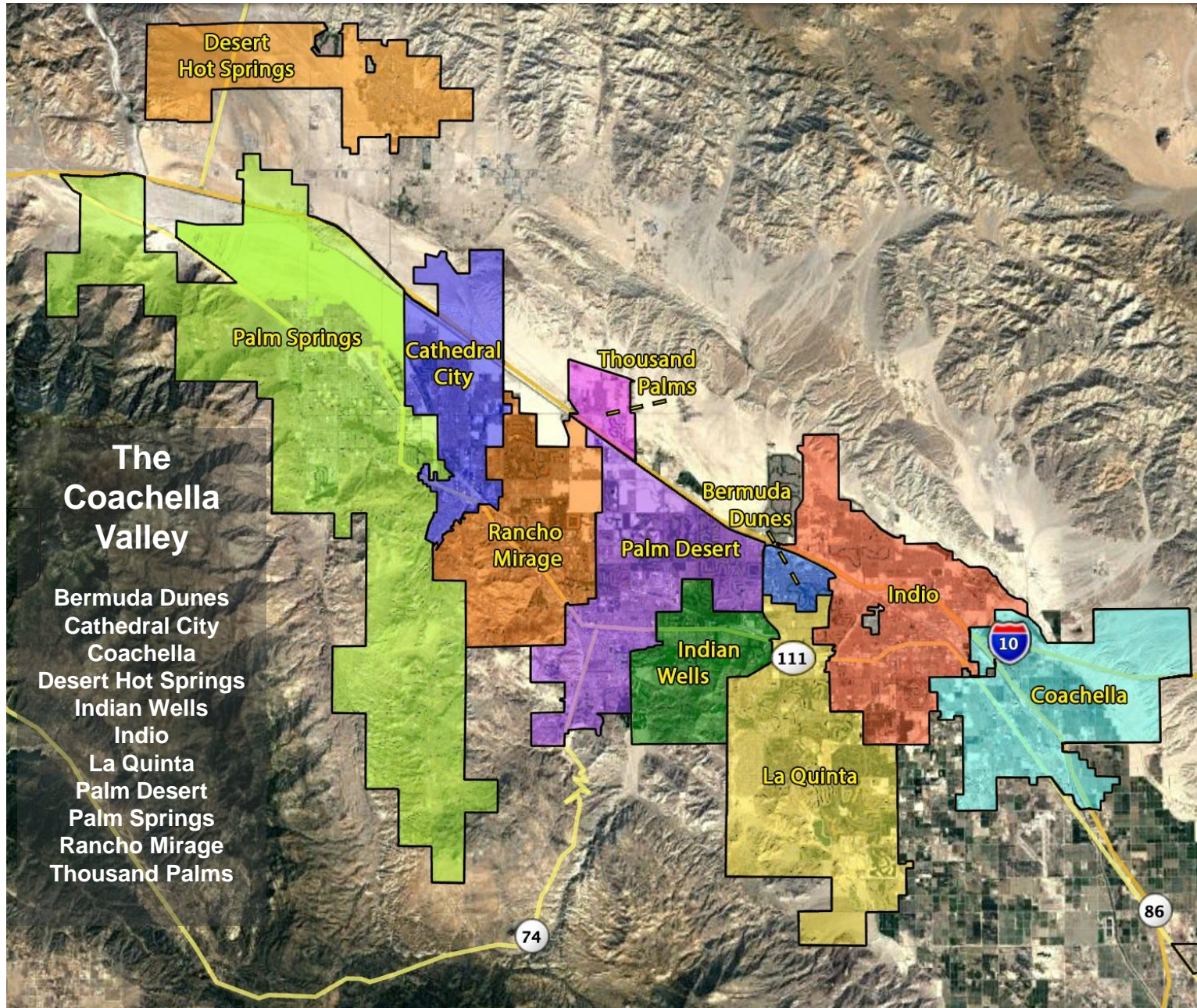




The Desert Housing Report

December 2022



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

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Summary

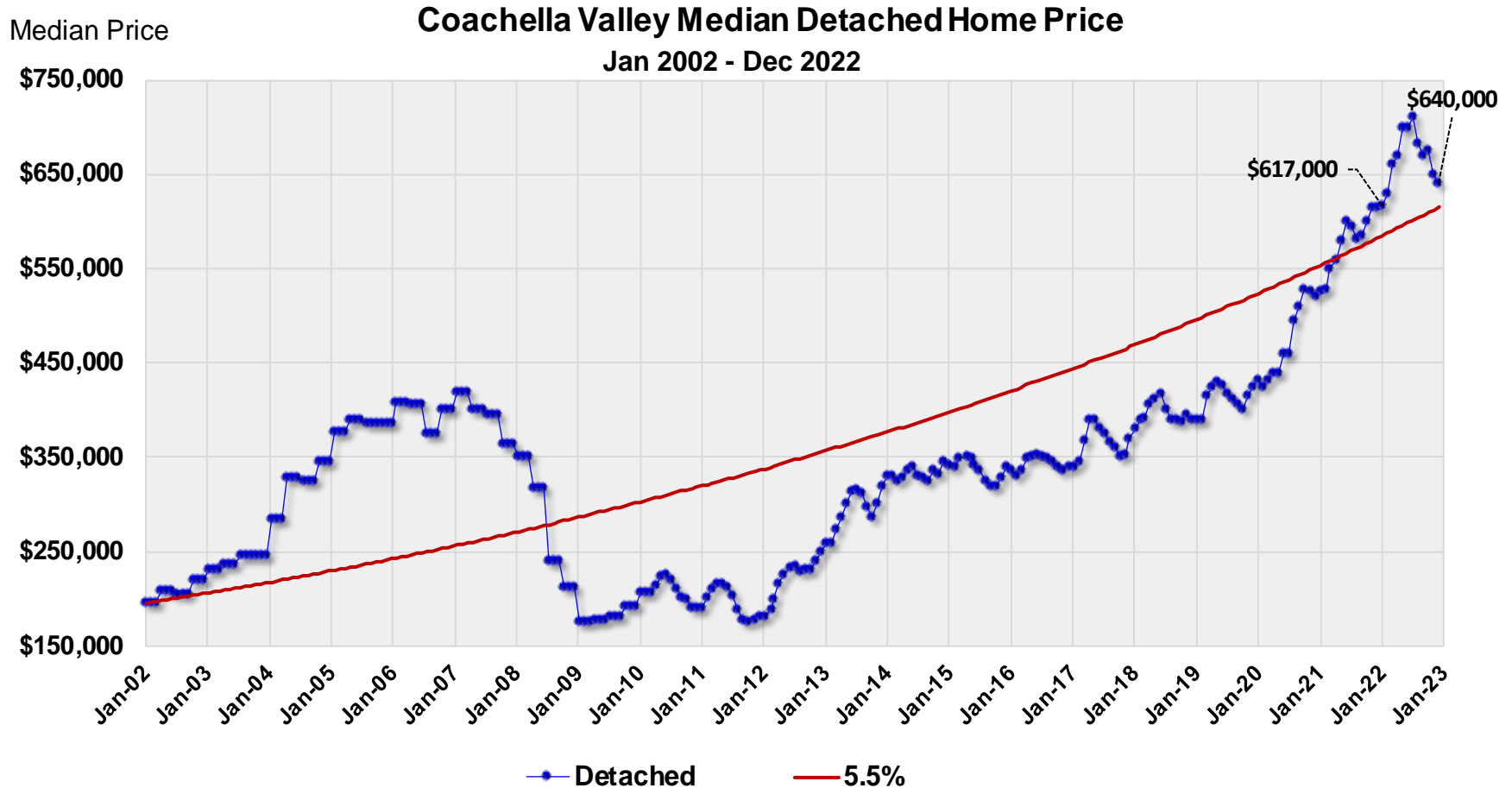
PRICES: The median price of a detached home in the Coachella Valley fell in December and is currently \$640,000, which is up 3.7% year over year. The current price is 9.9% below the peak of \$710,000 of a few months ago. Five cities still have double digit price gains for their average size homes but two important cities – Palm Desert and Palm Springs – have year over year price changes in detached homes of .5% and -4% respectively. The median price for attached homes was \$440,000, which is down for the seventh month. This price is down 10.4% from its May peak but is up 3.5% year over year. This has returned the rate of growth back to its long-term average of 4.5%.

