The Desert Housing Report

May 2022

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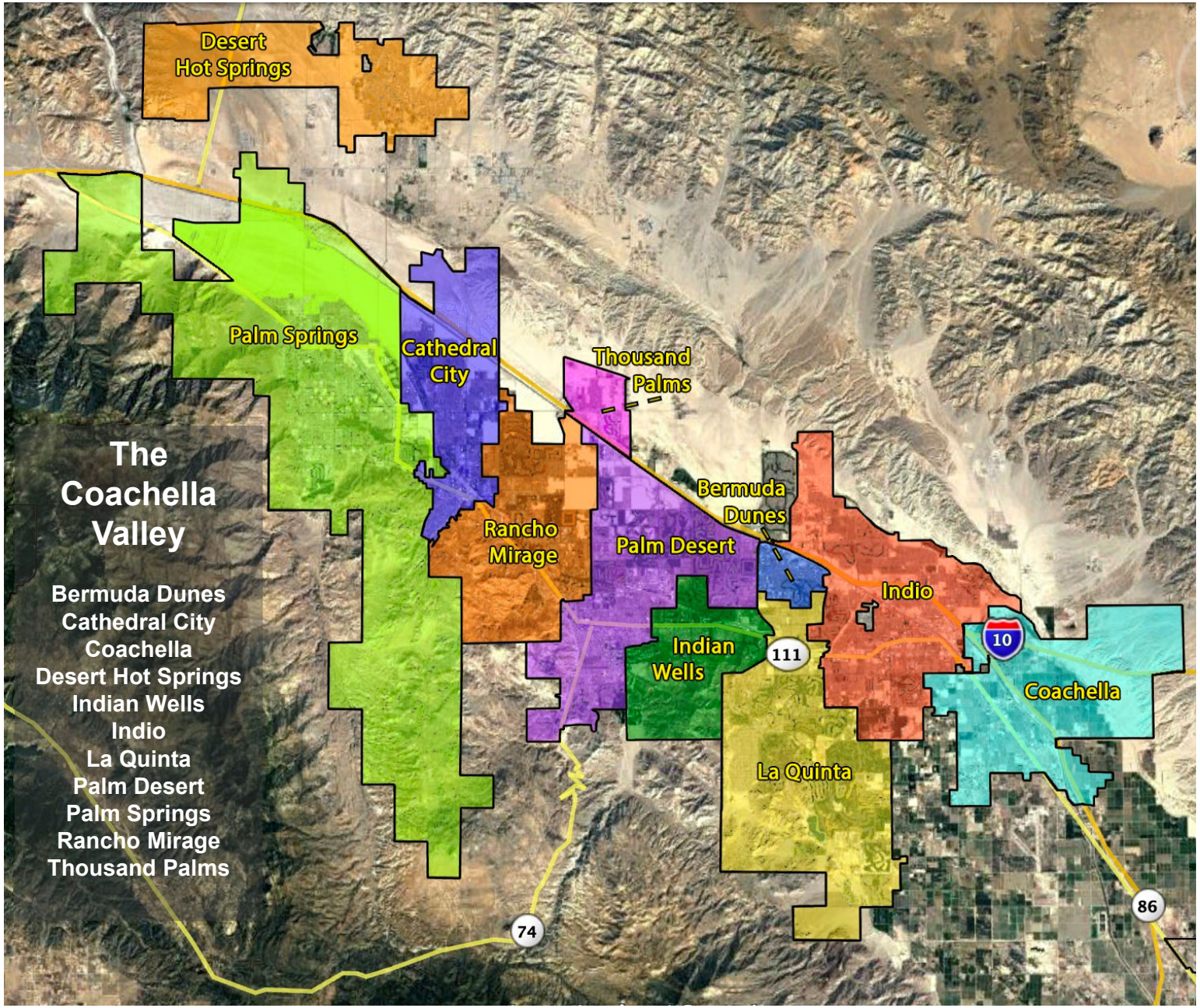

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Summary

PRICES: Home prices continued higher in May. At the end of the month, the median price of a detached home in the Coachella Valley was $700,000, up $30,000 from last month and 20.7% year over year. Starting next month seasonal factors should begin to slow price gains but the forces that have been driving prices higher – low inventory and high demand – continue to dominate the market. Year-over-year gains in detached homes range from 53.7% in Indian Wells to 26% in Coachella. In the attached home market, six cities have gains over 40% - Desert Hot Springs, Rancho Mirage, Indio, Palm Springs, Cathedral City and Palm Desert.

SALES: Over the last three months, total sales averaged 1,034 units a month, which is 20% less than last year but near the pre-pandemic averages of the years 2017, 2018 and 2019. Attached sales are down proportionately more than detached sales. May, however, is usually the month when sales reach their seasonal peak, and we should expect sales to slow from here. The 12-month average of sales, which takes out all seasonality, shows total sales in May averaged 918 units a month, which is 17% below last year.

INVENTORY & "MONTHS OF SALES" RATIOS: On June 1st , Valley inventory was 1,179 units, which is 498 units more than last year. This is the first meaningful increase in inventory in three years. What is particularly significant is that it's occurring during the seasonal period when inventory normally contracts. The "months of sales" ratio for the Valley was 1.3 months, up .7 months from a year ago. Like inventory, this is the highest ratio in over 16 months, but we are still far below normal ratios of three and four months.

DIM: At the end of May, the median number of "days in the market" throughout the Valley was 20 days, which is one day less than last month and 10 days less than last year. The city of Palm Springs again has the lowest median selling time for detached homes at just 14 days, followed by Desert Hot Springs with 15 days. In the attached market, Palm Springs continues to have the shortest number of days at 11 days, followed by Rancho Mirage at 16 days.

PRICE DISCOUNTS/PREMIUMS: At the end of May, 58.3% of homes sold in the Valley sold above their list price. This compares to 38.6% a year ago. This percent keeps rising and is currently the highest percent in history. Palm Springs continues to have the highest average selling premium for detached homes at 4.8%, followed by the city of Coachella at 4.1%. In the attached market, Palm Springs continues to have the highest average premium at 5.3%.

