The Desert Housing Report

October 2023

Produced for Valley agents through the sponsorship and cooperation of GPSR and CDAR by Market Watch LLC

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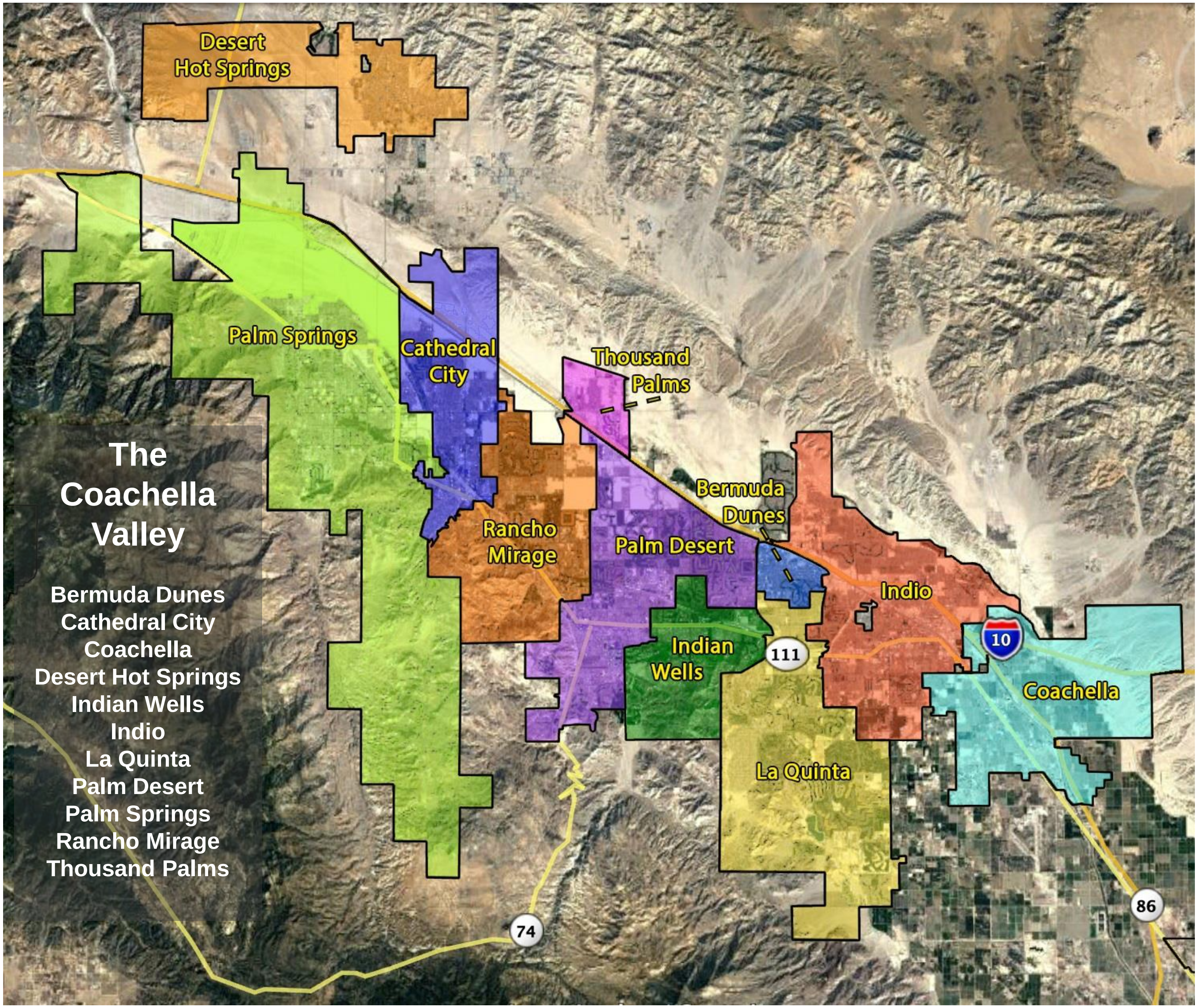

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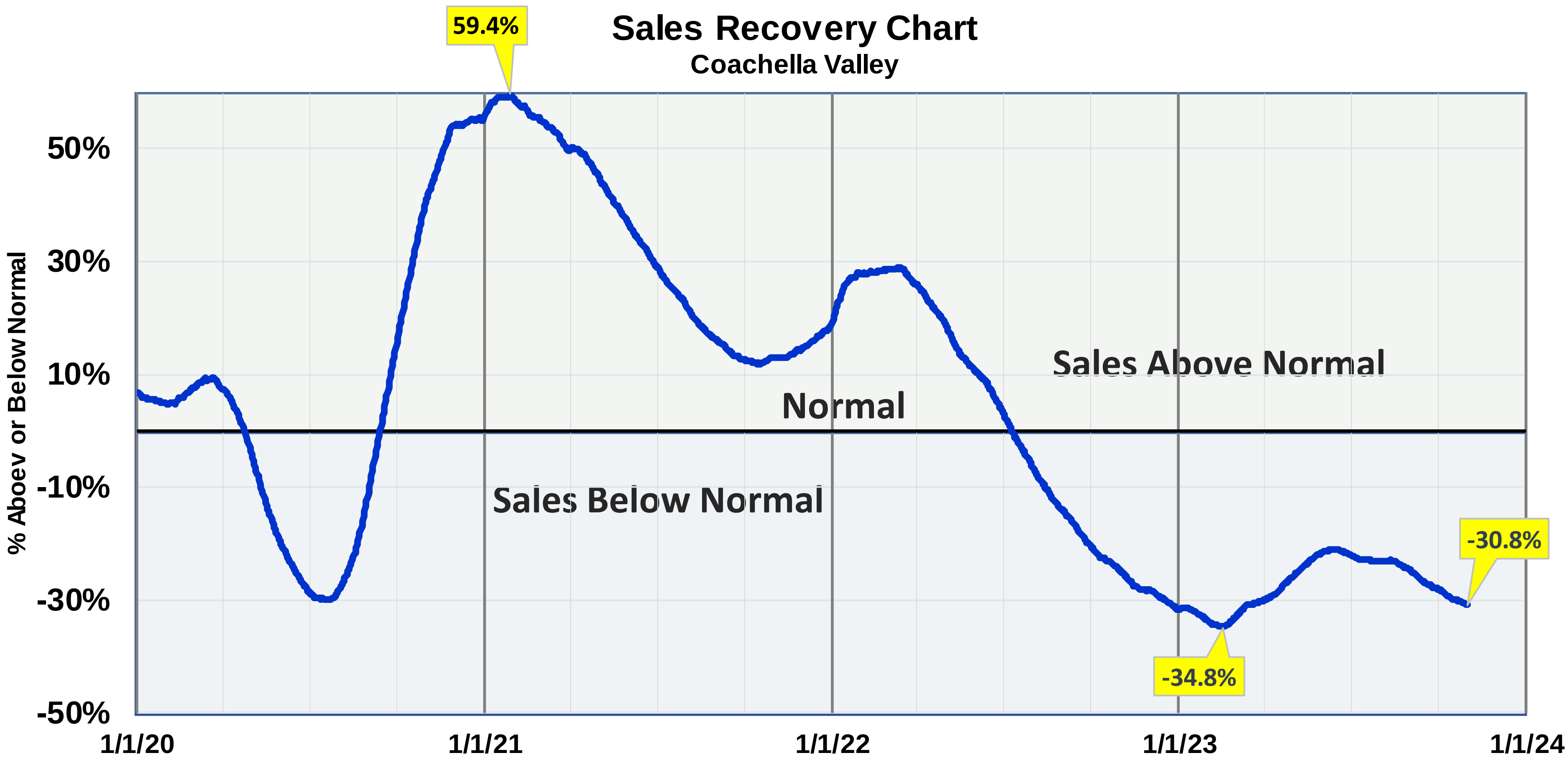

The Sales Recovery Chart

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 fell to 34.7% below normal by January of 2023 but then began to improve. This stopped by May and sales are now running 30.8% below normal. This is almost all due to higher interest rates and the digesting of the excess demand that was created by low rates during Covid.

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Summary

PRICES: The median price of a detached home in the Coachella Valley ended October at $642,450, up slightly for the month but down 2.7% year over year. The price decline over the last five months has been primarily seasonal. The median attached price in the Valley was effectively unchanged last month at $435,000 and is now down 4.4% year over year. Year over year price changes for detached homes ranged from an increase of 11% in Bermuda Dunes to a decline of 9% in the city of Coachella. Six cities have gains for their attached homes - Indian Wells, Rancho Mirage, La Quinta, Bermuda Dunes, Cathedral City and Indio.

