	\$583,390	-3.7%	\$153,216	266.6%
Bermuda Dunes	2,500	\$319.83	\$799,568	\$834,324	-4.2%	\$239,325	234.1%
Indio	2,000	\$284.88	\$569,767	\$596,721	-4.5%	\$156,340	264.4%
La Quinta	2,550	\$382.42	\$975,179	\$1,027,408	-5.1%	\$318,164	206.5%
Palm Springs	2,175	\$583.97	\$1,270,133	\$1,366,467	-7.0%	\$323,879	292.2%
Coachella	1,700	\$236.93	\$402,788	\$436,147	-7.6%	\$111,367	261.7%
Palm Desert	2,200	\$330.30	\$726,658	\$789,149	-7.9%	\$302,302	140.4%
Indian Wells	3,450	\$470.85	\$1,624,428	\$1,837,026	-11.6%	\$666,885	143.6%

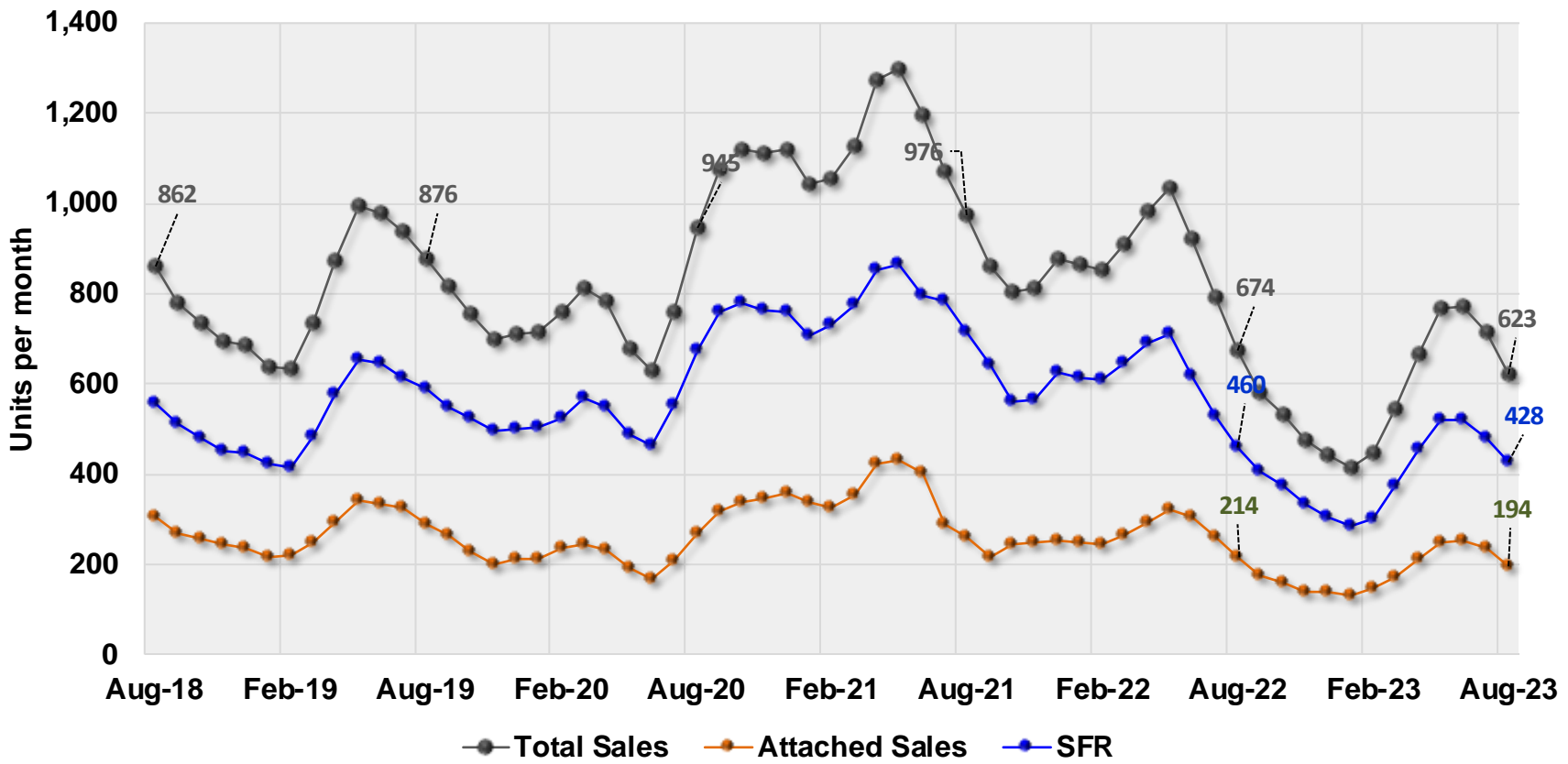
Price of The Average Size Attached Home

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	\$391.01	\$762,463	\$674,803	13.0%	\$259,126	194%
Desert Hot Springs	750	\$202.65	\$151,991	\$135,476	12.2%	\$16,013	849%
La Quinta	1,750	\$394.65	\$690,631	\$650,730	6.1%	\$247,713	179%
Rancho Mirage	1,775	\$346.67	\$615,333	\$607,033	1.4%	\$211,030	192%
Indio	1,050	\$285.57	\$299,850	\$300,223	-0.1%	\$56,396	432%
Cathedral City	1,250	\$269.34	\$336,674	\$358,607	-6.1%	\$80,544	318%
Palm Springs	1,250	\$356.54	\$445,671	\$478,927	-6.9%	\$129,788	243%
Palm Desert	1,600	\$325.81	\$521,301	\$566,803	-8.0%	\$197,896	163%
Bermuda Dunes	1,450	\$254.42	\$368,905	\$415,974	-11.3%	\$89,117	314%

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 continues to have a year over year price decline in its average size detached home. The declines range from -3.2% for Rancho Mirage to -11.6% for Indian Wells. Desert Hot Springs is higher by just .2%. Four cities have gains for their attached homes - Indian Wells, Desert Hot Springs, La Quinta and Rancho Mirage.