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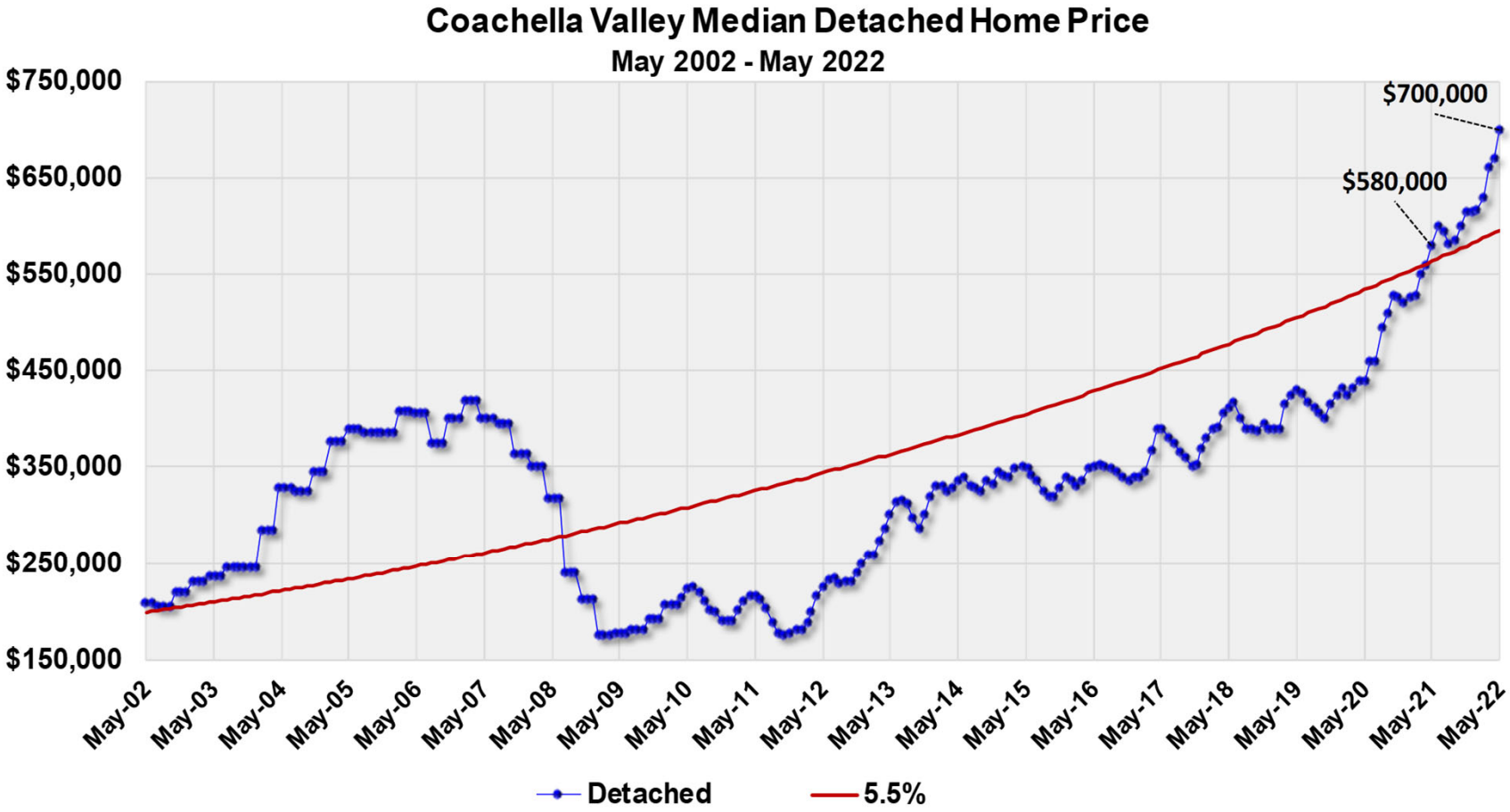

Coachella Valley Detached Median Price

Home prices continued higher in May. At the end of the month, the median price of a detached home in the Coachella Valley was $700,000, up $30,000 from last month and 20.7% year over year. Starting next month seasonal factors should begin to slow price gains but the forces that have been driving prices higher – low inventory and high demand – continue to dominate the market.

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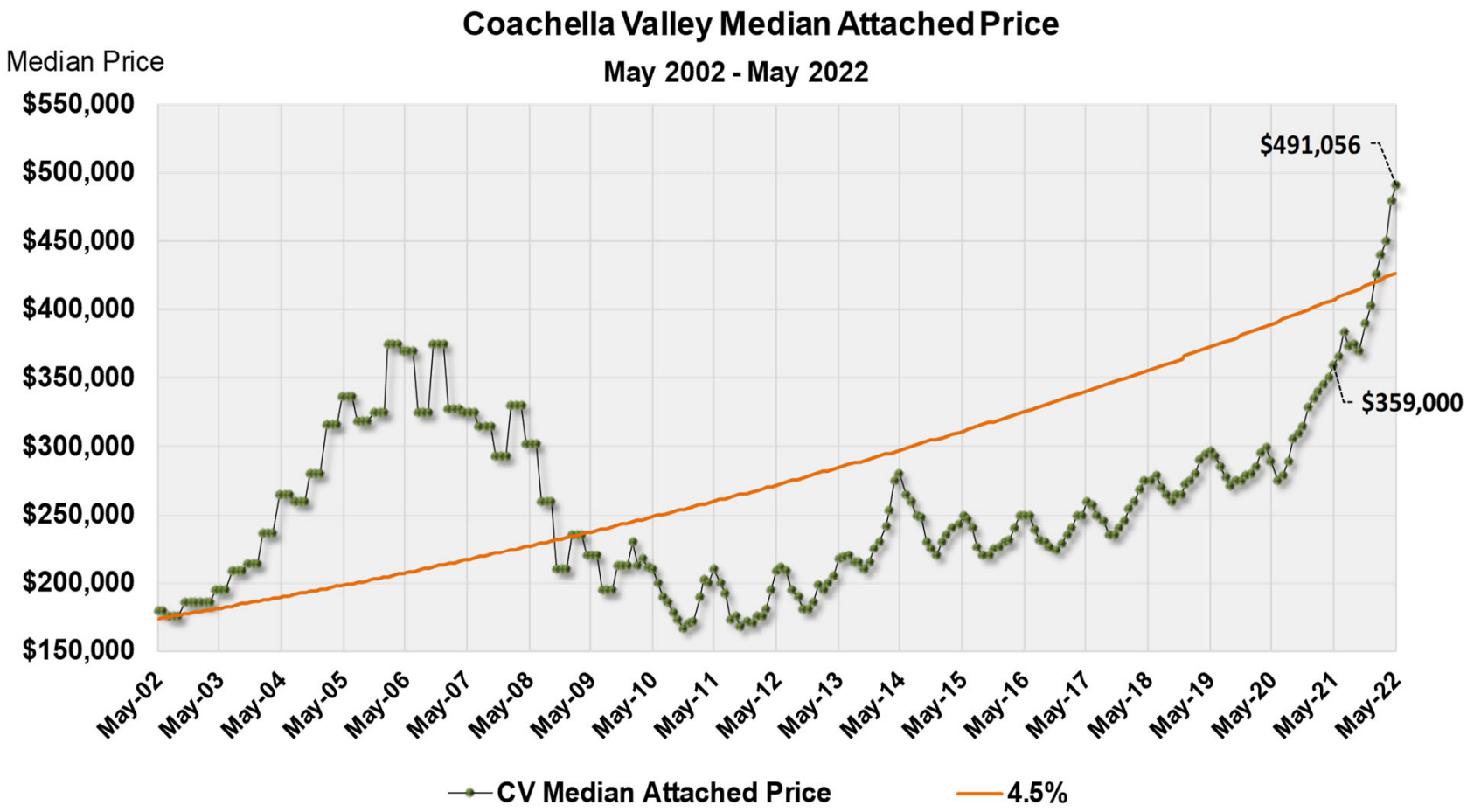

Coachella Valley Median Attached Price

The median price for attached homes in May was $491,056, which is up 36.8% year over year. As the chart clearly shows attached home prices have been on a tear. But with seasonal factors and inventory rising, things should slow down. If we continue to follow the normal seasonal pattern, prices should peak sometime next month and then settle back. But again, these are not normal times. We'll have to see if this seasonal pattern materializes this year.