SALES: Sales continue to decline. The three-month average of sales was 513 units in October, which is 53 units less than last year. The 12-month average of sales, which takes out seasonality, shows sales are averaging 599 units a month. This is 25% below last year. The city with the largest percentage increase is Rancho Mirage, with sales up 17%. The cities with the largest declines are Indio and La Quinta, with sales down 20% each.

INVENTORY & "MONTHS OF SALES" RATIOS: In October, Valley inventory increased 348 units and by November 1st it stood at 2,110 units. While most of this increase is seasonal, we're struck by the size of the gain, which is larger than most increases in October. The Valley's "months of sales" ratio was 3.5 months, which is up .5 months from last month and one month more than last year. This fundamental ratio measures supply and demand and, at 3.5 months, is at a level that is somewhat normal.

DIM: The median selling time in the region is relatively stable. At the end of October, the median number of "days in the market" in the Coachella Valley was 37 days, which is one day less than last month and two days more than last year. The city of Coachella continues to have the lowest median selling time for detached homes at 27 days, followed by Palm Springs at 32 days and Cathedral City at 35 days. In the attached market, Desert Hot Springs continues to have the shortest average selling time at 28 days, followed by Palm Springs at 33 days.

PRICE DISCOUNTS/PREMIUMS: In October, 16.5% of sales sold above list price, compared to 21.7% a year ago. Every city continues to average a selling discount for detached homes, which range from .7% in the City of Coachella to 4.1% in Bermuda Dunes. Discounts for attached homes range from 1.6% in Palm Springs to 3.3% in La Quinta. We continue to expect the percent of homes selling at a premium to remain around current levels as we move into fall and winter and inventory grows.

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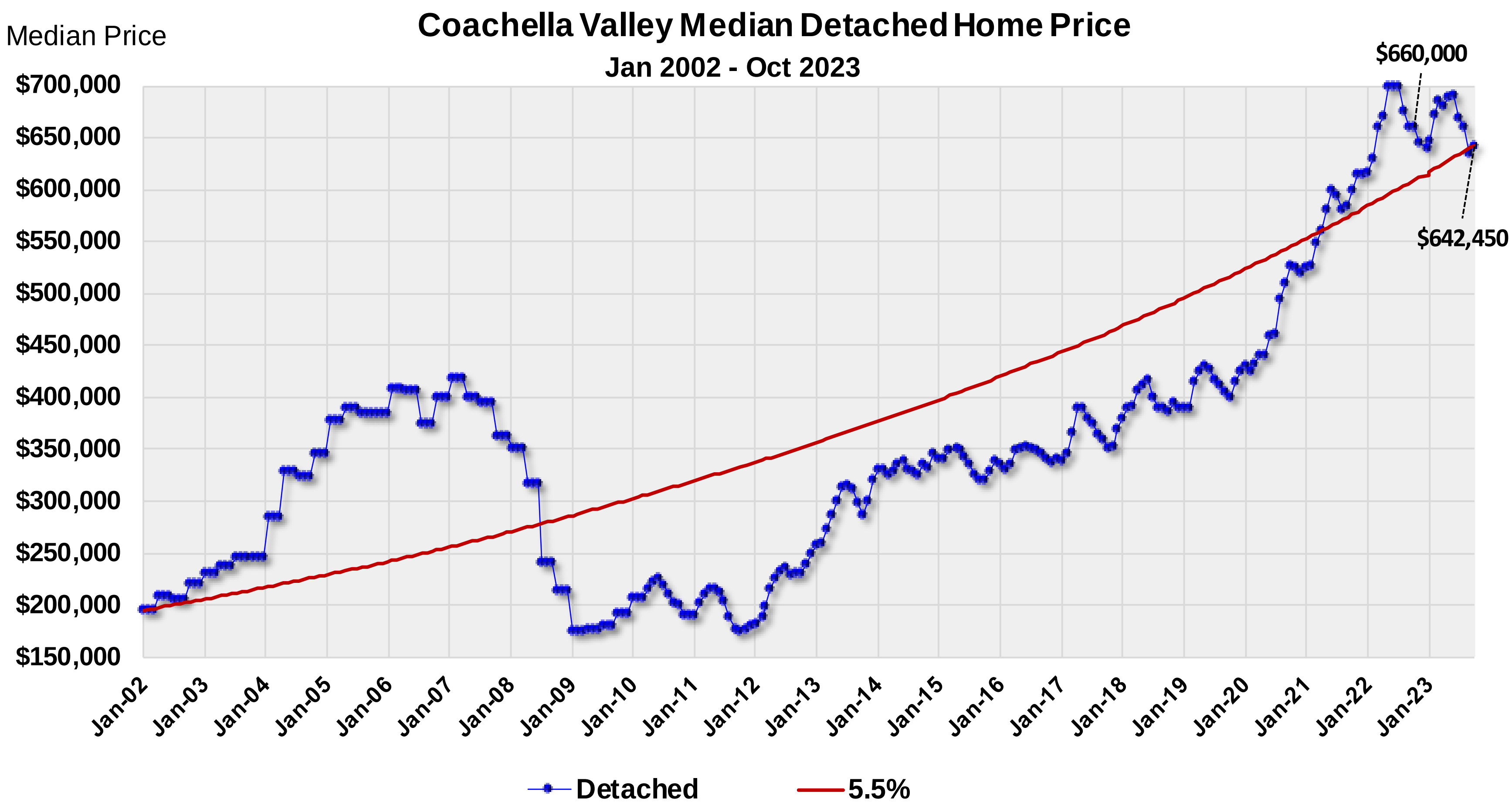

Coachella Valley Median Detached Price

The median price of a detached home in the Coachella Valley ended October at $642,450, up slightly for the month but down 2.7% year over year. The price decline over the last five months has been primarily seasonal. But prices often begin to rise in October and carry forward until April, and we think the increase last month may be the start of that pattern. With inventory rising and sales remaining low, supply and demand is beginning to slowly favor buyers.

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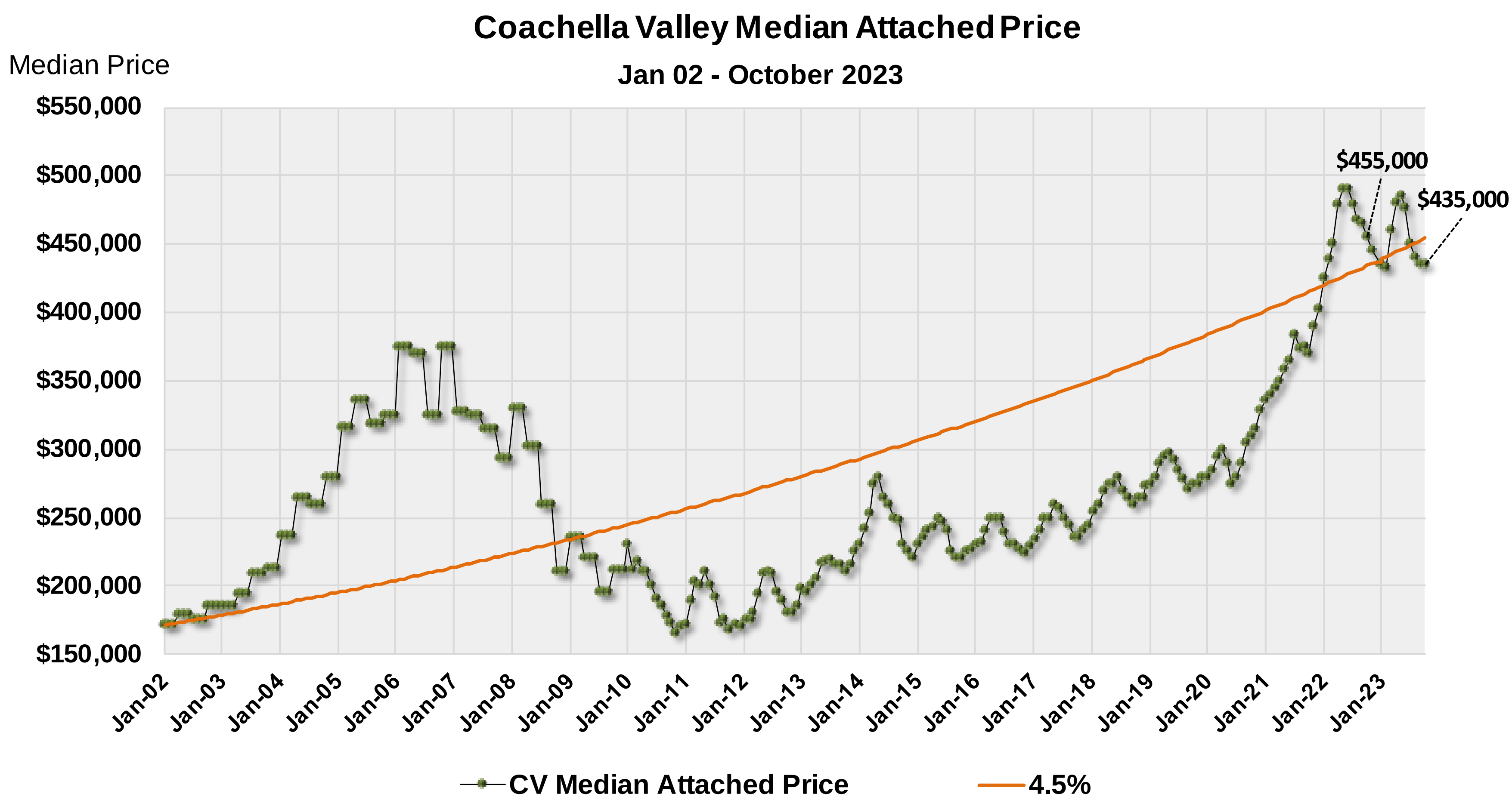