SALES: It's distressing that home sales continue to decline. The three-month average of sales in December was 444 units a month, which is 49.4% less than last year. Before the pandemic, December sales averaged 717 units per month, so sales are now running 38% below average. The largest percentage declines are in the cities of La Quinta at 58%, Indio at 52%, Palm Desert at 50% and Cathedral City at 49%. The cities of Desert Hot Springs and Indian Wells have the smallest declines.

INVENTORY & "MONTHS OF SALES" RATIOS: On January 1st, Valley inventory stood at 1,911 units, which is below last month but 1,304 units more than last year. Some of the inventory gain over the last few months was seasonal. The Valley's "months of sales" ratio was 2.7 months, which is down slightly from last month. This fundamental ratio measures supply versus demand and even though prices have been declining, a Valley ratio this low historically implies that the balance of supply and demand still favors the seller. This means that some of the price decline is due to the change from a premium to a discount market and not all from a decline in offering prices.

DIM: The median selling time in the region continues to increase. At the end of December, the median number of "days in the market" was 37 days, which is ten days more than last year. We believe it will soon be back to the region's 50 or 60 day average relatively soon. The city of Palm Springs has the lowest median selling time for detached homes at 29 days, followed by Indian Wells and Bermuda Dunes at 34 days. In the attached market, Bermuda Dunes has the shortest median selling time at 20 days.

PRICE DISCOUNTS/PREMIUMS: Only 15.2% of sales occurred above list price compared to 43.4% a year ago. We think the percent will soon return to the historic norm for this metric of around 10%. There has been a general transition from a premium to a discount market of about 4%. With no change in list price, this transition alone will account for some of the price decline.

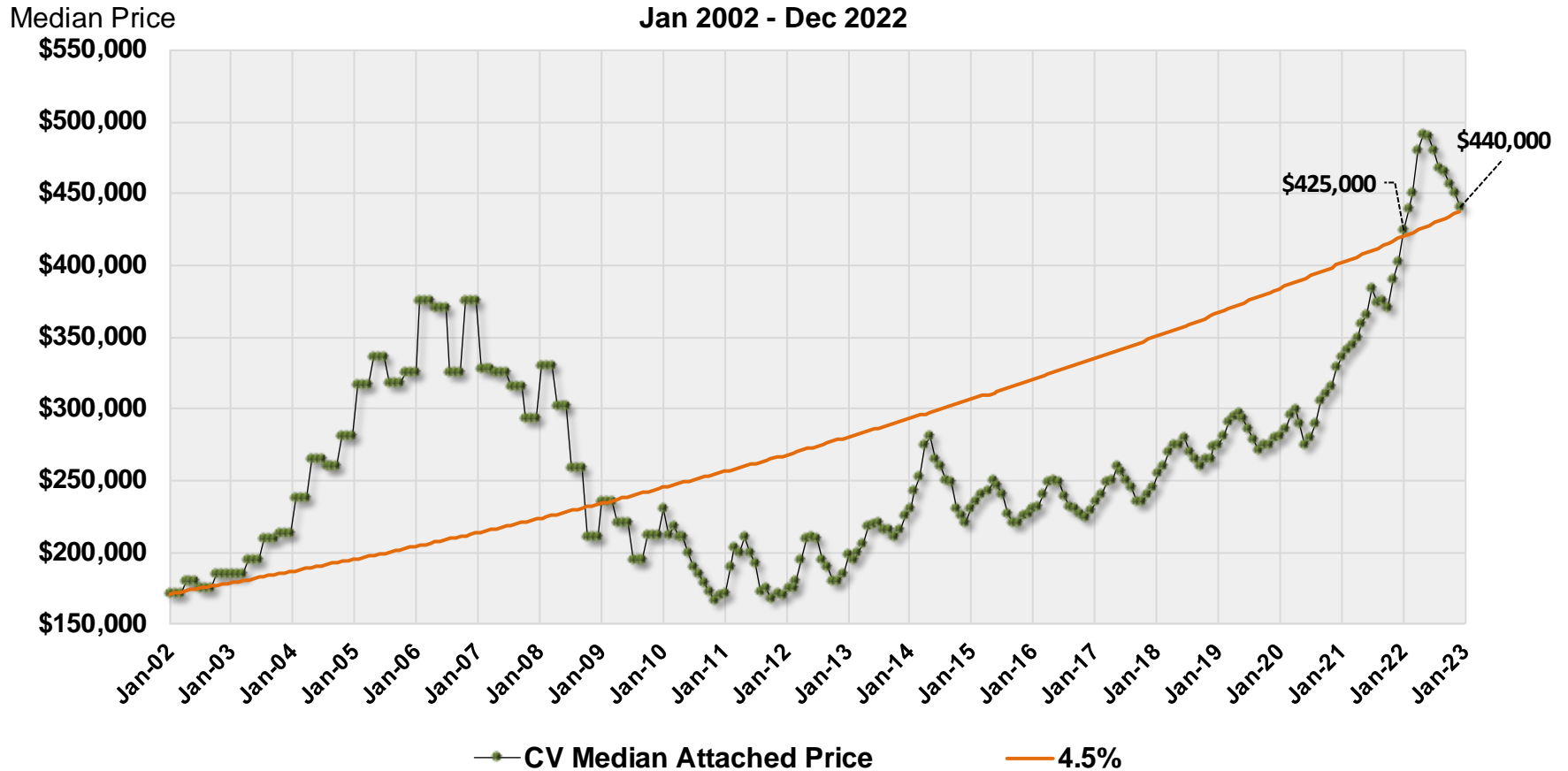


Coachella Valley Median Detached Price

The median price of a detached home in the Coachella Valley fell again last month and is currently \$640,000, which is up 3.7% year over year. The latest price is now 9.9% below the peak price of \$710,000 of a few months ago. The decline is unexpected since prices typically begin to rise in December. We'll have to continue to carefully track its progress from here. As we've said before, it is important to follow data and not opinion during critical times like this.

Coachella Valley Median Attached Price

Jan 2002 - Dec 2022



Coachella Valley Median Attached Price

The median price in December for attached homes was \$440,000, which is down for the seventh month in a row and has brought prices back to the 4.5% long term growth curve. The current price is down 10.4% from its peak level in May but is still up 3.5% year over year. As the chart clearly shows, seasonally driven price increases normally begin in December or January. We'll have to see if this pattern continues in 2023.

