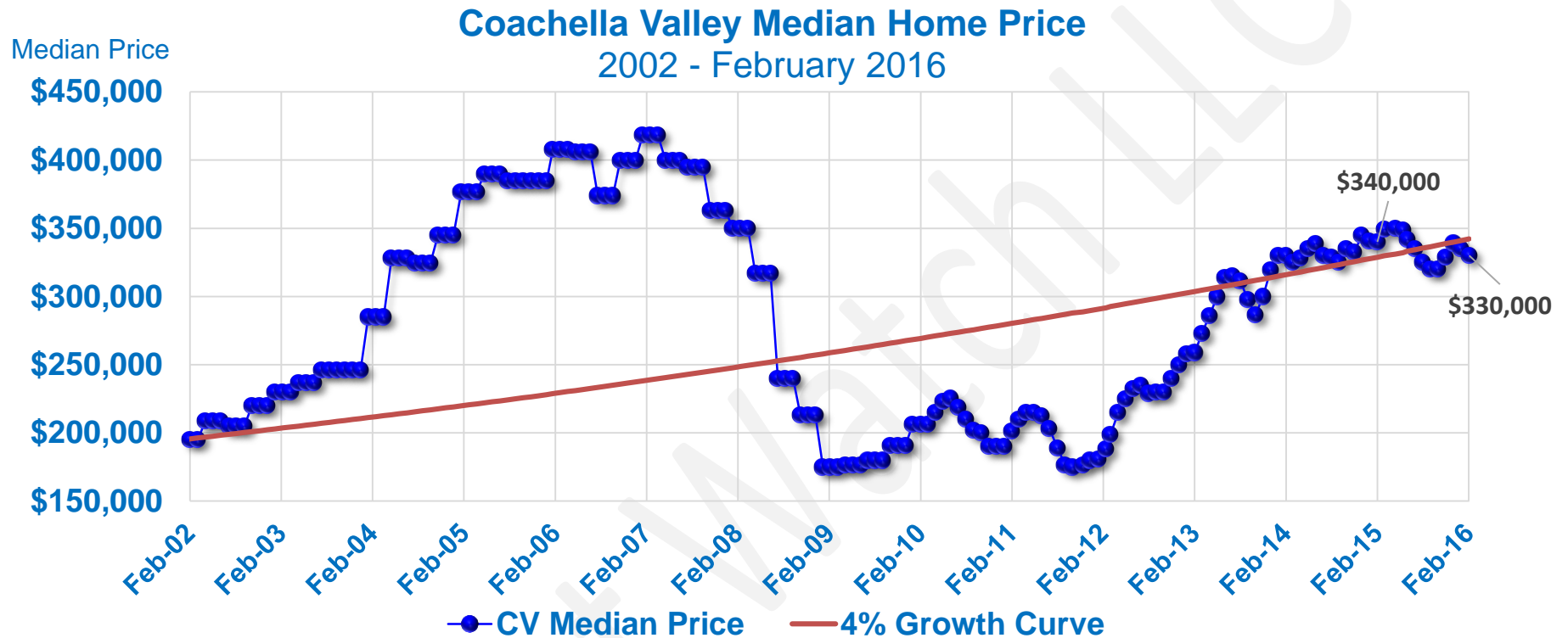


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Summary

We have decided to 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 February the median price throughout the Valley was \$330,000. This compares to a value of \$340,000 a year ago. This small negative change of only 3% indicates a neutral market price rise. Price metrics at the city level show a more positive picture. At the end of February the 12 month, year over year change in city median prices shows six cities with positive gains spreading upward from 1% to 12%, while three were negative by minus 5%. After the slow decline in home sales which naturally occurred during the very large price gains from 2012 to 2014, sales have remained completely level for over a year now. Since home sales have not increased but inventories have, it's to be expected that the ratio called "months of sales", which is inventory divided by the sales rate, will be higher than a year ago. And it is. A year ago the ratio was 7.4 months; on March 1st it was 8.7 months.

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12 month change in the median price by City

	Feb-16	Year Ago	12 Month Change	2011 Low	Gain off Low	2006 High	% from High
City of Coachella	\$227,500	\$205,000	11.0%	\$121,950	86.6%	\$335,000	-32.1%
Rancho Mirage	\$700,000	\$635,250	10.2%	\$423,000	65.5%	\$950,000	-26.3%
Desert Hot Springs	\$159,000	\$145,000	9.7%	\$85,000	87.1%	\$295,000	-46.1%
Palm Springs	\$525,000	\$479,000	9.6%	\$335,000	56.7%	\$600,000	-12.5%
Cathedral City	\$260,000	\$243,250	6.9%	\$139,000	87.1%	\$395,000	-34.2%
Indio	\$273,000	\$270,000	1.1%	\$158,500	72.2%	\$380,500	-28.3%
Palm Desert	\$359,500	\$379,500	-5.3%	\$287,000	25.3%	\$543,000	-33.8%
Indian Wells	\$765,000	\$810,000	-5.6%	\$540,000	41.7%	\$1,205,000	-36.5%
La Quinta	\$439,950	\$467,000	-5.8%	\$245,000	79.6%	\$682,020	-35.5%

