



# The Market Watch Monthly Housing Report

September 2016

Prepared for the Members of PSRAR as a Member benefit

## Coachella Valley Median Home Price (detached homes) Sep 2002 - Sep 2016

Median Price

\$450,000

\$400,000

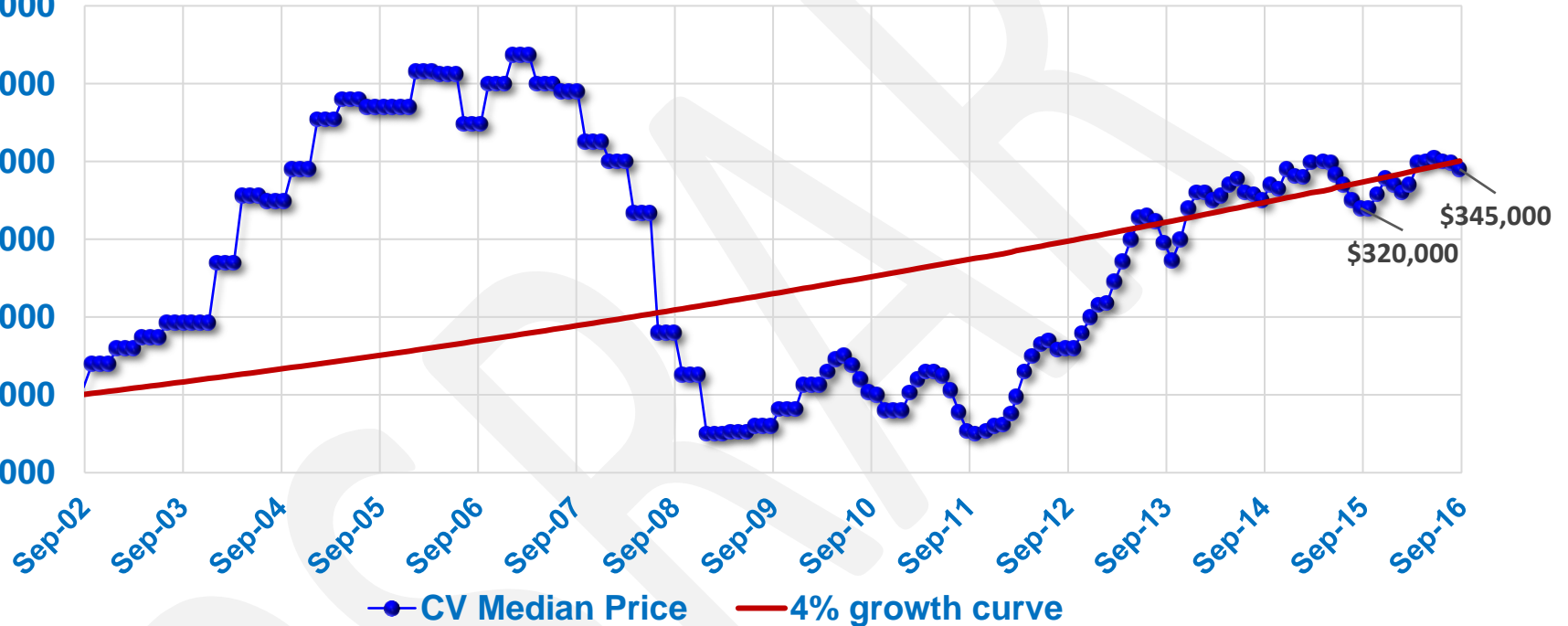
\$350,000

\$300,000

\$250,000

\$200,000

\$150,000



### Summary

In September the median price throughout the Valley was \$345,000; this represents a year over year gain of 7.8% over last year's September's median price of \$320,000. Except for the cities of La Quinta and Desert Hot Springs, where year over year price gains remained exceptionally strong, September saw a slight slowdown in year over year returns for the seven other cities. Two cities – Rancho Mirage and Palm Desert – actually showed negative returns. As we said last month, it is clear to us that the slow, two year decline in homes sales has finally started to reverse and this idea is confirmed again this month as the trend of expanding sales continues. The seasonal, three month, sales average is currently 711 units a month, which is almost 9% higher than the three month sales average last year. As was expected, because of seasonal patterns, Valley inventory appears to have hit its low at the start of October and we think will now rise. At 3,923 units inventory is only 132 units higher than a year ago. This is truly amazing when last March, at 6,000 units, it was 1,000 higher than a year earlier.



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## 12 month change in city median prices (detached homes)

	Sep-16	Year Ago	12 Month Change	2011 Low	Gain off Low	2006 High	% from High
La Quinta	\$398,000	\$345,000	15.4%	\$245,000	62.4%	\$682,020	-41.6%
Desert Hot Springs	\$189,500	\$164,663	15.1%	\$85,000	122.9%	\$295,000	-35.8%
Indio	\$295,000	\$279,950	5.4%	\$158,500	86.1%	\$380,500	-22.5%
City of Coachella	\$227,000	\$216,000	5.1%	\$121,950	86.1%	\$335,000	-32.2%
Indian Wells	\$830,000	\$777,500	3.8%	\$540,000	53.7%	\$1,205,000	-31.1%
Cathedral City	\$285,000	\$281,000	1.4%	\$139,000	105.0%	\$395,000	-27.8%
Palm Springs	\$521,000	\$519,000	0.4%	\$335,000	55.5%	\$600,000	-13.2%
Rancho Mirage	\$545,000	\$572,500	-4.8%	\$423,000	28.8%	\$950,000	-42.6%
Palm Desert	\$355,000	\$385,000	-7.8%	\$287,000	23.7%	\$543,000	-34.6%

### Changes in City Median Prices

Except for the cities of La Quinta and Desert Hot Springs, where year over year price gains remained exceptionally strong, September saw a slight slowdown in year over year returns for the seven other cities. Two cities – Rancho Mirage and Palm Desert – actually showed negative year over year returns. This backing and filling of median home prices is common to the region this time of year as sales shrink 30% to 40% from top seasonal peaks. It must be remembered that the median price is based on statistics and fewer transactions can cause greater variation and lessen reliability. On average the results are still positive and confirm the gain in the Valley's median home price explained in the previous chart.



