

## Market Insights – May 2020

What a difference a month can make!

As I write this on April 3<sup>rd</sup> the world is full of news on the coronavirus, most of it not reassuring. In just a few weeks, it has caused shocks all over the world, many of them tragic and hard to believe. Time will tell the extent of the damage. In the meantime, we fervently hope everyone in Desert Mountain and their families are safe so far, remain safe, and come out of this on the other side healthy and better individuals for having gone through the experience.

When everyone’s physical health is literally on the line, talk of real estate activities shrinks in importance. However, Desert Mountain’s real estate market directly impacts to one degree or another the financial and mental health of all of us who live or own property in Desert Mountain, much less those real estate professionals among us who are being impacted. We in The Davis Driver Group are profoundly grateful for the business success many of you readers have made possible for us over the years, especially over the last year and a half, a period of unprecedented success for us. We are especially grateful for having had some business “in the hopper” as of March 11, when things started to slow down around here, as well as having a few transactions to work on in a current time frame. Good luck to us and our fellow real estate practitioners as we head into a period of likely increasing uncertainty.

The good news is that there are a few patches of “blue sky” around. We don’t know how long they will take to get overhead, much less grow into bigger patches than they are now, but things are not all doom and gloom around Desert Mountain’s real estate market, and we thought our readers might like to know what these “favorable factors” are. Before touching on them, let’s take a quick look at where we are today by looking at the pace of recent business in Desert Mountain’s real estate market by checking our “Market Velocity Report” (reviewable all the time on the Home Page of our main website, [www.propertiesofdesertmountain.com](http://www.propertiesofdesertmountain.com)). It tallies up the number of escrows on homesites and homes as they are opened up, giving a sense of the “mood” of the market. Here’s what it shows for homes as of today:

Homes	2016	2017	2018	2019	2019 vs. Avg. for Last Three Years	2020 (YTD)	2020 vs. Avg. for Last Three Years	2020 vs. Last Year/vs. Last Year YTD
Total No. of Homes:	<a href="#">119</a>	<a href="#">133</a>	<a href="#">147</a>	<a href="#">168</a>	126%	<a href="#">59</a>	40%	35%/155%
January	<a href="#">10</a>	<a href="#">12</a>	<a href="#">14</a>	<a href="#">9</a>	75%	<a href="#">16</a>	137%	178%
February	<a href="#">15</a>	<a href="#">10</a>	<a href="#">16</a>	<a href="#">9</a>	66%	<a href="#">24</a>	206%	267%
March	<a href="#">7</a>	<a href="#">15</a>	<a href="#">17</a>	<a href="#">16</a>	123%	<a href="#">18</a>	113%	113%
April	<a href="#">19</a>	<a href="#">21</a>	<a href="#">19</a>	<a href="#">35</a>	178%	<a href="#">1</a>	4%	3%

At a glance, March was competitive with the last four years, but it was due to getting off to that “white hot” start we talked about here last month, with fifteen going under escrow on or before

March 13<sup>th</sup>. Having only four go under contract during March 14 through April 2 compares to 13 in 2019, 11 in 2018, and 19 in 2017. So, home purchase contracts for these last twenty days are down about 72% compared to an average of the last four years. Not wonderful, but understandable under the circumstances.

So, what about those “favorable factors?”

1. From January 1 through March 13, demand was skyrocketing with 55 home escrows; last year there were 25; in 2018 there were 38.
2. The reasons for that demand are many and varied, but I can’t think of many that are being weakened by what is going on in the world:
  - a. Anecdotally, eight of ten open house visitors this season were from California; the reasons most often cited by these visitors as to why they want to get out of California (taxes, social problems, disagreement with social policies, congestion, etc.) are not going away; if anything, they are getting magnified by the current crisis.
  - b. Interest rates are ridiculously low; most buyers with whom we work either pay cash, or borrow to preserve cash, not because they need the loan; it will likely be a long time before interest rates rise to an unfavorable point.
  - c. The stock market decline will no doubt remove the capacity for many buyers to buy a second home comfortably in the next several months, or perhaps longer. However, many of the prospects who have been shopping for real estate in Desert Mountain, or would have been over the last three weeks had travel and personal health risks not suddenly become big barriers to getting to Desert Mountain to look at property, have been looking for *primary* homes. And, they have sufficient financial resources (as well as perhaps increased motivation!) to make an investment in Desert Mountain as soon as they are able without worrying about what the stock market has been doing. (After all my twenty-eight years of selling here, and having to fight the perception that Desert Mountain is “too far away”, people may now think that our location is a health safety feature). When “stay at home” restrictions are eased, we believe we’ll start seeing this crowd return, and that their numbers will be equal to, if not greater than, what we were seeing this year up until March 13<sup>th</sup>. The number of second home buyers will probably decline for a while, at least due to their overall confidence level taking a dip, if not actually losing the capacity to buy. However, the stock market tends to bounce back quickly after swift declines. If it follows form, we should see the numbers of second home buyers start to rise in concert with the stock market.

- d. Desert Mountain is still, well, Desert Mountain, at the top of its game in the opinion of many, and doesn't look like it is going to become an unattractive option for prospects anytime soon. As noted, it may actually look better as a result of the corona virus problems.
- e. Inventory levels at Desert Mountain are at historic lows; by our count (not guaranteed to be 100% accurate, but close), there are 1,749 used (not new) homes in Desert Mountain; of these, only 107 were on the market as of April 3<sup>rd</sup>, or 6.1% of the relevant inventory. Ten percent is considered "normal". It will be interesting to see how many current owners start putting their homes on the market to position themselves, perhaps sooner than they may have anticipated not long ago, for the next phase of their lives and to take advantage of a lack of competition. And, if inventories stay low, it will be interesting to see if buyers go ahead and take the plunge on homes that might not make their final selection list if there was more to choose from.
- f. Speaking about adding to the supply of homes, you might be curious about how many new, private party spec homes there are in the pipeline. Of the 107 homes that are for sale today, 28 of them are specs; however, 15 of those 28 have not even been started. Another 13 are under construction, but only 3 are completed.

In conclusion, since our market is suffering from externally generated shocks (unlike 2007-2008), we believe that while it might take some time to "get back to normal", that it won't be an unduly long time. And, when things recover, the amount of pent-up demand will likely be explosive for our market.

The Davis Driver Group prides itself on having the best possible market information for the benefit of both our listing and buying clients. Our RCD9 System, in which we have invested well over \$1,000,000 over the twenty-eight years plus that Davis Driver has been working in the real estate market in Desert Mountain, provides substantially more, and more useful, information than the Multiple Listing Service can provide, which means we save time and money for our clients. We invite your further inquiry! You can reach Davis Driver at 602 399 0116, or at [Davis@DavisDriver.com](mailto:Davis@DavisDriver.com).