

# MARKET STUDY

no. 003



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**Sotheby's**  
INTERNATIONAL REALTY

HOMGROUP.COM

# SOUTHERN CALIFORNIA HOUSING MARKETS MIRROR DOW JONES INDUSTRIAL AVERAGE

The following is an analysis conducted by HÔM Sotheby's International Realty - comparing the Dow Jones Industrial Average (DJIA) and the median sale prices of homes in Coastal Orange County and the Desert markets.

## **Why did we conduct this analysis:**

HÔM SIR is trying to prove the corollary nature of parallel markets

## **Why did we select the DJIA:**

It represents the top equities in the United States and HÔM SIR represents the top residential real estate in the United States - with the greatest intrinsic value

## What does this mean for HÔM Sotheby's International Realty clients?

In recent years, the DJIA has risen tremendously and now, as it continues to push into record territory, can it be expected that median sale prices will too?

When purchasing homes, most buyers aim to fill a need – shelter (although the extent to which that need is met varies greatly, including the intrinsic value that different homes offer such as location, square footage, amenities, materials, and a myriad of other factors.) For many homeowners, it's not really until the point of listing that they truly consider the value of their homes as assets.

However, having data and market histories – like this analysis – available at the time of purchase can help buyers clarify their long-term expectations, while also helping sellers have a better sense of the value of their homes in the market.

## HÔM Sotheby's International Realty's Coastal Markets and the DJIA

Nearly all HÔM SIR's coastal luxury markets have recovered since the recession, indicating a strong and stable housing market, with several areas exceeding previous highs median sale prices.

As indicated in the accompanying graphs, the performance of home sales in HÔM SIR's coastal markets approximates the same pattern as the DJIA. The primary differences are the degree of decline and the recovery times. This means that HÔM SIR's coastal markets, while more resistant to sharp downturns, generally take longer than the DJIA to recover.

For example, looking at the graphs, all Newport Beach markets have demonstrated gradually increasing momentum since the recovery began in 2012, and are either experiencing a break-even recovery or record highs. Looking at the graphs comparing the DJIA and Corona del Mar, the data indicates that this community experienced gradual overall price increases, occasional minor downward corrections and sharp upward corrections. And Dana Point, which experienced some of the sharpest median sale price declines through the recession, is now achieving median sale prices that are the highest in more than a decade.

## HÔM Sotheby's International Realty's Desert Markets and the DJIA

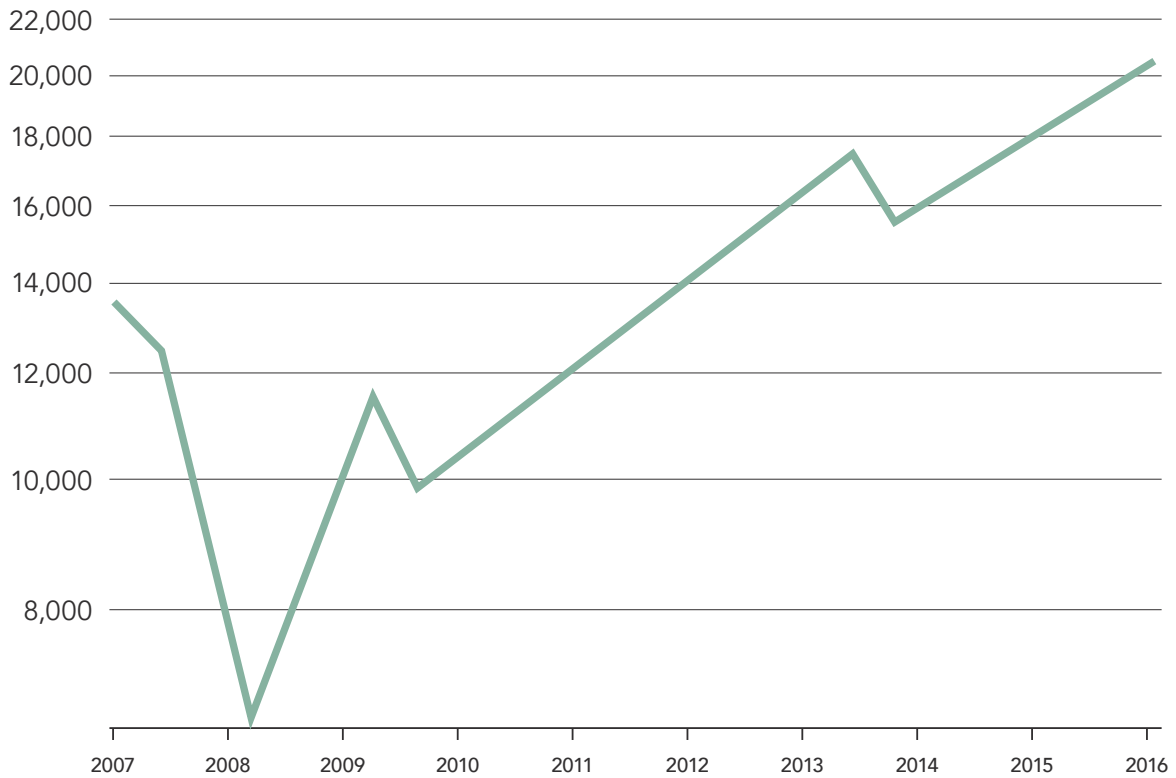
As for the desert markets, the rebound and rise of median sale prices tends to lag a bit behind the DJIA because many of the homes here are purchased as vacation properties and investment opportunities.

