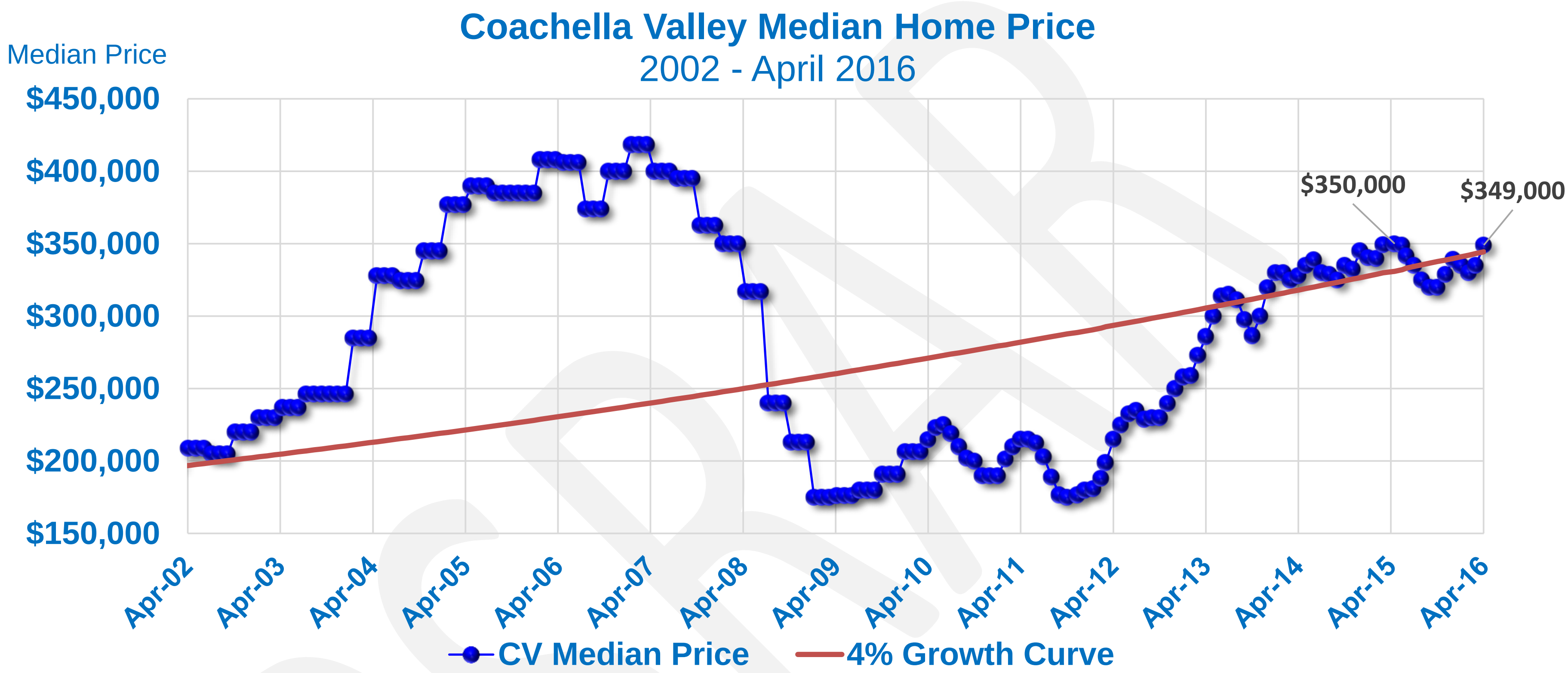
The *Market Watch* Monthly Housing Report

April 2016

Prepared for the Members of PSRAR as a Member benefit



Summary

We alternate every month, showing price returns for the Valley and each city as either the median price per sq. ft. or the median price. This month all prices listed will be the median price.

In April the median price throughout the Valley was effectively unchanged from a year ago. However, a much more positive picture is painted by the changes in the median prices of the nine major cities. The year over year change in the median price of each of the nine major cities in the Valley shows a gain, the first time this positive situation has occurred in a little over a year. The year over year gains range as high as 17% for the City of Coachella to 2% for Indian Wells. Average monthly sales over the last twelve months is almost identical to last April – 688 units versus 691 last year. In fact long term sales have been running at about 690 units a month for almost the last two years. As measured on May 1st the inventory in the Valley had the largest decline in the month of April since 2012. On April 1st, the "months of sales" ratio declined to 8.0 months, which is 8/10s of a month higher compared to a year earlier.

PSRAR – 760-320-6885

Source data - MLS.COM

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12 month change in city median prices

	Apr-16	Year Ago	12 Month Change	2011 Low	Gain off Low	2006 High	% from High
City of Coachella	**$231,244**	$196,500	**17.7%**	$121,950	89.6%	$335,000	-31.0%
Rancho Mirage	**$700,000**	$605,000	**15.7%**	$423,000	65.5%	$950,000	-26.3%
Palm Springs	**$575,000**	$500,000	**15.0%**	$335,000	71.6%	$600,000	-4.2%
Desert Hot Springs	**$159,500**	$144,900	**10.1%**	$85,000	87.6%	$295,000	-45.9%
Cathedral City	**$275,000**	$250,000	**10.0%**	$139,000	97.8%	$395,000	-30.4%
La Quinta	**$469,000**	$437,500	**7.2%**	$245,000	91.4%	$682,020	-31.2%
Palm Desert	**$375,000**	$355,250	**5.6%**	$287,000	30.7%	$543,000	-30.9%
Indio	**$280,000**	$273,000	**2.6%**	$158,500	76.7%	$380,500	-26.4%
Indian Wells	**$795,000**	$780,000	**1.9%**	$540,000	47.2%	$1,205,000	-34.0%

Changes in City Median Prices

As of the end of April, the year over year change in the median price of each of the nine major cities in the Valley shows a gain, the first time this positive situation has occurred in a little over a year. The year over year gains range as high as 17% for the City of Coachella to 2% for Indian Wells. Most cities are still about 30% away from their 2006, all-time highs except for Palm Springs, which is now only 4.2% shy of its high. This is confirmed by the city's other price metric – median price per sq. ft. – which at $294 is also 4.0% from its previous high. All show considerable gains off their price lows which were generally made sometime in late 2011. Six of the cities had higher April median prices compared to March, two were unchanged and only one, Rancho Mirage, was slightly lower.