Changes in City Median Prices

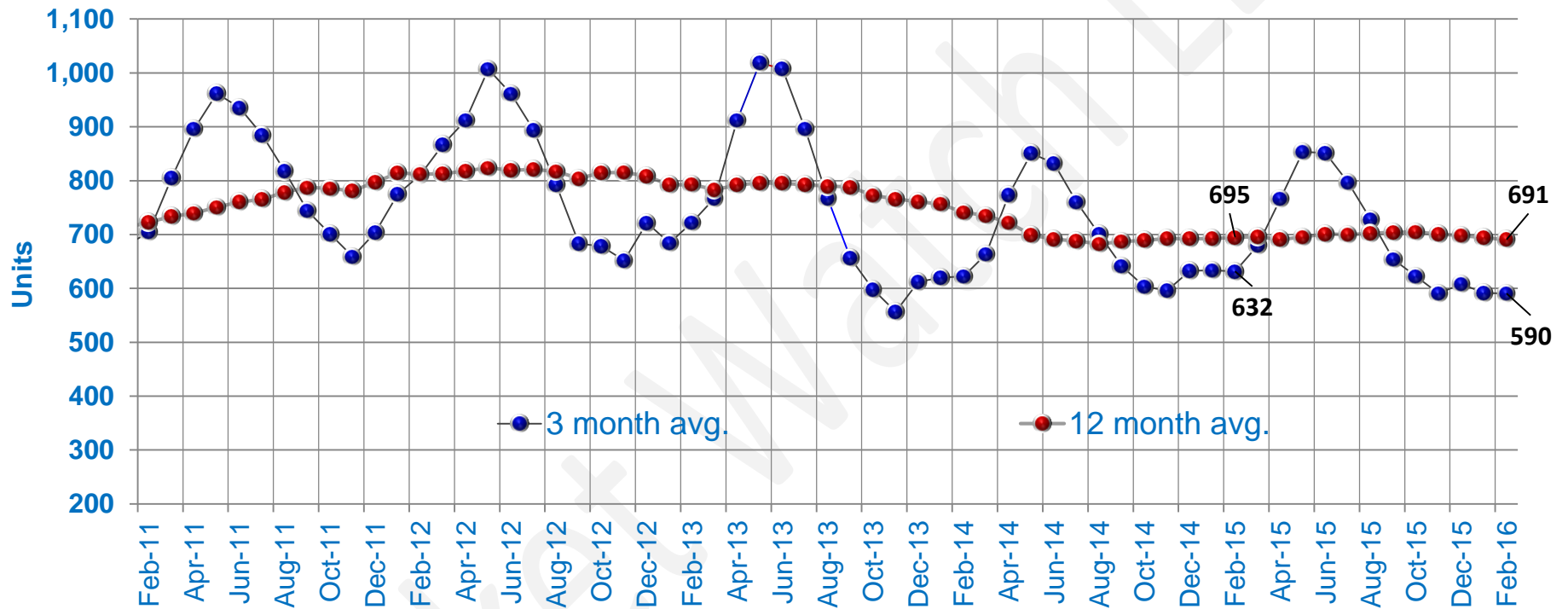
At the end of February the 12 month, year over year change in city median prices shows six with positive gains spreading upward from 1% to 12% while three are negative, all about minus 5%. Two of the top gaining cities are the City of Coachella and Desert Hot Springs, which were the last two cities to emerge from the regional problem of distressed selling which peaked here in the Valley about five years ago. Some of the current gain of these two cities is playing catch up to the other cities, which started to recover earlier. Palm Springs remains strong with a year over year return of 9.6%. Both Palm Desert and La Quinta continue to lag somewhat.

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Coachella Valley Home Sales

Feb 2011 to Feb 2016



Monthly Sales

After the slow decline in home sales that naturally occurred during the very large price gains from 2012 to 2014, sales have remained completely level for over a year now. This is best seen in the red dotted line, which plots the monthly sales average over the last 12 months. A year ago the twelve month average was 695 units per month; this February the twelve month average was almost identical at 691 units. The three month average, which shows the tremendous seasonality of Valley sales, often goes as high as 900 to 1,000 per month down to 600 per month through the hot slow season. The three month average in February was 590 units compared to 632 units last February.

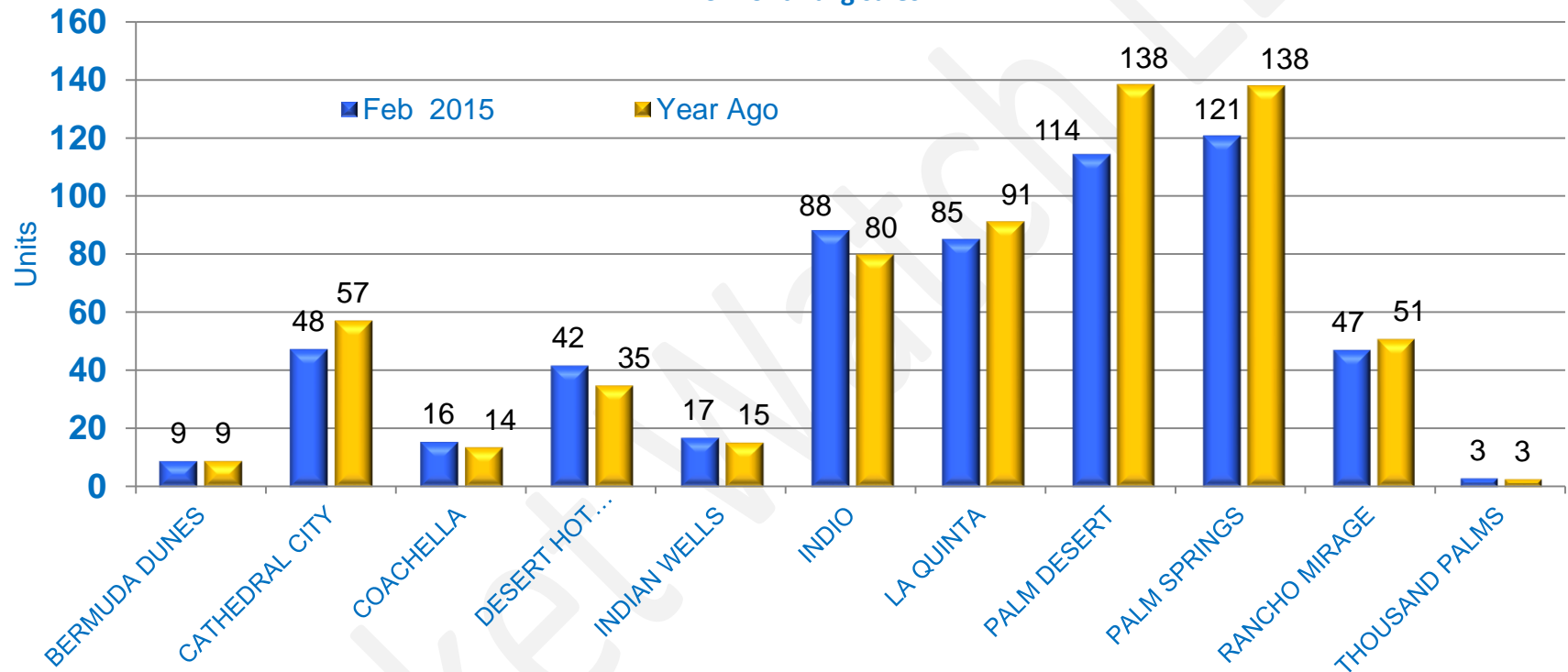
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Home Sales by City