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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
Indian Wells	3,450	$549.51	$1,895,812	$1,233,651	53.7%	$666,885	184.3%
Bermuda Dunes	2,500	$354.13	$885,326	$626,388	41.3%	$239,325	269.9%
Rancho Mirage	3,175	$456.76	$1,450,227	$1,034,050	40.2%	$506,317	186.4%
Palm Springs	2,175	$647.77	$1,408,907	$1,011,223	39.3%	$323,879	335.0%
La Quinta	2,550	$403.63	$1,029,268	$772,370	33.3%	$318,164	223.5%
Indio	2,000	$293.85	$587,697	$442,500	32.8%	$156,340	275.9%
Desert Hot Springs	1,600	$252.74	$404,383	$306,392	32.0%	$86,656	366.7%
Palm Desert	2,200	$363.48	$799,645	$607,090	31.7%	$302,302	164.5%
Cathedral City	1,800	$330.73	$595,309	$462,582	28.7%	$153,216	288.5%
Coachella	1,700	$257.07	$437,020	$346,936	26.0%	$111,367	292.4%

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	$167.31	$125,479	$81,420	54.1%	$16,013	684%
Rancho Mirage	1,775	$330.99	$587,505	$392,018	49.9%	$211,030	178%
Indio	1,050	$293.51	$308,185	$210,578	46.4%	$56,396	446%
Palm Springs	1,250	$375.92	$469,904	$330,188	42.3%	$129,788	262%
Cathedral City	1,250	$259.14	$323,920	$228,713	41.6%	$80,544	302%
Palm Desert	1,600	$349.58	$559,333	$396,896	40.9%	$197,896	183%
Bermuda Dunes	1,450	$259.87	$376,809	$269,686	39.7%	$89,117	323%
La Quinta	1,750	$389.74	$682,047	$502,635	35.7%	$247,713	175%
Indian Wells	1,950	$333.70	$650,720	$495,944	31.2%	$259,126	151%

12 Month Change in The Price of The Average Size Home

These columns show the size of the average home in each city, followed by its *price* and *price per square foot*. These prices are then compared to year ago levels and the all-time price lows that occurred in 2011 and 2012. Year-over-year gains in detached homes range from 53.7% in Indian Wells to 26% in Coachella. In the attached home market, six cities have gains over 40% - Desert Hot Springs, Rancho Mirage, Indio, Palm Springs, Cathedral City and Palm Desert.

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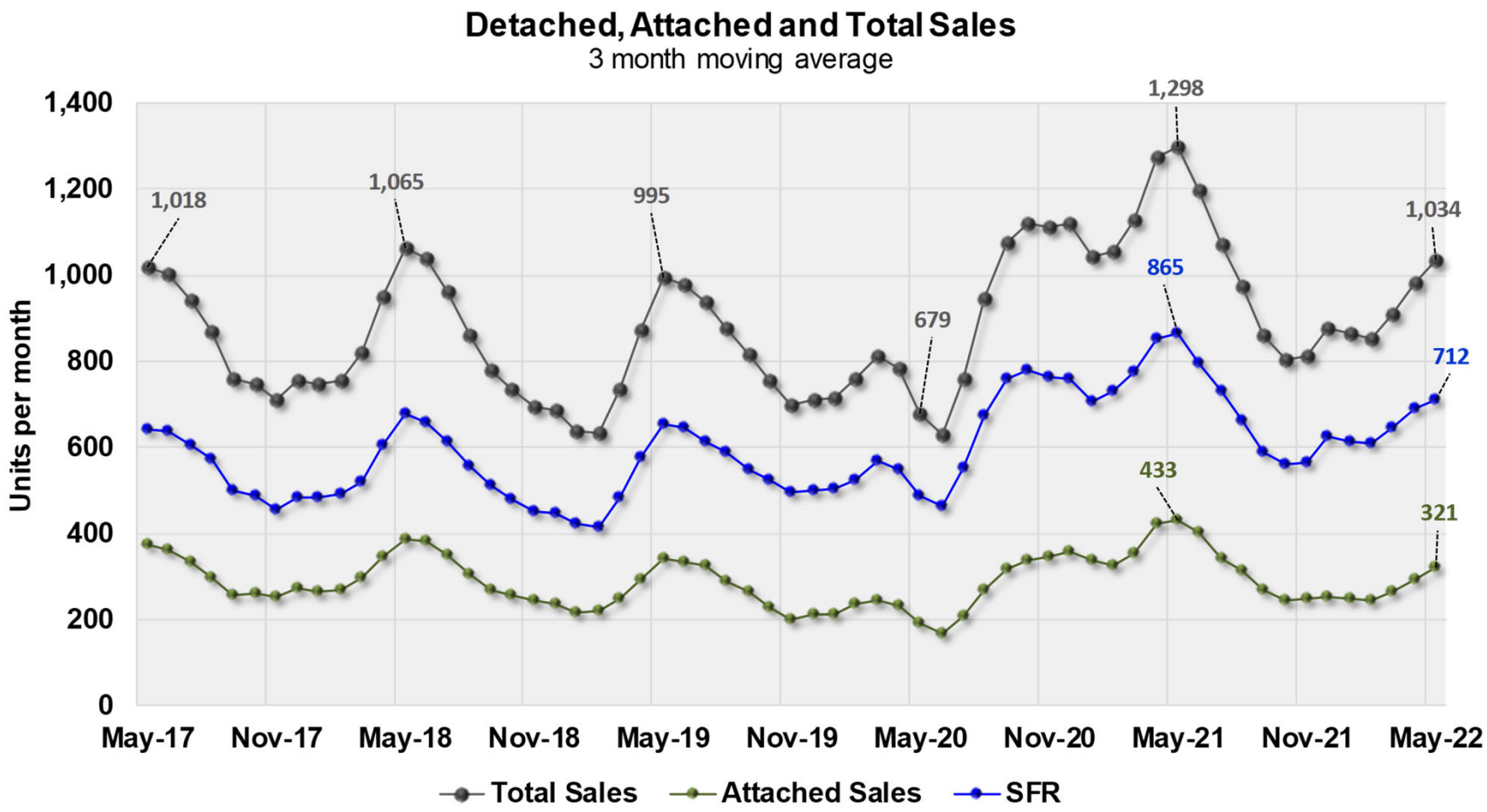

Monthly Sales – 3-month trailing avg.

Over the last three-months, total sales averaged 1,034 units a month, which is 20% less than last year but near the pre-pandemic averages of 2017, 2018 and 2019. Attached sales are down proportionately more than detached sales. However, May is usually the month when average sales reach their seasonal peak, and we should expect sales to slow from here.

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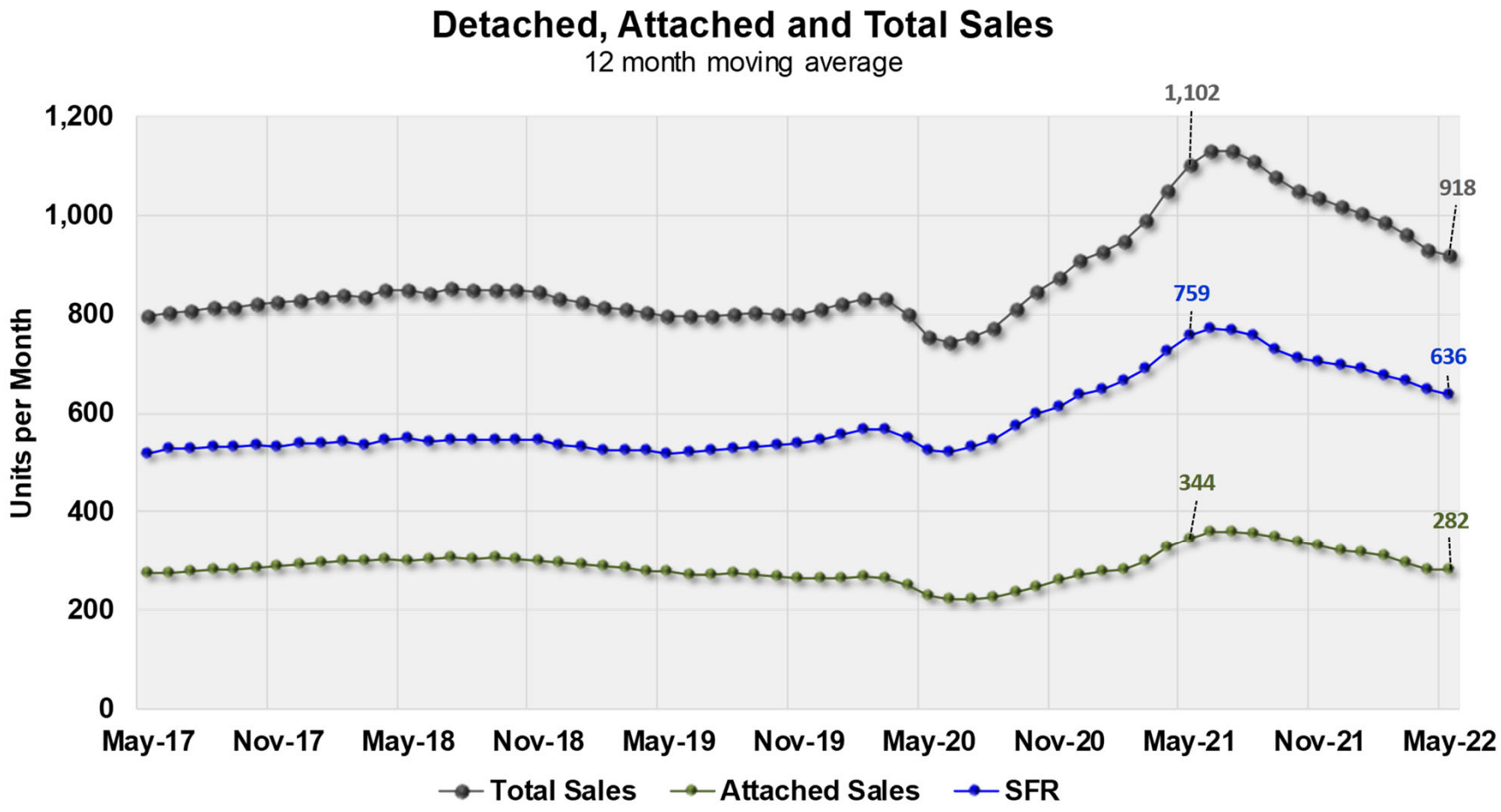