The Desert Housing Report

December 2022

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
Coachella	1,700	\$268.86	\$457,056	\$375,850	21.6%	\$111,367	310.4%
Indio	2,000	\$295.25	\$590,491	\$512,528	15.2%	\$156,340	277.7%
Rancho Mirage	3,175	\$417.83	\$1,326,606	\$1,174,150	13.0%	\$506,317	162.0%
Desert Hot Springs	1,600	\$251.32	\$402,116	\$357,493	12.5%	\$86,656	364.0%
Cathedral City	1,800	\$320.63	\$577,134	\$521,215	10.7%	\$153,216	276.7%
Indian Wells	3,450	\$466.90	\$1,610,821	\$1,468,976	9.7%	\$666,885	141.5%
Bermuda Dunes	2,500	\$343.42	\$858,556	\$785,249	9.3%	\$239,325	258.7%
La Quinta	2,550	\$367.97	\$938,312	\$884,095	6.1%	\$318,164	194.9%
Palm Desert	2,200	\$324.65	\$714,241	\$710,451	0.5%	\$302,302	136.3%
Palm Springs	2,175	\$523.42	\$1,138,430	\$1,185,357	-4.0%	\$323,879	251.5%

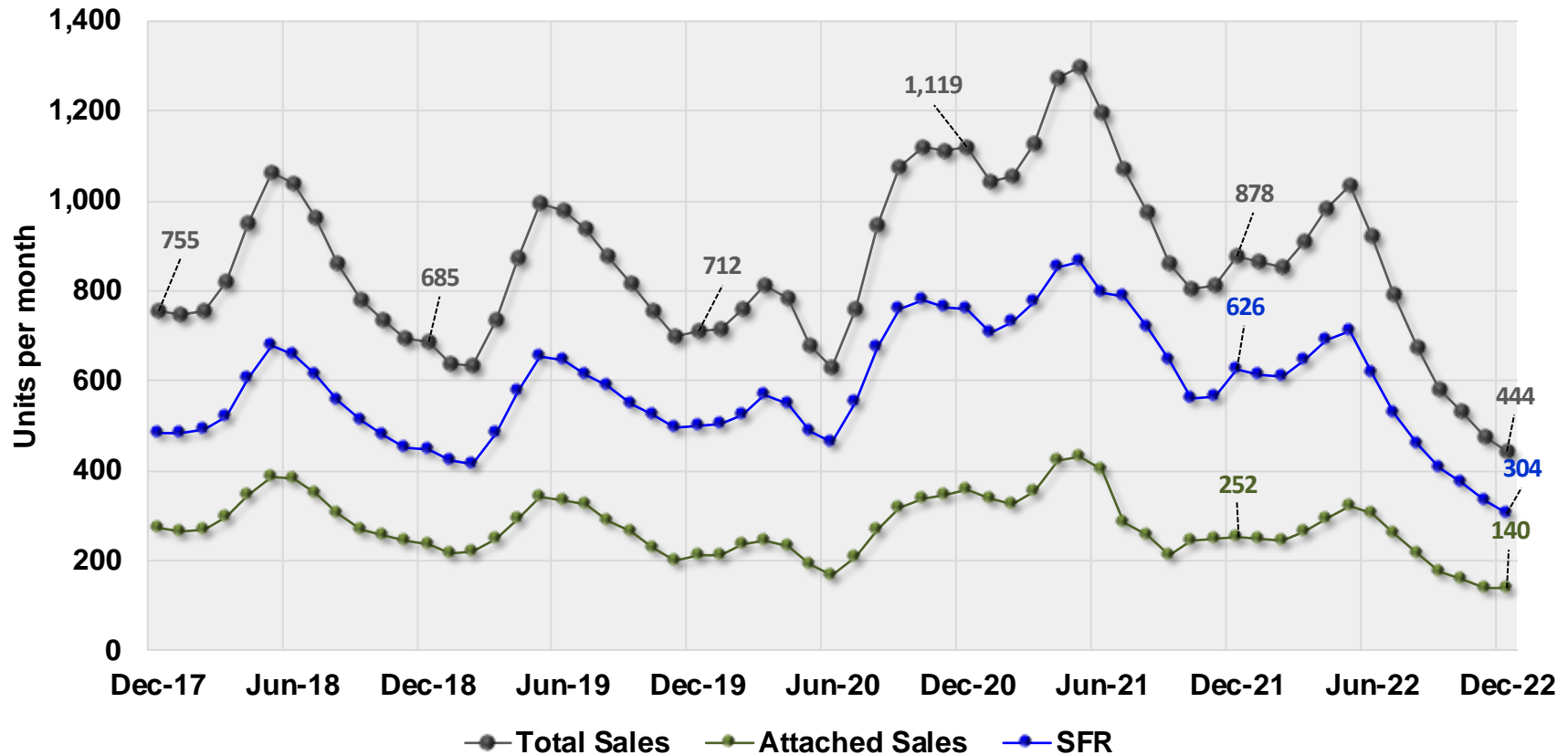
Price of The Average Size Attached Home

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
Desert Hot Springs	750	\$193.79	\$145,340	\$111,595	30.2%	\$16,013	808%
Palm Springs	1,250	\$360.88	\$451,095	\$401,254	12.4%	\$129,788	248%
Palm Desert	1,600	\$330.46	\$528,736	\$472,863	11.8%	\$197,896	167%
Bermuda Dunes	1,450	\$285.25	\$413,610	\$370,273	11.7%	\$89,117	364%
Cathedral City	1,250	\$260.51	\$325,637	\$294,013	10.8%	\$80,544	304%
Indian Wells	1,950	\$337.47	\$658,063	\$605,948	8.6%	\$259,126	154%
Indio	1,050	\$261.76	\$274,851	\$260,762	5.4%	\$56,396	387%
Rancho Mirage	1,775	\$297.97	\$528,903	\$509,030	3.9%	\$211,030	151%
La Quinta	1,750	\$350.78	\$613,861	\$612,204	0.3%	\$247,713	148%

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 latest price is then compared to a year ago and to the all-time lows that occurred in 2011 and 2012. Five cities still have double digit price gains for their average size homes but two important cities – Palm Desert and Palm Springs – have year over year price changes in detached homes of .5% and -4% respectively.

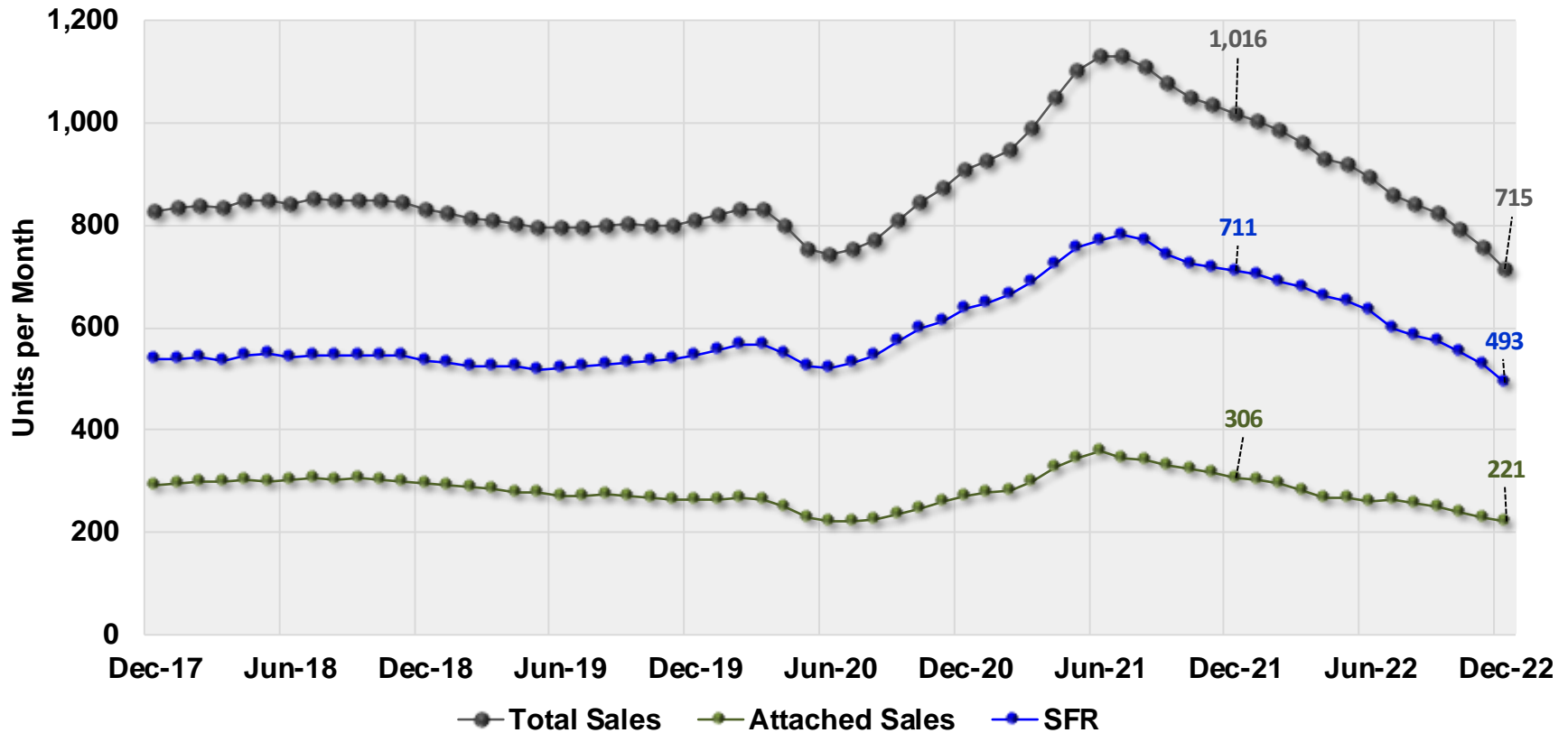
Detached, Attached and Total Sales 3 month moving average