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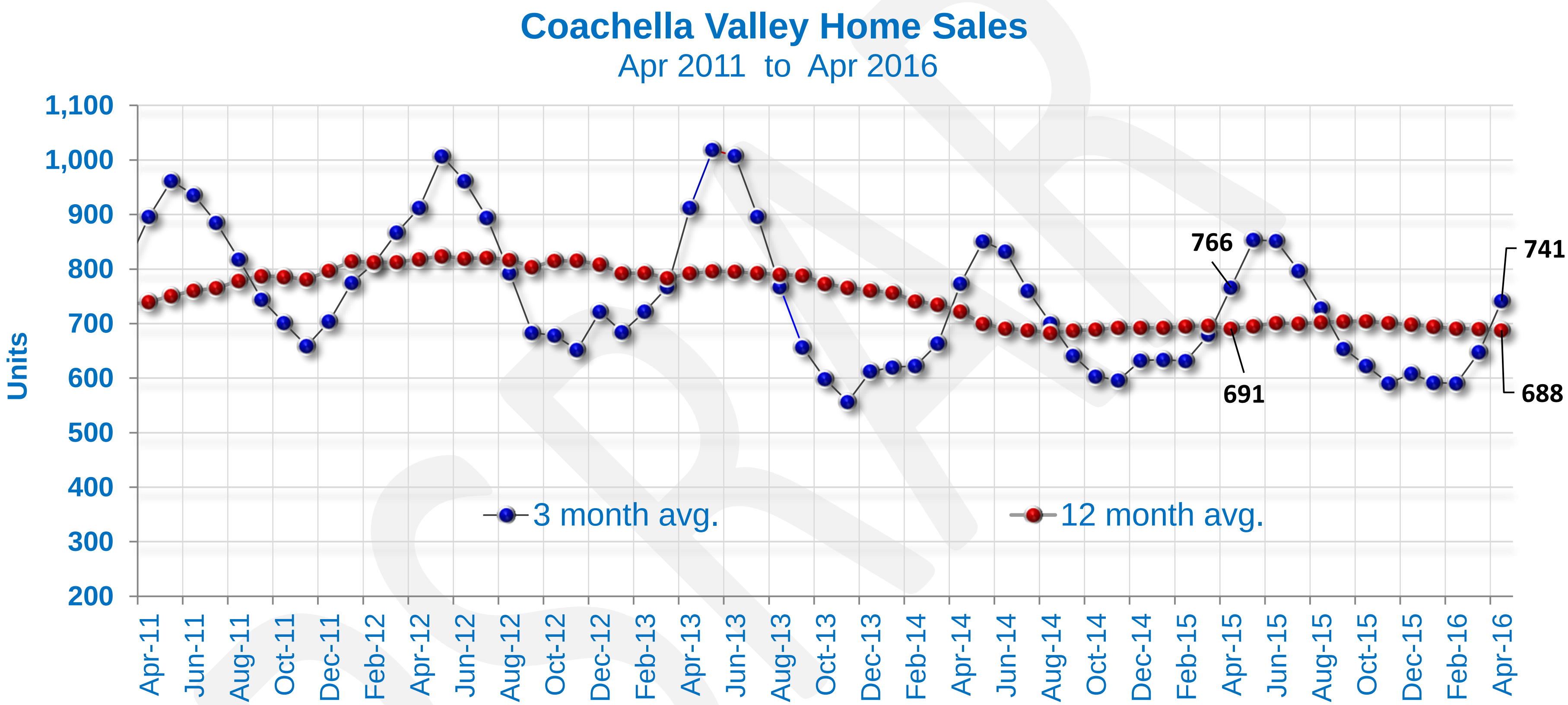

Monthly Sales

Average monthly sales over the last twelve months is almost identical to last April – 688 units versus 691 last year. In fact long term sales have been running at about 690 units a month for almost the last two years. The three month average of sales, which shows the very strong seasonal sales pattern in the Valley, is rising strongly as it always does in April and May. Average sales over the last three months is 741 units compared to 766 last April, which is 3% less.

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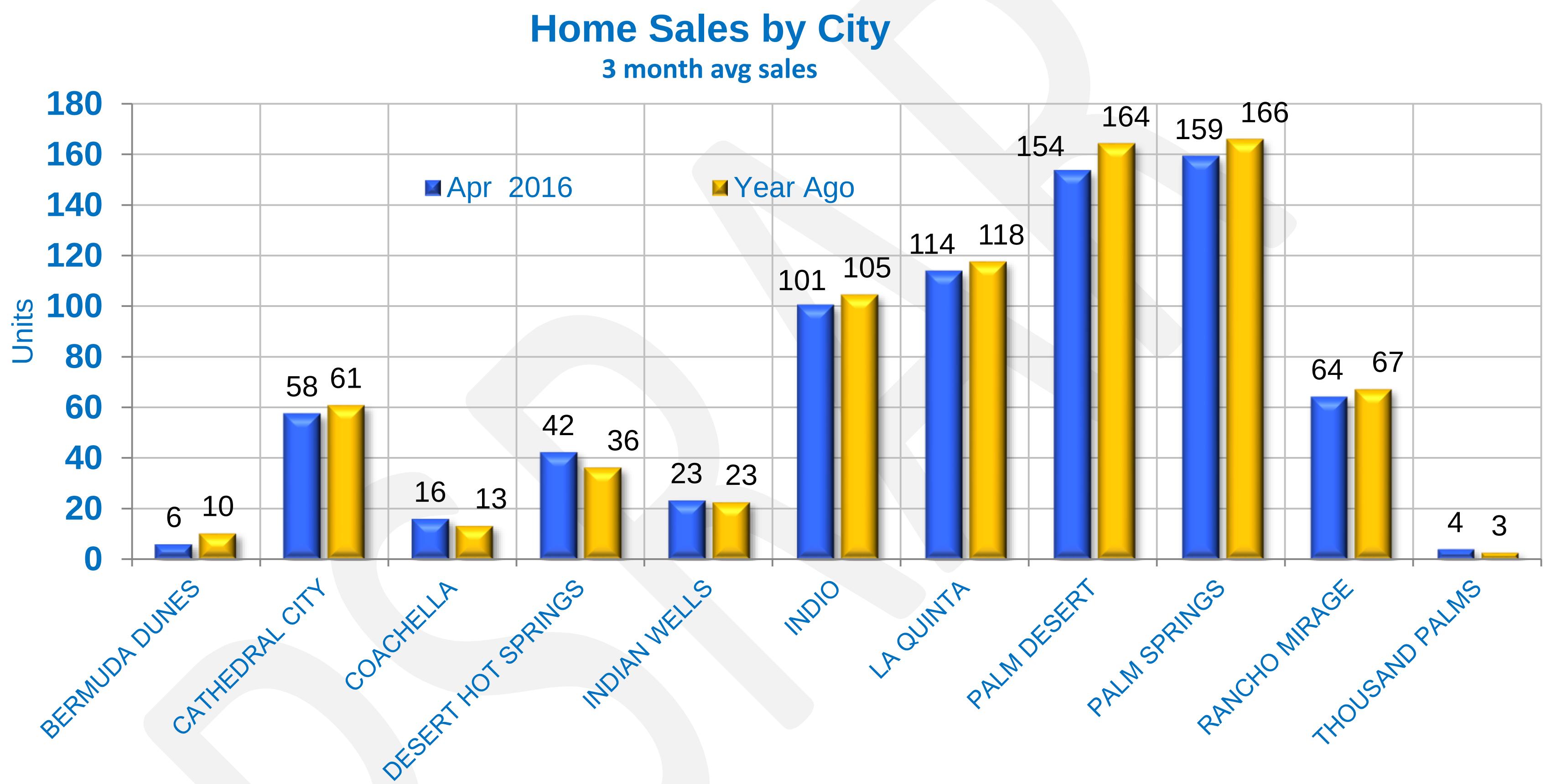