Coachella Valley Median Attached Price

The median attached price in the Valley was effectively unchanged last month at $435,000 and is now down 4.4% year over year. As the chart clearly shows, the seasonal range of prices for attached homes is much larger than that of detached homes. If the normal seasonal pattern continues, we should expect attached home prices to rise as we move into the new year.

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CDAR CALIFORNIA DESERT ASSOCIATION OF REALTORS

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
Bermuda Dunes	2,500	$345.15	$862,878	$777,138	11.0%	$239,325	260.5%
La Quinta	2,550	$395.20	$1,007,768	$937,008	7.6%	$318,164	216.7%
Palm Springs	2,175	$570.64	$1,241,152	$1,216,193	2.1%	$323,879	283.2%
Rancho Mirage	3,175	$409.45	$1,299,988	$1,322,614	-1.7%	$506,317	156.8%
Desert Hot Springs	1,600	$254.75	$407,596	$418,532	-2.6%	$86,656	370.4%
Cathedral City	1,800	$306.45	$551,603	$569,293	-3.1%	$153,216	260.0%
Palm Desert	2,200	$324.11	$713,051	$751,553	-5.1%	$302,302	135.9%
Indio	2,000	$277.94	$555,881	$588,042	-5.5%	$156,340	255.6%
Indian Wells	3,450	$477.20	$1,646,347	$1,777,914	-7.4%	$666,885	146.9%
Coachella	1,700	$255.23	$433,891	$478,125	-9.3%	$111,367	289.6%

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	$391.98	$764,362	$671,300	13.9%	$259,126	195%
Rancho Mirage	1,775	$325.43	$577,634	$546,269	5.7%	$211,030	174%
La Quinta	1,750	$382.55	$669,456	$639,130	4.7%	$247,713	170%
Bermuda Dunes	1,450	$296.30	$429,638	$413,610	3.9%	$89,117	382%
Cathedral City	1,250	$270.17	$337,716	$328,992	2.7%	$80,544	319%
Indio	1,050	$287.16	$301,522	$297,627	1.3%	$56,396	435%
Palm Desert	1,600	$321.78	$514,855	$539,701	-4.6%	$197,896	160%
Palm Springs	1,250	$356.49	$445,614	$475,243	-6.2%	$129,788	243%
Desert Hot Springs	750	$180.94	$135,706	$159,292	-14.8%	$16,013	747%

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 then to the all-time lows that occurred in 2011. In October, year over year price changes for detached homes ranged from an increase of 11% in Bermuda Dunes to a decline of 9% in the city of Coachella. Six cities have gains for their attached homes - Indian Wells, Rancho Mirage, La Quinta, Bermuda Dunes, Cathedral City and Indio.

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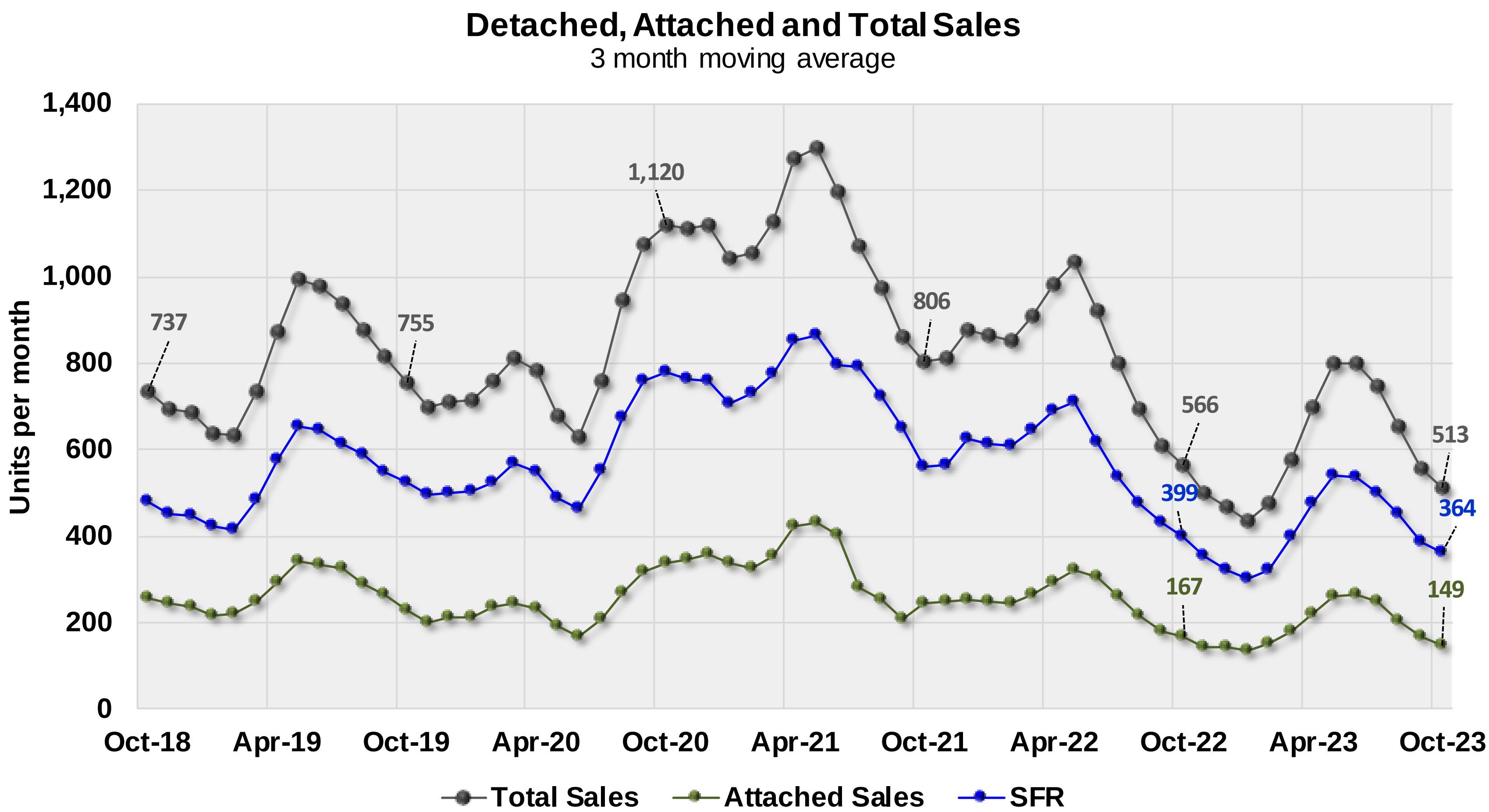
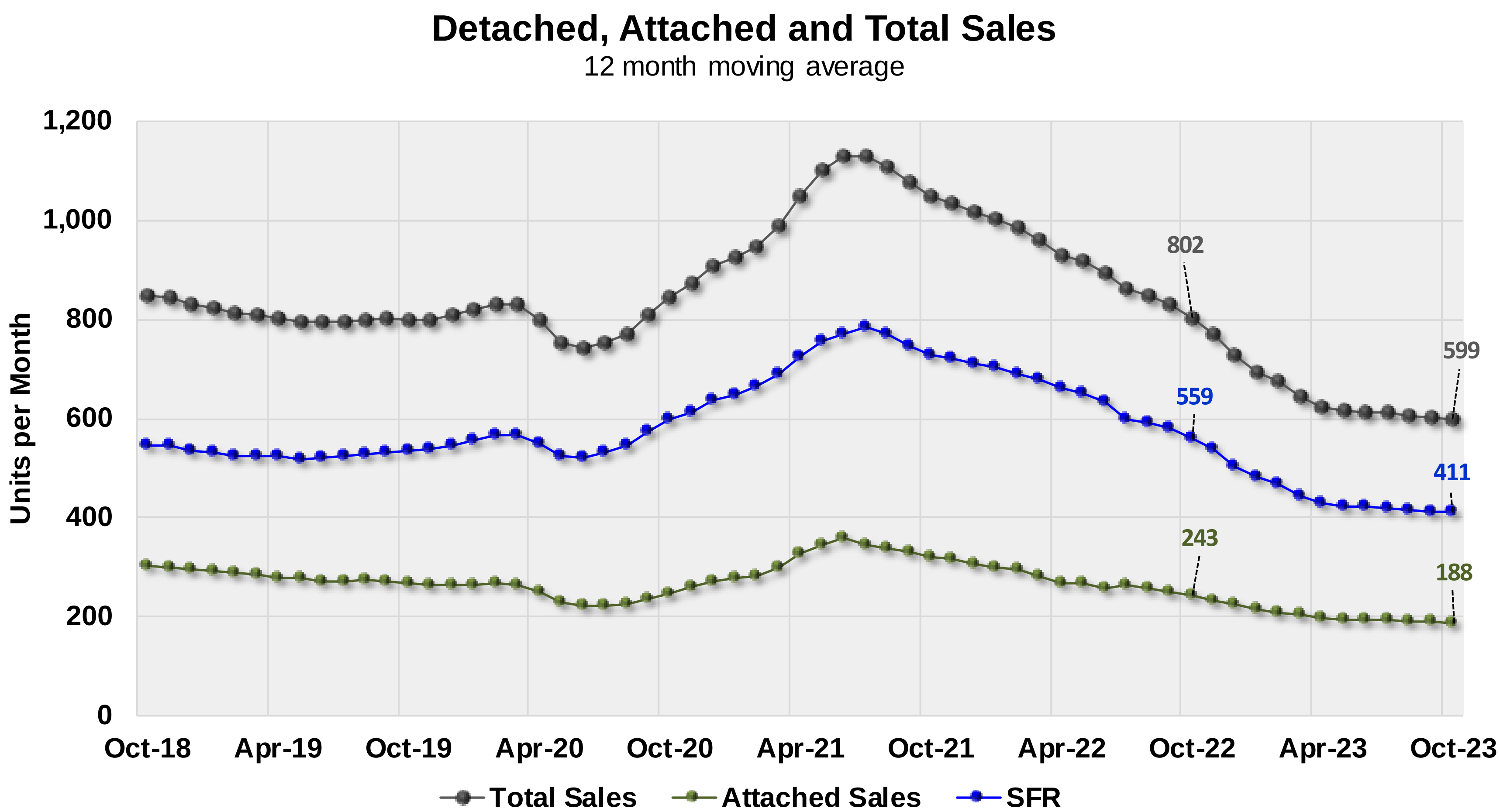