Monthly Sales – 3-month trailing avg.

It's distressing that home sales continue to decline. The three-month average of sales in December was 444 units a month, which is 49.4% less than last year. Before the pandemic, December sales averaged 717 units per month, so sales are now running 38% below average. However, we are entering the time of year when desert sales stop declining and begin to rise. We'll have to see if this seasonal pattern helps increase sales, or at least stops the decline, as we move into 2023.

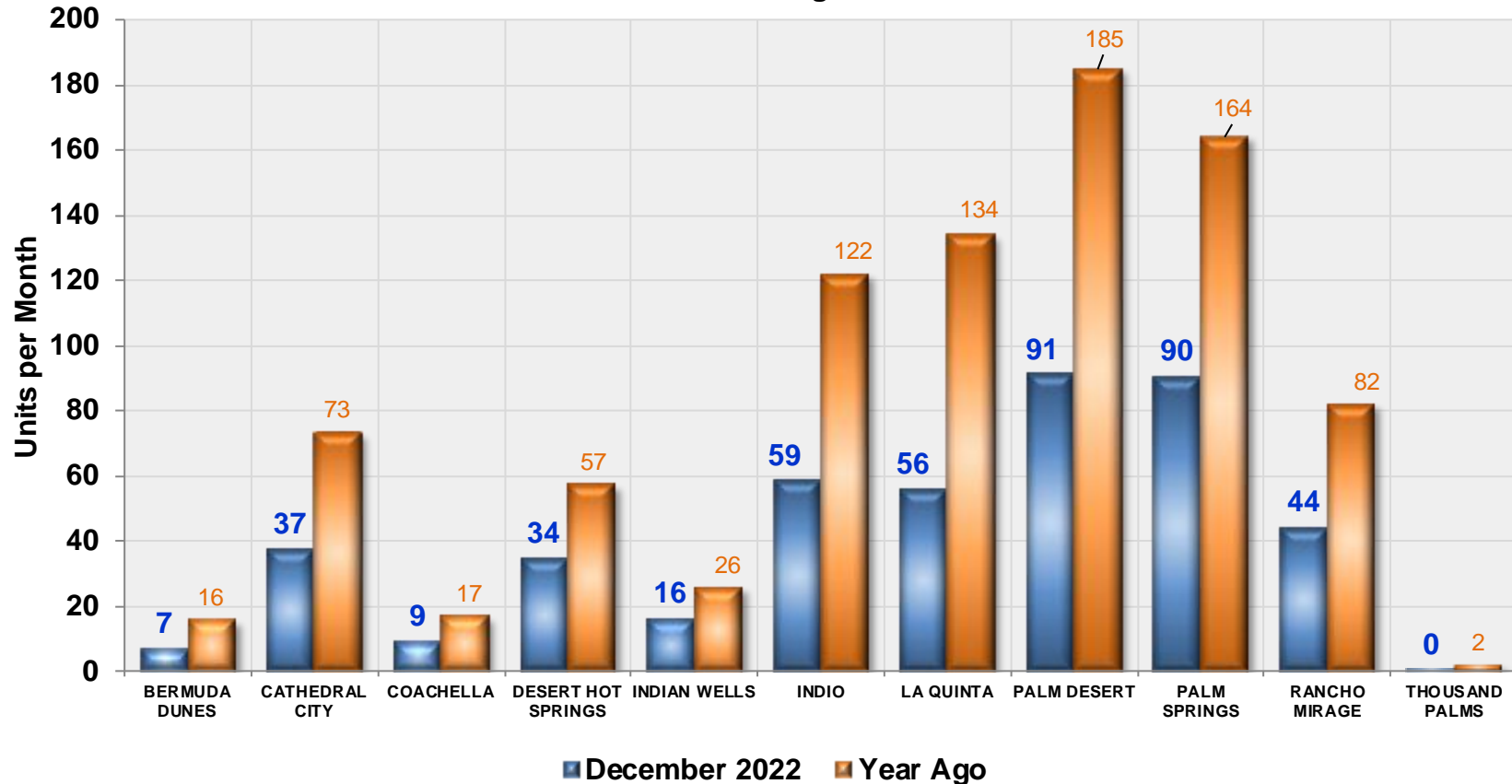
Detached, Attached and Total Sales 12 month moving average



Monthly Sales – 12-month trailing avg.

The 12-month average of sales, which takes out seasonality, shows total sales averaged 715 units a month. This is 30% below last year and the 17th consecutive month of a decline. Long term sales are now running below pre-pandemic averages. We should expect these long-term sales numbers, which lag short term sales, to continue to decline for awhile even if monthly sales begin to increase.