Home Sales per Month by City

The Valley's small 3% sales decline over the last three months appears to be somewhat evenly distributed over the six cities with the highest sales rates in the Valley. Cathedral City, Indio, La Quinta, Palm Desert, Rancho Mirage and Palm Springs all have slightly lower three month sales than one year ago. What is surprising is the small decline in sales in Palm Springs after the very large and continuing price gains over the last four to five years. Normally, the supply and demand equation sees a measurable decline in demand after such a price increase but we are not yet seeing any signs of that in Palm Springs.

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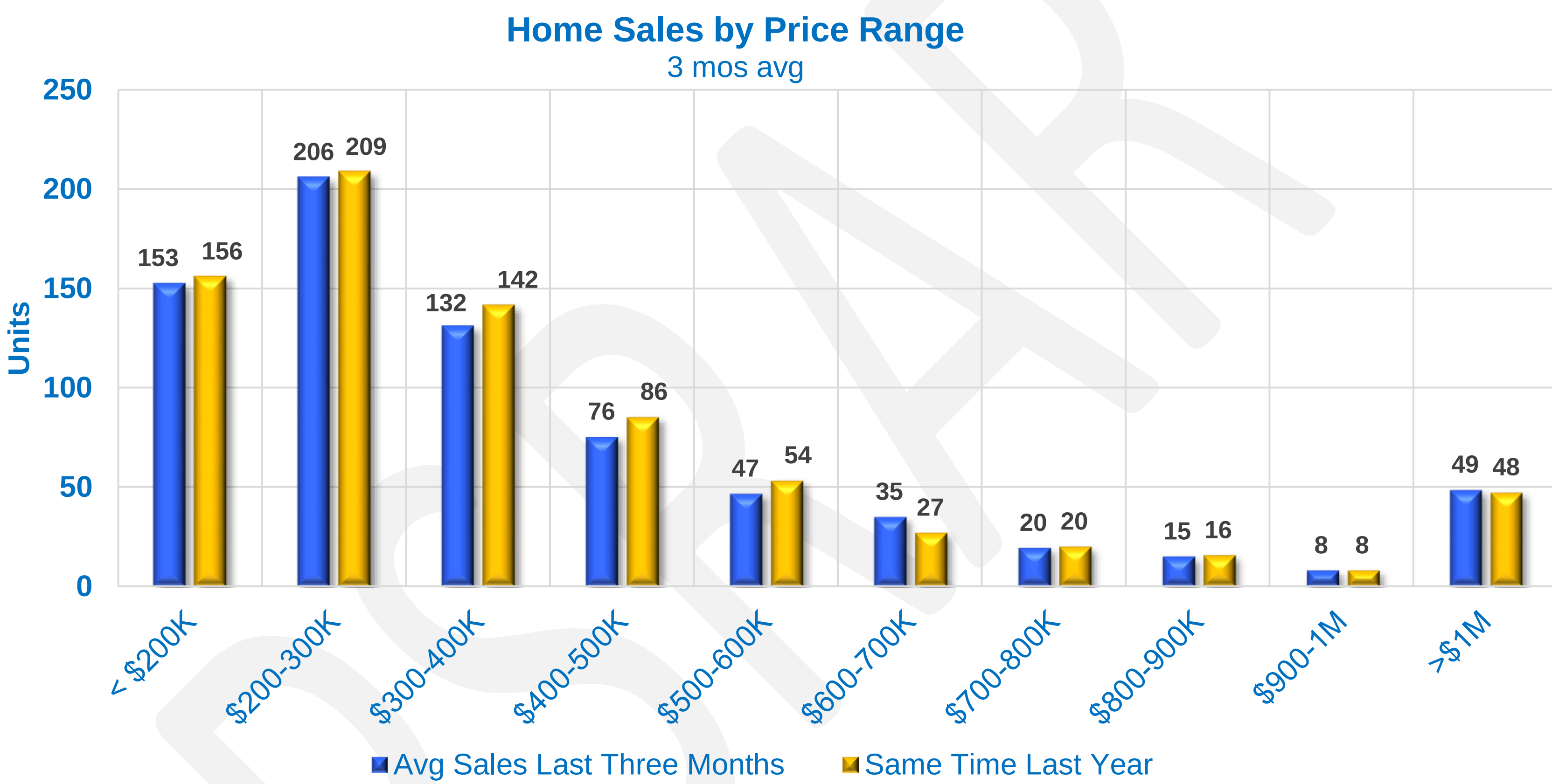

Home Sales by Price Range

When we calculate sales levels in the various price bracket we see slightly lower three months sales (a few percent) when compared to a year ago, except in the price brackets from $300k to $600k. In those price brackets sales are lower by 7% to 12% from a year ago. Sales of homes priced under $300k are effectively the same as one year ago while sales of homes priced over $600k are the same to slightly higher.

