The Desert Housing Report

August 2021

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Summary

PRICES: The median price of a detached home in the Coachella Valley in August was $581,500. This compares to $495,000 a year ago, which is an increase of 17.4%. The median price for attached homes in August was $373,500, up almost 29%. A year ago, the price was $289,000. Four cities have year-over-year price increases in detached homes over 30% – Indian Wells, Rancho Mirage, Desert Hot Springs and Indio. All cities except Rancho Mirage and La Quinta have now exceeded the all-time high price levels made in 2006.

SALES: Total sales in August are now just 3% above last August, which was the start of last year's sales surge. Some of this slow down in sales is seasonal in nature but some of it we believe represents the beginning of a slow return to a more normal market. We believe it's okay to see this as it's hard to imagine sustaining last year's high sales numbers. We see little price risk at this time.

INVENTORY & "MONTHS OF SALES" RATIOS: On September 1st, total inventory in the Valley was 836 units, which compares to 1,959 units a year ago. This lack of inventory continues to be the overall driver of Valley housing and we are somewhat surprised inventory did not begin to increase after the wide distribution of the COVID vaccine. On September 1st, the median value for the "months of sales" ratio throughout the Valley was 8/10 of a month; this compares to 2.5 months a year ago. The ratios have been hovering around these historically low levels for over seven months now. When compared against year ago levels, the condition of record low "month of sales" ratios is found in almost every city. Only Cathedral City, Coachella and Desert Hot Springs have ratios comparable to year ago numbers.

DIM: The median value of "days in the market" for the entire region continues to decline. It is now at 25 days compared to 56 days a year ago. This is another metric that we believe points to a housing environment with little price risk. Desert Hot Springs has the lowest number of days for detached homes at just two weeks, followed by Palm Springs at 19 days. These cities also had the least number of days for attached homes.

PRICE DISCOUNTS: In August the median value for "Price Discount from List" was again 0.0%, which is the same discount it's had for the last six months. As we've explained, since so many homes are selling right at list price, the median value is exactly 0.0%. When we use average discount instead of the median value, detached homes are selling, on average, 1.8% above list price.

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Coachella Valley Detached Median Price

In August, the median price of a detached home in the Coachella Valley was $581,500. This compares to $495,000 a year ago, which is an increase of 17.4%. We have entered the seasonal period when prices of detached homes generally begin to taper after the strong winter and spring period. Because of the price rise that began last July, year-over-year price comparisons should also begin to moderate. We believe the major housing metrics are beginning to return to more normal numbers, but at a much higher price level. We see little price risk.

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Coachella Valley Median Attached Price

The median price for attached homes in August was $373,500, up almost 29%. A year ago, the price was $289,000. This is the first time in many years where the gains in attached homes in the Valley are more than the year-over-year gains of detached homes. Attached homes are now filling the supply void of detached homes at lower price points. Like detached homes we are entering a seasonal period that normally experiences some price retrenchment.

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Detached Homes

City	Aug-21	Year Ago	12 mo change	2011 Low	Gain off 2011 Low	2006 High	% from High
Indian Wells	$1,250,000	$878,000	42.37%	$540,000	131.48%	$1,205,000	3.73%
Rancho Mirage	$917,250	$670,000	36.90%	$423,000	116.84%	$950,000	-3.45%
Desert Hot Springs	$335,000	$255,000	31.37%	$85,000	294.12%	$295,000	13.56%
Indio	$466,000	$356,500	30.72%	$158,500	194.01%	$380,500	22.47%
Palm Springs	$923,250	$721,250	28.01%	$335,000	175.60%	$600,000	53.88%
Cathedral City	$473,000	$384,750	22.94%	$139,000	240.29%	$395,000	19.75%
La Quinta	$670,000	$590,000	13.56%	$245,000	173.47%	$682,020	-1.76%
Palm Desert	$585,000	$476,225	22.84%	$287,000	103.83%	$543,000	7.73%
City of Coachella	$345,000	$295,000	16.95%	$121,950	182.90%	$335,000	2.99%

Attached Homes

City	Aug-21	Year Ago	12 mo change	2011 Low	Gain off 2011 Low	2006 High	% from High
Indian Wells	$557,500	$372,000	49.87%	$321,500	73.41%	$557,500	0.00%
La Quinta	$515,000	$384,000	34.11%	$265,000	94.34%	$532,500	-3.29%
Rancho Mirage	$456,500	$348,000	31.18%	$260,000	75.58%	$510,000	-10.49%
Palm Desert	$395,000	$306,250	28.98%	$175,000	125.71%	$410,000	-3.66%
Palm Springs	$333,000	$270,000	23.33%	$150,000	122.00%	$350,000	-4.86%
Cathedral City	$255,000	$189,500	34.56%	$107,500	137.21%	$270,500	-5.73%
Indio	$198,000	$175,000	13.14%	$75,000	164.00%	$279,000	-29.03%
City of Coachella	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Desert Hot Springs	N/A	N/A	N/A	N/A	N/A	N/A	N/A

12 Month Change in City Median Prices

Four cities have year-over-year price increases in detached homes over 30% – Indian Wells, Rancho Mirage, Desert Hot Springs and Indio. All cities except Rancho Mirage and La Quinta have exceeded the all-time high price made in 2006. Three cities have price increases over 30% for their attached homes – Indian Wells, La Quinta and Rancho Mirage. For the first time in a while, we're seeing the largest price increases in higher priced homes.