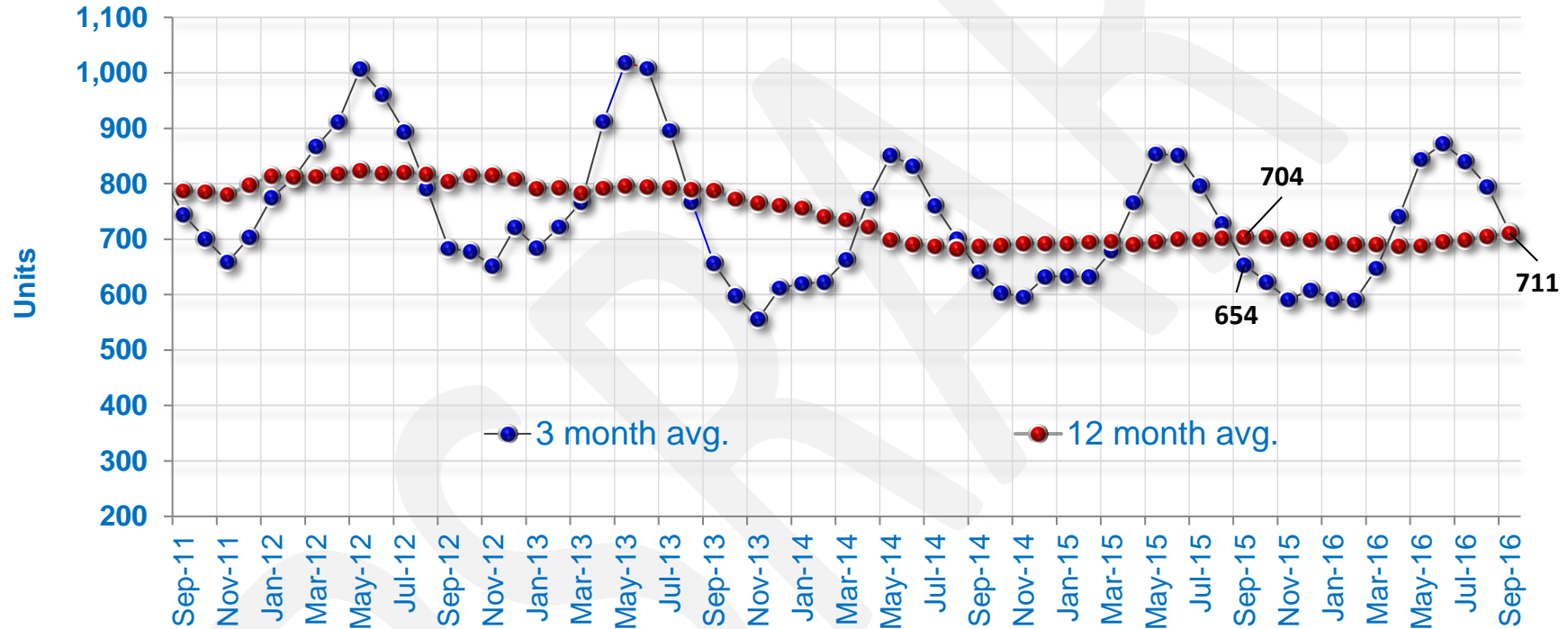
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## Coachella Valley Home Sales

Sep 2011 to Sep 2016



### Monthly Sales

As we said last month, it is clear to us that the slow, two year decline in homes sales has finally started to reverse and this idea is confirmed again this month as the trend of expanding sales continues. The seasonal, three month, sales average is currently 711 units a month, which is almost 9% higher than the three month sales average last year. This increase in the shorter term measure is finally starting to become visible in the longer, 12 month measure, which shows a gain of 1%. We expect this measure to begin to show gains of 5% to 10% by early next spring similar to the current gains of the three month average.