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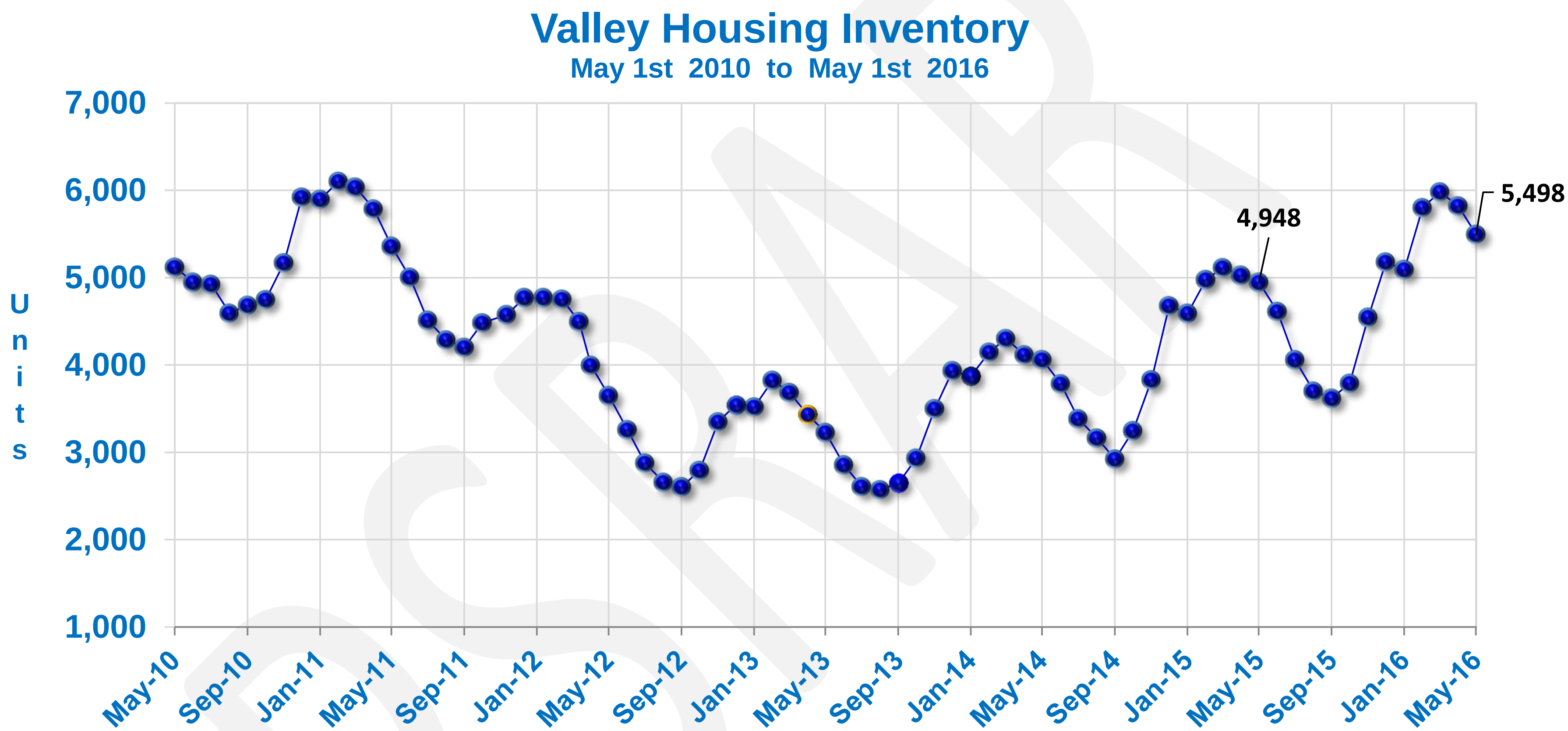

Coachella Valley Listed Inventory.

As measured on May 1st the inventory in the Valley had the largest decline in the month of April since 2012. This shows up when we compare year over year differences in inventory. On April 1st of last month inventory was 5,820 which was 800 units above one year earlier. One month later, on May 1st, the inventory is 5,498 units, which is only 550 more than a year earlier. This is a measureable improvement.

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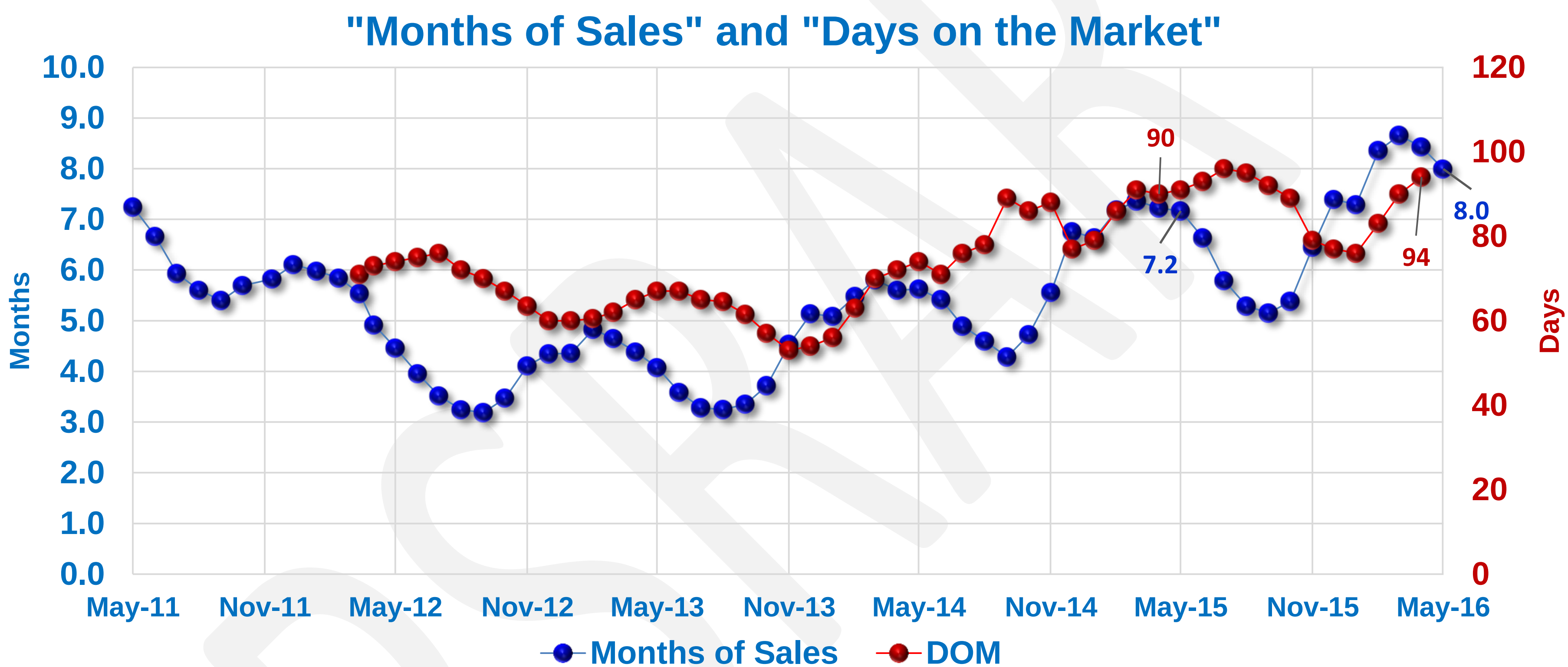

"Months of Sales" and "Days on the Market"

When we measure inventory by the more meaningful "months of sales" ratio, we see a similar conclusion. Last month had a ratio of 8.4 months, which was 1.2 months higher compared to 7.2 months a year earlier. However, just one month later, on April 1st, the ratio declined to 8.0 months, which is 8/10s of a month compared to a year earlier. Granted a ratio of 8.0 months is considered by most to be a little too high for a strong, healthy market; it is an improvement. However, May 1st is also the start of the yearly trend of declining ratios as we enter summer, which usually reach lows in August or September. It will be important to see where the ratios are at that time. DOM in April was 94 days, which just four days higher than a year ago.