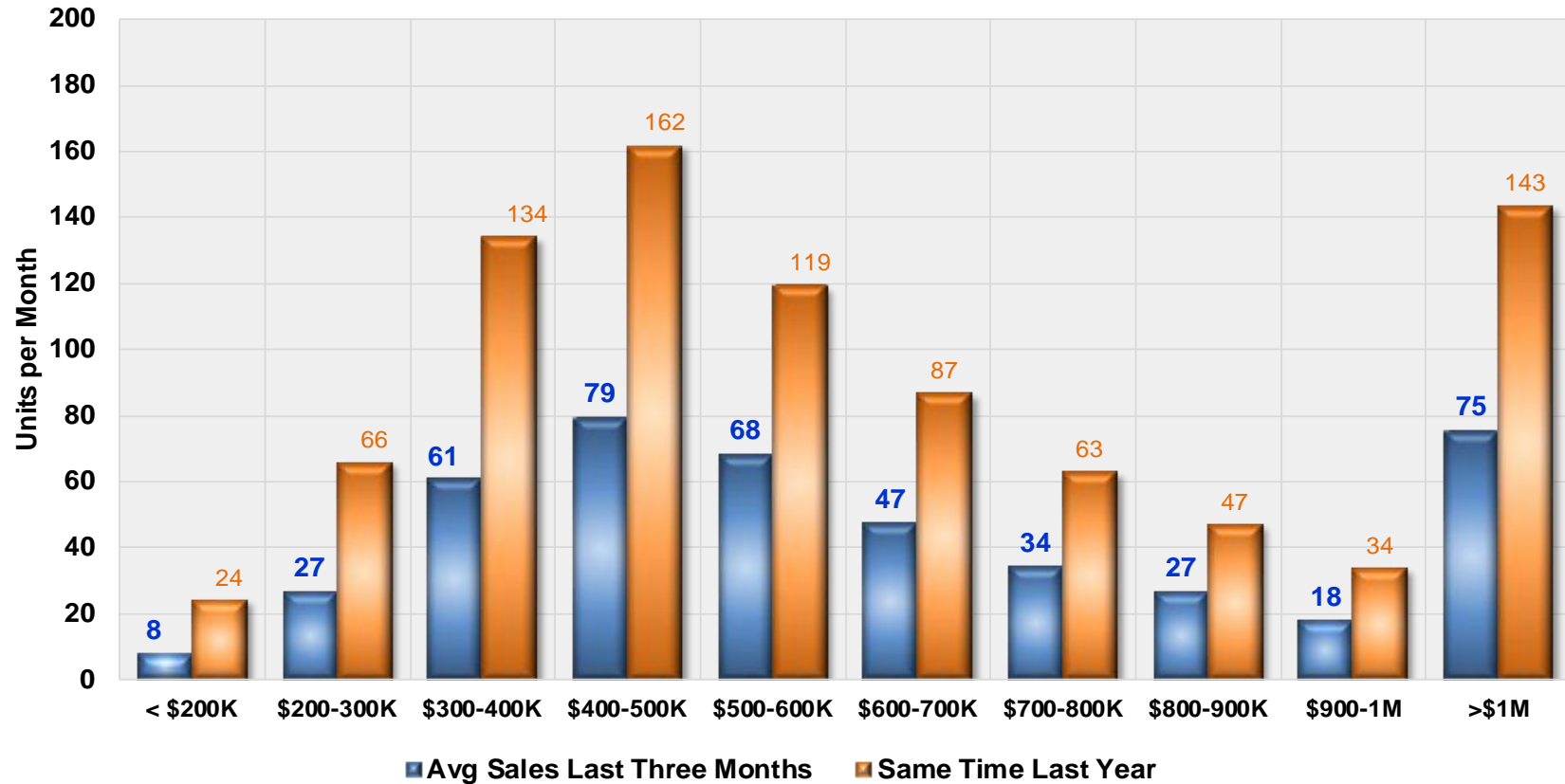
Home Sales by City 3 month avg sales



Home Sales by City

Every city again has lower sales compared to a year ago. The largest percentage sales declines are in the cities of La Quinta at 58%, Indio at 52%, Palm Desert at 50% and Cathedral City at 49%. The cities of Desert Hot Springs and Indian Wells have the smallest decline in sales.

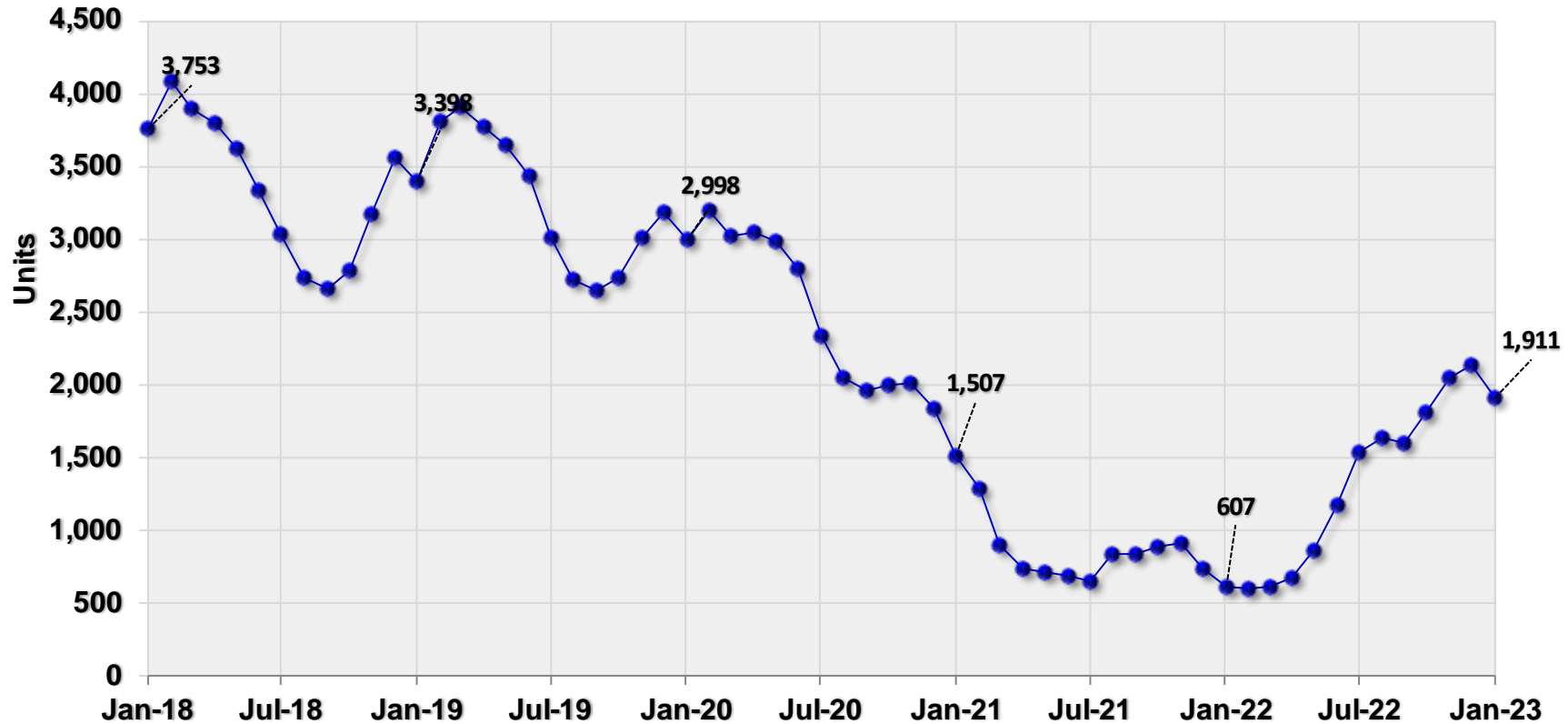
Home Sales by Price Range 3 mos avg



Home Sales by Price Range

While every price bracket shows a sales decline, the largest sales declines continue to be in homes priced under \$500k. But even the higher price brackets, which initially resisted the sales decline, show sales considerably below year ago levels. For example, sales of million-dollar homes are now down 48%.