Detached, Attached and Total Sales 3 month moving average



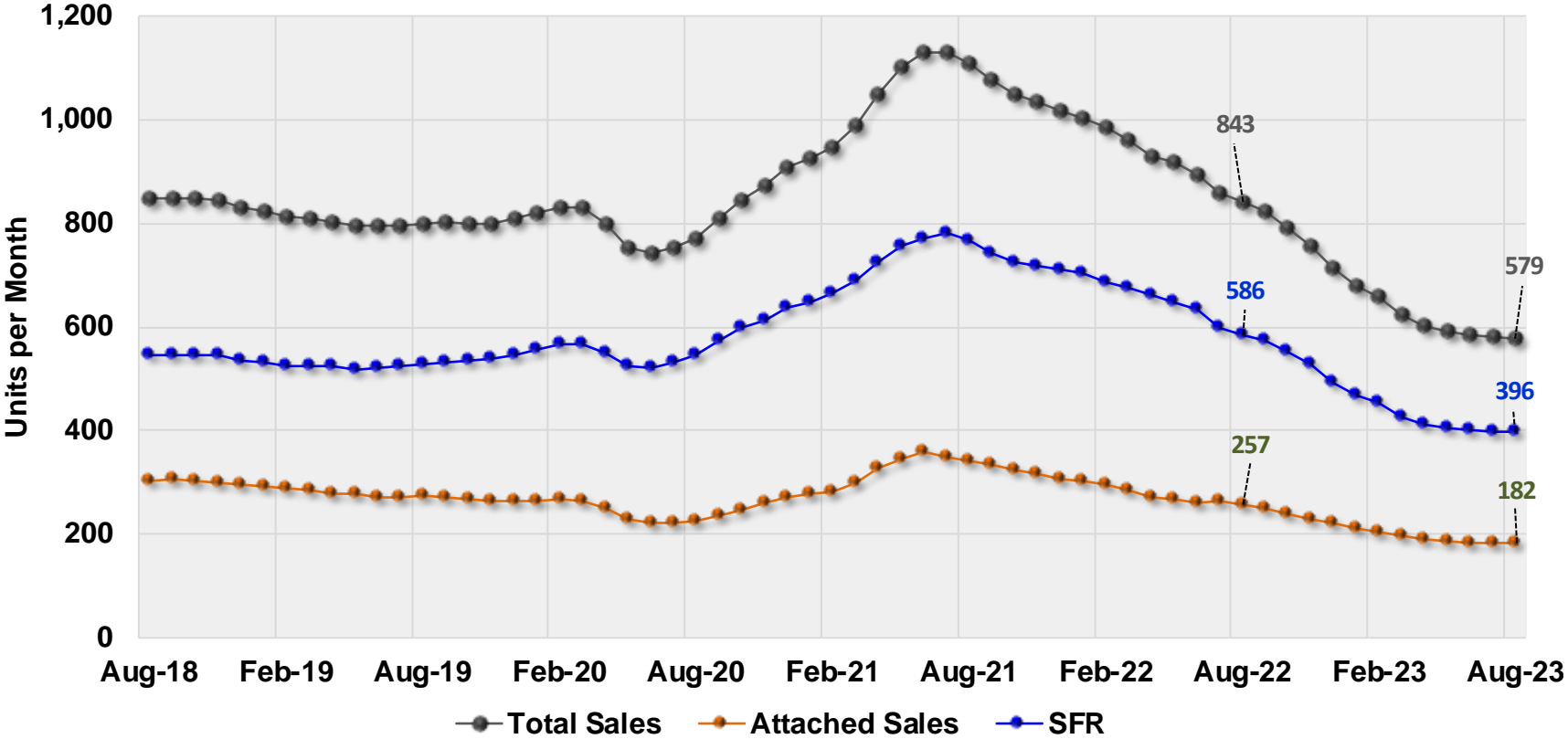
Monthly Sales – 3-month trailing avg.

The three-month average of sales declined in August to 623 units, which is 51 units less than last year. It's occurring proportionally in both the detached and attached market. The sales decline mirrors the seasonal price decline. The first chart of this report is designed to separate seasonal changes from real ones. It's intended to help you follow where sales are against historic norms. It shows that sales over the last four months are running about 24.4% below normal.