3 month avg sales

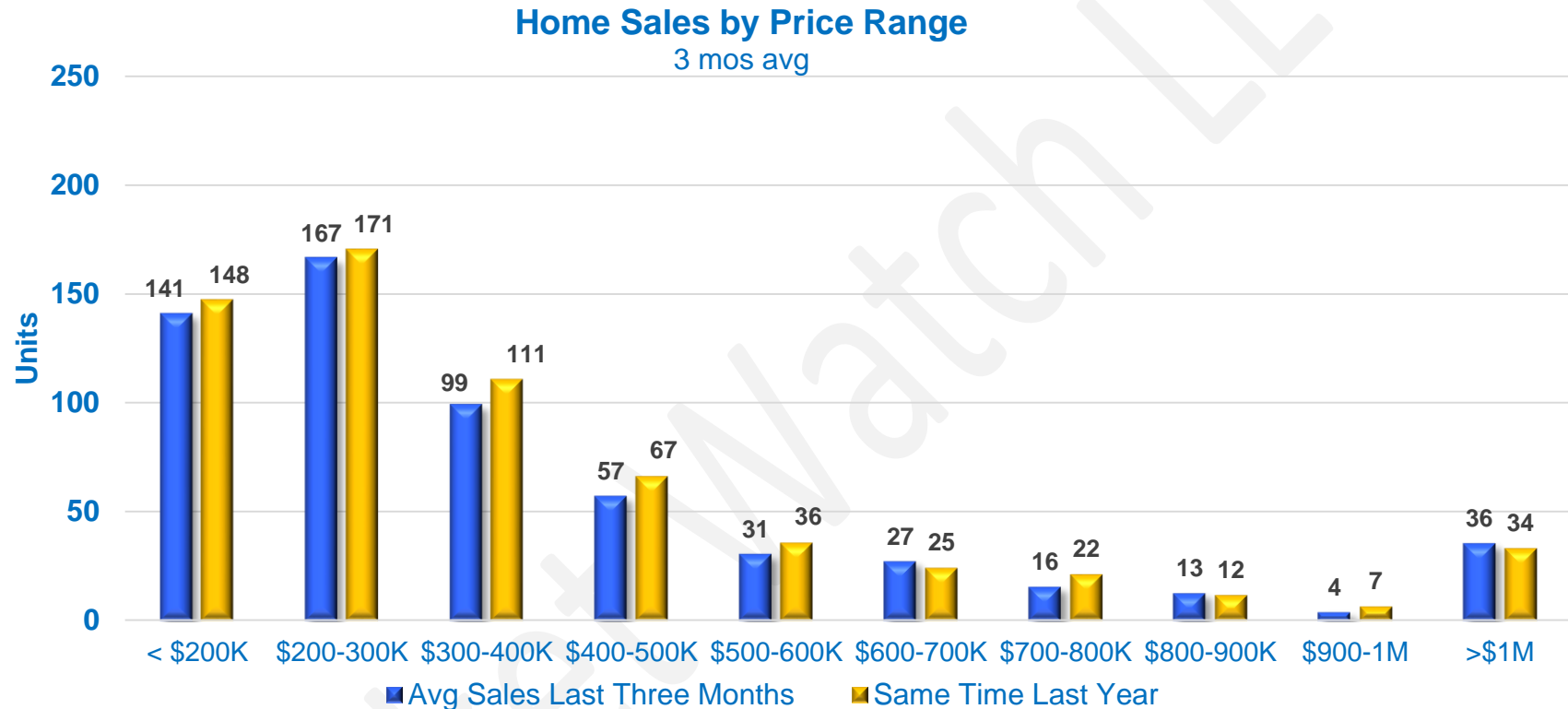


Home Sales per Month by City

With total three month Valley sales down 7% from a year ago, one might expect that the majority of the eleven regional cities would also be slightly lower and that's true – but not by much. Five cities have lower sales, two have the same sales as a year ago and four have higher sales. Coachella City, Desert Hot Springs, Indian Wells and Indio are the cities with higher sales. The largest decline in three month sales are the cities of Palm Desert and Palm Springs, lower by 18% and 13%. respectively