Most of these markets haven't yet achieved break-even points from just before the onset of the recession, and median sale prices are still lower, in large part because of higher inventories in several of these communities.

The primary exceptions are the Palm Springs markets, particularly South Palm Springs, which have done as well or better than some of the coastal communities. The other markets, including La Quinta, Cathedral City and Palm Desert, are experiencing gradual recoveries, albeit at a slower pace due primarily to available inventories.

Looking ahead, however, the forecast for the desert's luxury markets is optimistic. When stock markets do well, people tend to invest in vacation and investment properties, so it stands to reason that soon, the run-up experienced in the stock markets over the last several years (and possibly into the future) will drive increased pricing and purchases.

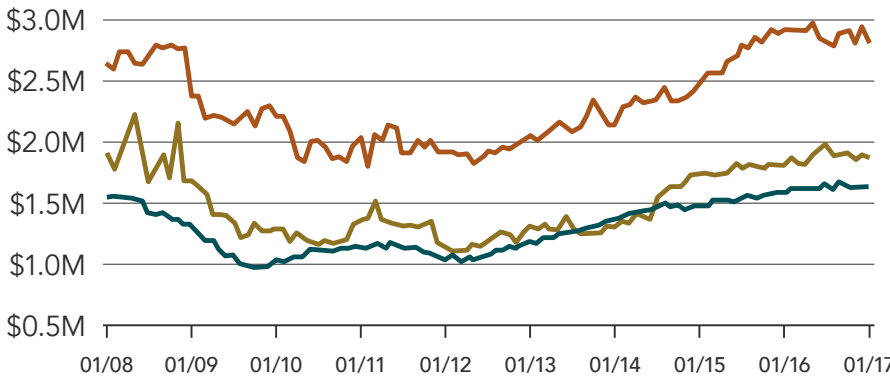
**THE DOW** +25.4% ANNUAL CHANGE



Sharp decline continuing to early 2009 with gradual upward motion. Break even across 10 year prices occurs in early 2012. Minor downward correction in Q1 2015 and again in Q2 2016, with record highs perpetuating from then on.

**NEWPORT BEACH MARKETS** +2.6% AVG. ANNUAL CHANGE

MEDIAN SALES PRICE



JANUARY 2017

**LOWER NEWPORT BAY  
BALBOA ISLAND**  
\$2,800,000 (-3.4%)

**NEWPORT BEACH**  
\$1,625,000 (+2.9%)

**WEST NEWPORT  
LIDO**  
\$1,861,901 (+3.1%)

All Newport Markets are either experiencing a break even recovery or record highs.