Monthly Sales – 3-month trailing avg.

Sales continue to decline. The three-month average of sales was 513 units in October, which is 53 units less than last year. Because of the seasonal nature of sales, it's difficult to assess from this chart where things stand on a historical basis. The first chart of this report, however, is designed to separate seasonal changes from real ones. It shows that sales over the last four months are running about 30.8% below normal.



Monthly Sales – 12-month trailing avg.

The 12-month average of sales, which takes out seasonality, shows total sales are averaging 599 units a month. This is 25% below last year. The long-term average of sales has been flattening out over the last seven months and we think the worst is over. But we continue to believe that sales won't recover until mortgage rates come down to around 5% from their current level of 7.5%.

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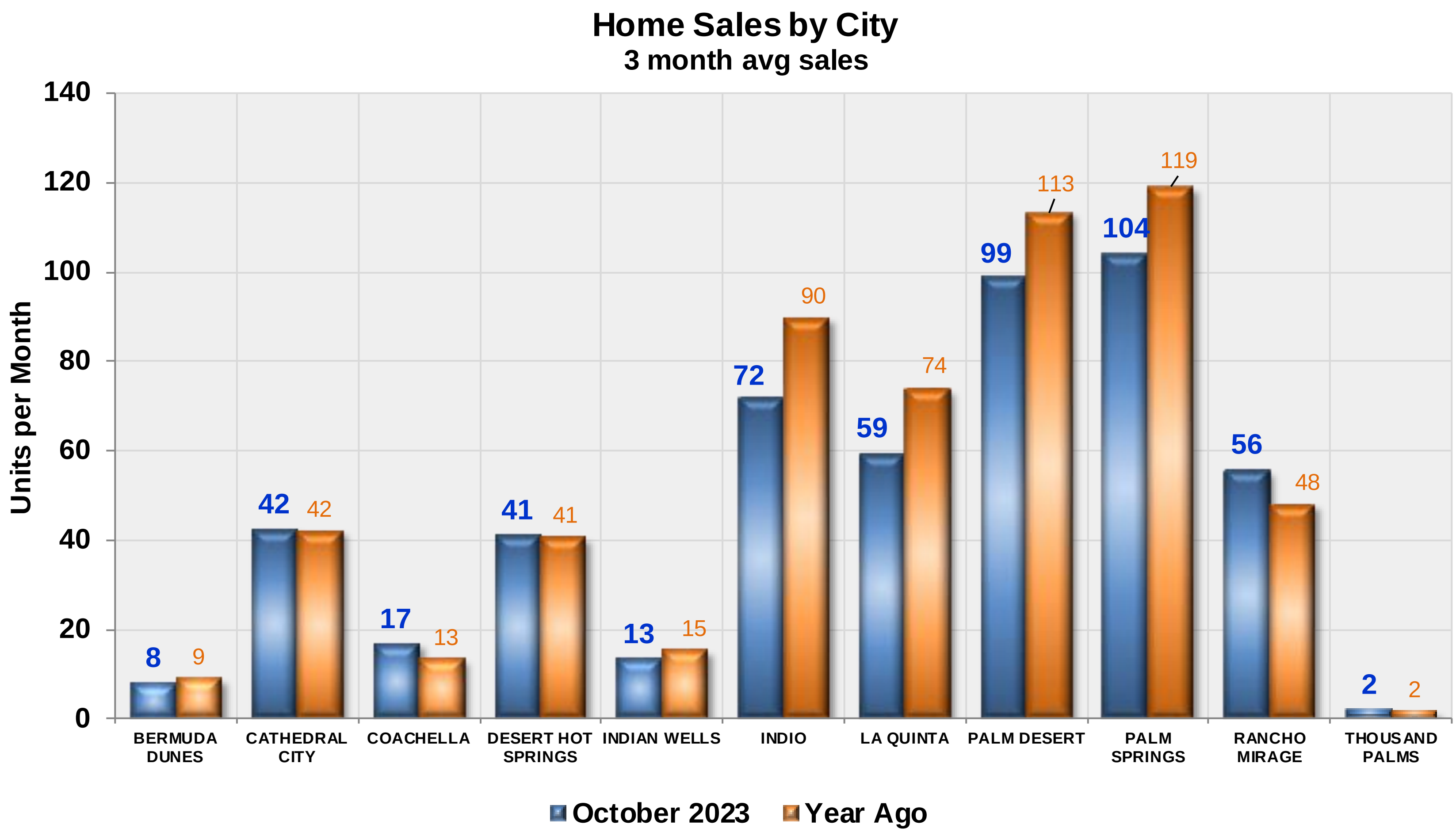

Home Sales by City

Every city except Cathedral City, Coachella, Desert Hot Springs and Rancho Mirage has lower three-month sales compared to last year, and these four cities are only marginally higher. The city with the largest percentage increase is Rancho Mirage, with sales up 17%. The cities with the largest declines are Indio and La Quinta, with sales down 20% each.