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Home Sales by Price Range

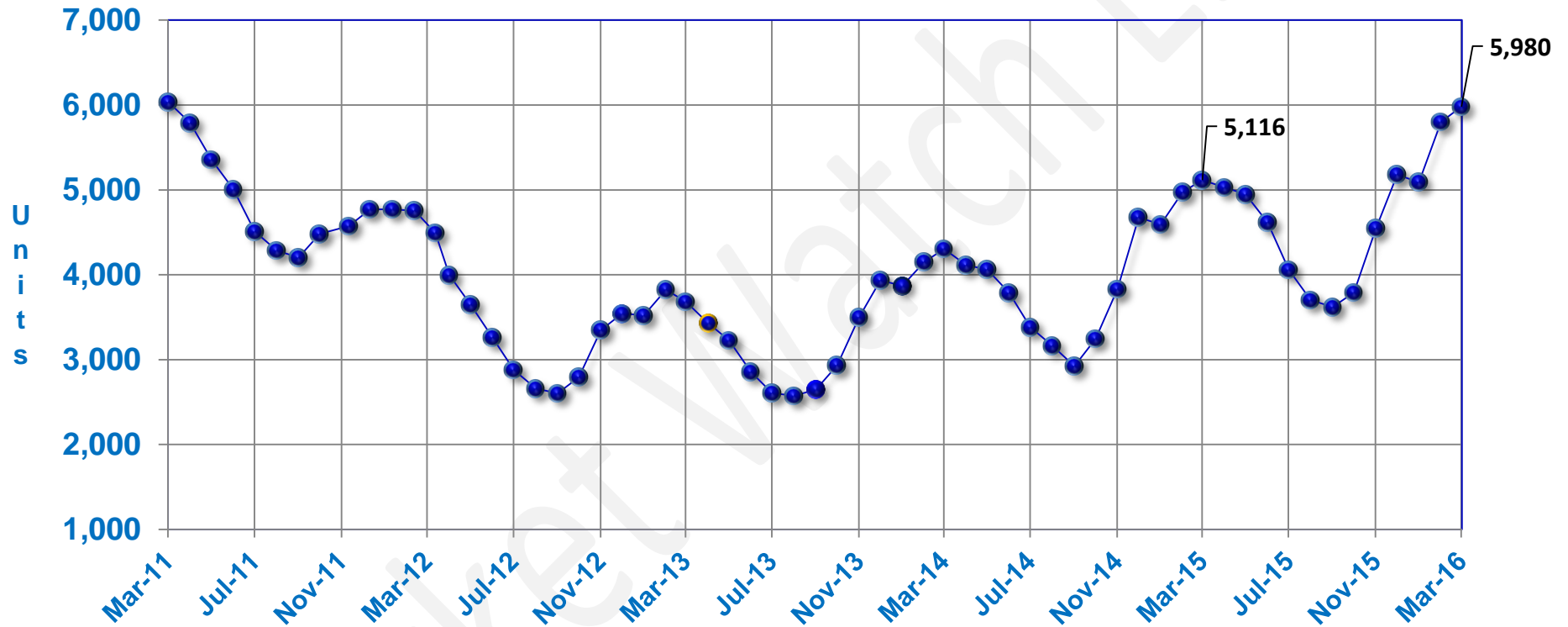
When we calculate sales levels in the various price bracket we see little change in three months sales compared to a year ago of homes priced under \$300k. However, as we get above \$300k on up to \$600k, sales are lower by around 16% compared to a year ago. With homes priced above \$600k we see a mixed picture, with increases in some brackets and small declines in sales in others.

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Valley Housing Inventory

Mar 1st 2011 to Mar 1st 2016



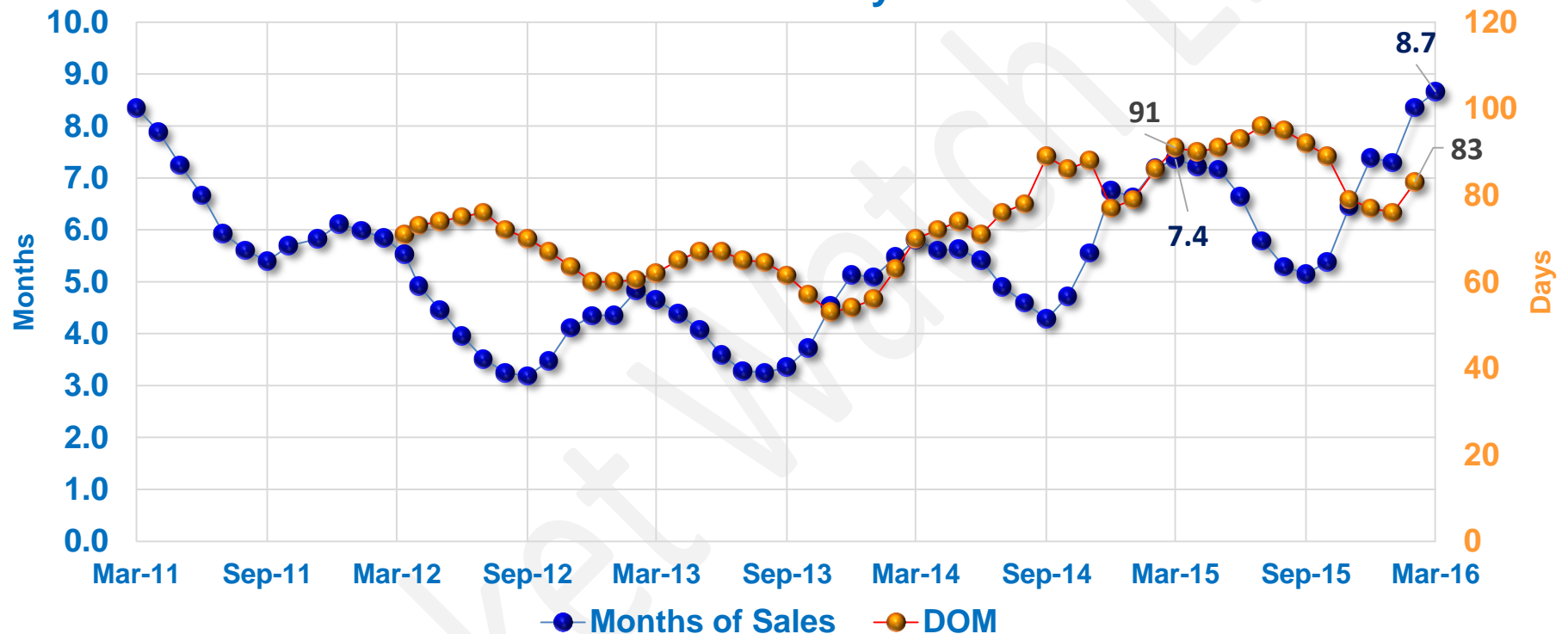
Coachella Valley Listed Inventory.