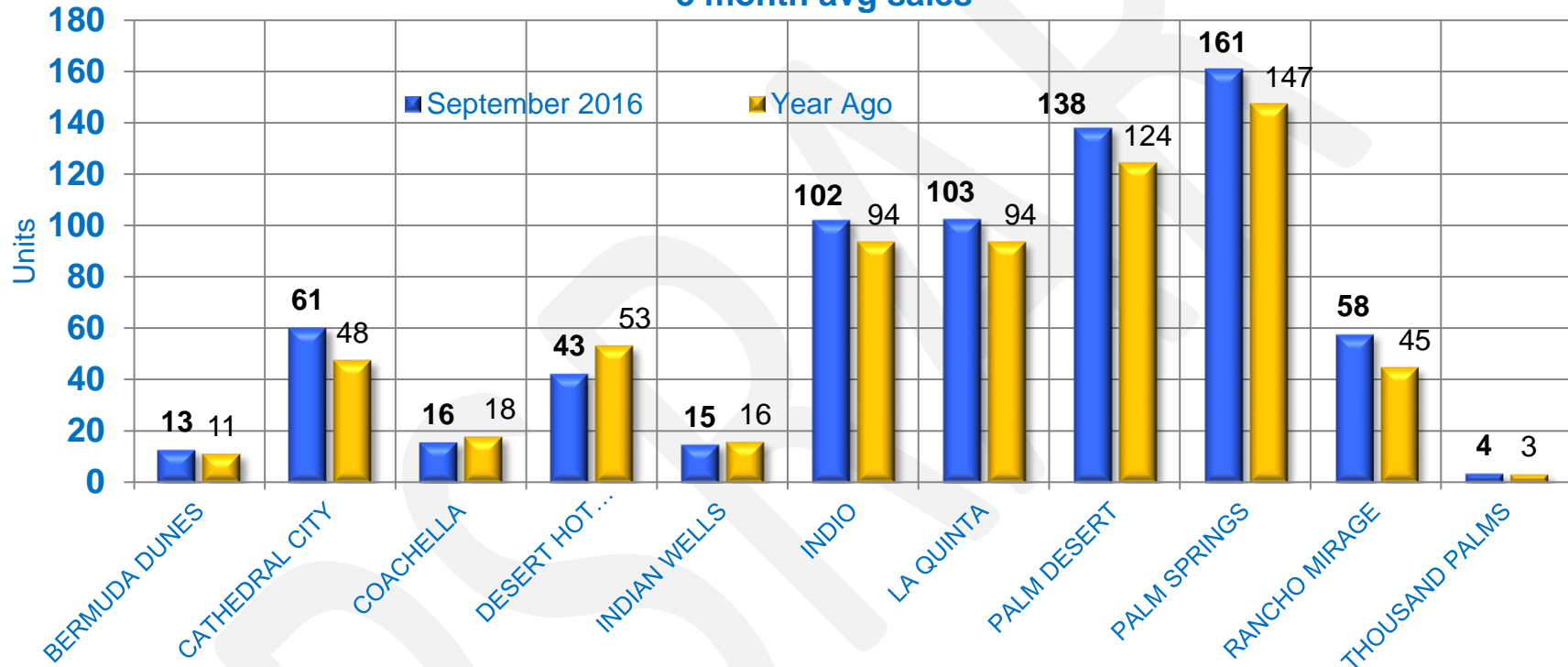


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## Home Sales by City 3 month avg sales



## Home Sales per month by City

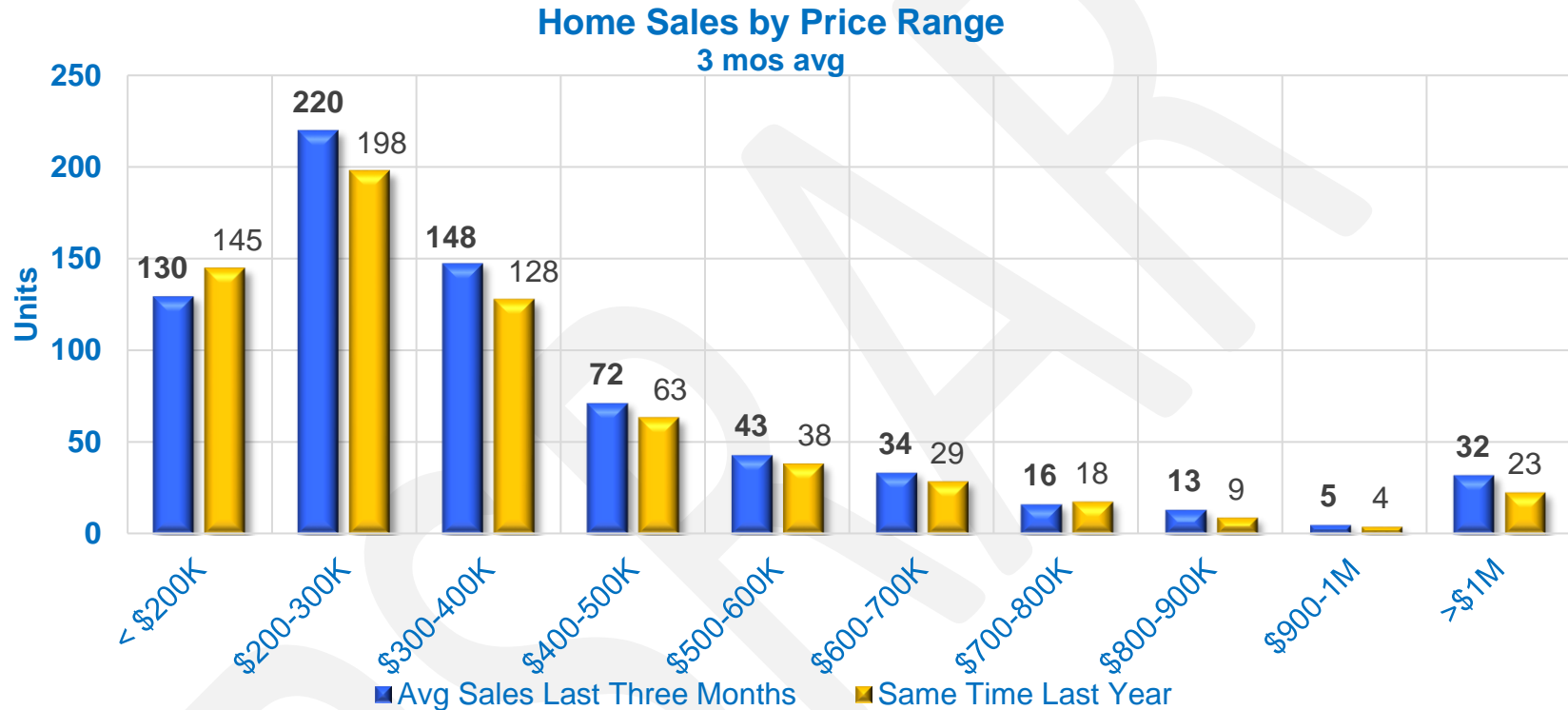
Except for Desert Hot Springs, the City of Coachella and Indian Wells, the increase in three month home sales is measurable in every city. Most of the regions sales increase is found in areas with lower priced detached homes, such as Cathedral City and Indio, and those cities such as Palm Springs, Palm Desert and La Quinta where there is a high percent of condominiums in their housing stock. As home prices have moved up buyers have found new areas of interest in these lower priced markets.



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## Home Sales by Price Range

Some articles recently pushed the idea that the Valley's condo market is red hot while the detached market is somewhat lagging but statistics don't confirm this. The first fact is that three month condo sales in September were only 4% above a year ago and are actually two percent below two years ago. Condo price gains are positive but only 6% above a year ago. The second set of facts that indicates both markets are positive but not overly, so is the above chart, which plots total detached and condo sales versus price. Sales of units below \$200k are down simply because there are fewer houses and condos in that range. But it also shows increases in sales in almost all price ranges which includes the higher priced detached market.