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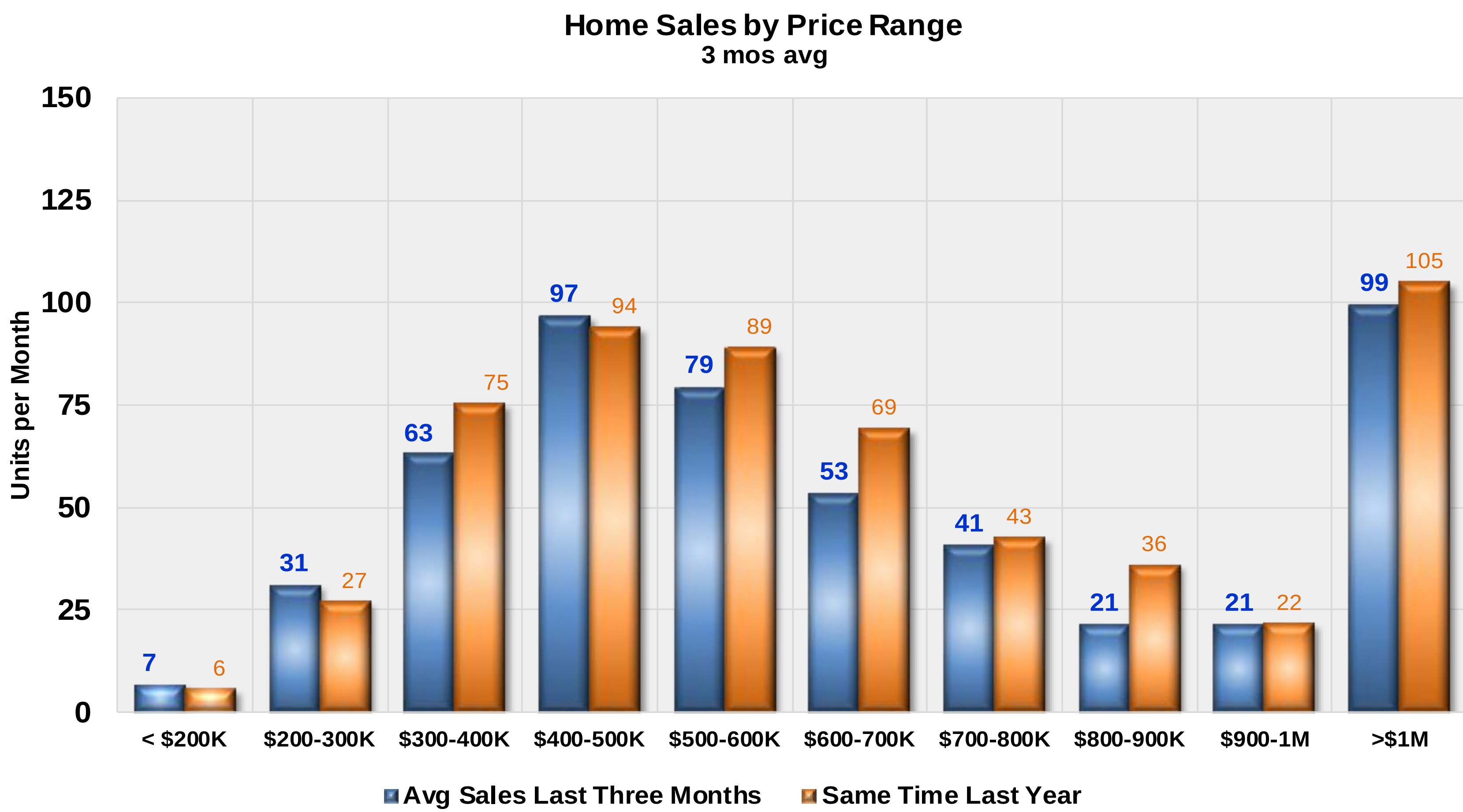

Home Sales by Price Range

This chart of sales by price bracket is similar to the sales by city chart since it shows that sales are generally lower in all price brackets just like they are lower in most of the cities. However, there is no distinct pattern, with sales in some brackets being higher, some lower and some the same. We did notice that sales of homes priced at a million dollars and over are about the same as last year.

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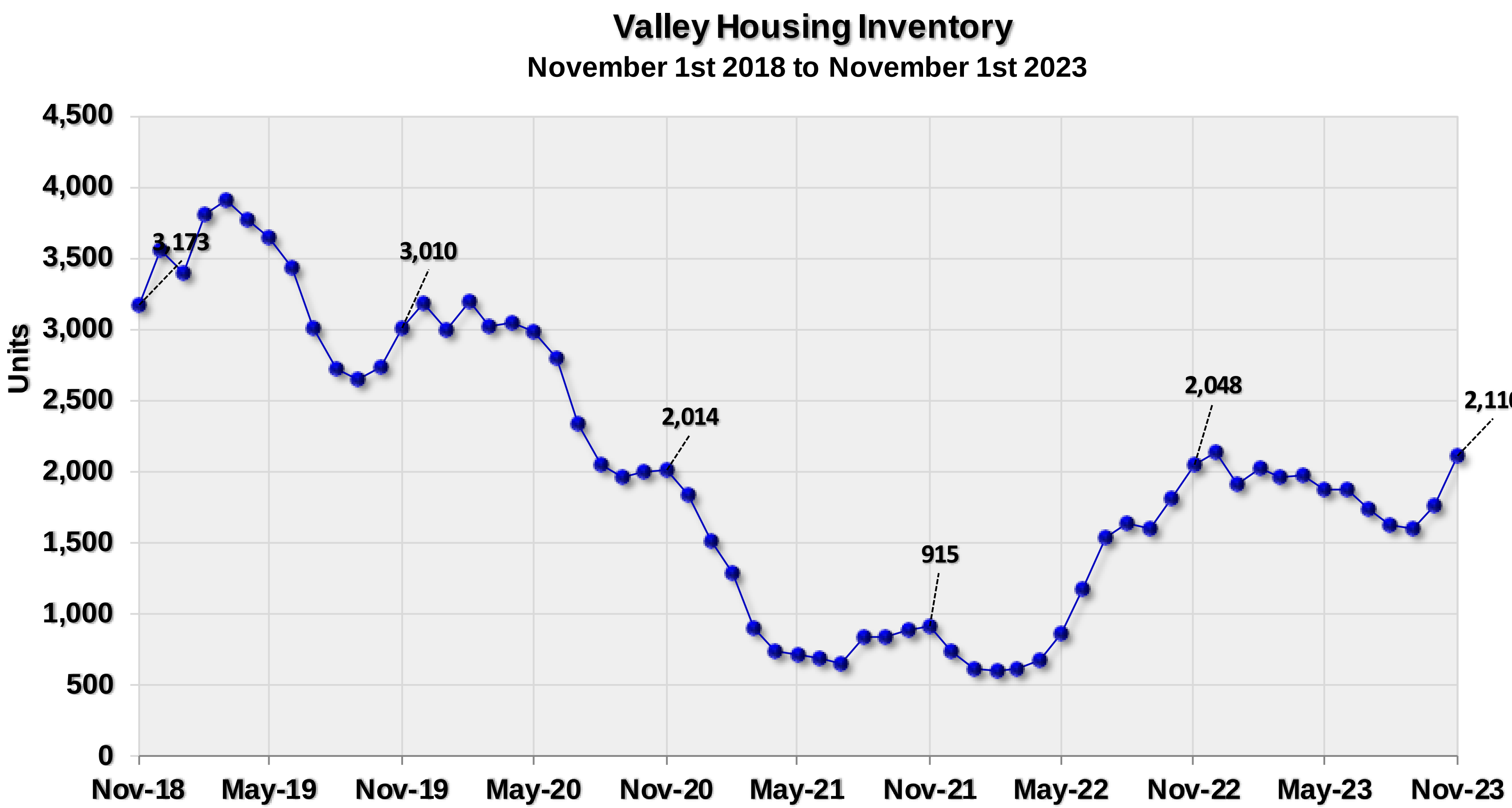

Coachella Valley Total Inventory

In October, Valley inventory increased 348 units and by November 1st it stood at 2,110 units. While most of this increase is seasonal, we're struck by the size of the gain, which is larger than most increases in October. However, it is still about 1,000 units under what is normal for this time of year. We hope and expect the seasonal increase in inventory to continue for the next three or four months.