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Detached, Attached and Total Sales 12 month moving average



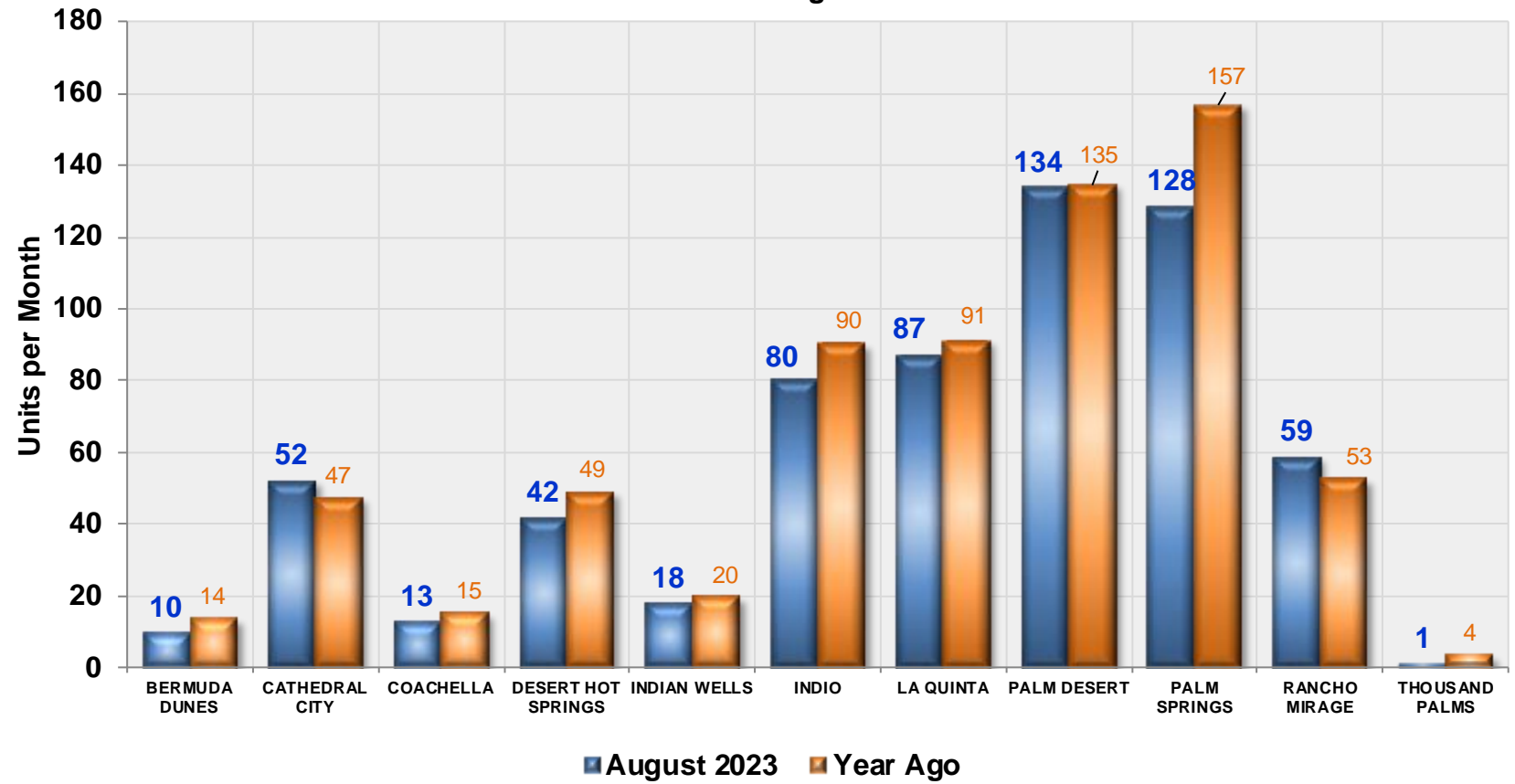
Monthly Sales – 12-month trailing avg.

The 12-month average of sales, which takes out seasonality, shows total sales are averaging 579 units a month. This is almost unchanged from last month. As the chart shows the long-term average of sales is starting to flatten out and we think the worst is over. Now we need them to recover. But we continue to believe they won't fully recover until mortgage rates come down from 7.5% to around 5%.

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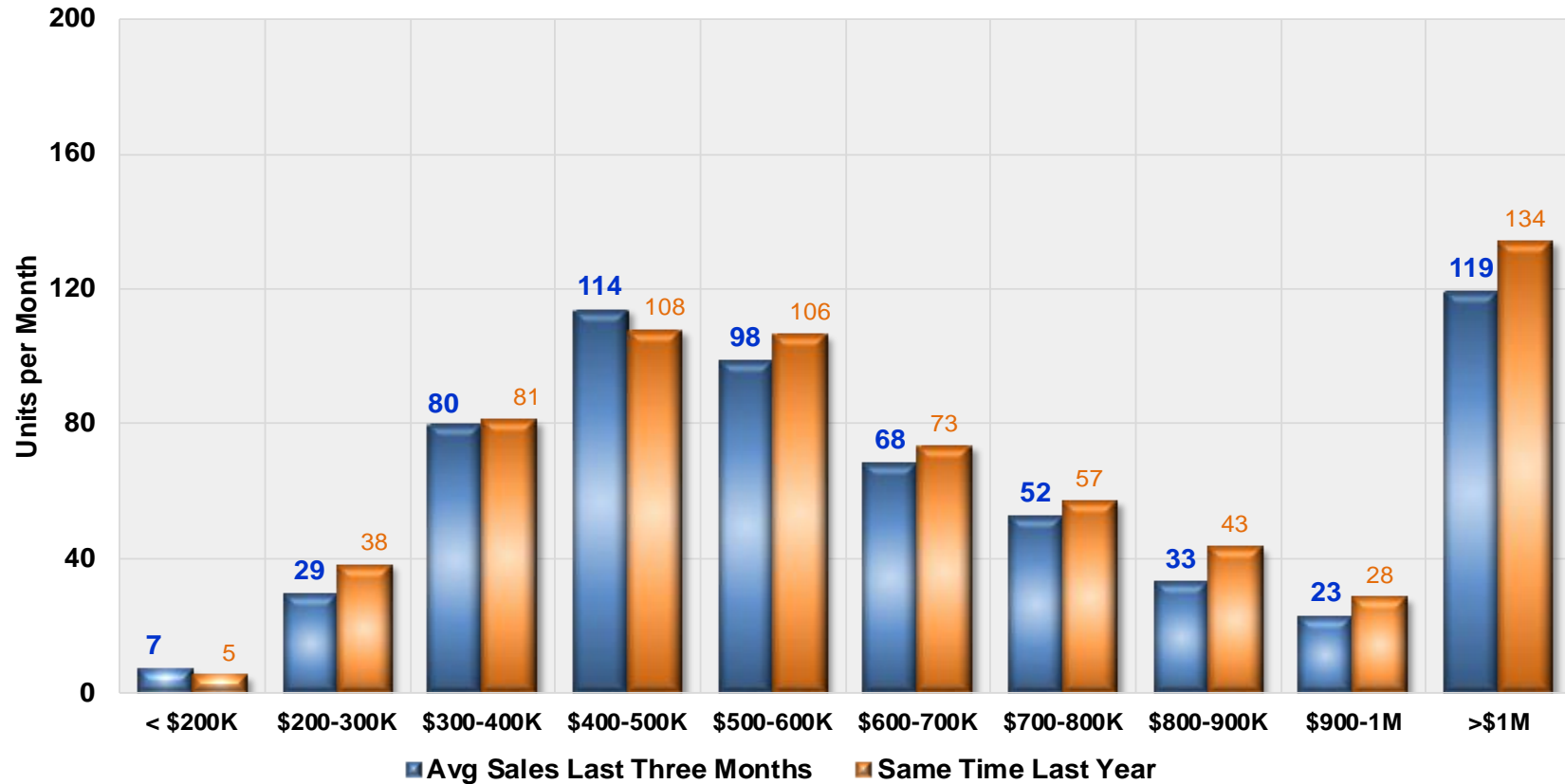
Home Sales by City 3 month avg sales