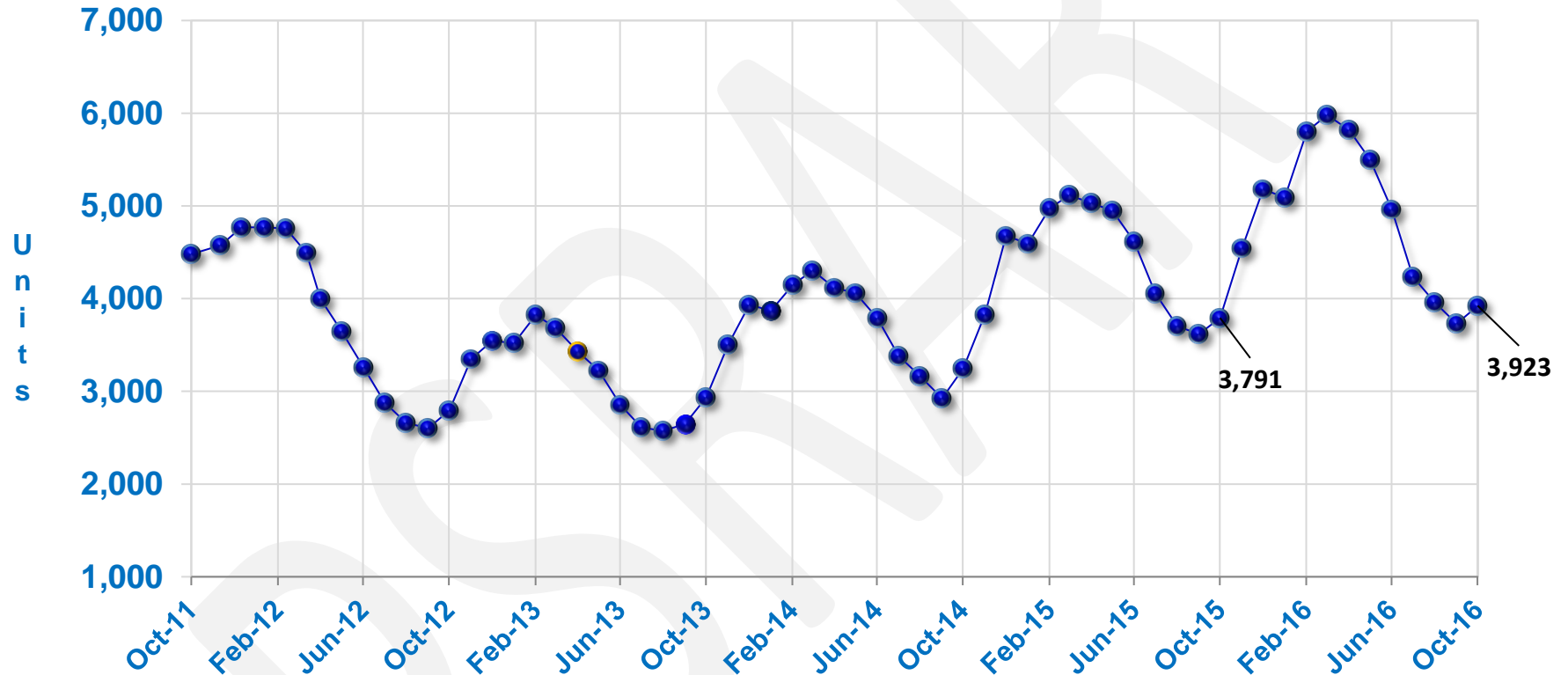
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## Valley Housing Inventory

Oct 1st 2011 to Oct 1st 2016



### Coachella Valley Listed Inventory.

As was expected, because of seasonal patterns, Valley inventory appears to have hit its low at the start of October. We think it has now begun its seasonal rise. At 3,923 units it is only 132 units higher than a year ago. This is truly amazing when last March at 6,000 units it was 1,000 higher than a year earlier. It will be instructive to see if it now follows its past pattern and rises until again until hitting a peak sometime in early spring of 2017. If so the question is, "Will it reach 6,000 again or fall short of this previous peak?"

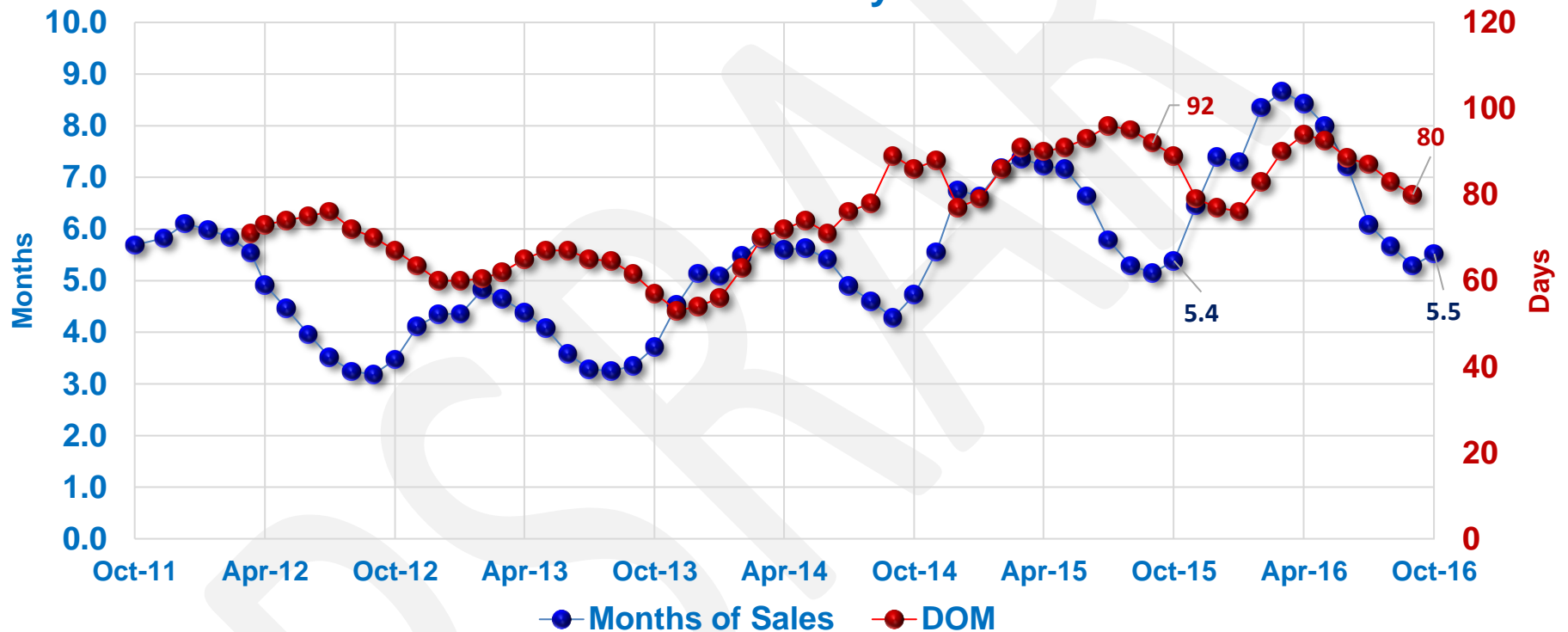


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## "Months of Sales" and "Days on the Market"