Monthly Sales – 12-month trailing avg.

The 12-month average of sales, which takes out all seasonality, shows total sales in May averaged 918 units a month, which is 17% below last year. Sales of detached homes are down 16%, while those of attached homes are off 18%. We continue to expect long-term sales to move down over the next 12 months to the pre-pandemic average of 800 units a month.

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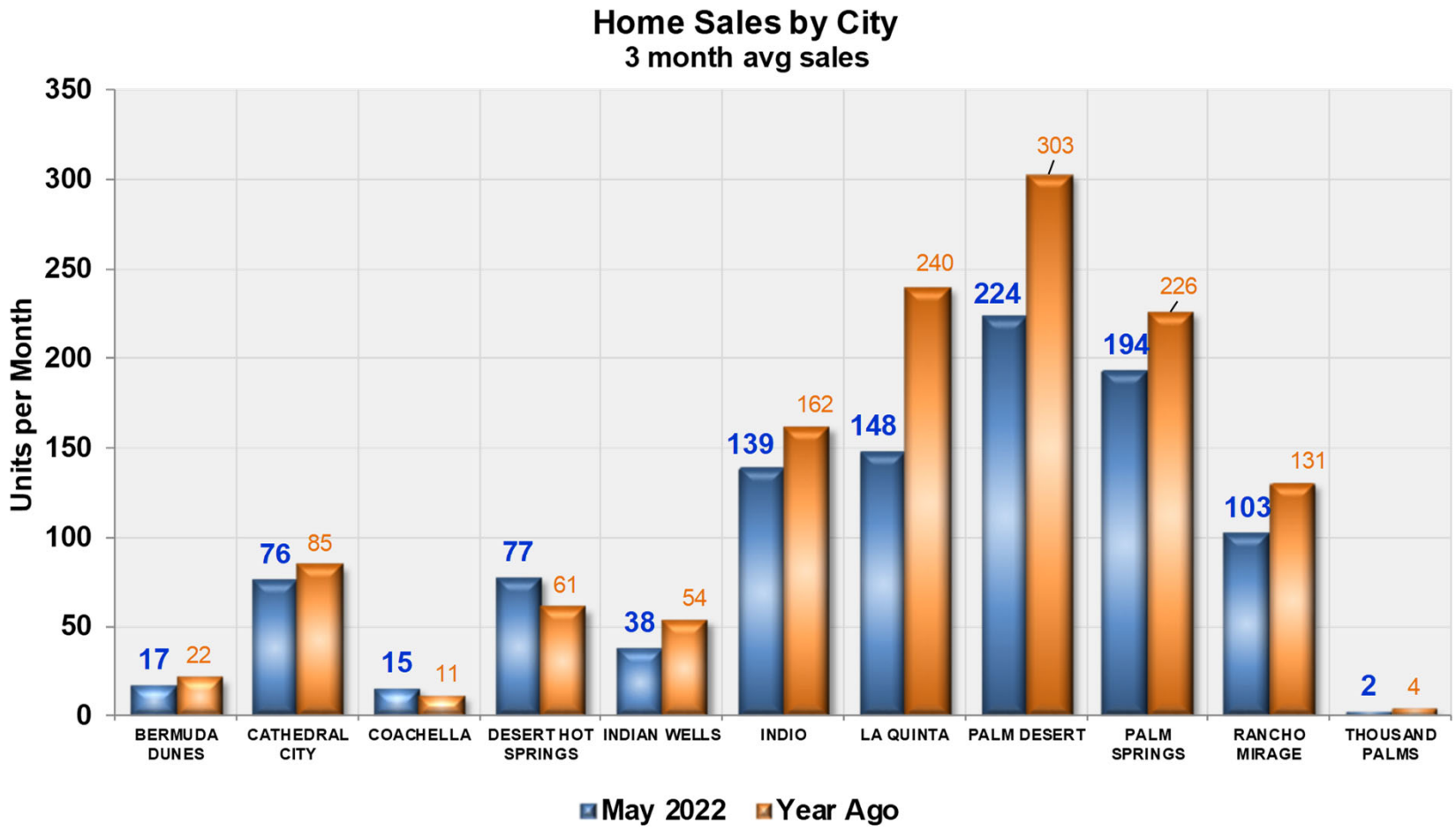

Home Sales by City

We continue to find that the largest decline in sales are in the four major resort cities, especially La Quinta and Palm Desert. Sales in La Quinta are off 38% while those in Palm Desert are off 26%. The cities that are classified primarily as "work force" cities – Coachella, Cathedral City, Desert Hot Springs and Indio – continue to show comparable sales to last year. In fact, sales in Coachella and Desert Hot Springs are considerably higher than last year.