Home Sales by City

Every city except Cathedral City and Rancho Mirage has lower three-month sales, but the numbers compared to last year continue to improve. The largest percentage declines were in Palm Springs, down 18%, and Indio, lower by 11%. Sales numbers continue to improve compared to last year in every city.

Home Sales by Price Range 3 mos avg



Home Sales by Price Range

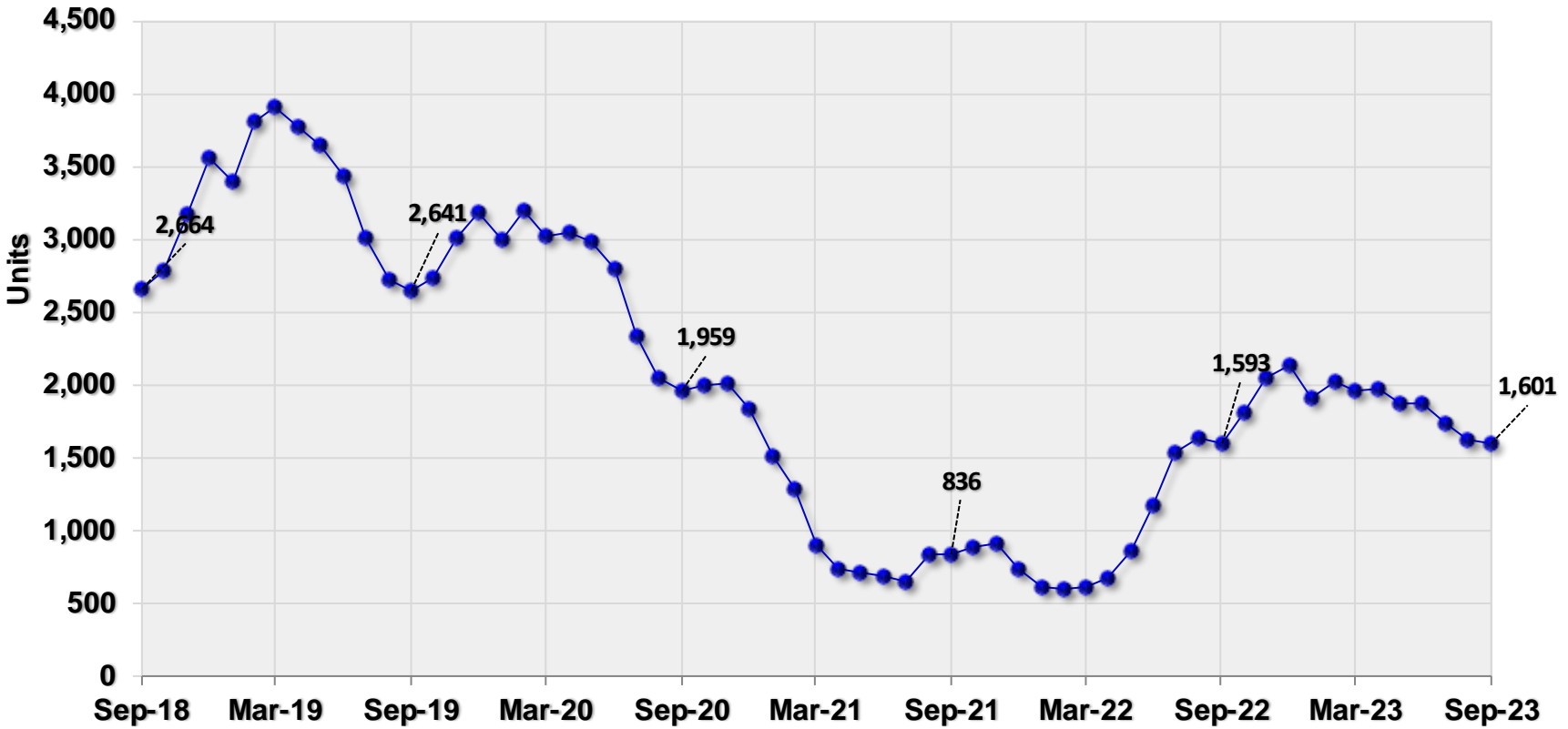
Sales of homes in all price brackets are finally comparable to year ago levels. In fact, the two years looked like mirror images of each other. The only real difference are in sales of homes priced over \$800,000, where sales are averaging about 20% less than last year.