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

With slowly rising twelve month sales and an inventory just slightly higher than last year, the October 1<sup>st</sup> "months of sales" ratio is very close to last year – 5.5 months versus 5.4. Like inventory, it will be interesting to see if by March 2017 it gets to its previous high of nine months. We don't think it will for one important reason. Even if inventory rises back to previous highs, home sales are increasing which helps negate any inventory increase. This is the positive factor that's been missing the last few years. The median value of DOM (days on the market) the last three months is now down to 80 days, twelve less than a year ago.



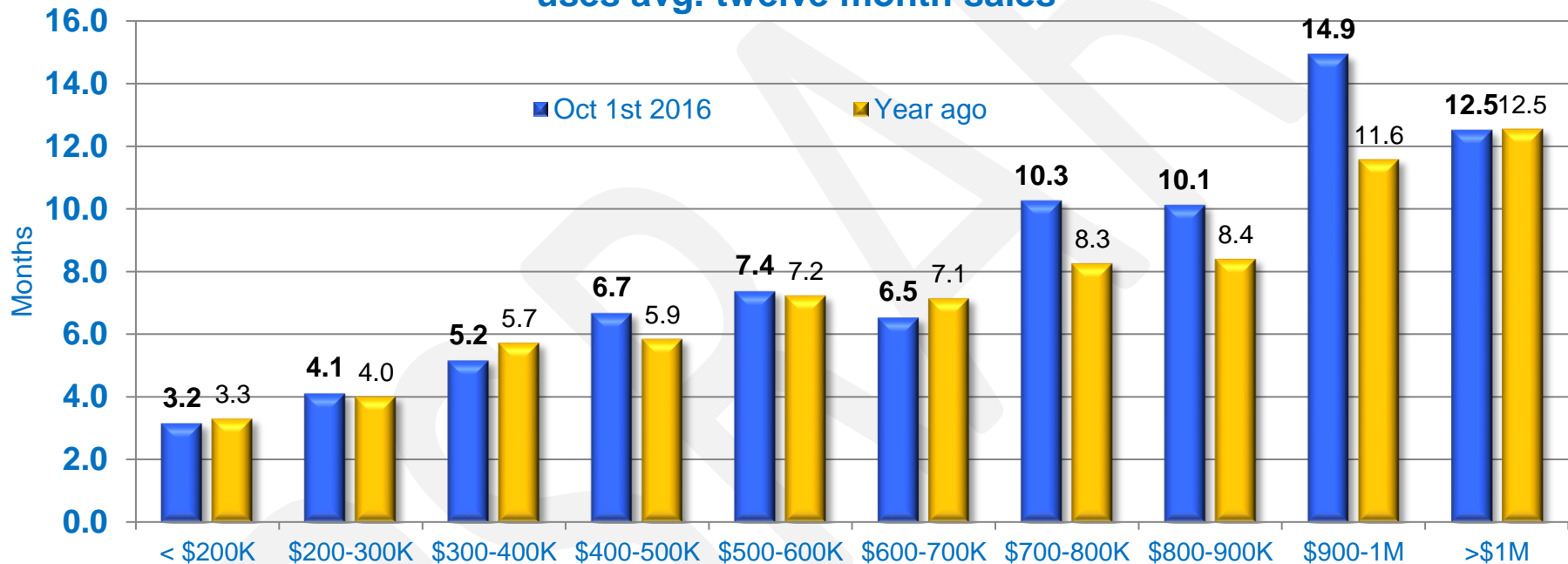


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## "Months of Sales" by Price Range uses avg. twelve month sales



## "Months of Sales" by Price Range

When we calculate "months of sales" at various price ranges, we discover that on average the ratios are well contained and comparable to last year's reading - except for prices over \$700k. There we begin to get higher year over year readings. In the price range \$700k to \$800k the ratio is 24% higher at 10.3 months. In the price range \$800k to \$900k, it's 20% higher and in the \$900k to \$1M range, it's 28% higher. However, in the over one million dollar range the ratio is exactly equal to last year - 12.5 months