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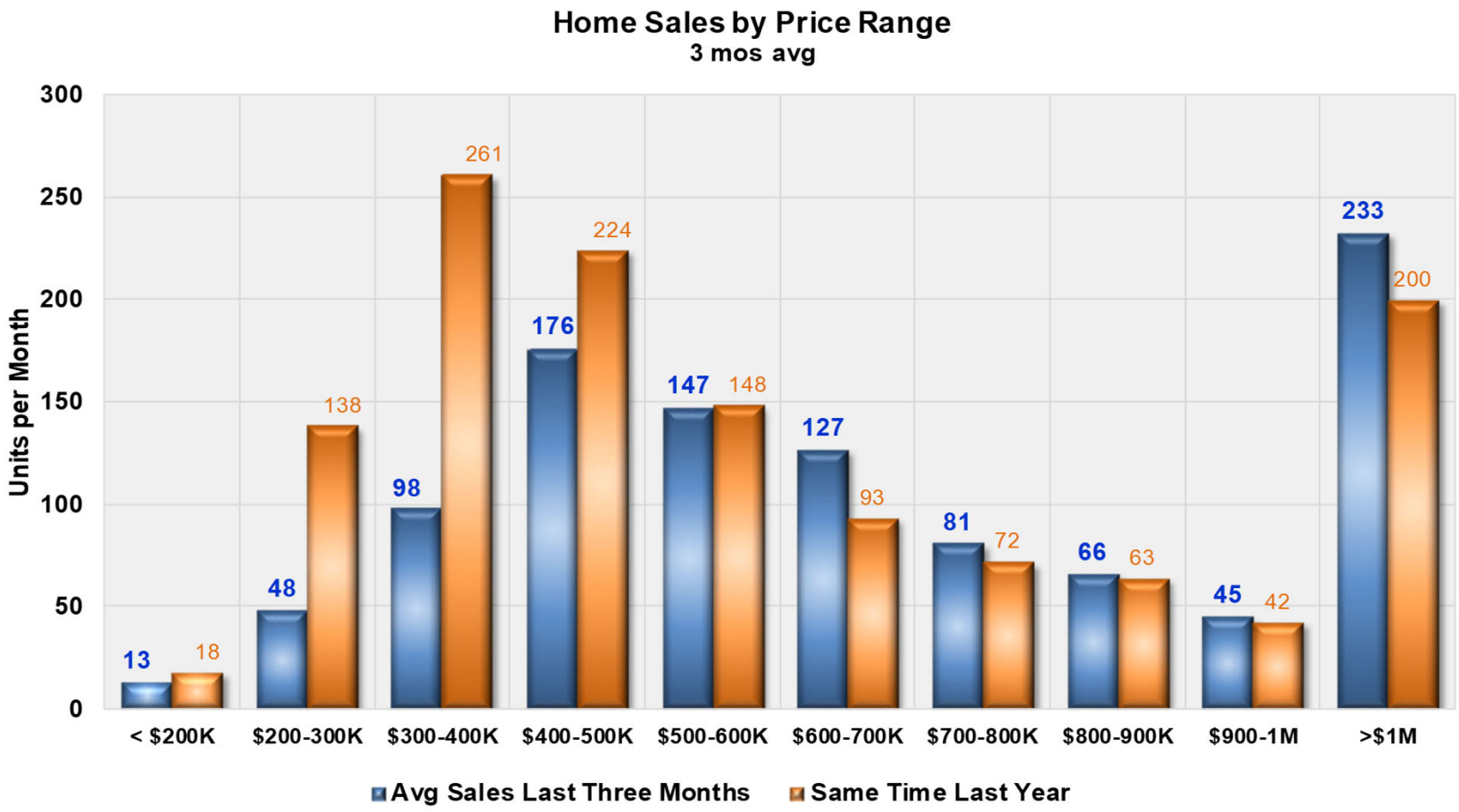

Home Sales by Price Range

This graph shows the decline in three-month sales by price bracket. We know that overall sales are down by 20% but that decline is not evenly distributed by price range. The vast majority is in homes priced under $500,000. Most of this is due to more homes being in the higher price brackets. Sales of homes in the $600,000-$900,000 price brackets are higher simply because there are so many more homes currently in those price brackets. The same is true in the million dollar and over price bracket.

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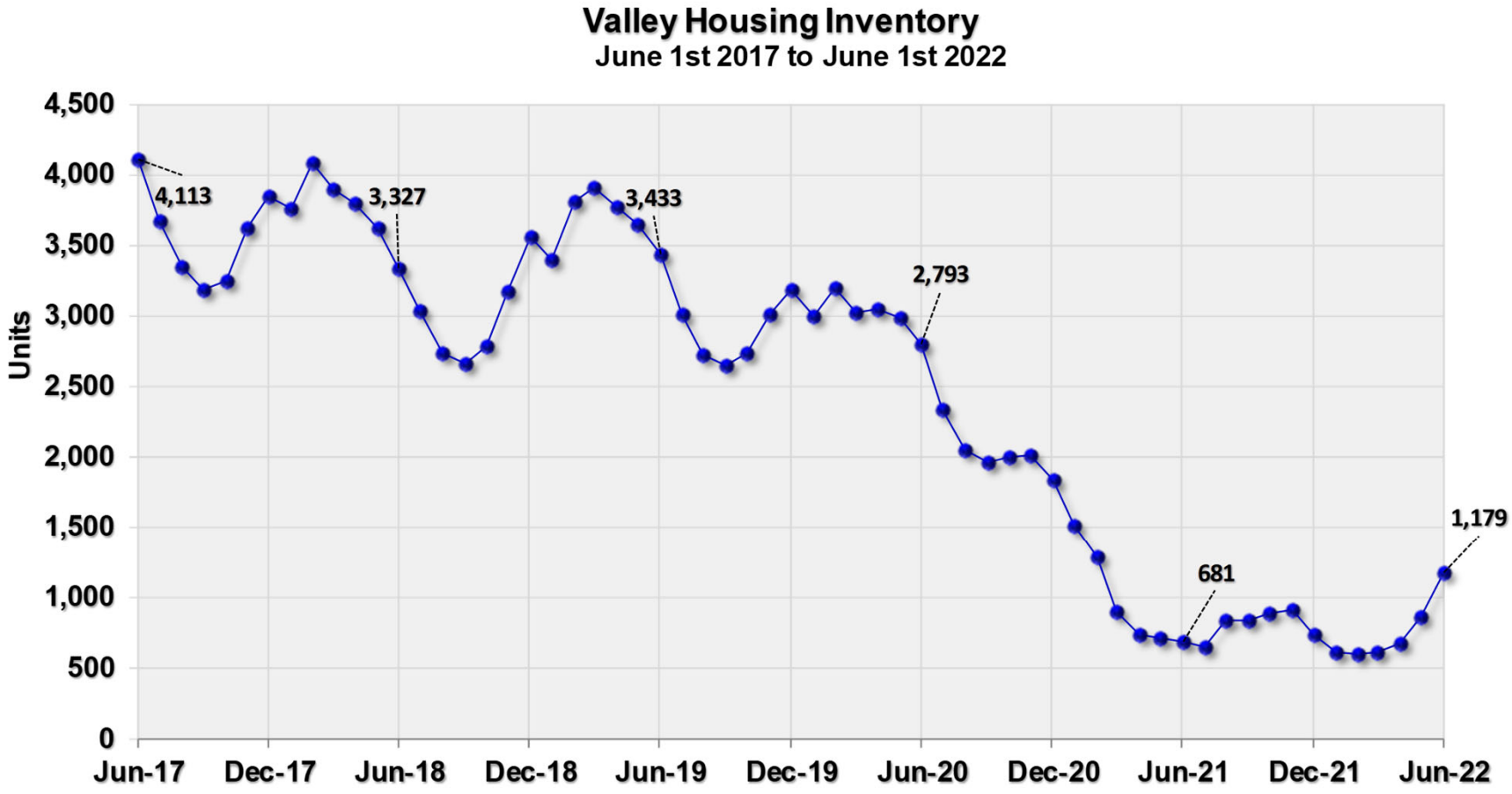

Coachella Valley Total Inventory

On June 1st, Valley inventory was 1,179 units, which is 498 units more than last year. As the graph clearly shows this is the first meaningful increase in inventory in three years. What is particularly significant is that it's occurring during the seasonal period when inventory normally contracts. We believe it will be very important to watch these levels over the next four months. If inventory can maintain the current numbers as we move into summer, we will be positioned to see even higher numbers as we move towards winter.