Valley Housing Inventory January 1st 2018 to January 1st 2023



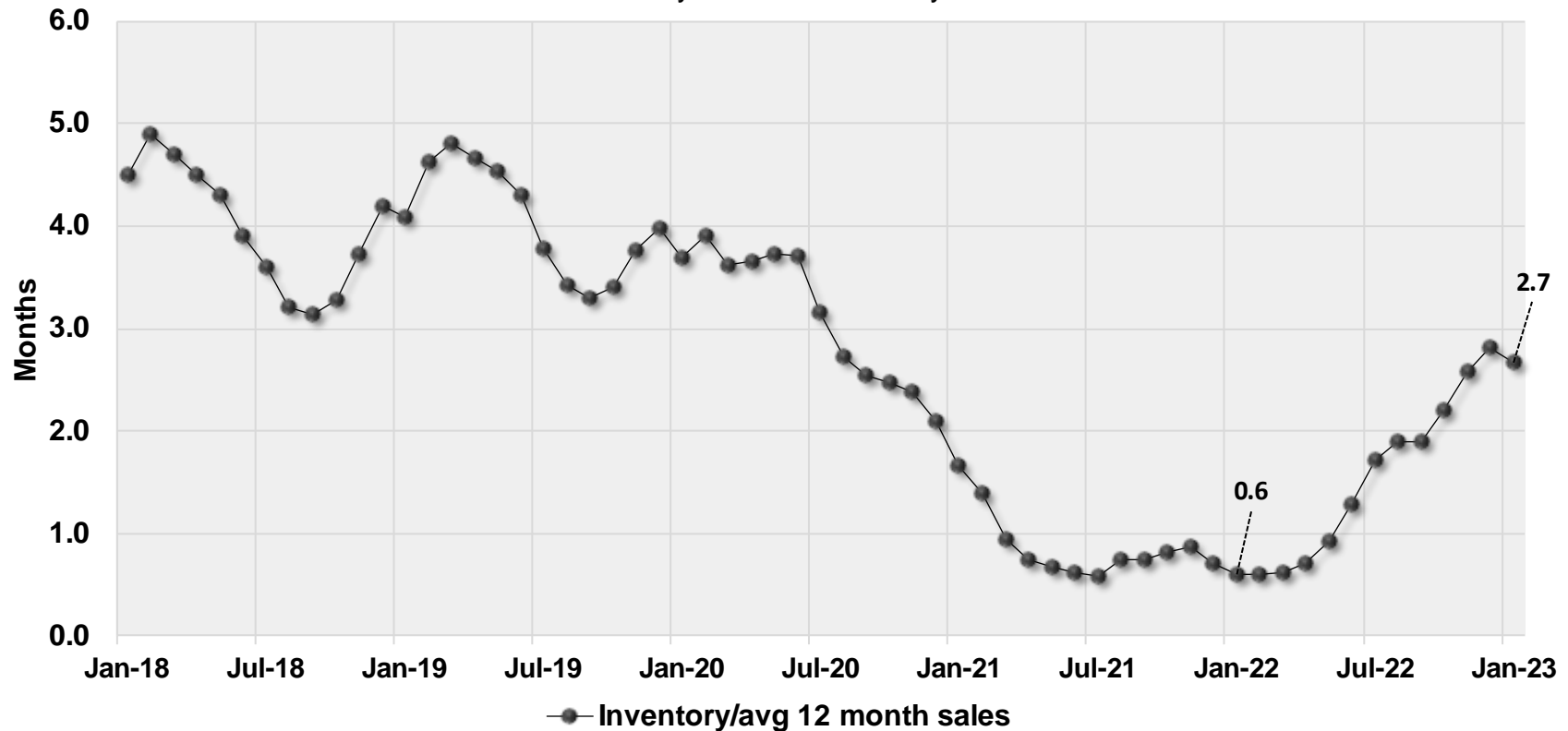
Coachella Valley Total Inventory

On January 1st, Valley inventory stood at 1,911 units, which is below last month but 1,304 units more than last year. Some of the inventory gain over the last few months was seasonal. We believe that if the pattern continues, total inventory will continue higher and might possibly reach 2,500 units by the end of February or March.

"Months of Sales" Ratio

Coachella Valley

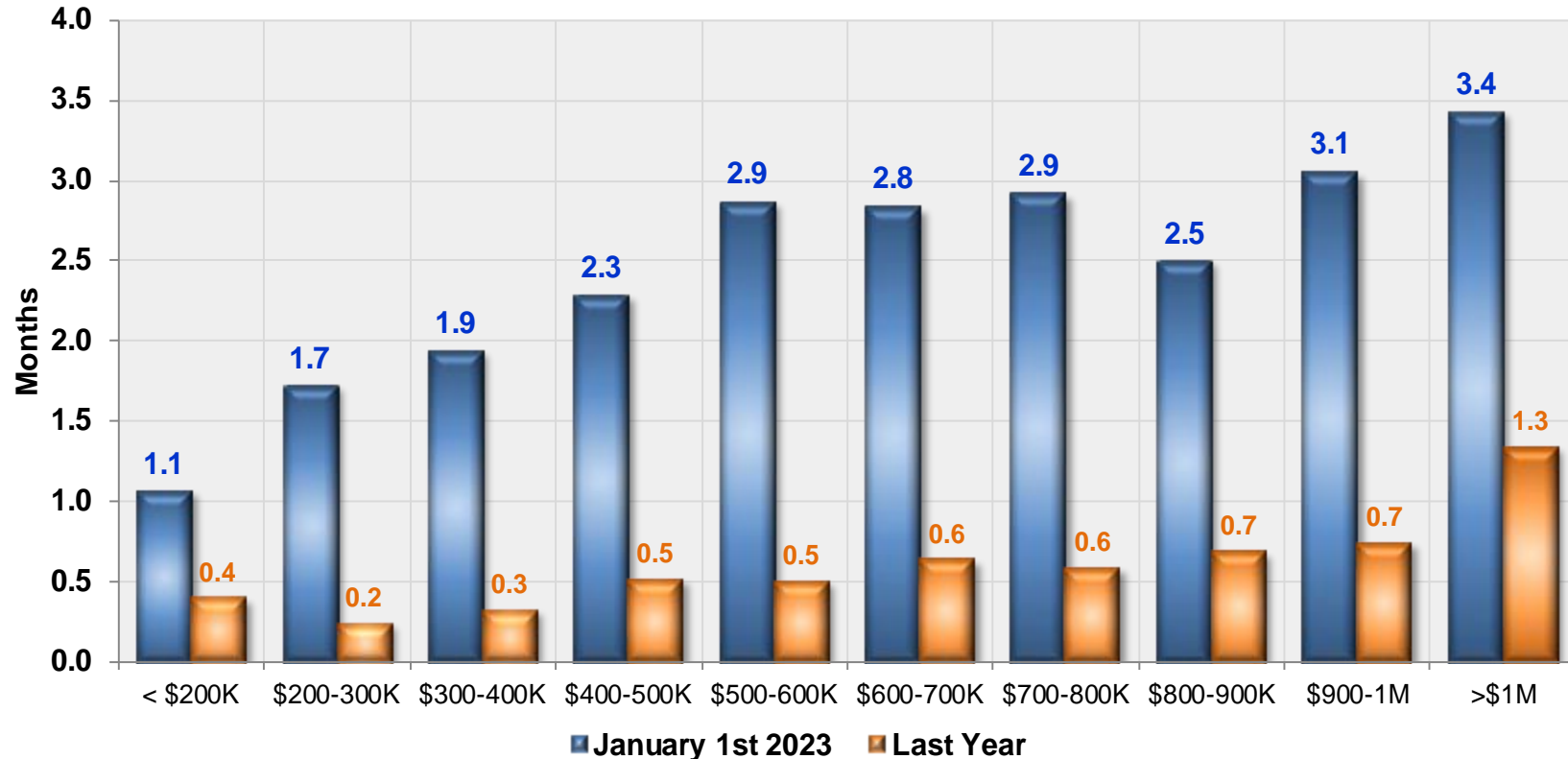
January 1st 2018 - January 1st 2023



Regional "Months of Sales" Ratio

On January 1st, the Valley's "months of sales" ratio was 2.7 months, which is down slightly from last month. This fundamental ratio measures supply versus demand and even though prices have been declining, a Valley ratio this low historically implies that the balance of supply and demand still favors the seller. We believe some of the price decline hasn't been from an abundance of supply over demand but the transition from a premium market to a discount market. Homes which sold for 2% over list now sell for 2% under. With no change in list price, this accounts for a 4% decline.