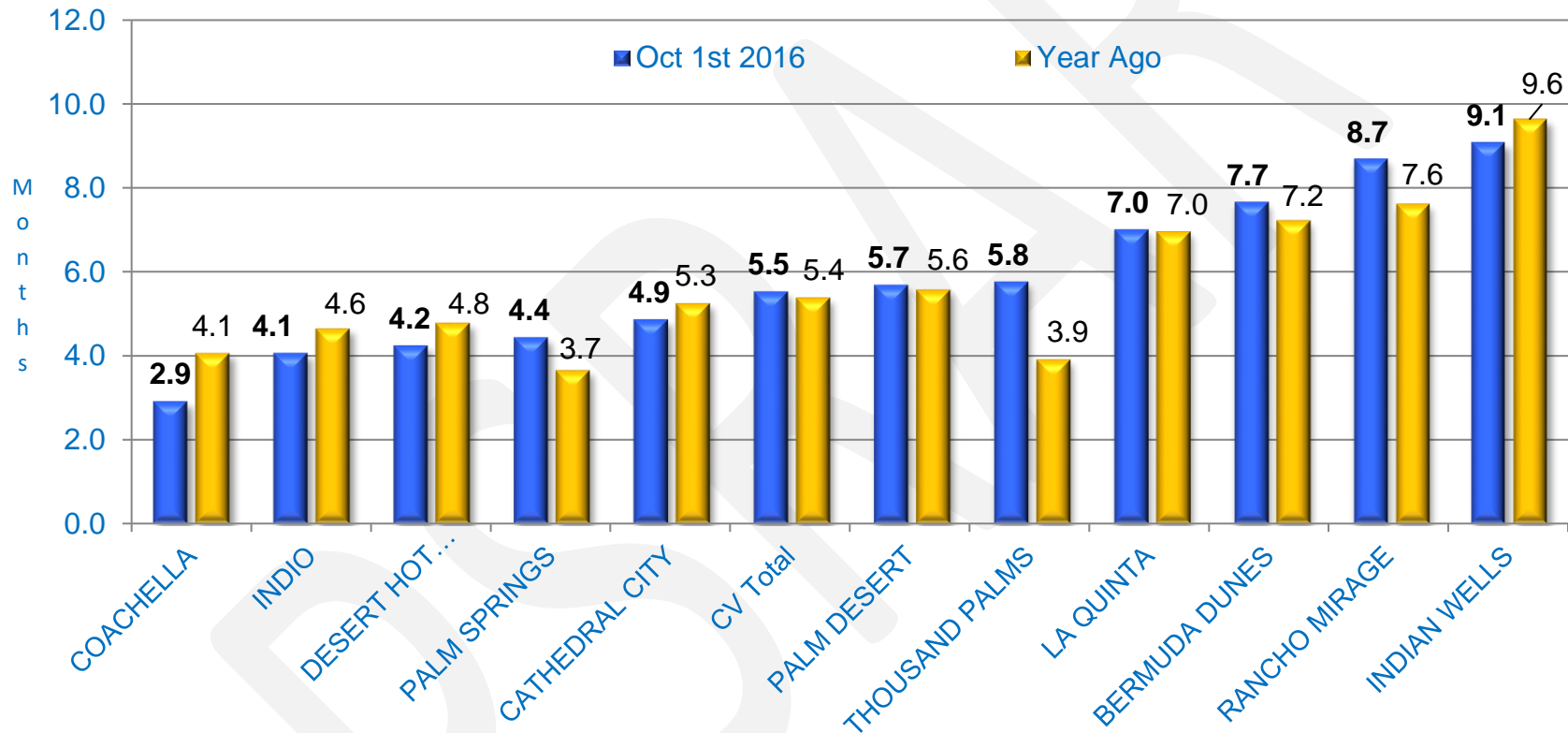


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## "Months of Sales" by City city inventory divided by average twelve month sales



### "Months of Sales" by City

When we calculate "months of sales" for each city we see a very consistent, normal situation. Without exception (except for Thousand Palms which had abnormally low number last year) eleven cities show comparable readings to one year ago. We also see the normal pattern of increasing months of sales in the higher priced cities, with the cities of Rancho Mirage and Indian Wells having the highest ratios as expected.

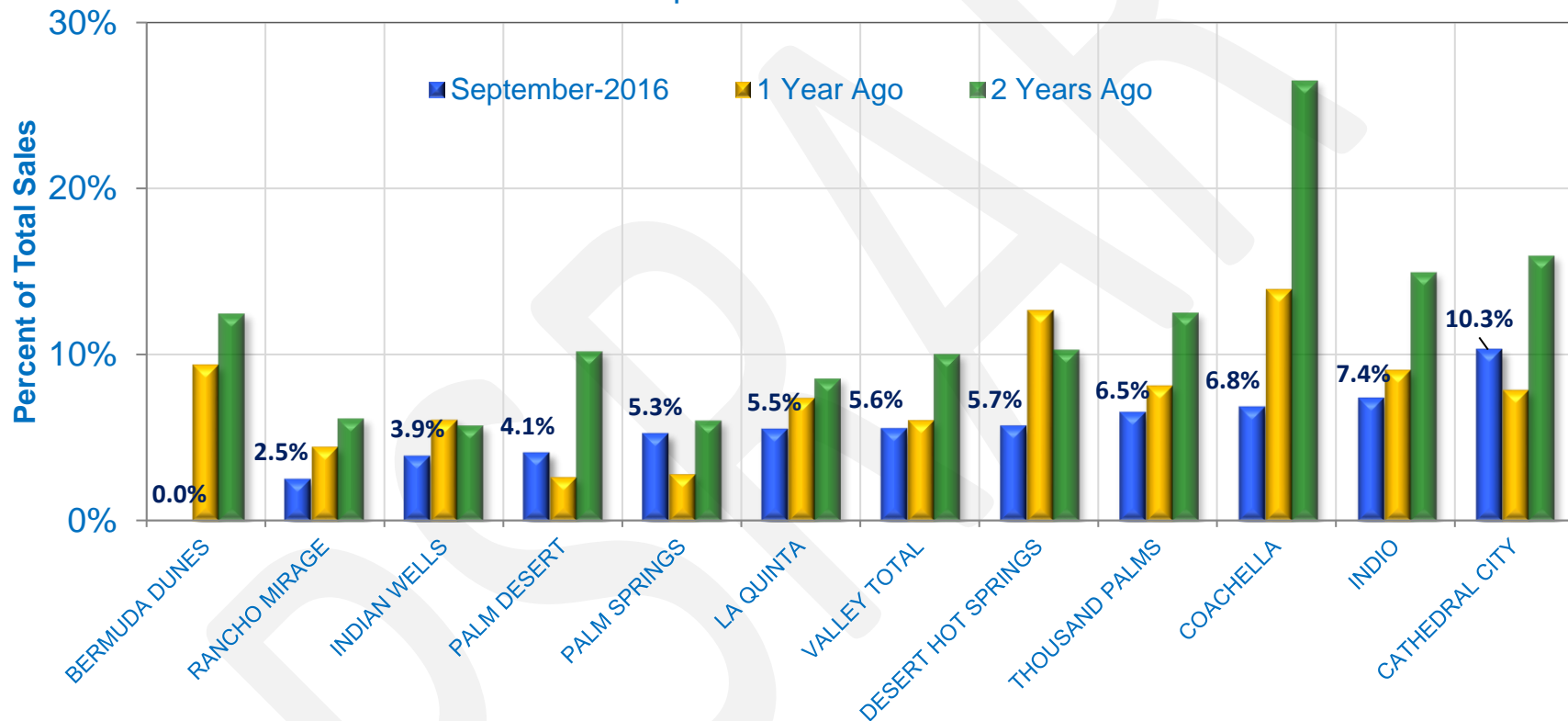


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## Distressed Sales by City percent of total sales



## Distressed Sales by City

Distressed sales (REO and short sales) continued to shrink in September with a Valley average now at 5.6% of sales. The five cities that exited the foreclosure housing crisis last – Desert Hot Springs, Thousand Palms, Coachella City, Indio and Cathedral City – still have the highest ratios but their ratios, except for Cathedral City at 10.3%, are all now less than 10%.