As was expected, because of seasonal patterns, Valley inventory continued to rise through February and is now at the highest level they've been in five years. On March 1st inventory stood just 20 units shy of 6,000. On March 1st a year ago it was 5,116. That said, the same historic patterns suggest that from these historic peaks, inventory will now most likely decline over the next six months. While inventory size is important, absolute numbers only have real meaning when compared to the sales rate, which is the next chart.

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



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

Since we've noted earlier that home sales have not increased over the year but inventories have, it's to be expected that the ratio called "months of sales", which is inventory divided by the sales rate will be higher than a year ago. And it is. A year ago the ratio was 7.4 months; on March 1st it was 8.7 months. This is the highest ratio of the last five years and is a solid indication that the Valley market is definitely a buyers' market at this time. The other metric which measures the sales rate – called days on the market – is the median time in days it's been taking to sell property throughout the Valley. The three month median is now 83 days, which is less than last year's 91 days.

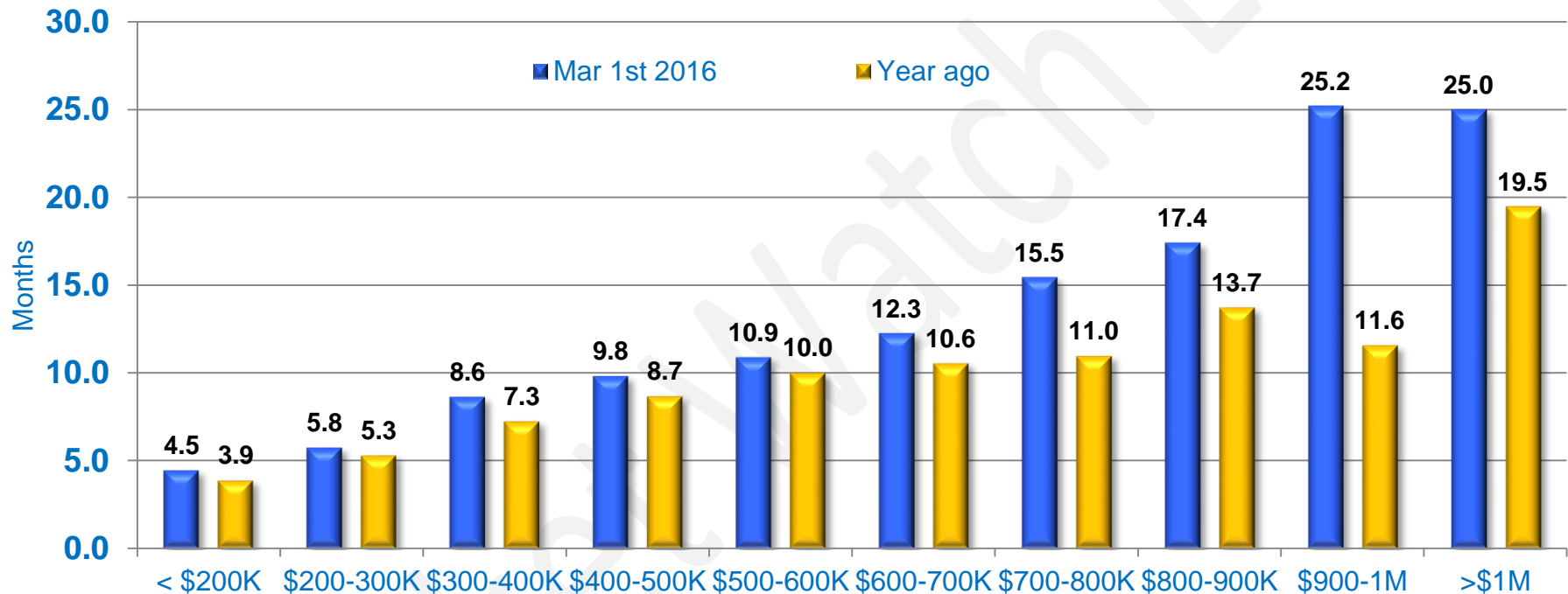
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Months of Sales by Price Range