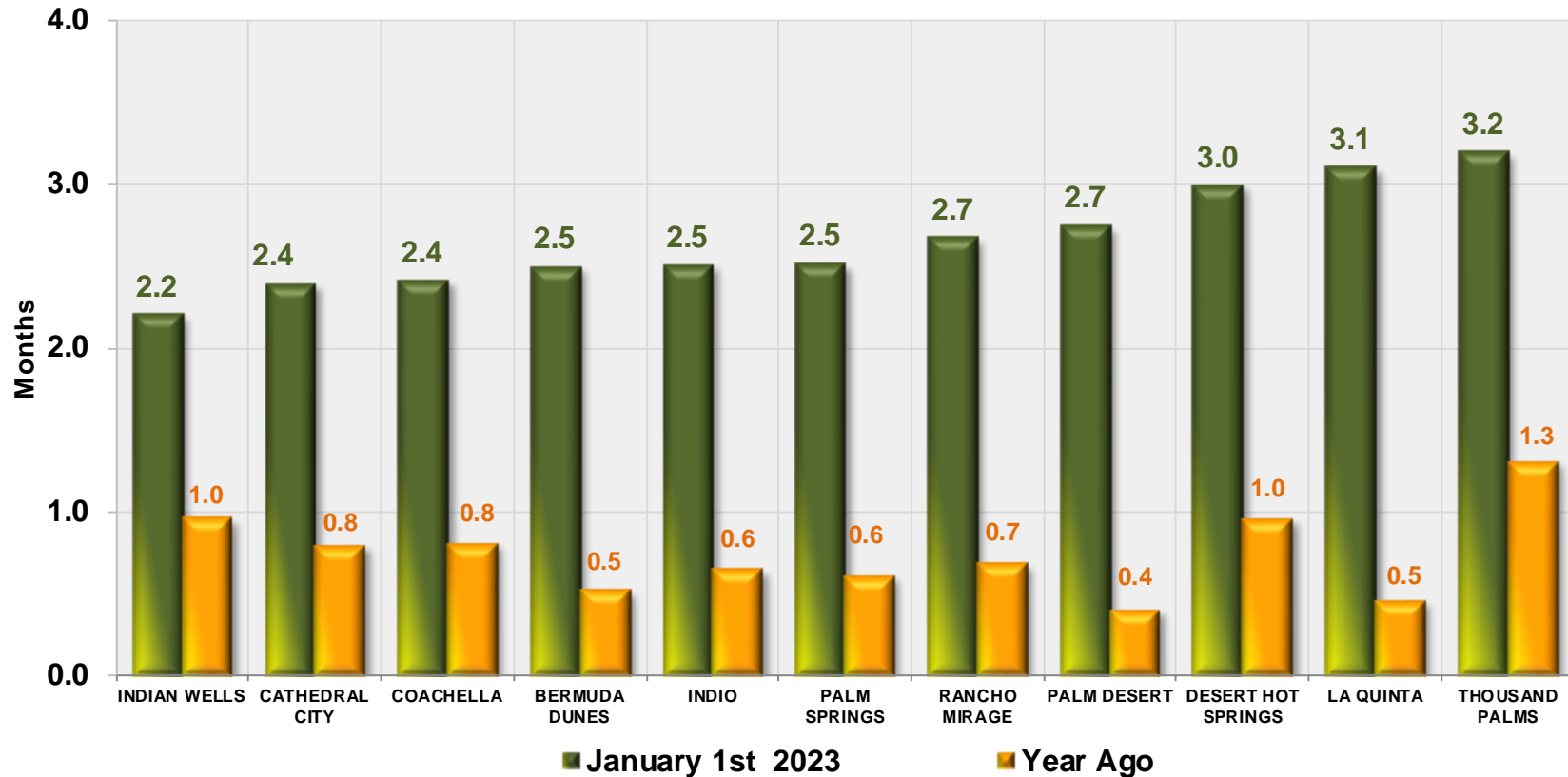
"Months of Sales" by Price Range uses avg. twelve month sales



"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. Ratios in every price bracket continue to far exceed year ago levels but they continue to be less than three months for homes priced under \$900k. The chart shows the normal pattern of the "months of sales" ratio being higher for higher priced homes than lower priced homes.

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



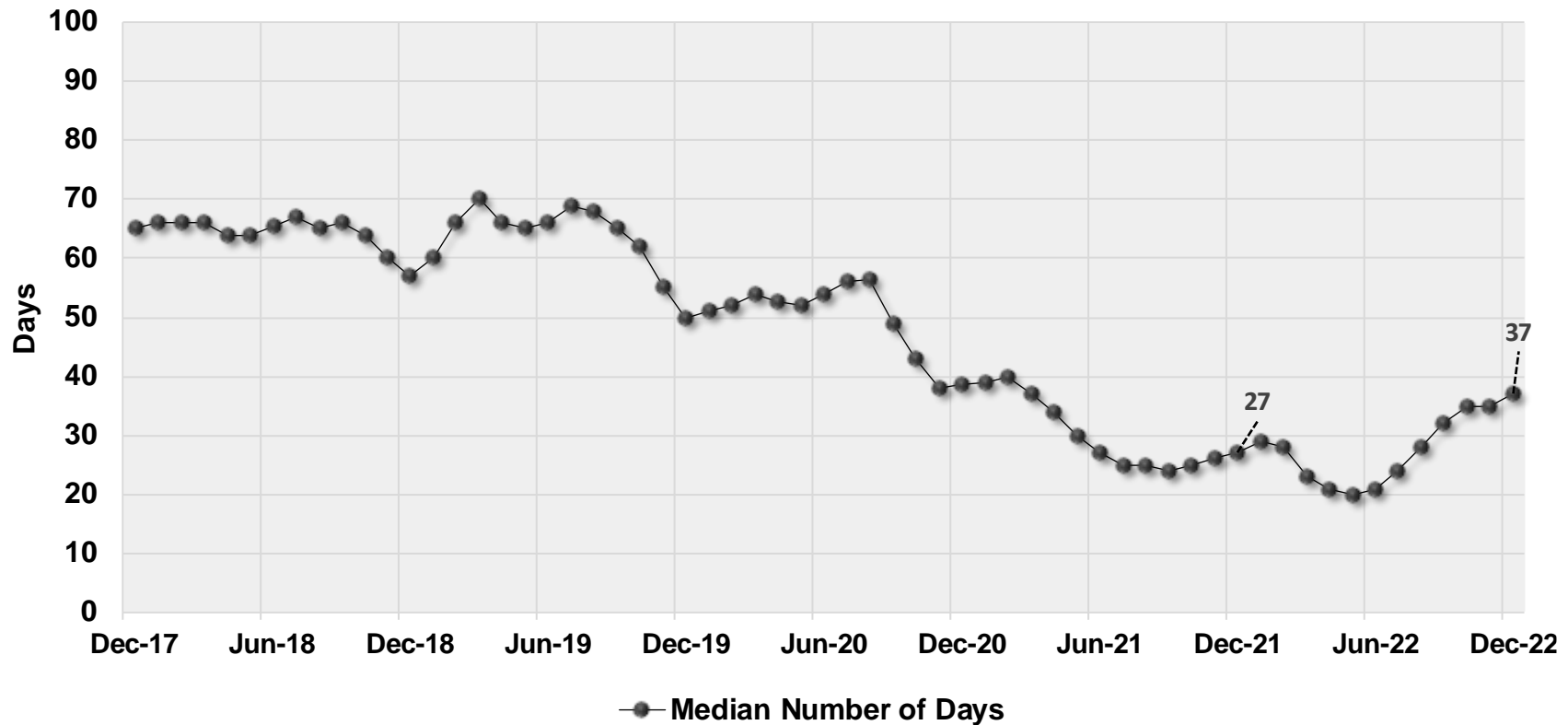
"Months of Sales" by City

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. What is most striking to us is how close the ratios are in every city. Only three cities have ratios of three months or over – Desert Hot Springs, La Quinta and Thousand Palms.