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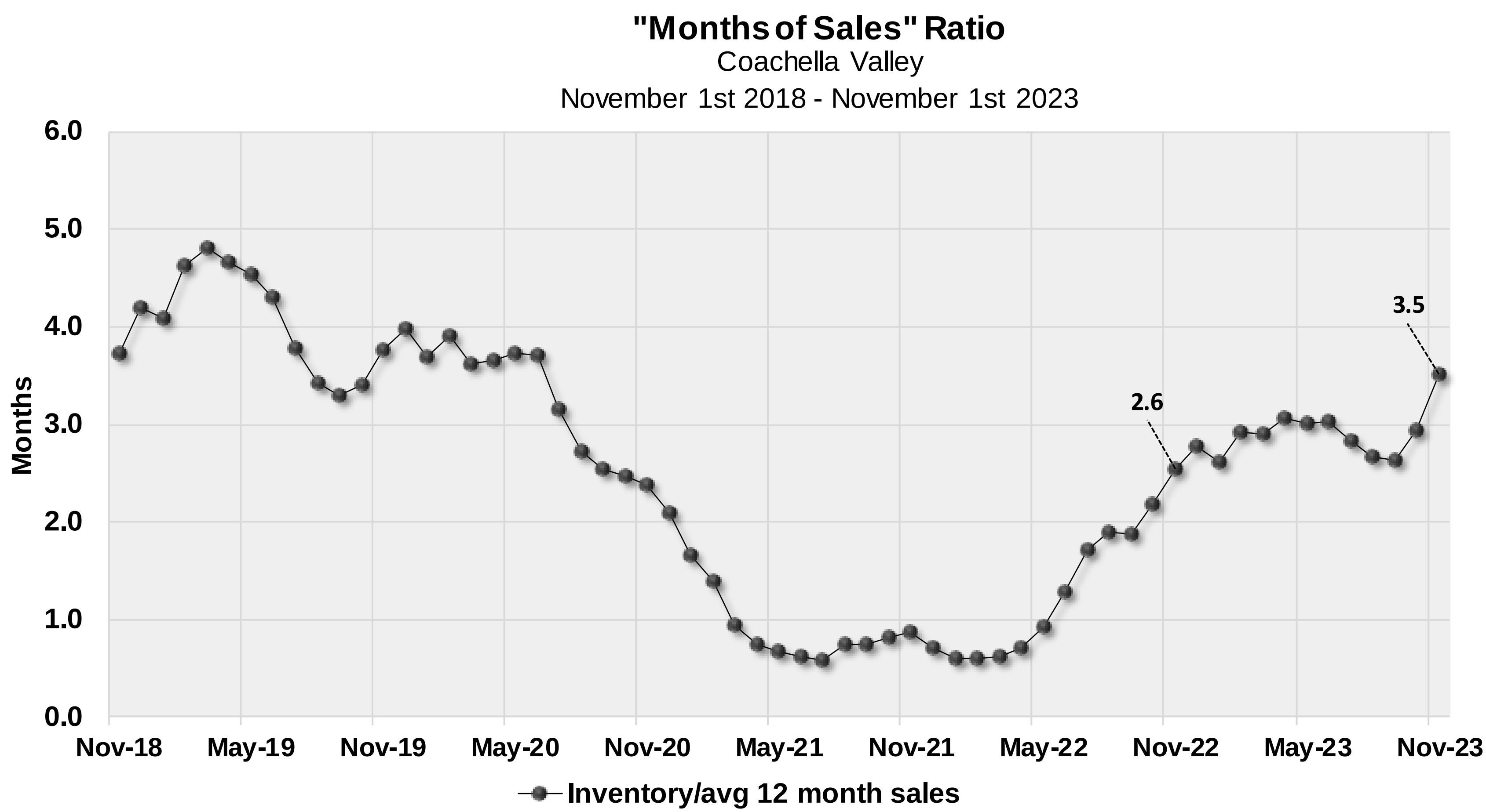

Regional "Months of Sales" Ratio

On November 1st, the Valley's "months of sales" ratio was 3.5 months, which is up .5 months from last month and almost one month more than last year. This fundamental ratio measures supply and demand and, at 3.5 months, is at a level that is somewhat normal. That is because, while inventory is below normal, so are sales, so the numbers counterbalance one another producing a somewhat normal ratio.

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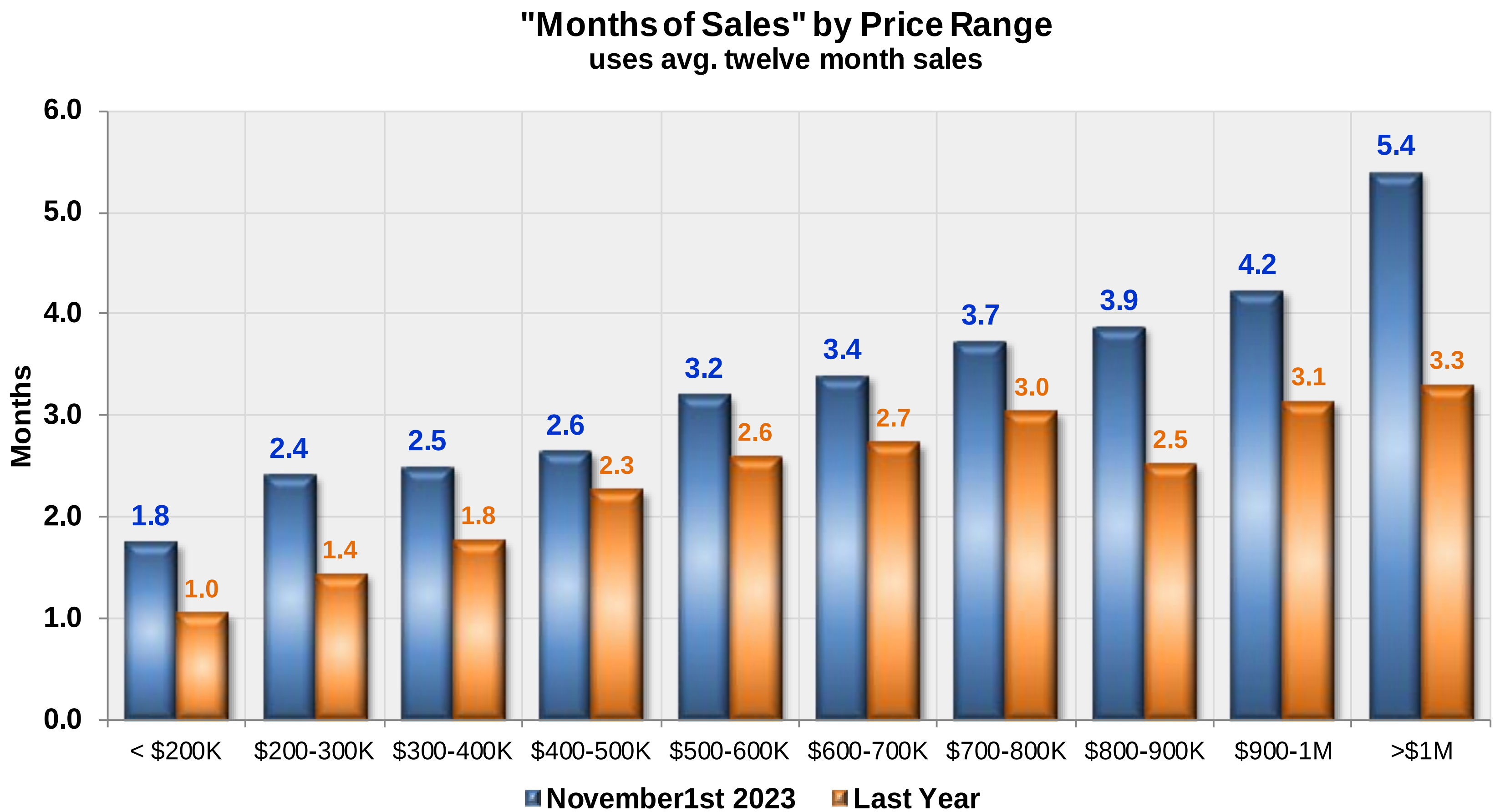

"Months of Sales" by Price Range

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. And, as the graph clearly shows, the increase over last year is about the same in all price brackets. This implies there are no distortions in supply and demand at any price level.