- Lower Newport Bay and Balboa Island are at historical highs, despite 3.4% median sales price annual decrease.
- West Newport/Lido have broken even in Q1 2016 and continue to show a gradual and healthy recovery, with median sales price exceeding that of the beginning of the decline.
- Newport Beach (city as a whole) also demonstrates record high median sales prices, with significantly less volatility due to data aggregation. All three markets demonstrate gradual upward momentum since recovery began in Q2 2012.

**LAGUNA BEACH MARKET** +6.5% ANNUAL CHANGE

MEDIAN SALES PRICE



JANUARY 2017

**LAGUNA BEACH**  
\$1,810,000 (+6.5%)

Strong recovery and growth loosely mirroring Dow recovery

- Market experienced 30% downturn during recession, sharper than any other market that has recovered in full
- Break even point met in early 2014 with almost constant median sales price increase thereafter.
- 10 year record highs reached this year at just over \$1.8m and one year increase of 6.5%

**NEWPORT COAST MARKET** -4.6% ANNUAL CHANGE

MEDIAN SALES PRICE



JANUARY 2017

**NEWPORT COAST**  
\$2,002,500 (-4.6%)

Pricing volatility capping off a steady but complete recovery period.

- Historically high median sales price from Q2 2013 onward
- Following the decline, the Newport Coast market as a whole experienced substantial increases to median sale prices from 2016 to 2017. We expect this to continue to increase to record highs.
- Gradual recovery, marked by decreases in median sales price one year change.

**CRYSTAL COVE MARKET** +8.5% ANNUAL CHANGE

MEDIAN SALES PRICE



JANUARY 2017

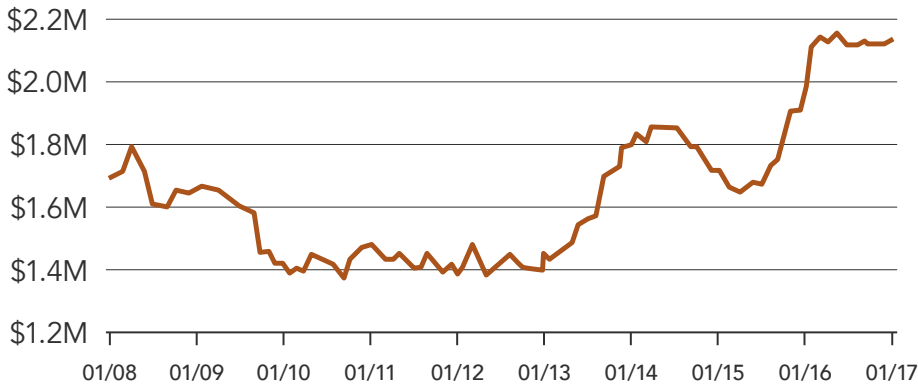
**CRYSTAL COVE**  
\$5,100,000 (+8.5%)

Tremendous and fast recovery, capped off with record high median sales price

- Market broke even at \$4,700,000 in early 2015
- Minor downward correction in Q3 2016 with a quick recovery in Q1 2017
- 2017 upward recovery pushes prices up 8.5% to a new high over \$5,000,000

**CORONA DEL MAR MARKET** +8.1% ANNUAL CHANGE

MEDIAN SALES PRICE



JANUARY 2017

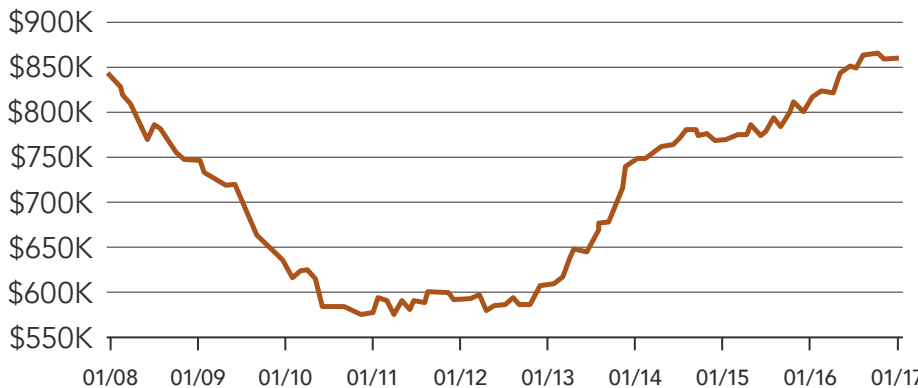
**CORONA DEL MAR  
SPYGLASS**  
\$2,135,000 (+8.1%)