"Days in the Market"

Coachella Valley

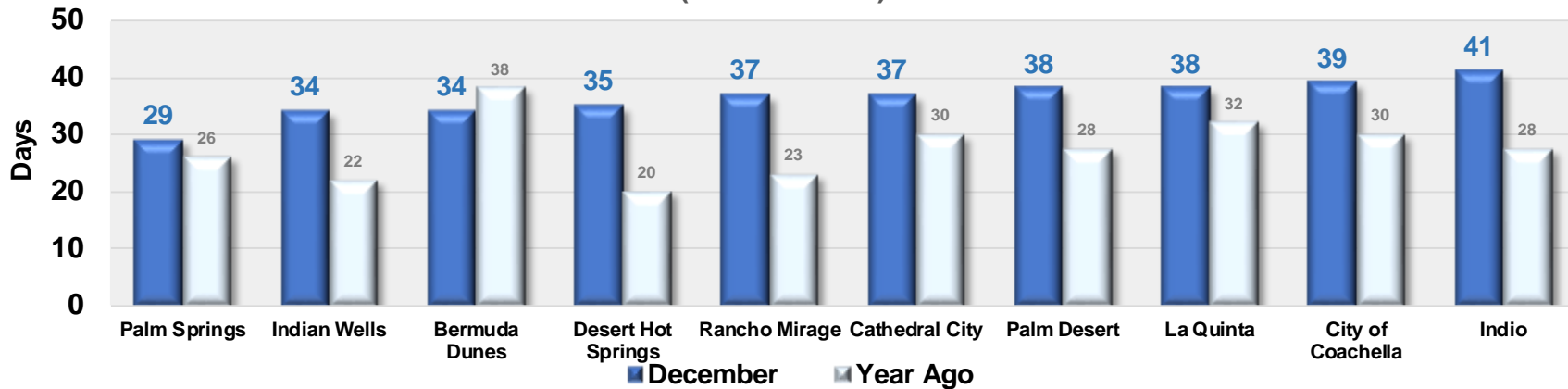
December 2017 - December 2022



Regional "Days in the Market"

The average selling time in the region continues to increase. At the end of December, the median number of "days in the market" throughout the Valley was 37 days, which is ten days more than last year. As we've stated, we're certain we've seen the low in this metric and believe it will be back to 50 or 60 days relatively soon.

"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. Average selling times have been increasing but not as rapidly as expected. The city of Palm Springs has the lowest median selling time for detached homes at 29 days, followed by Indian Wells and Bermuda Dunes at 34 days. In the attached market, Bermuda Dunes has the shortest median selling time at 20 days.

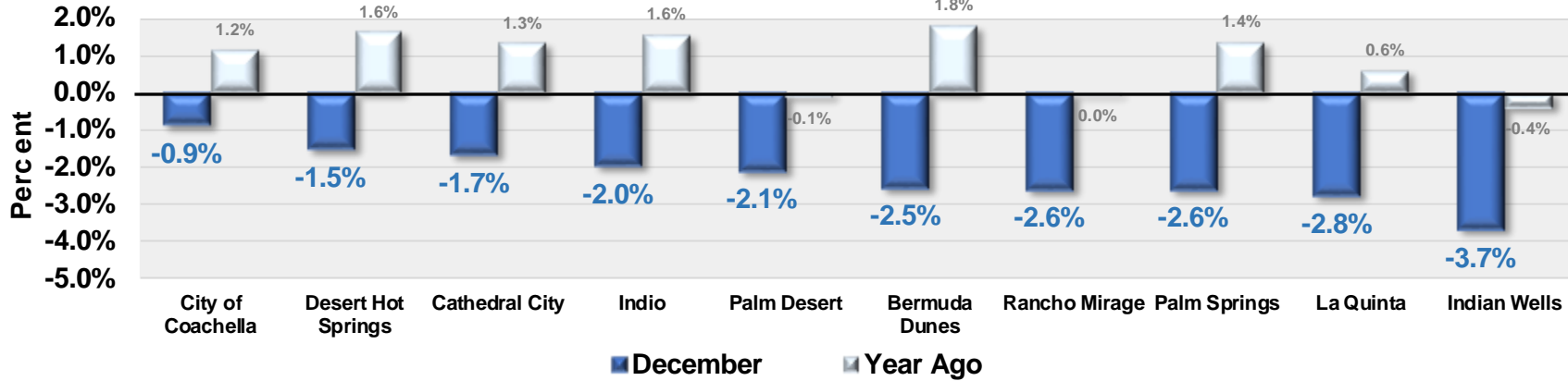
% Homes Selling Over List Price Coachella Valley 2016 - 2022 (December)



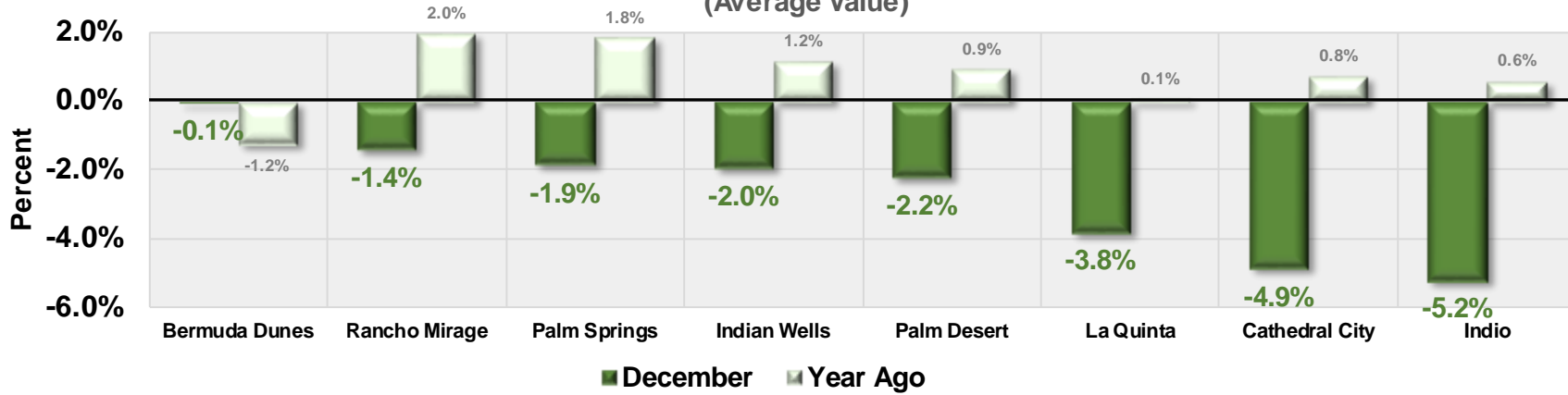
Percent Homes Selling Above List

This chart graphs the percentage of Valley homes that sold above list price over the last three months and shows the percent continues to rapidly decline. Only 15.2% of sales occurred above list price compared to 43.4% a year ago. We think the percent will soon return to the historic norm for this metric of around 10%.

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. The graph clearly shows the transition from a premium to a discount market. With no change in list price, this transition alone will account for some of the price decline.

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