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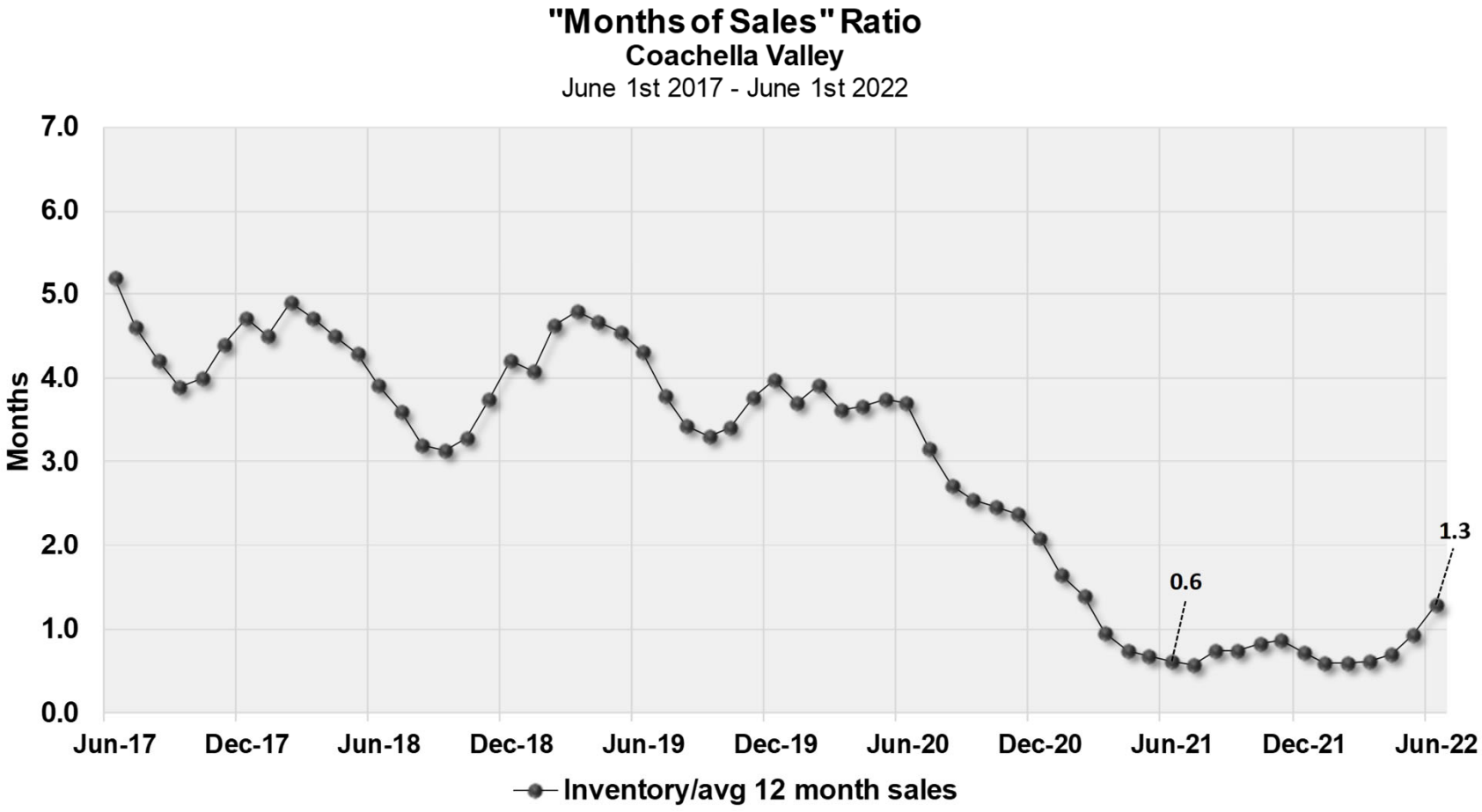

Regional "Months of Sales" Ratio

On June 1st the "months of sales" ratio for the Valley was 1.3 months, up .7 months from a year ago. Like inventory, this is the highest ratio in over 16 months, but we are still far below normal ratios of three and four months. Like inventory, seasonal factors should keep this ratio from rising any higher until next winter. Since this ratio shows the balance of supply and demand, it will be very important to follow it over the next half a year.

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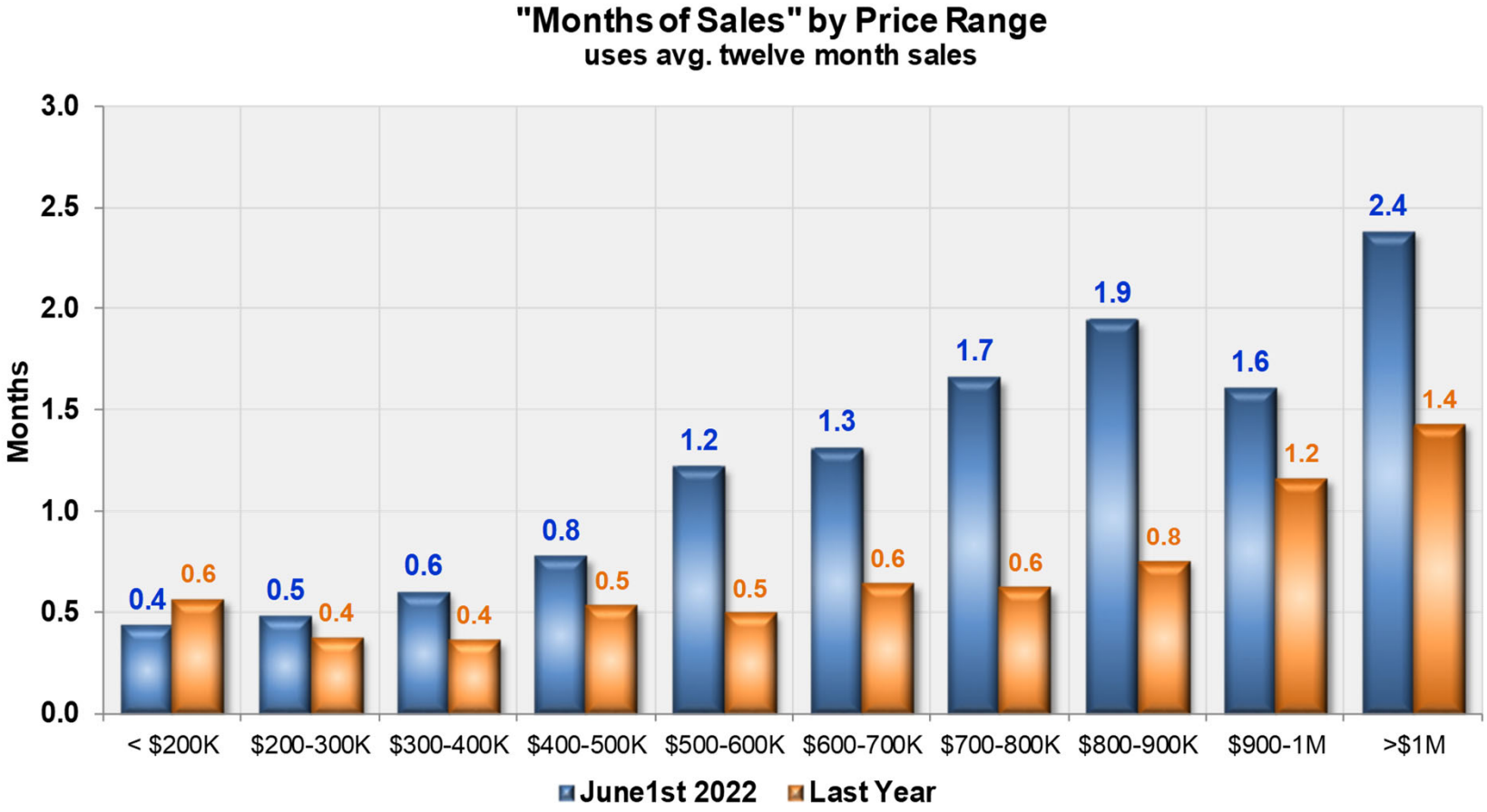

"Months of Sales" by Price Range

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. The ratio is significantly higher in every price bracket over $200,000. The graph displays an important fact – that the "months of sales" ratio is always higher in more expensive homes. For example, it is normal to have a ratio of eight months for homes priced over a million dollars. While the ratios are higher, none are close to past norms for that bracket.