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Detached, Attached and Total Sales

3 month moving average

Monthly Sales – 3-month trailing avg.

As the chart of three months sales clearly shows, sales have been slowing for the last three months. Some of this decline is seasonal in nature but some of it also represents a slow return to a more normal market. Total sales in August were only 3% above last August, which marked the start of last year's sales surge. We believe it's okay to see this as it's hard to imagine sustaining those high numbers.

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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 all seasonality, shows total sales in August averaging 1,110 units. This is 43% above the average a year ago. This increase appears to be equally distributed amongst detached and attached homes. As the chart shows, these high average numbers appear to be slowly rolling over and we expect the curves to continue to move down to more normal levels over the next year.

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Home Sales by City

The graph of sales by city clearly shows the overall sales slowdown throughout the region. Most cities now have sales averages close to year ago levels. Only Cathedral City, Desert Hot Springs, Bermuda Dunes and Palm Desert have sales marginally higher than last year.

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Home Sales by Price Range

When we look at sales by price bracket, we continue to find overall sales of homes under $400,000 considerably less than year ago levels due to lack of supply. The largest sales increases are homes priced between $400,000 and $700,000. There is also a 49% sales increase of homes priced over a million dollars which may reflect the demand from work from home buyers.

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Valley Housing Inventory

September 1st 2016 to September 1st 2021

Coachella Valley Total Inventory

On September 1st total inventory in the Valley was 836 units, which compares to 1,959 units a year ago. This lack of inventory continues to be the overall driver of Valley housing and we are somewhat surprised inventory did not begin to increase after the wide distribution of the COVID vaccine. We had fully expected new listings to dramatically increase as homeowners felt safer to present their homes to strangers. We're monitoring the situation for signs of its occurrence.

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Regional "Months of Sales" Ratio

The median value for the "months of sales" ratio throughout the Valley is 8/10 of a month, compared to 2.5 months a year ago. It's been hovering at these historically low levels for over seven months now. It is the very low level of this index, which measures supply and demand, that gives us the strong conviction that there is little risk to home prices at this time.

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"Months of Sales" by Price Range

This chart displays the "months of sales" ratios in different price brackets and then compares these ratios against year ago levels. It clearly shows that the historically low "months of sales" ratio in the Valley is found in all price brackets. It is especially low in the higher price brackets when current numbers are compared to historic norms in these brackets.

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"Months of Sales" by City

The condition of record low "month of sales" ratios is found in almost every Valley city. Only Cathedral City, Coachella and Desert Hot Springs have ratios comparable to year ago numbers. The largest declines compared to year ago ratios are in the cities of Palm Desert, La Quinta, Rancho Mirage and Indian Wells.

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Regional "Days in the Market"

The median value of "days in the market" for the entire region continues to decline. It is now at 25 days compared to 56 days a year ago. This is another metric that we believe points to a housing environment with little price risk. Prices may stop moving much higher, but we don't see them declining, at least not permanently. Prices may come back a little for seasonal reasons but should recover again at some point.

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"Days in the Market"

To get a little closer look at "days in the market" we've decided to add two charts that show the median value of this metric in each city for both detached and attached homes. The charts rank the cities left or right by the least number of days. Desert Hot Springs has the lowest number of days for detached homes at just two weeks followed by Palm Springs at 19 days. These cities also had the least number of days for attached homes.

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Reginal Price Discount

The median value for "Sale Price Discount from List" for detached homes in August was again 0.0%, which is the same discount it's had for the last six months. As we've explained, since so many homes are selling right at list price, the median value is exactly 0.0%. When we calculate the average discount of detached homes, which averages the price discount of every sale, the average is a premium of 1.8%, which means the average home is selling for 1.8% above list price.

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"Average Price Discounts"

To get a little closer look at "Price Discounts" we've decided to add two charts that show the average value of this metric in each city for both detached and attached homes. We use average value instead a median value to overcome the limitation of using the median value when there is a large quantity of discounts at exactly the number. A plus percent means homes are selling above list price, a negative percent means below. Almost every city, except Indian Wells, is currently selling detached homes above list price.

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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: All prices are the median value of sales over the last three months (except for Indian Wells, which is twelve months due to the small number of monthly sales). For example, the median price for SFR in the month of May will be the median value of all sales in March, April and May of SFRs. This longer time period reduces the amount of wide and meaningless variation that one gets taking only the last month's transactions and provides more reliable information.

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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