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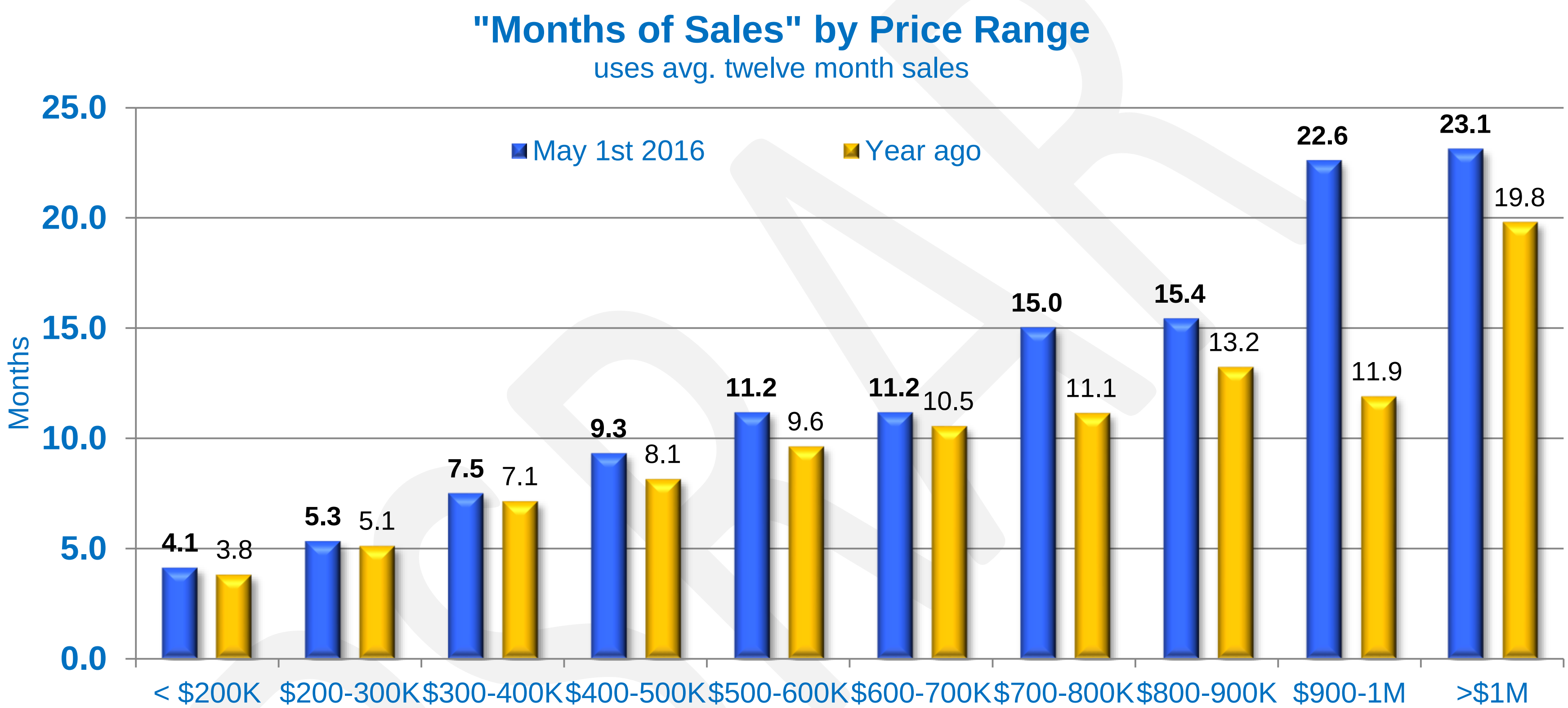

"Months of Sales" by Price Range

When we calculate "months of sales" at various price ranges we see the very consistent pattern of higher ratios with higher home prices. This stems from the well-known fact that it almost always takes longer to sell more expensive homes than it does less expensive ones. There are fewer homebuyers at the higher price brackets so sales simply take longer. When we compare current ratios against last year, there aren't significant differences until we get to homes priced above $700k. Then the ratios become quite a bit higher. In the $700k to $800k bracket, the ratio is about 35% higher, while $900k to $1M is almost 100% higher. The average increase for homes priced over $1M is 20%