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Valley Housing Inventory

September 1st 2018 to September 1st 2023



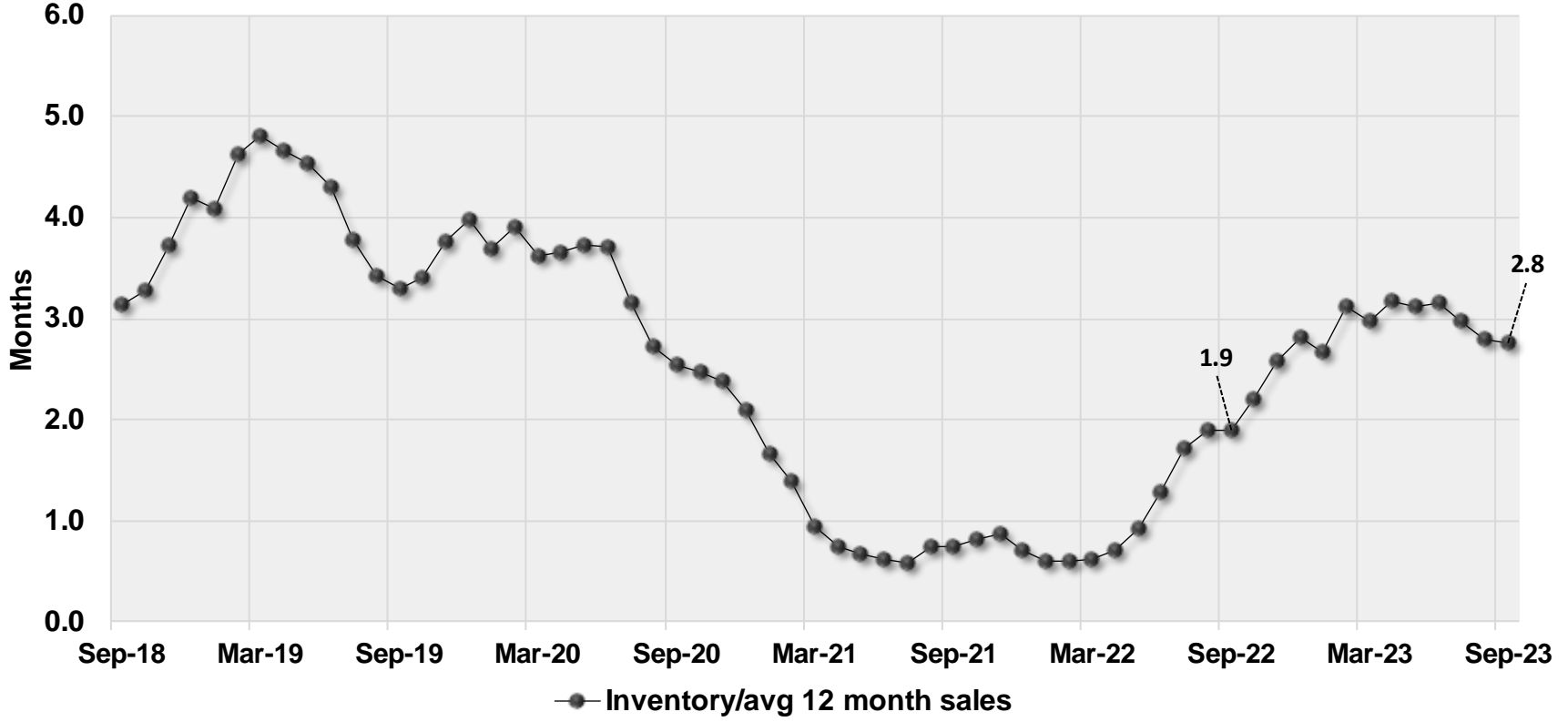
Coachella Valley Total Inventory

On September 1st, Valley inventory was 1,601 units, which is just 28 units less than the previous month. Current inventory is almost the same as last year. Some of the slow decline is seasonal but a primary reason is the low number of new listings. We expect the normal seasonal increase in inventory to start next month.

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



Regional "Months of Sales" Ratio

On September 1st, the Valley's "months of sales" ratio was 2.8 months, which is almost one month more than last year. This fundamental ratio measures supply and demand and, at 2.8 months, is at a level that represents a balanced housing market. The current ratio points to continuing stable home prices.