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"Months of Sales" by City

This graph compares current "months of sales" ratios in each city to last year. We have sorted the cities left to right by lowest ratio. Only one city has a ratio under one month – Cathedral City. It is noteworthy how close the ratios are in all the cities. They range from one month for Rancho Mirage to 1.7 months for the city of Coachella.

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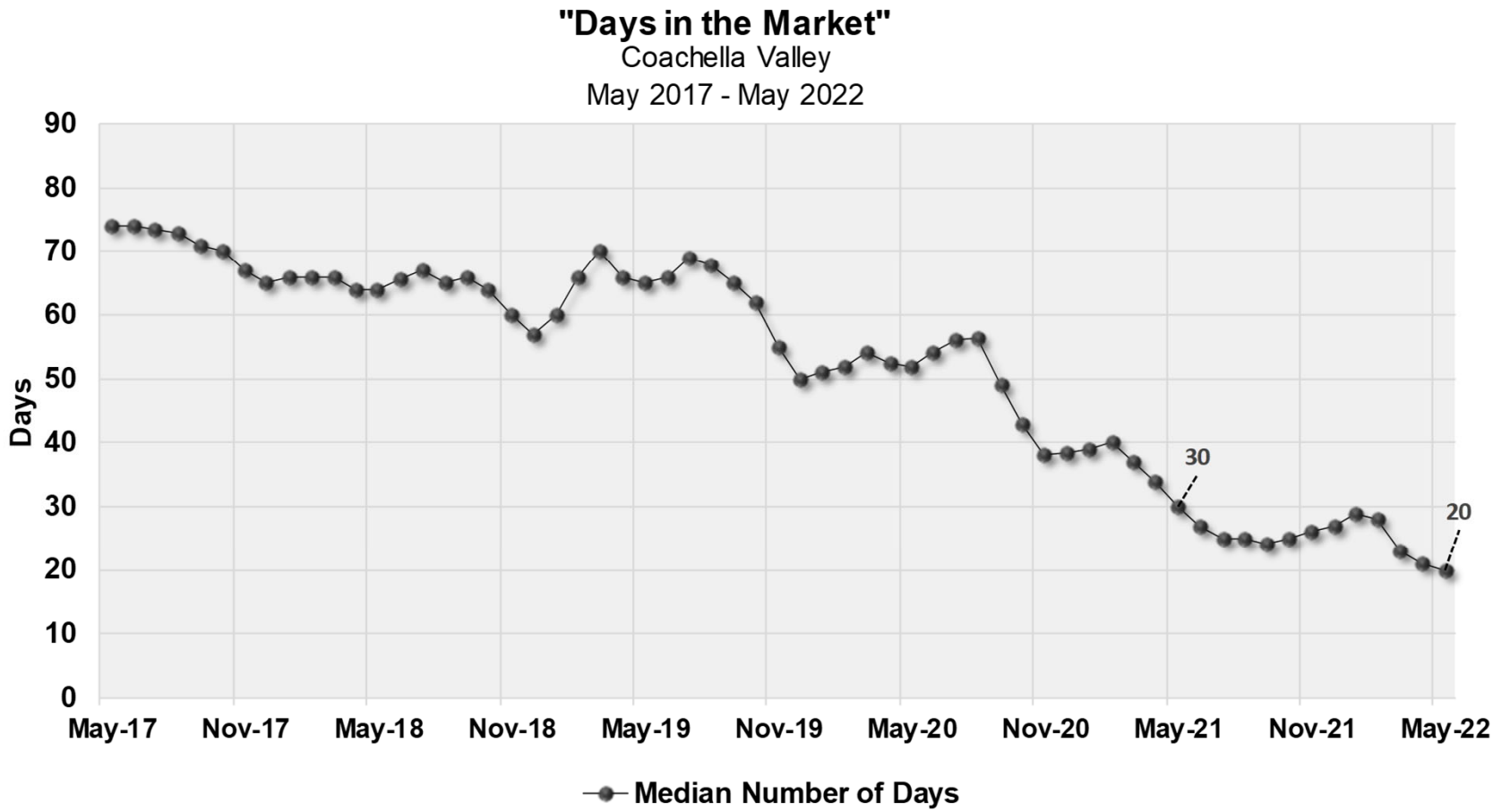

Regional "Days in the Market"

At the end of May, the median number of "days in the market" throughout the Valley was 20 days, which is one day less than last month and 10 days less than last year. Low inventory continues to keep selling times near current, low levels. With inventory rising and sales contracting, we expect to see this metric stop declining and remain around 20 to 25 days.

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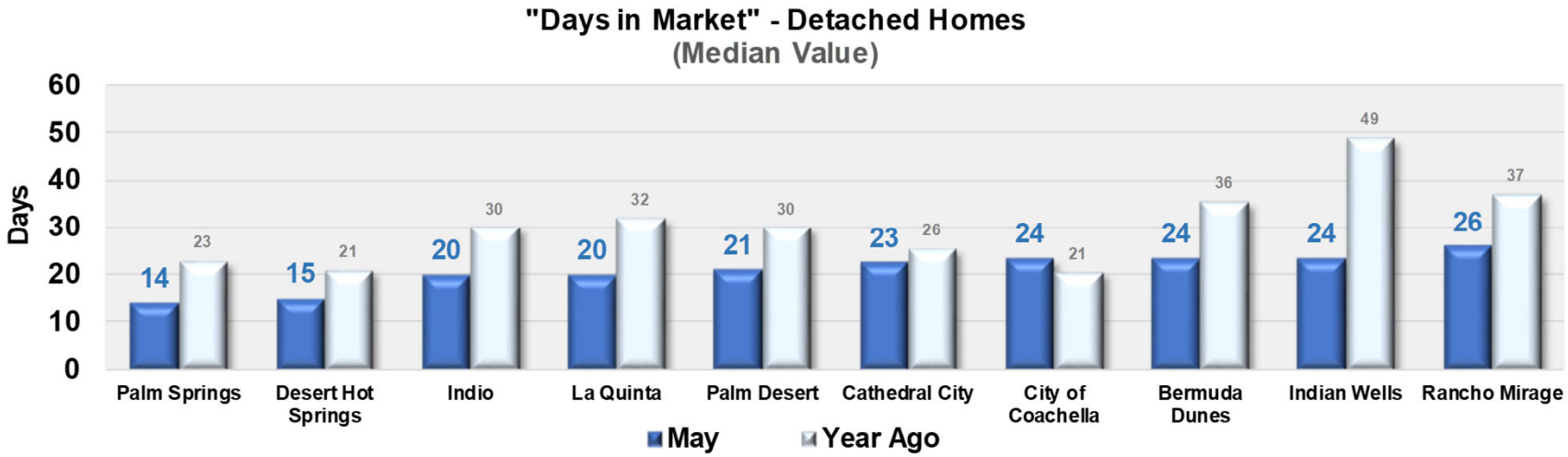