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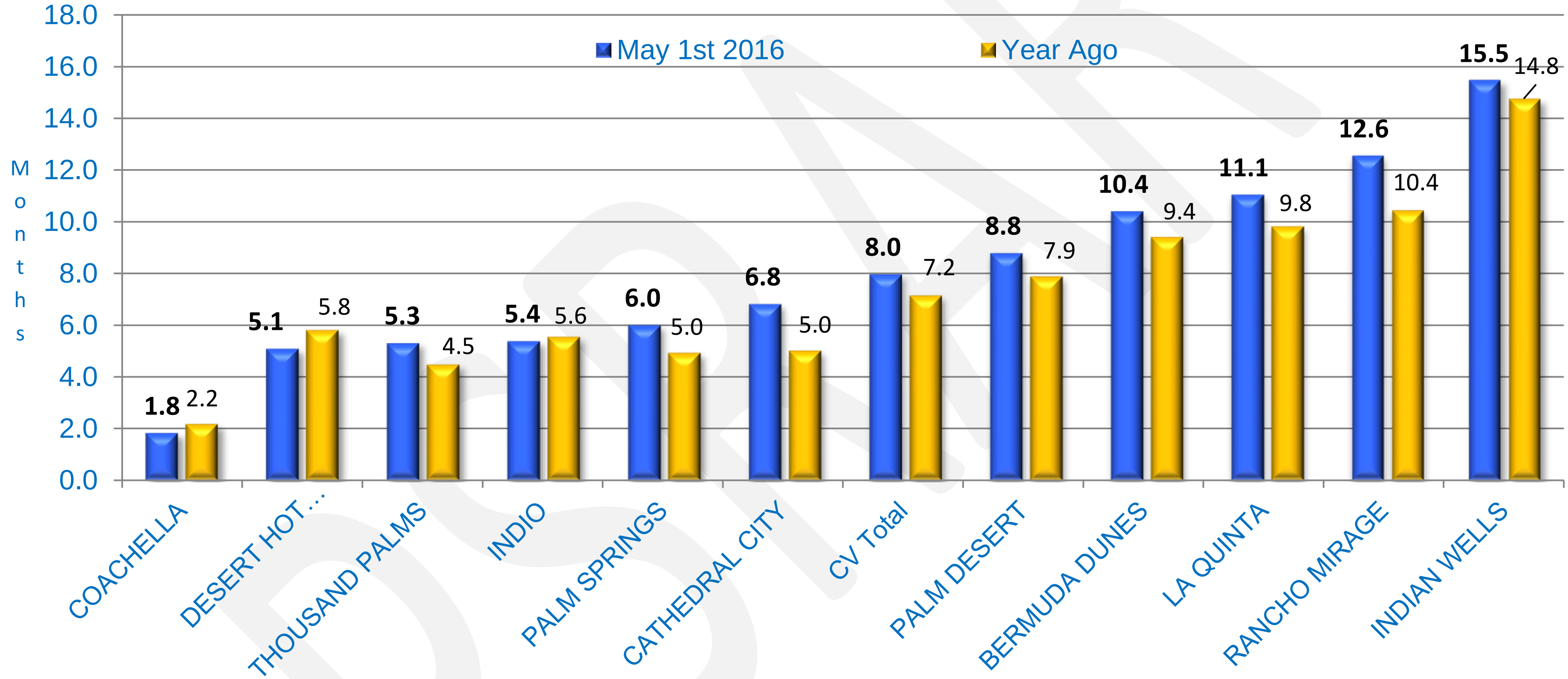

"Months of Sales" by City

When we calculate "months of sales" for each city, we get the same pattern of higher ratios for higher priced homes, just expressed in a different way. The Cities with generally lower priced homes show smaller monthly ratios while cities with higher priced homes just the opposite. The one city that is the obvious exception is Palm Springs. While it is the third highest priced city when measured by median price, its months of sales at six months is right between the two lower priced cities of Indio and Cathedral City.

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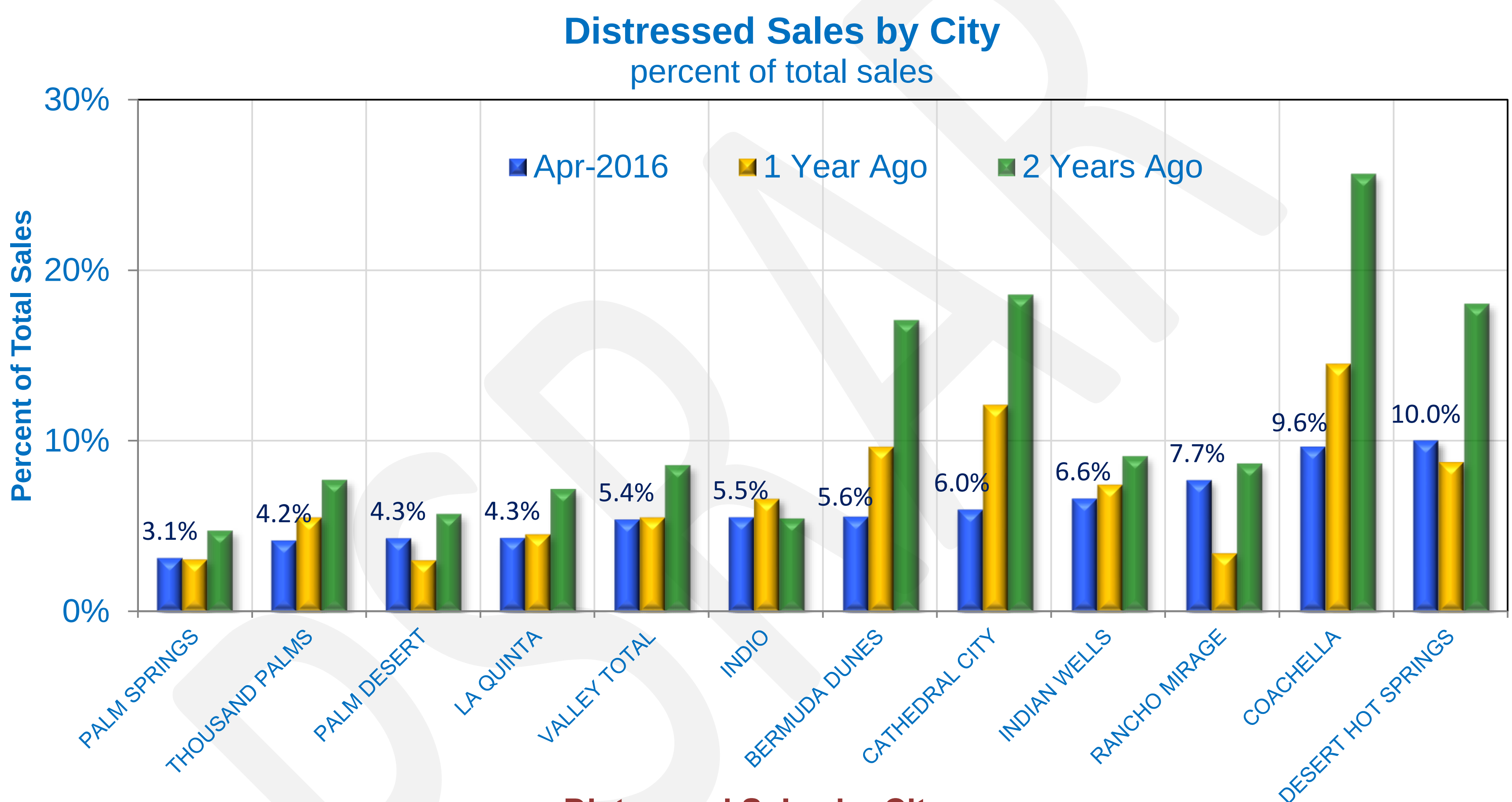

Distressed Sales by City

Distressed sales (REO and short sales) continue to average around 5% a month for the whole Valley, which is almost the same as it was a year ago and just a little below the 8% reading two years ago. The graph for the City of Coachella shows two important facts. For one, it shows that Coachella City, along with Desert Hot Springs and Cathedral City, took longer to exit from the distressed market than the other major cities. The second is that this has helped propel the median price gains in this city for the last year.