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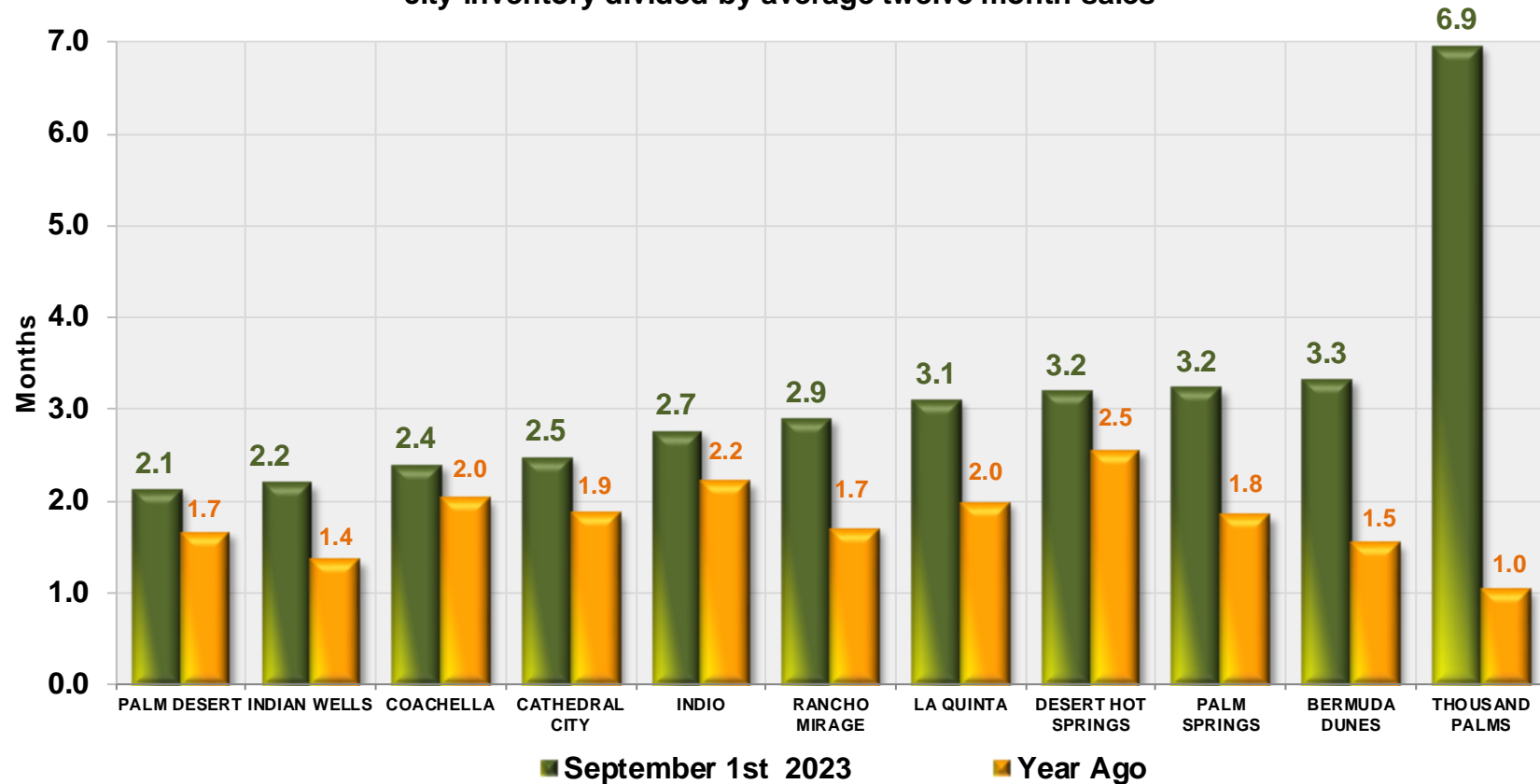
"Months of Sales" by Price Range
uses avg. twelve month sales



"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. What's positive is that the increase over last year is approximately equal in all price brackets. This market shows no distortion in supply and demand in any price bracket.