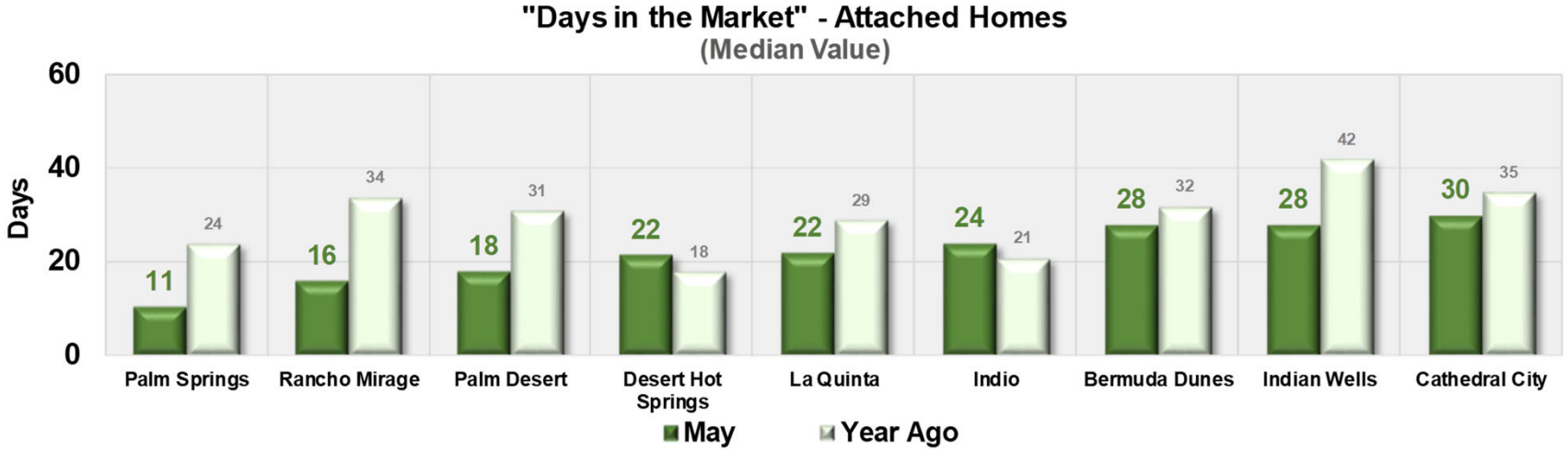

"Days in the Market"

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 Palm Springs again has the lowest median selling time for detached homes at just 14 days, followed by Desert Hot Springs with 15 days. In the attached market, Palm Springs continues to have the shortest number of days at 11 days, followed by Rancho Mirage at 16 days.

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Percent Homes Selling Above List

This new chart shows the percentage of Valley homes that sold above list price during the last three months. At the end of May, 58.3% of homes sold above list. This compares to 38.6% a year ago. The number keeps rising and is the highest percent in history. This results when there are multiple bidders per home, each fearful of the other out bidding them. In more normal times the percent is around 10%. We expect this metric to stop increasing as we move into the summer months.

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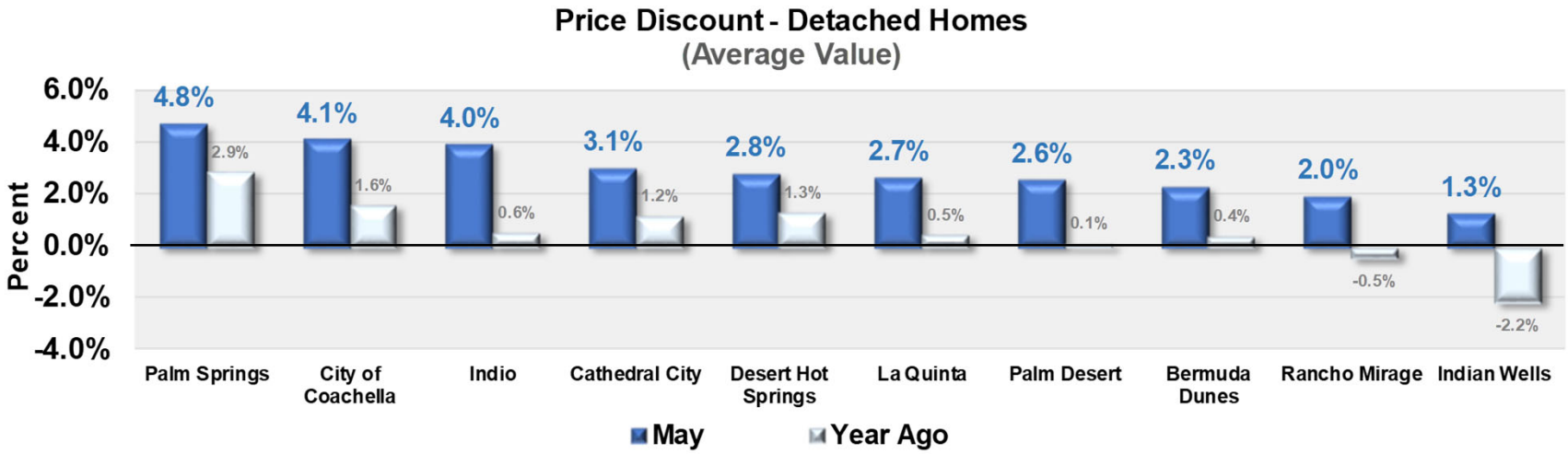

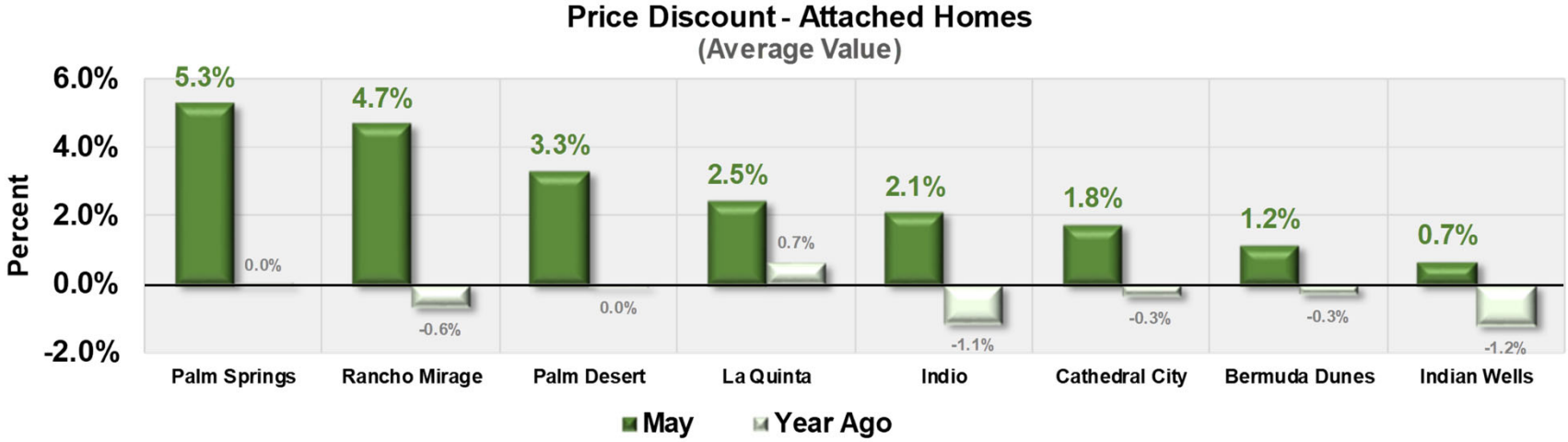

"Average Price Discounts"

These bar charts show the average price discount/premium for both detached and attached homes in the major cities of the Valley. We use the "average" value instead of "median" value because it's a better metric during periods when so many homes are selling at or above list. Palm Springs continues to have the highest average selling premium for detached homes at 4.8%, followed by the city of Coachella at 4.1%. In the attached market, Palm Springs continues to have the highest average premium at 5.3%.

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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 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 June 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.

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