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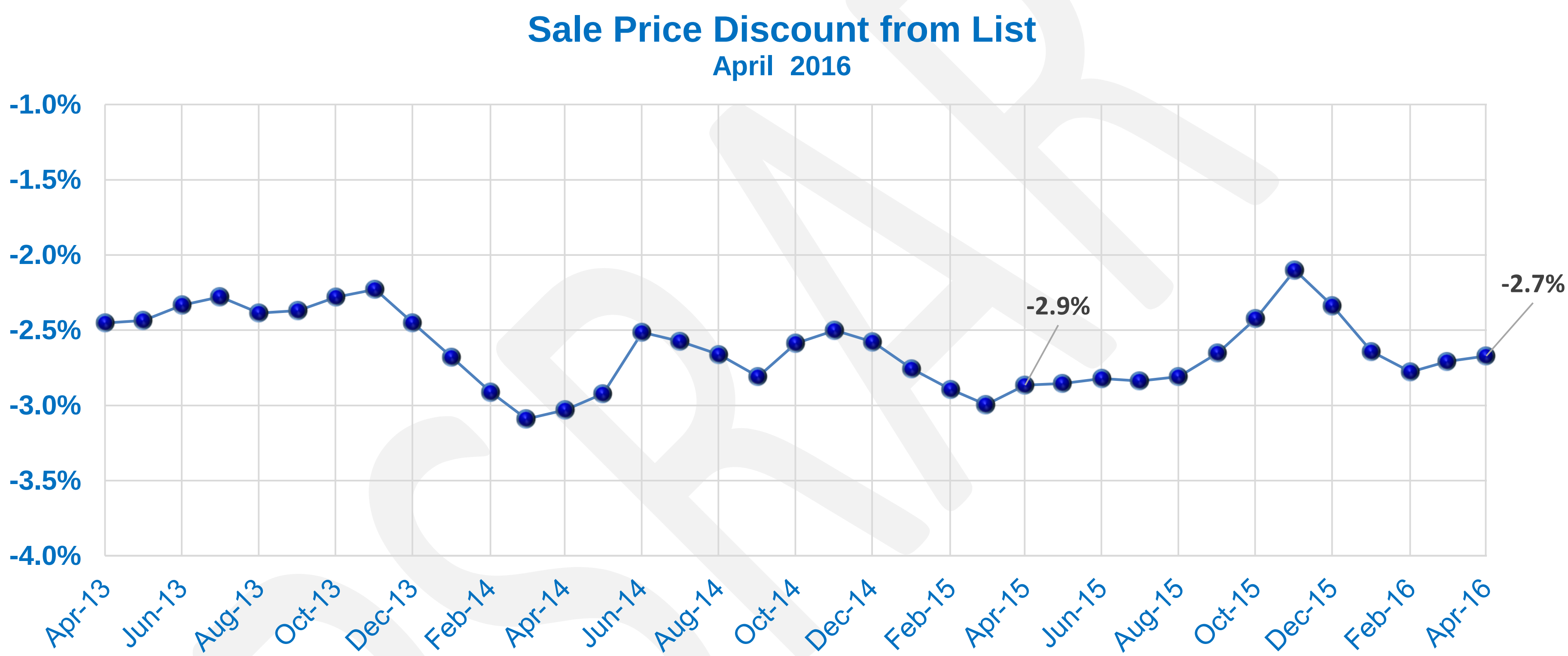
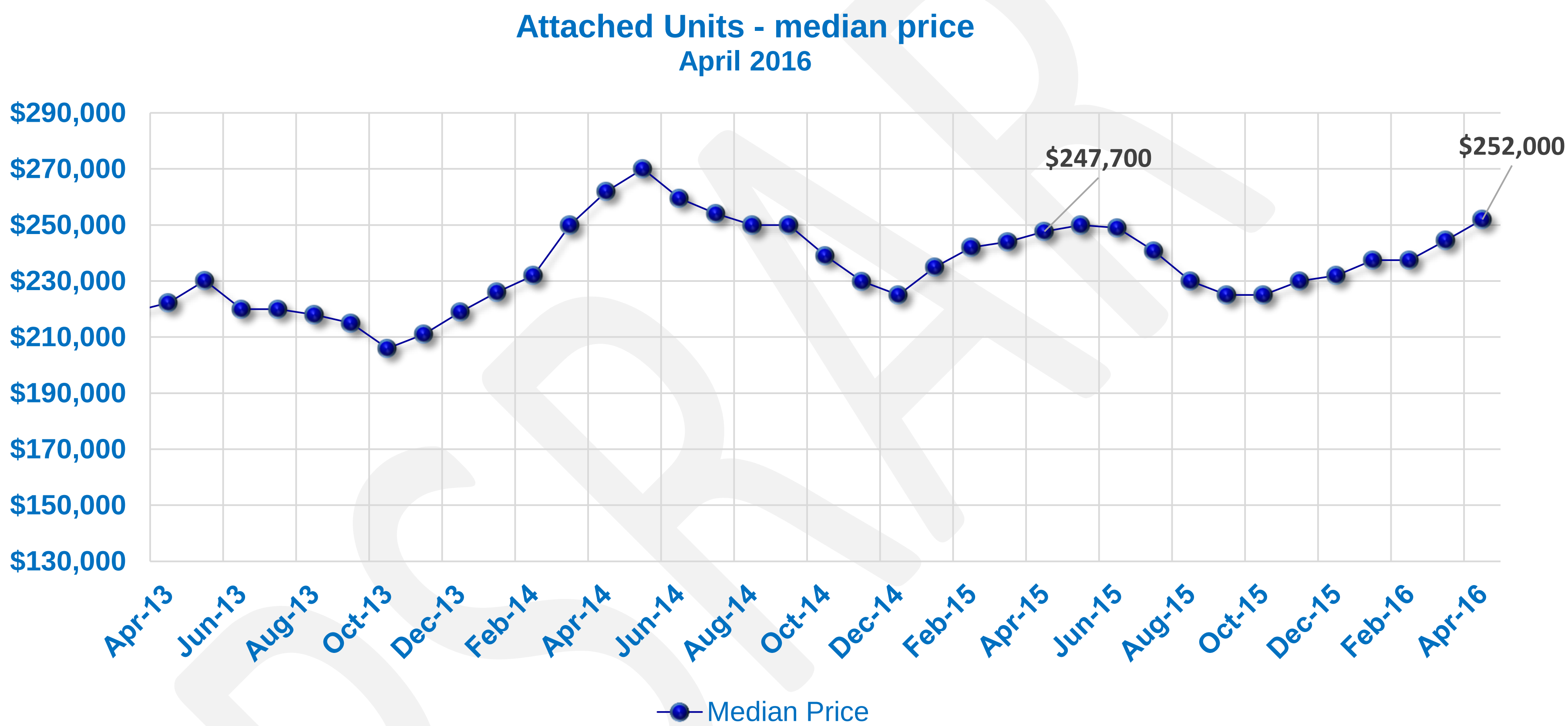


Sale Price Discount from List

The "Sale Price Discount from List" is the median value over the last three months of the percent difference between the sale price and the asking list price on all transactions. The latest "Sale Price Discount from List" is at 2.7%. This is slightly less than the minus 2.9% a year ago. This percent implies that the selling discount for a home listed for $300,000 was approximately $8,100.