Gradual price increase marked with minor downward corrections and sharp upward correction.

- Gradual decline began in early 2008, bottoming out at \$1.4m in Q1 2010 and remaining consistent until gradual increase in Q2 2013.
- This continues until break even point in Q2 2014 before gradual decline and recovery in Q3 2015.
- Median sales prices reached historical highs in Q1 2016 at \$2,150,000 and have remained constant one year change.

**DANA POINT MARKET** +5.5% ANNUAL CHANGE

MEDIAN SALES PRICE



JANUARY 2017

**DANA POINT**  
\$860,000 (+5.5%)

Steady recovery with breakthrough velocity causing record highs

- Gradual decline from Q1 2008 until market bottomed out with median sales price below \$600,000 in Q2 2010 and continuing until gradual increase beginning in Q4 2012.
- Break even point occurs in Q1 2016 with record highs of median sales price above \$850k for the first time in over 10 years.



**COTO DE CAZA MARKET** +5.1% ANNUAL CHANGE

MEDIAN SALES PRICE



JANUARY 2017

**COTO DE CAZA**  
\$1,135,000 (+5.1%)

Slow and volatile recovery in anticipation of break even pricing

- Sharp decline begins in Q2 2008 and continues until first bottom-out period beginning in Q1 2010, dropping median sales prices below \$1,000,000 in Q2 2009.
- A second and short lived decline begin in Q1 2012 and resurfaced in Q1 2013, at which point prices increased steadily to date.
- Break even point of \$1,200,000 has not yet been reached.

**SAN CLEMENTE MARKET** +6.4% ANNUAL CHANGE

MEDIAN SALES PRICE



JANUARY 2017

**SAN CLEMENTE**  
\$1,462,500 (+6.4%)

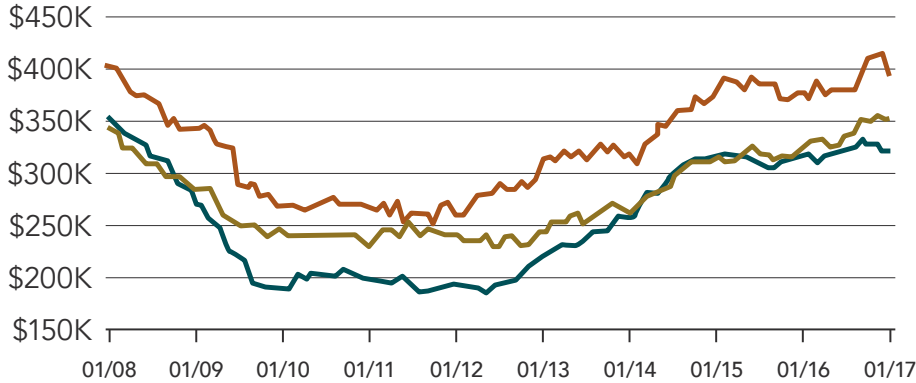
San Clemente's housing market decline was incredibly sudden, which most closely mirrors the DJIA decline that happened at precisely the same time. San Clemente actually experienced a "two part" recovery, first occurring between 2012-2013 and yet again in 2015-2017.

San Clemente proves itself as a strong market with current prices roughly 20% higher than before the crash. Home sellers in this market are at a distinct advantage and are recommended to act on the market while it remains

- Closely follows Dow.
- Sharp, uncharacteristic increase in Q2 2013.
- Apart from 2013 acceleration, market appears to increase at constant scale from 2012 onward to 2017.