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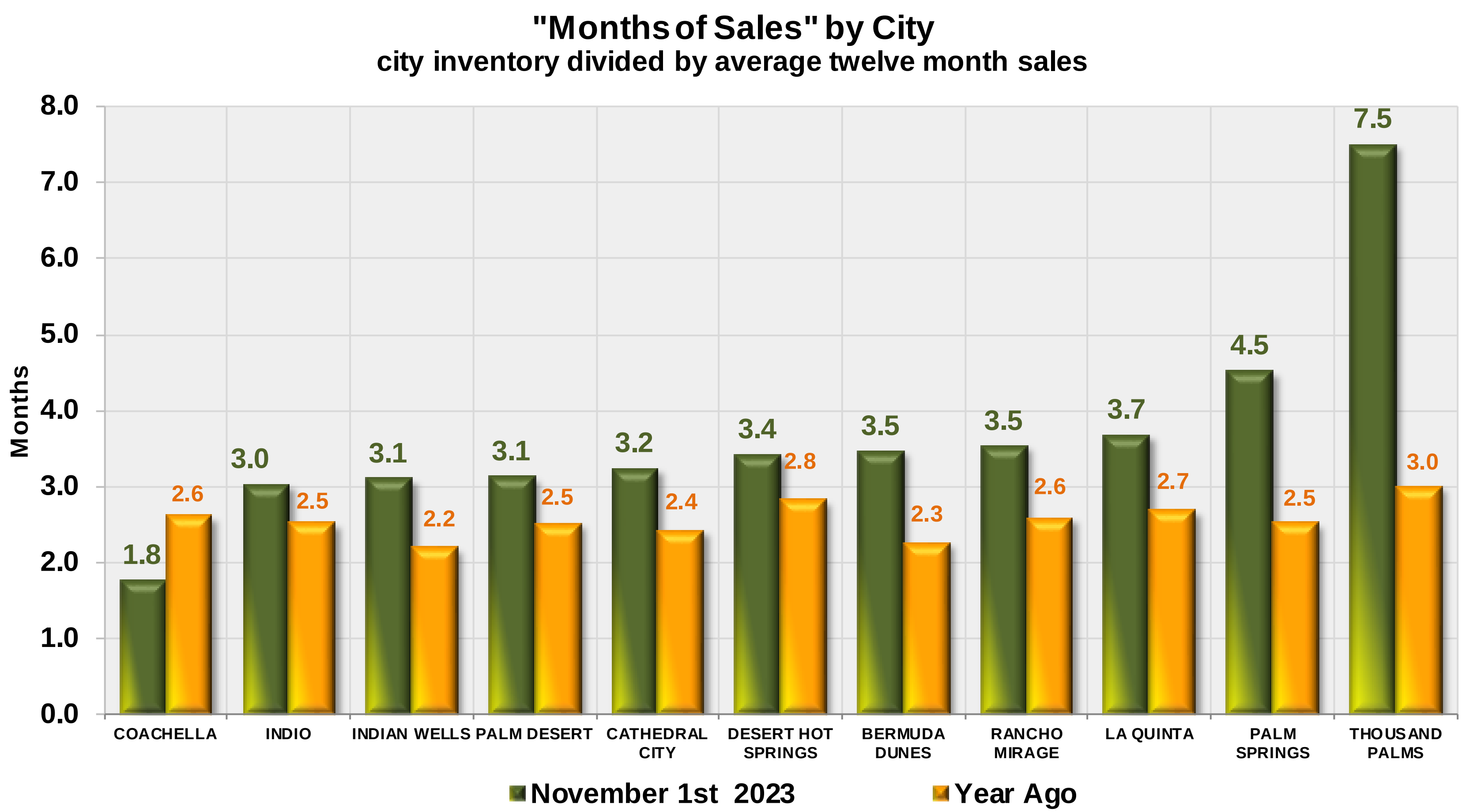

"Months of Sales" by City

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, which continues to be an outlier, every city has a ratio above year ago levels. This is similar to the price bracket chart and implies that supply and demand are balanced, not only in every price bracket, but also in every city.

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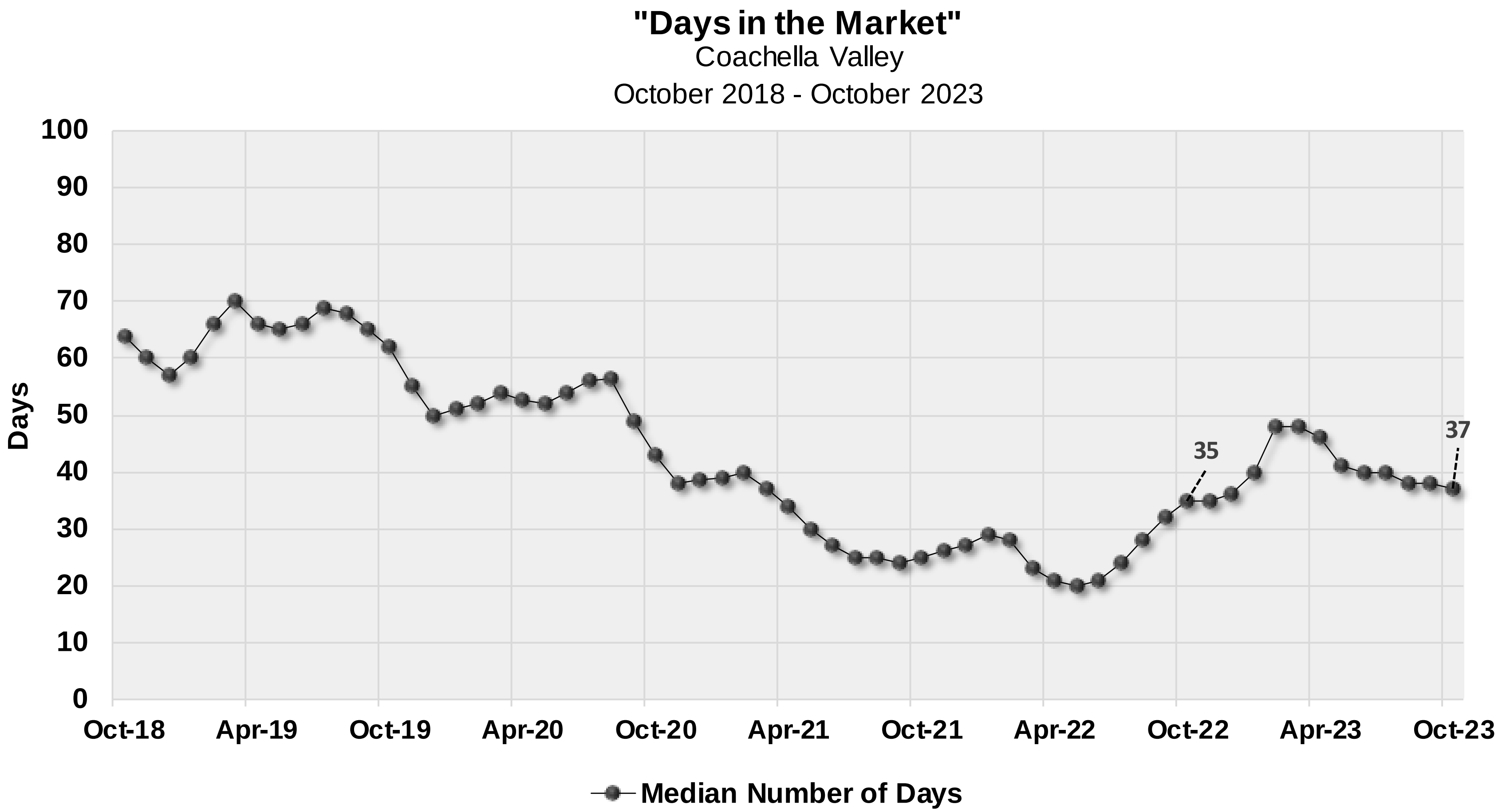

Regional "Days in the Market"

The median selling time in the region is relatively stable. At the end of October, the median number of "days in the market" in the Coachella Valley was 37 days, which is one day less than last month and two days more than last year. Because of growing inventory, we think the median selling time will stay around current levels and possibly rise a little over the next six months.

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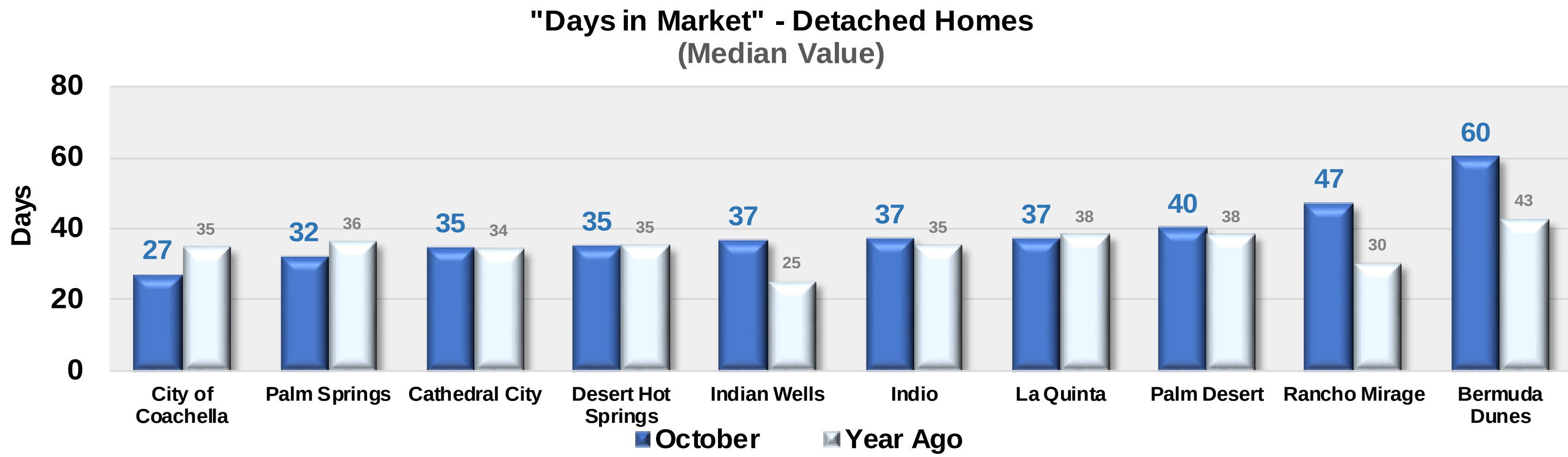