Attached Units - Median Price.

The median price for attached homes in April was $252,000, which is 1.7% higher than April price of last year. It is also the six straight month of rising prices for condominiums. This is quite often the pattern after the large price increases of single family detached homes that occurred in the Valley. Many potential homebuyers then begin to consider the pros and cons of lower priced attached homes. We can see this in the sales numbers for condos compared to detached homes in the next graph

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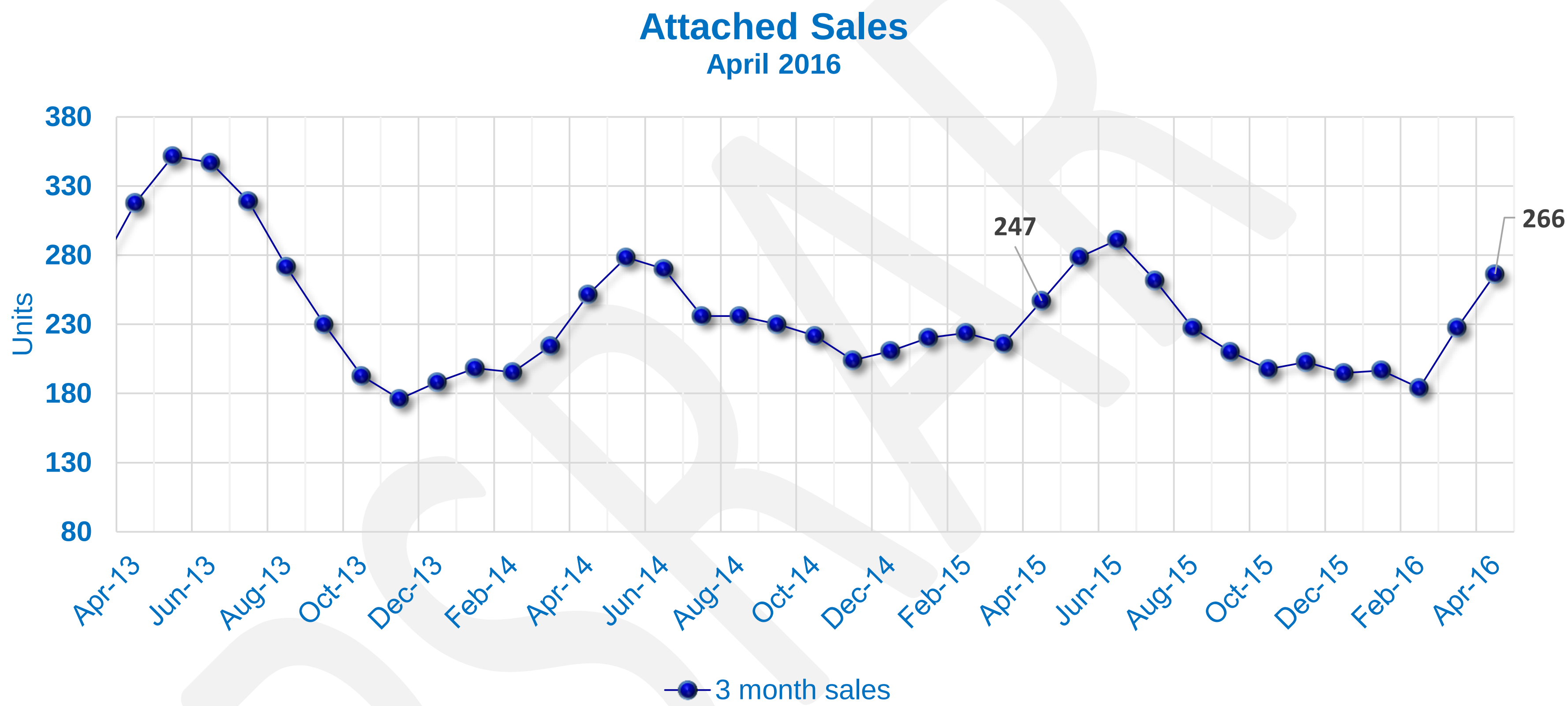

Attached Units - Sales

The three month average of sales for attached homes and condos was 266 units in April. This is 8% higher than a year ago, which is opposite the 3% decline in three month sales of detached homes. We believe this might indicate a slight shift in the direction of condominiums as an alternative to detached homes. It might also indicate a changing belief in the value of owning versus renting in a number of potential homebuyers who've been renting.

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Explanation and Description of Market Watch's Graphs and Calculations

Prices: All prices for the region and for cities are the median value of all transaction over the last three months (except for Indian Wells which is six months due to the small number of monthly sales). For example, the median price for the month of May will be the median value of all sales in March, April and May. This longer time period tremendously reduces the amount of wide and meaningless variation that one gets taking only the last month's transactions and provides more reliable information. While we do show the median selling price in our city reports, we try to emphasize the median price per sq. ft. in both these and our regional reports. For technical reasons this metric is more reliable than median price and presents us and the reader with fewer statistical anomalies and variations.

Sales: Sales are reported either as three month average sales or 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 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.

Inventory and Months of Sales: When we provide a monthly report for say the month of May, all sales and pricing are done using transactions throughout that month and the previous two months. However, when we measure inventory at the end of May, it's the inventory as of June 1st the next month. Remember sales and prices are accumulative while inventory is a momentary snapshot of inventory on a specific date. To avoid confusion, the inventory reported in the May report is for June 1st. and our graphs and charts for inventory and months of sales will give this date and not the date of the month of the report.

When calculating "months of sales" we almost always use average sales over the last twelve months and not three months. If we do use three months we will indicate that we are dividing inventory by three month sales and not the normal twelve month average.

Days on 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.

Scatter Diagram Value Curve: In the individual city reports we provide a Scatter Diagram Value Curve which plots the price per sq. ft. of every sale for the last three months versus the square feet of that home. In the graph each small blue circle represents a sale. Then a best fit linear line is calculated through those points using the least square method to arrive at the value curve. The value curve represents the price per sq. ft. that the market is generally giving different size homes. We provide the actual linear equation for people who might want to use it to calculate prices for different size homes.