uses avg. twelve month sales



“Months of Sales” by Price Range

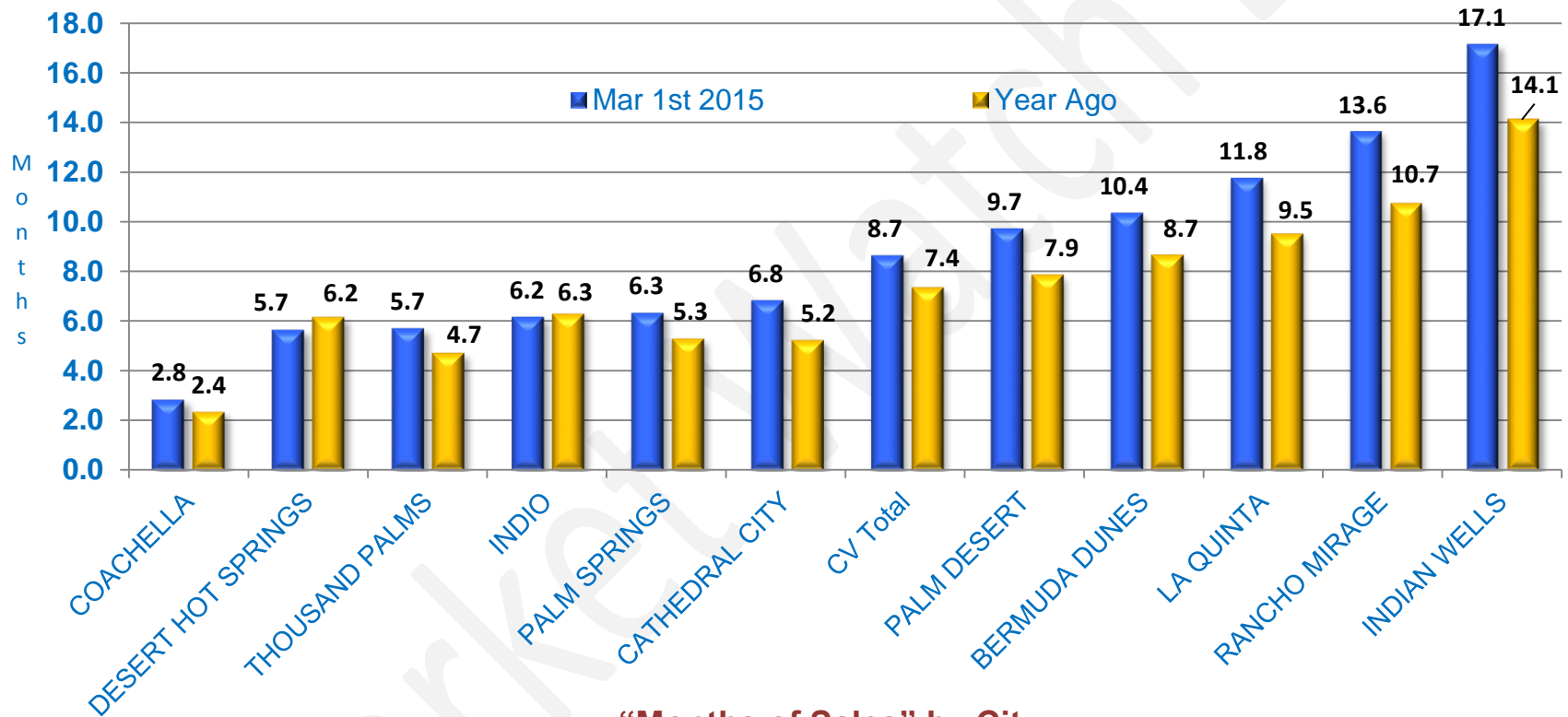
When we calculate “months of sales” at various price ranges we discover that the inventory rise is found through every price range. There seems to be no selling range that is showing strength when compared to a year ago. We continue to see the standard pattern of increasing number of months with higher prices, which is normal. But it should be noted that ratios for homes priced above \$700k are measurably higher than the ratios one year ago. This seems to indicate that the sale of homes in the higher price ranges will be more challenging.

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Months of Sales by City

city inventory divided by average twelve month sales



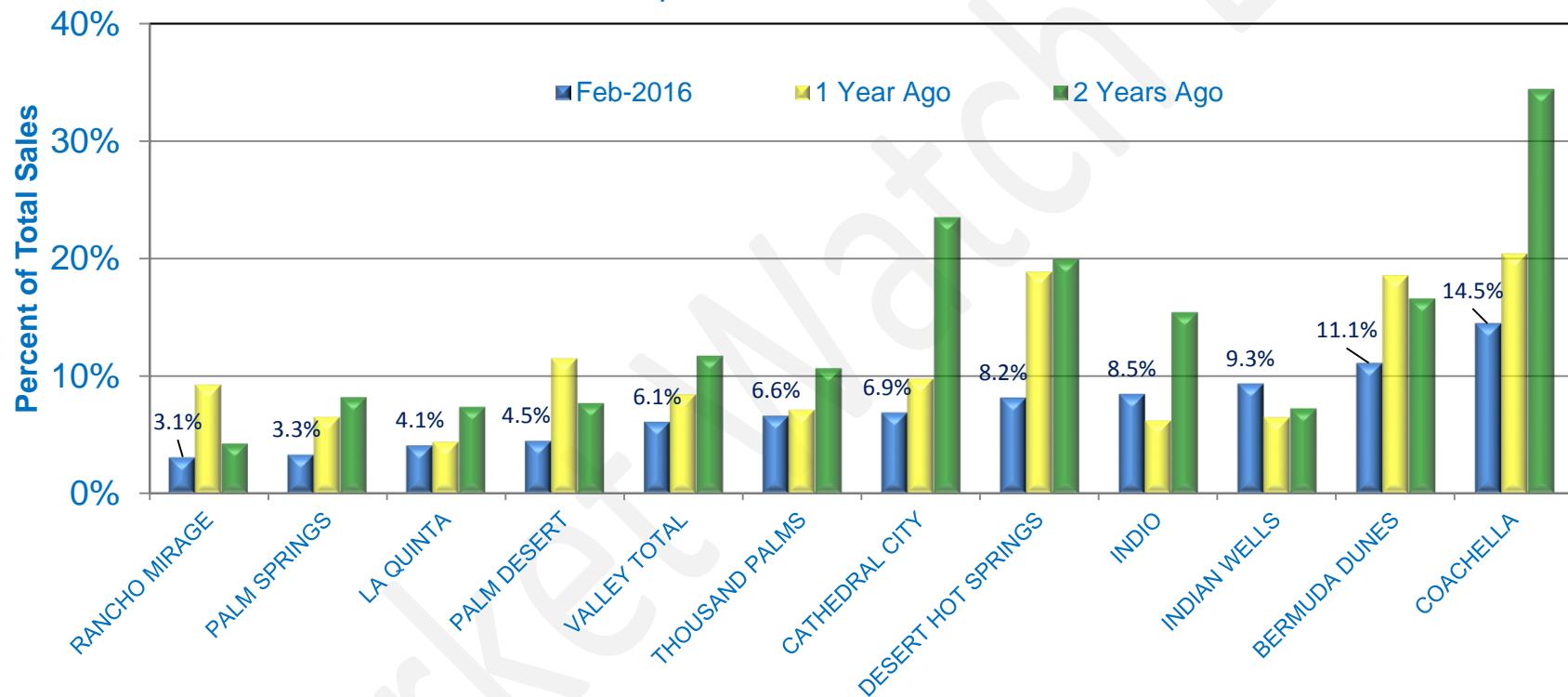
“Months of Sales” by City

When we calculate “months of sales” for each city, except for the City of Coachella, Desert Hot springs and Thousand Palms, the ratio as of March 1st was over six months for every other city. In general ratios above six months generally indicates a challenging market for home sales. These city metrics somewhat confirm that almost every city in the Valley has entered a challenging period.