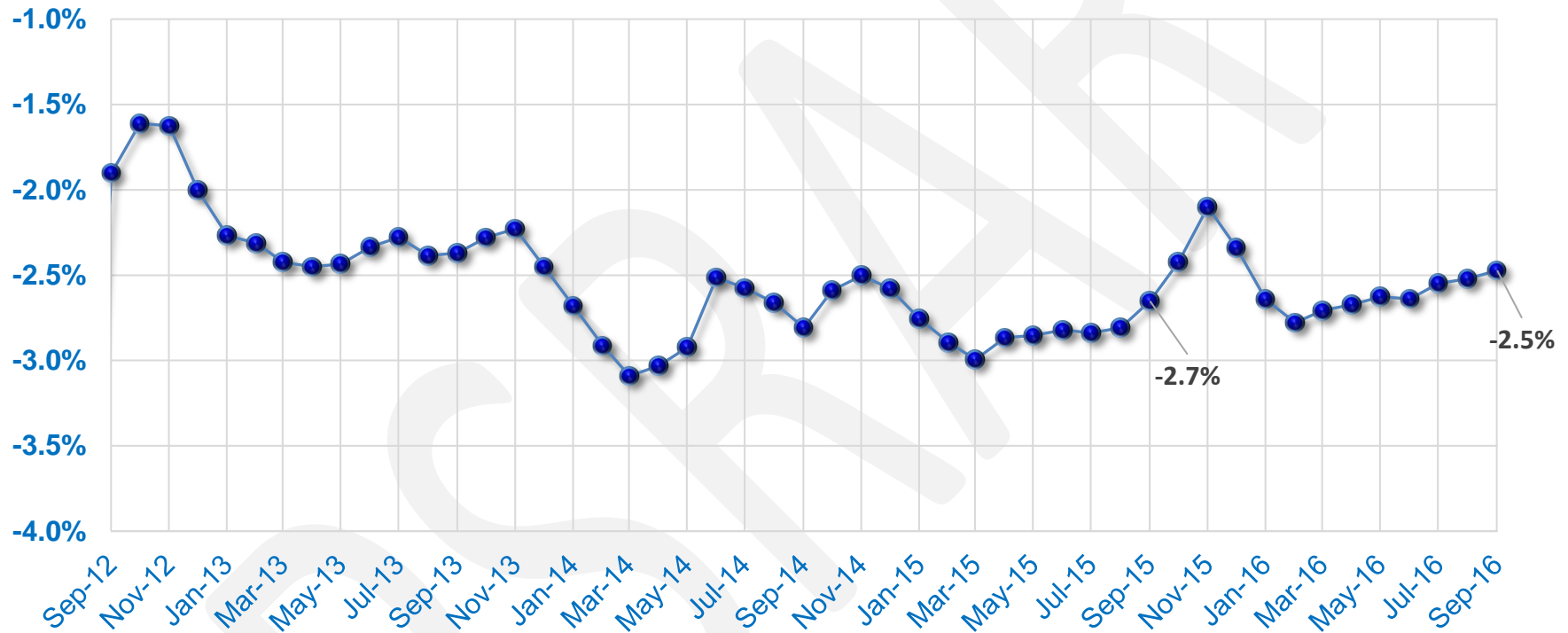


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## Sale Price Discount from List September 2016



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The three month median value of "Sale Price Discount from List" continues to slowly decrease and is currently at -2.5%. It's been running between -2.5% and -3.0% now for almost three years. A reading of -2.5% means the selling price discount on a home listed for \$300,000 has been running around \$7,500.