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



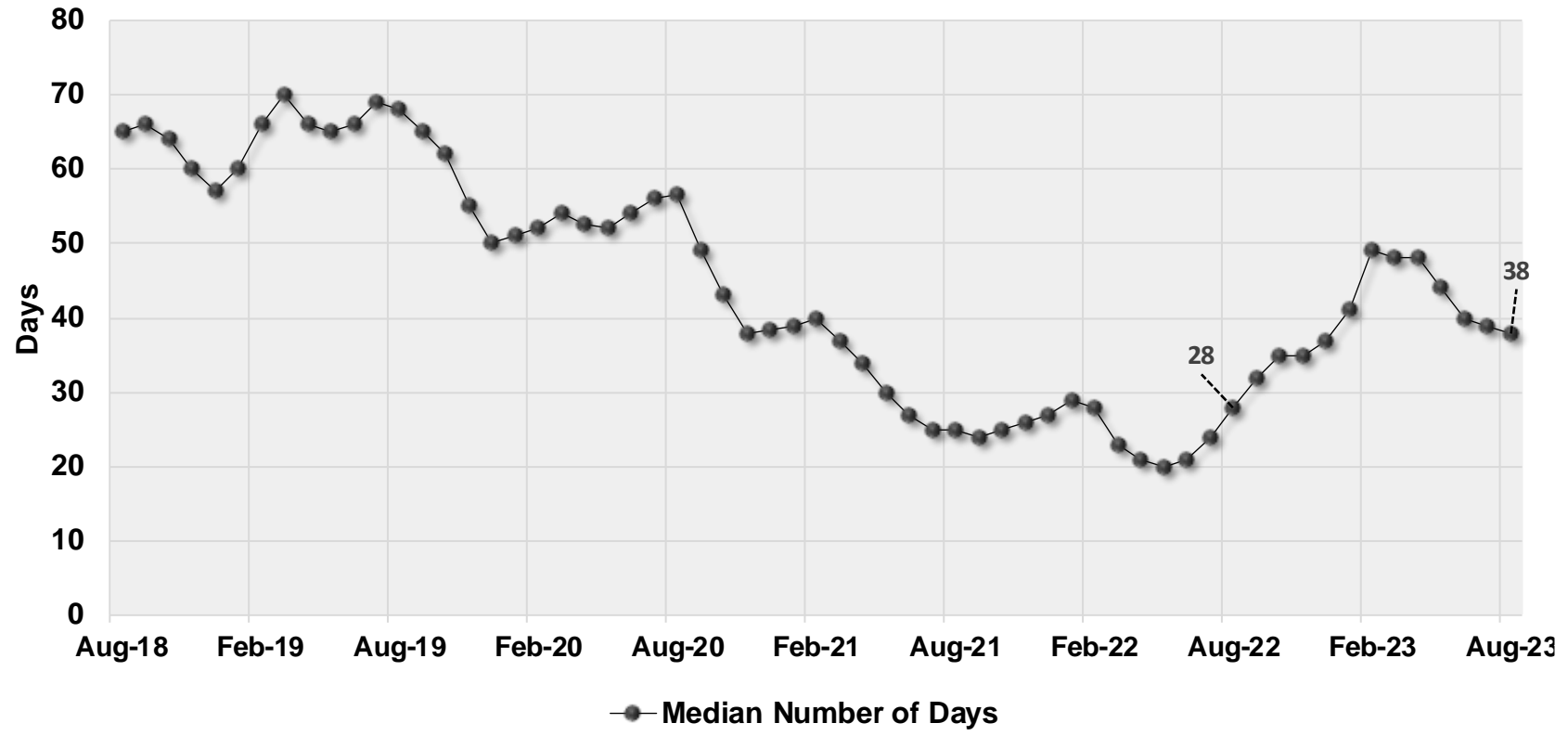
"Months of Sales" by City

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. Except for Thousand Palms, what is notable is how equal the increases are in each city compared to year ago levels. This is similar to the price bracket chart and shows that supply and demand in all the cities are balanced.

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"Days in the Market" Coachella Valley August 2018 - August 2023



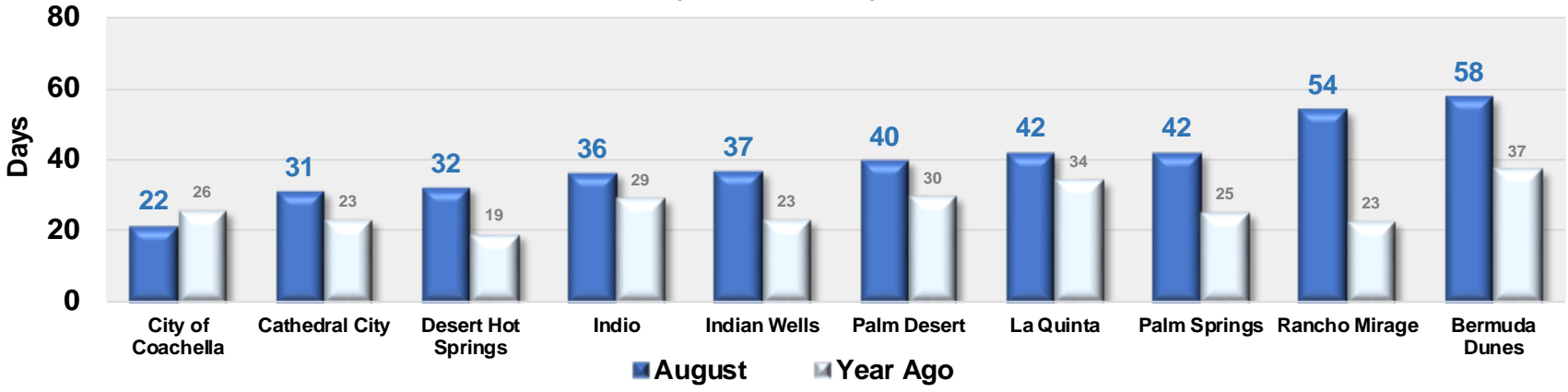
Regional "Days in the Market"

The median selling time in the region is starting to decrease. At the end of August, the median number of "days in the market" in the Coachella Valley was 38 days, compared to 28 days last year. Because of low inventory, we expect this number to continue to gradually move lower and equal to year ago values within a month or two.

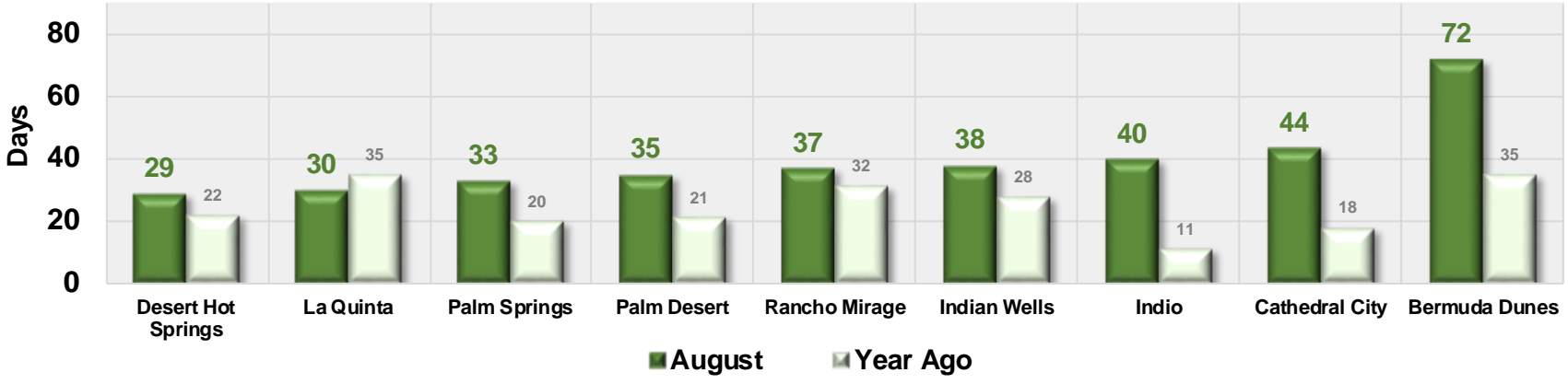
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"Days in Market" - Detached Homes
(Median Value)