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Distressed Sales by City percent of total sales



Distressed Sales by City

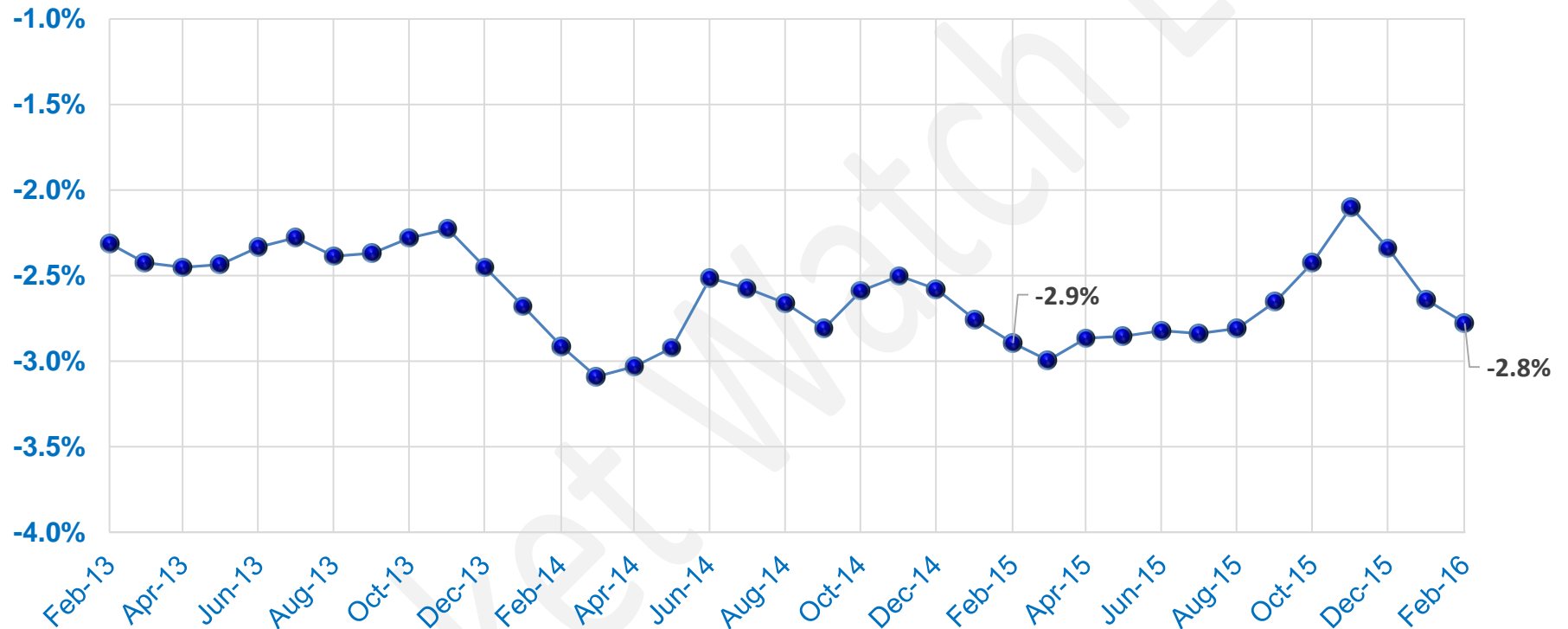
Distressed sales (REO and short sales) continue to average around 6% a month for the whole Valley. It has been at this level now for over a year. This rate is not high enough to affect good pricing or appraisal values but it would be nice to again see the ratio break through 5% and continue on down to 1% or 2%. Only two cities still have distress selling ratios over 10% - Bermuda Dunes and the City of Coachella.

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Sale Price Discount from List