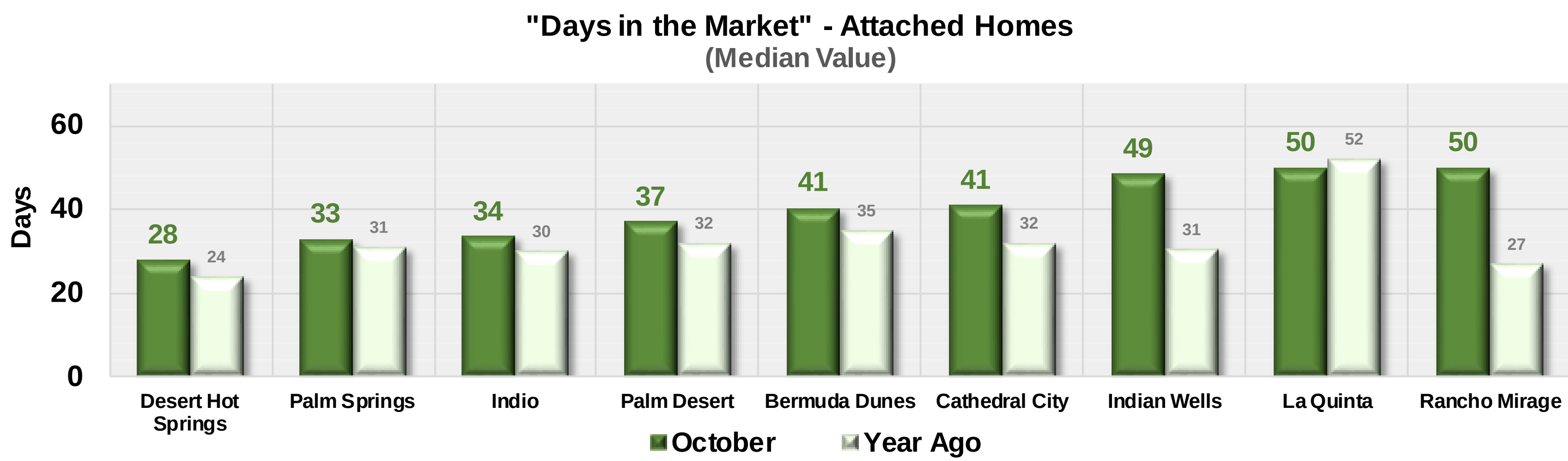

"Days in the Market"

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 27 days, followed by Palm Springs at 32 days and Cathedral City at 35 days. In the attached market, Desert Hot Springs continues to have the shortest average selling time at 28 days, followed by Palm Springs at 33 days.

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% Homes Selling Over List Price

Coachella Valley

2016 - 2023 (October)

Percent Homes Selling Above List

This chart graphs the percentage of Valley homes that sold above list price over the last three months. In October, 16.5% of sales sold above list price, compared to 21.7% a year ago. We continue to expect the percent of homes selling at a premium to remain around current levels as we move into fall and winter and inventory grows.

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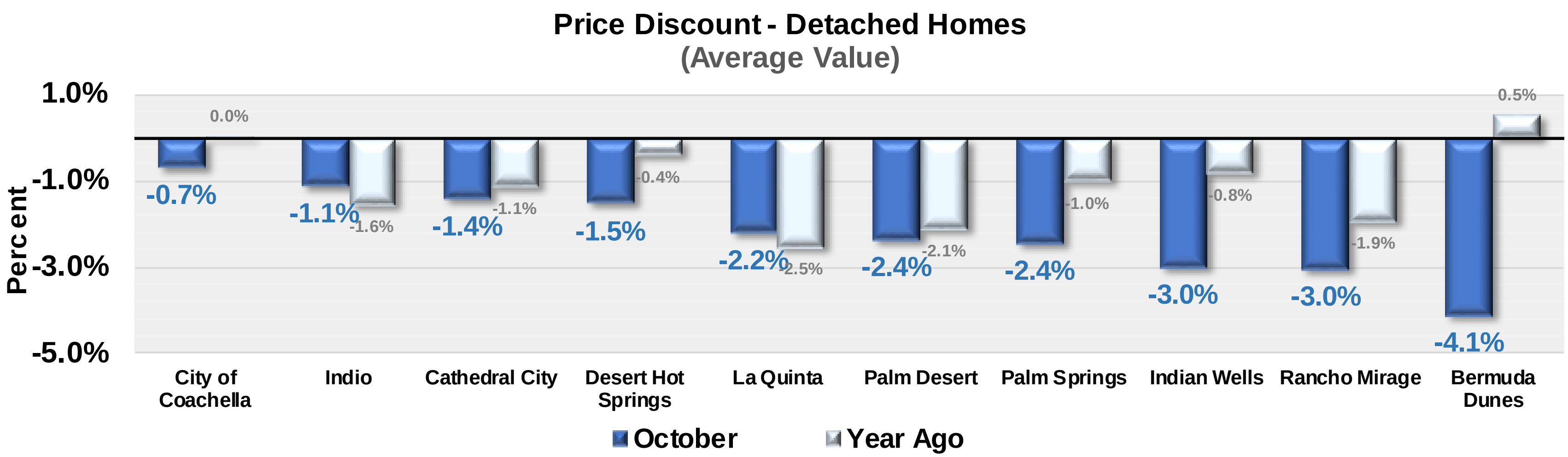

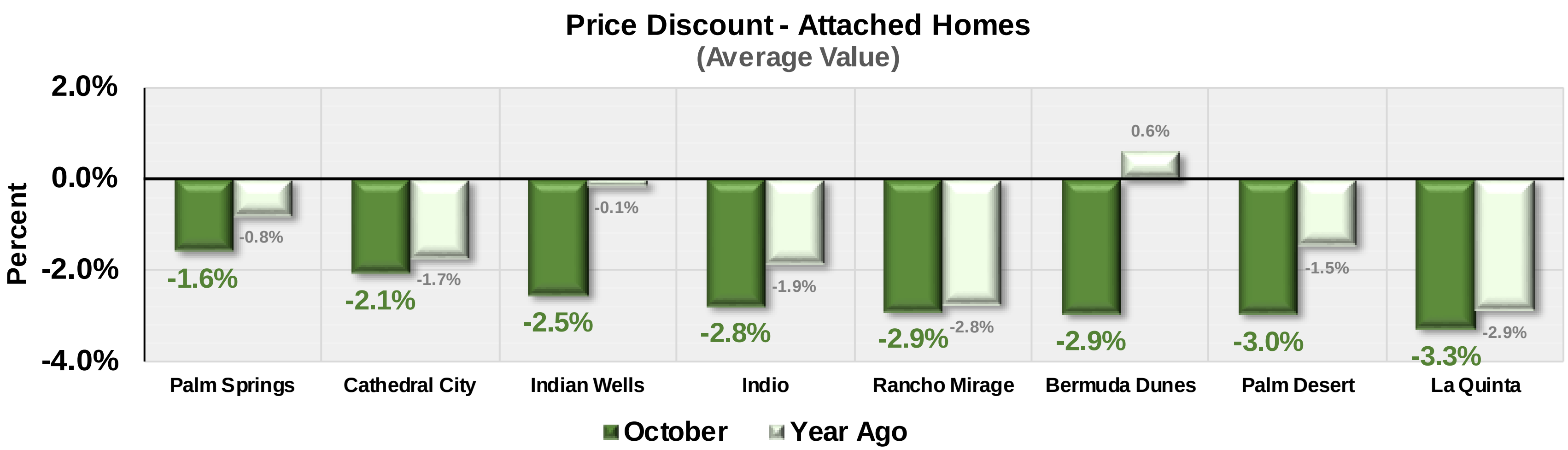

"Average Price Discounts"

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 continues to average a selling discount for detached homes, which range from .7% in the City of Coachella to 4.1% in Bermuda Dunes. Discounts for attached homes range from 1.6% in Palm Springs to 3.3% in La Quinta.

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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 October, all sales and pricing are done using transactions through that and the previous two months. However, when we measure inventory at the end of October, it's the inventory as of October 1st. Even though inventory October be labeled October 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.