"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 22, followed by Cathedral City at 31, and then Desert Hot Springs with 32 days. In the attached market, Desert Hot Springs has the short average selling time at 29 days, followed by La Quinta at 30 days and Palm Springs at 33 days.

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



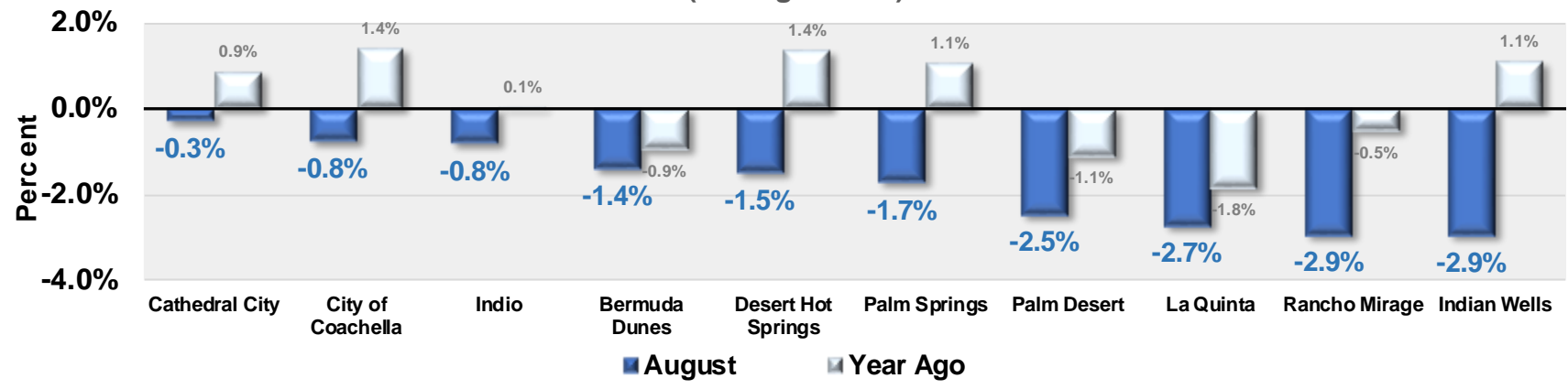
Percent Homes Selling Above List

This chart graphs the percentage of Valley homes that sold above list price over the last three months. In August, 17.5% of sales sold above list price, compared to 38% a year ago. We expect this percent to stay around current levels as inventory grows as we move into fall and winter.

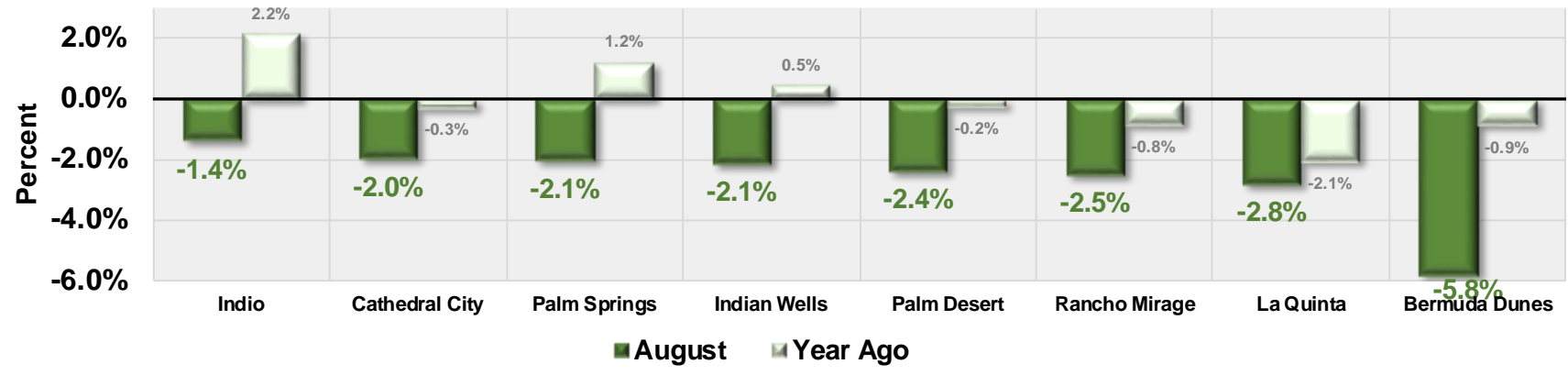
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Price Discount - Detached Homes (Average Value)



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 is now 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 -1.4% in Indio to -5.8% 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 August, all sales and pricing are done using transactions through that and the previous two months. However, when we measure inventory at the end of August, it's the inventory as of August 1st. Even though inventory August be labeled August inventory, it is the inventory on the 1st 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.