Feb 2015



Sale Price Discount from List

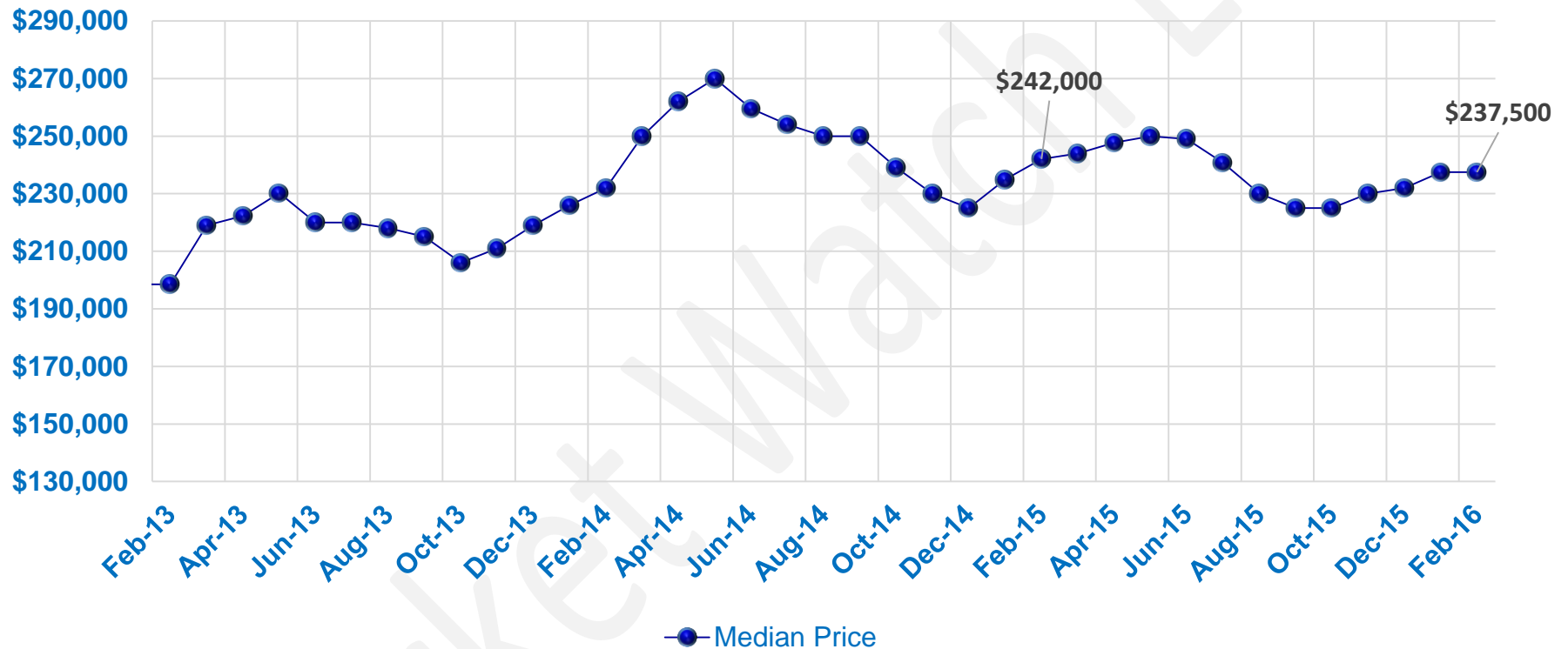
The latest “Sale Price Discount from List” is at -2.8%. The “Sale Price Discount from List” is the median value over the last three months of the percent difference between the sale price and the asking list price on all transactions. The current value of minus 2.8% is still better than -2.9% a year ago. This percent implies that the selling discount to a home listed for \$300,000 home was approximately \$8,400.

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Attached Units - median price

February 2016



Attached Units - Median Price.

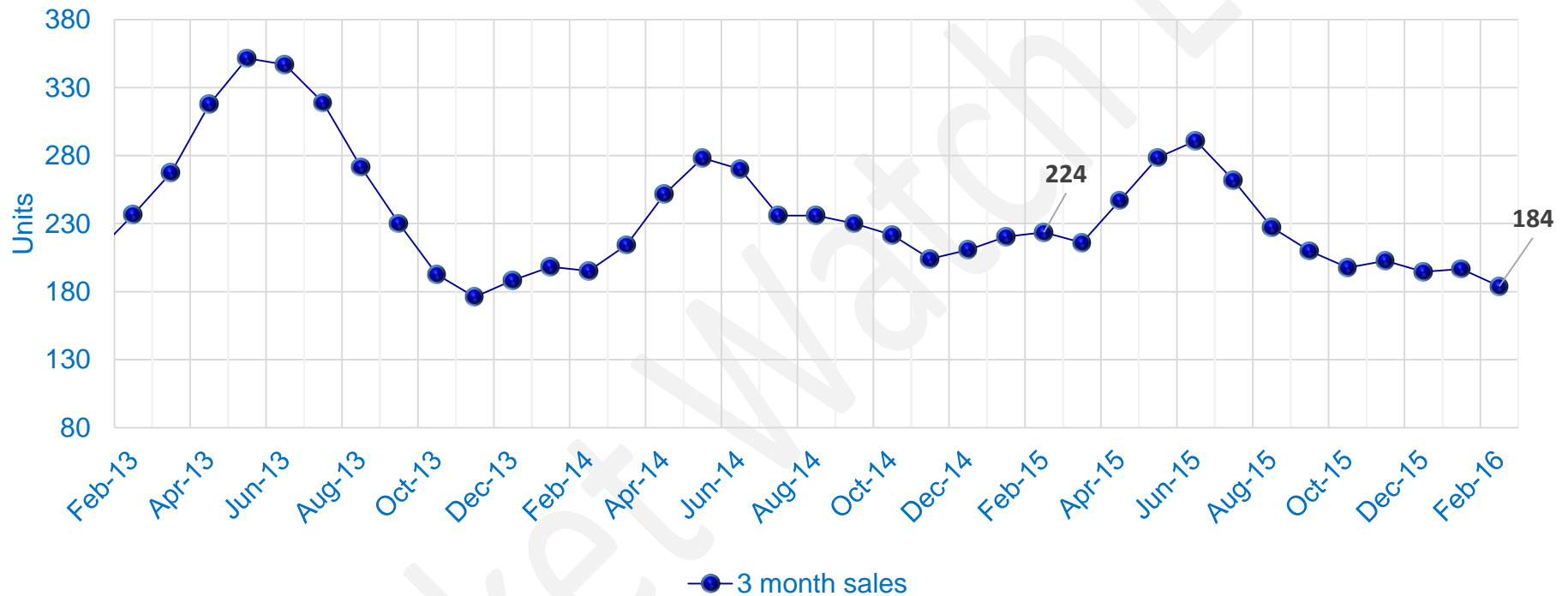
The median price of \$237,500 for attached units in the Valley was slightly less than the year ago value of \$242,000 and parallels the pattern of equal to slightly lower prices we're beginning to see in the detached home market. However, it's really too early to tell. Seasonal patterns suggest prices might move slightly higher from here as we move toward the first month of summer.

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Attached Sales

February 2016



Attached Units - Sales

The three month average of attached sales was 184 units in February, which is 40 units less than the same time last year. This is the same pattern we see in three month sales of detached homes. Again, seasonal patterns point to a rise in attached home sales for the next three or four months. If demand increases enough, this rise in sales can be as high as 30% to 35%.

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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 generally 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.

To Contact Market Watch call Vic Cooper at 949-493-1665

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