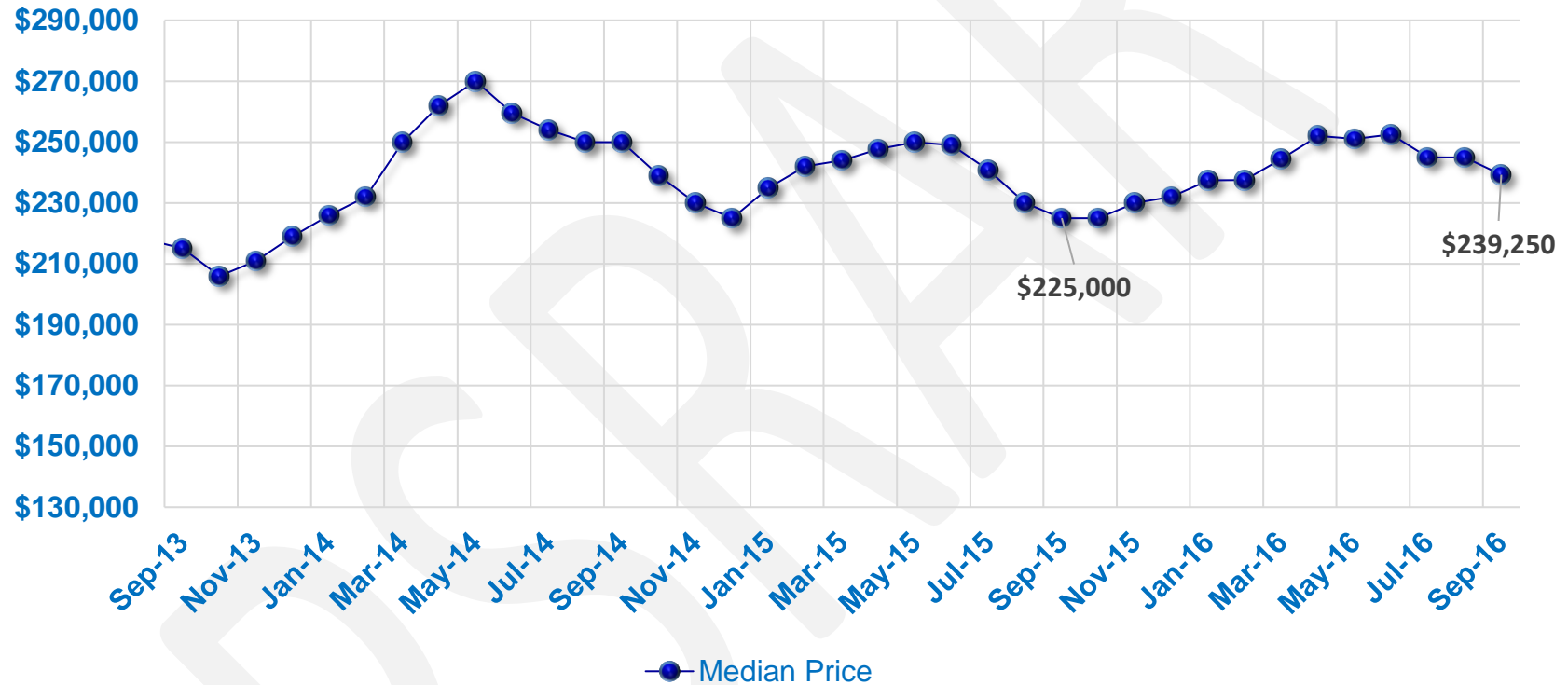


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## Attached Units - median price September 2016



### Attached Units - Median Price.

The September median price of \$239,250 for attached units in the Valley was 6.3% above a year ago, which is in line with the year over year price gain of the median price of detached homes of 7.8%. If history is a guide we may now see, because of seasonal patterns, a slow price rise from here into early spring.

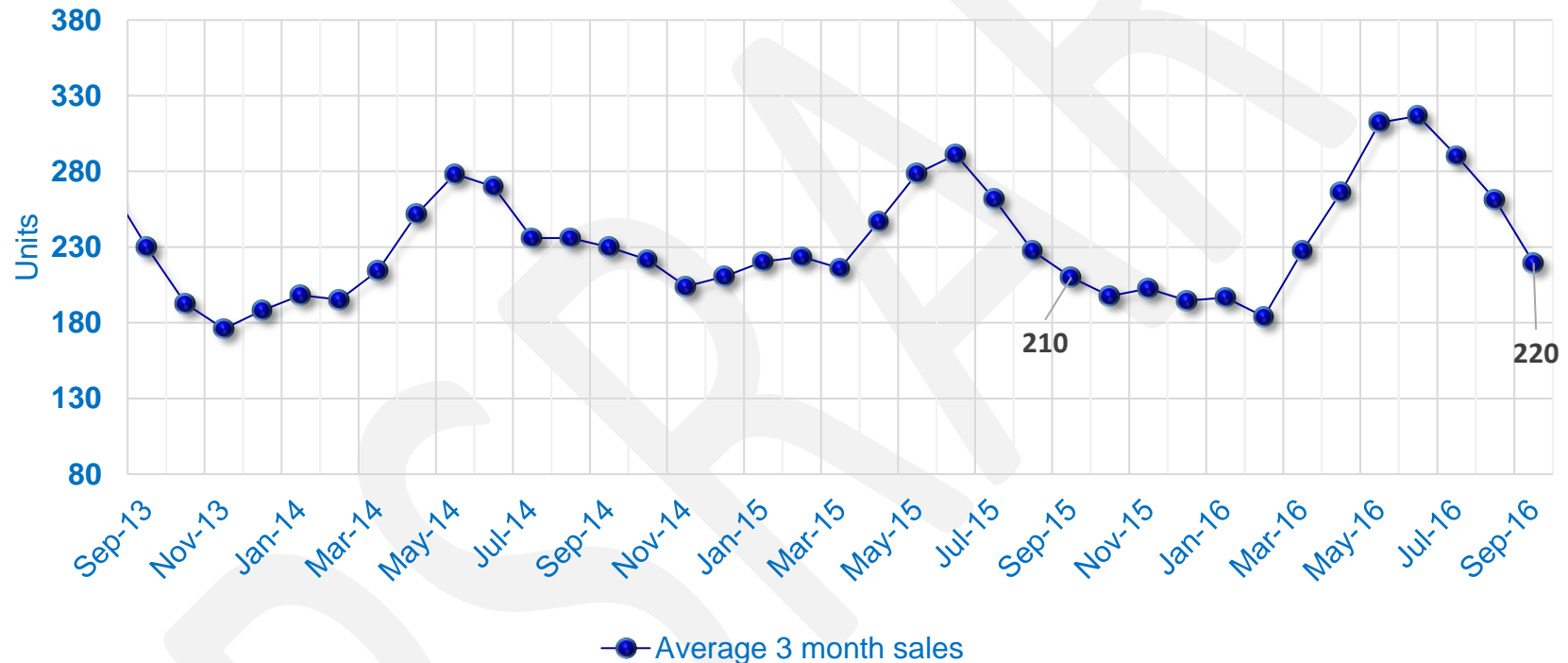


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## Attached Sales September 2016



## Attached Units - Sales

The three month average of attached sales in September was 220 units, 10 units or 4% more than last September. This year saw an exaggeration of the normal seasonal pattern of rising sales from March to June then a decline in lower sales by September. The exaggeration is easily seen in the graph looking at the relative size of both the increase then the decrease in attached sales numbers. We're not sure yet what this exaggerated pattern means at this time but our gut feeling is it might mean a renewed interest in attached units versus detached similar to earlier periods.



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## Explanation and Description of Market Watch's Graphs and Calculations

**Prices:** Except for our attached price index, all city and regional median prices are for single family detached homes only. All prices are the median value for 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 of detached homes. 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. 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 numbers are the sum of both attached and detached home sales. 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 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 1<sup>st</sup> the next month. It is the sum of inventory of both attached and detached homes. 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 1<sup>st</sup>. 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.