**PALM SPRINGS MARKETS** +5% AVG. ANNUAL CHANGE

MEDIAN SALES PRICE



JANUARY 2017

**NORTH END –  
PALM SPRINGS**  
\$321,250 (+2.0%)

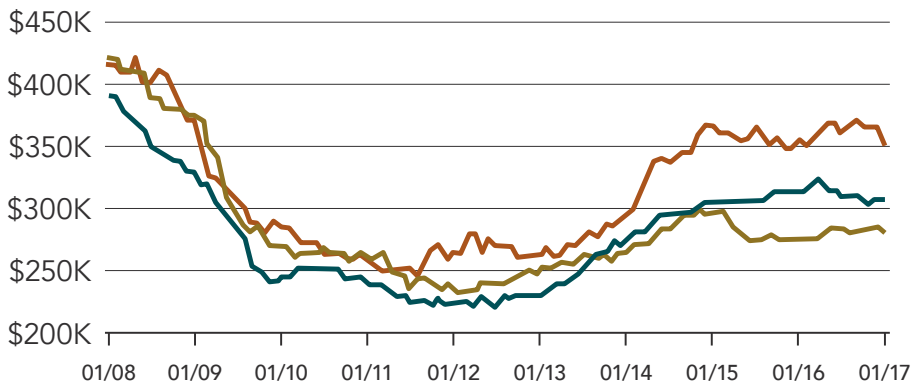
**CENTRAL PALM –  
SPRINGS**  
\$394,000 (+4.9%)

**SOUTH END –  
PALM SPRINGS**  
\$350,000 (+8.0%)

Palm Springs Proper is the only market in the Desert that has experienced robust recoveries. Of note, South Palm Springs is experiencing high median sales price increases of 8% one year change, higher than the entire Desert and, in fact, even some coastal markets.

**PALM DESERT MARKETS** -0.7% AVG. ANNUAL CHANGE

MEDIAN SALES PRICE



JANUARY 2017

**NORTH END –  
PALM DESERT**  
\$305,000 (-2.3%)

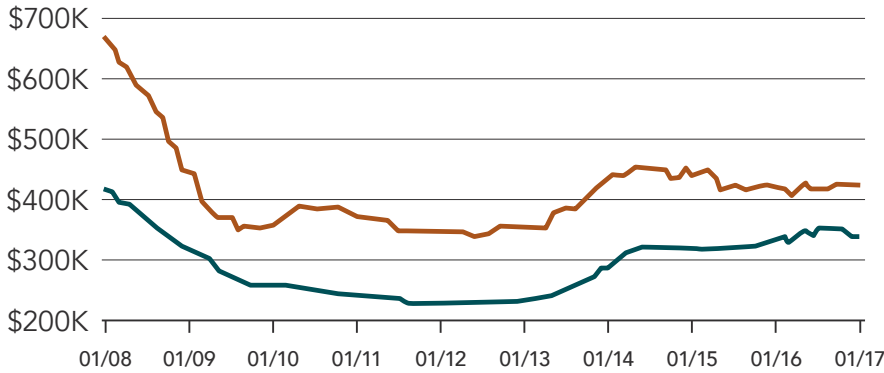
**SOUTH END –  
PALM DESERT**  
\$350,000 (-1.1%)

**EAST PALM DESERT**  
\$280,000 (+1.4%)

Palm Desert markets are experiencing a recovery, though not yet to break even status. In fact, a few markets are experiencing lower prices one year change, largely due to excessive inventory.

**LA QUINTA MARKETS** +1.8% AVG. ANNUAL CHANGE

MEDIAN SALES PRICE



JANUARY 2017

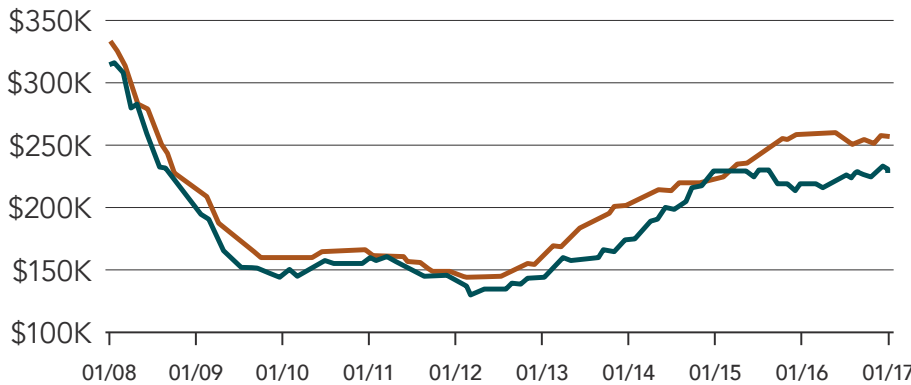
LA QUINTA – SOUTH OF HIGHWAY 111  
\$425,000 (+1.2%)

LA QUINTA – NORTH OF HIGHWAY 111 INDIAN SPRINGS  
\$340,000 (+2.3%)

La Quinta has yet to demonstrate significant recovery, but evidence of a gradual price increase can be observed, especially north of HWY 111. Both La Quinta markets are higher than they were this time last year, but not significantly so (>3%).

**CATHEDRAL CITY MARKETS** +1.9% AVG. ANNUAL CHANGE

MEDIAN SALES PRICE



JANUARY 2017

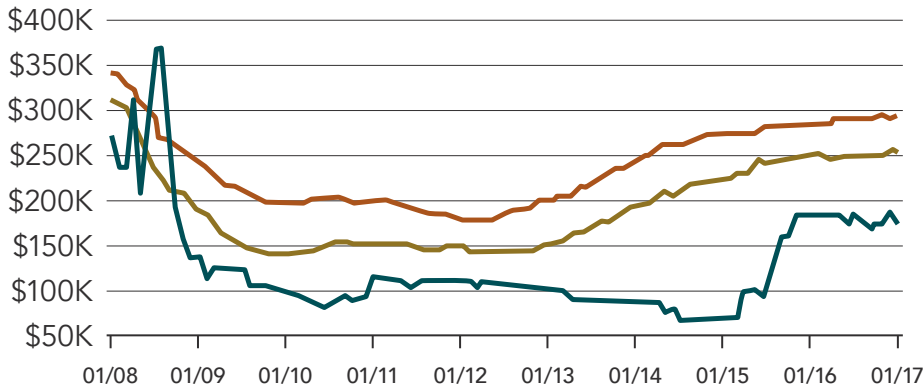
CATHEDRAL CITY NORTH  
\$257,000 (-1.1%)

CATHEDRAL CITY SOUTH  
\$230,000 (+4.8%)

While not yet at break-even, Cathedral City is showing evidence of a gradual but consistent recovery, bookended by a minor one year change decrease in prices in the Northern markets and a significant one year increase in the Southern markets.

**INDIO MARKETS** -0.6% AVG. ANNUAL CHANGE

MEDIAN SALES PRICE



JANUARY 2017

**INDIO HILLS**  
\$175,000 (-5.4%)

**INDIO – NORTH OF EAST VALLEY**  
\$295,000 (+3.0%)

**INDIO – NORTH OF EAST VALLEY**  
\$253,000 (+1.2%)

A consistently fascinating market, Indio demonstrates two distinct movement patterns. Indio proper, as delineated between North and South (92203 and 92201 respectively), is showing evidence of a gradual recover. Indio Hills, a separately designated area at the far north end of Indio, experiences step-stone volatility marked by a sharp recovery beginning in early 2015.

**INDIAN WELLS MARKET** +12.3% ANNUAL CHANGE

MEDIAN SALES PRICE



JANUARY 2017

**INDIAN WELLS**  
\$632,500 (+12.3%)

- Sharp decline in median sales price with “bottom out” period between 2010 and 2012.
- Stepwise increase in median sales price from 2012 to 2016.
- Showing strongest signs of recovery with huge 12.3% annual growth.