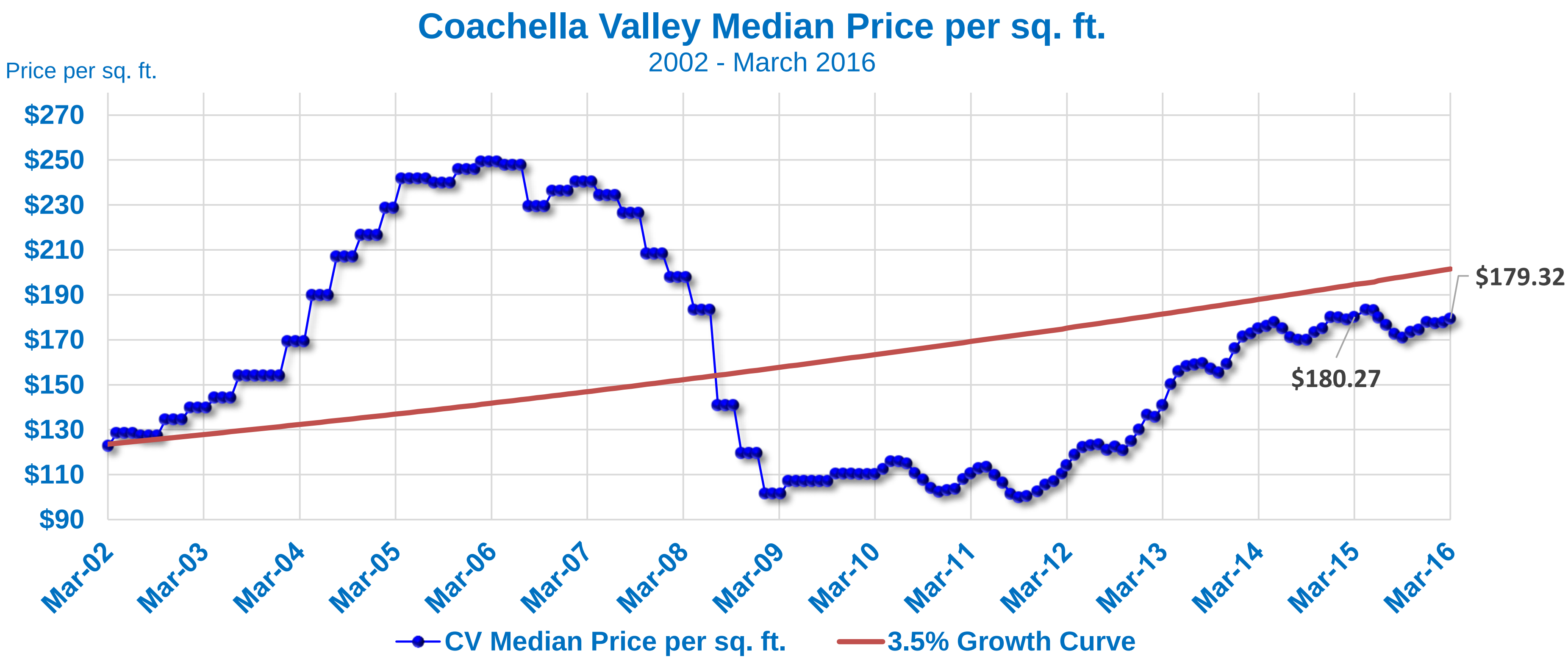
The *Market Watch* Monthly Housing Report

March 2016

Prepared for the Members of PSRAR as a Member benefit



Summary

(In alternate months, we show price returns for the Valley and cities as either the median price per sq. ft. or the median price. This month all prices listed will be the median price per square foot).

In March the median price per sq. ft. throughout the Valley was $179.32, an increase of $1.50 compared to February's value. This price is just one dollar less than the March value last year of $180.27, showing that prices throughout the Valley, as measured by this broad index, are practically unchanged. When we measure changes in price per sq. ft. for each city we get a mixed result, with a slight positive bias; seven cities have positive year over year gains while three cities show negative returns. The strongest city is Palm Springs. This is highlighted by the fact that its median price per sq. ft. of $292 is now only 4.6% shy of the all-time high set in 2006 of $306. The problem in general for Valley housing continues to be rising inventories in all the price brackets and moderate sales. This is pushing "months of sales" ratios up above eight months or even higher. In fact it rises to over fifteen months in the $700k to $800k bracket and close to two years in the million dollar bracket and higher.

PSRAR – 760-320-6885
Source data - MLS.COM

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12 month change in the median price per sq. ft. of each city

	Mar-16	Year Ago	12 Month Change	2011 Low	Gain off Low	2006 High	% from High
Desert Hot Springs	$110	$98	**12.8%**	$55	101.4%	**$186.94**	-41.1%
Palm Springs	$292	$267	**9.7%**	$156	87.5%	**$306.60**	-4.6%
Indio	$148	$139	**6.1%**	$78	89.5%	**$216.45**	-31.8%
Rancho Mirage	$242	$234	**3.5%**	$162	49.1%	**$331.15**	-26.9%
Cathedral City	$156	$151	**3.5%**	$86	82.0%	**$236.76**	-34.0%
Palm Desert	$192	$189	**1.1%**	$139	37.9%	**$267.07**	-28.3%
City of Coachella	$114	$121	**-6.2%**	$66	73.5%	**$215.01**	-47.1%
La Quinta	$209	$223	**-6.2%**	$125	67.1%	**$292.55**	-28.6%
Indian Wells	$248	$289	**-14.2%**	$195	27.4%	**$358.83**	-30.7%

Changes in City Median Prices

On a city by city basis, at the end of March, six of the nine Valley cities show positive year over year gains in their median price per sq. ft. while three cities show lower year over year gains. The strongest Valley city for the last three years – Palm Springs - continues to shine. This is highlighted by the fact that its median price per sq. ft. of $292 is now only 4.6% shy of the all-time high set in 2006 of $306. This may cause some people to think this might be signs of another price bubble but we don't see that. While it might be the result of a little over the top exuberance, the fact is there is the still deep, heavy demand for the Palm Springs life style at a time when the available supply remains relatively low. We don't perceive the Palm Springs market as showing signs of any undue risk.

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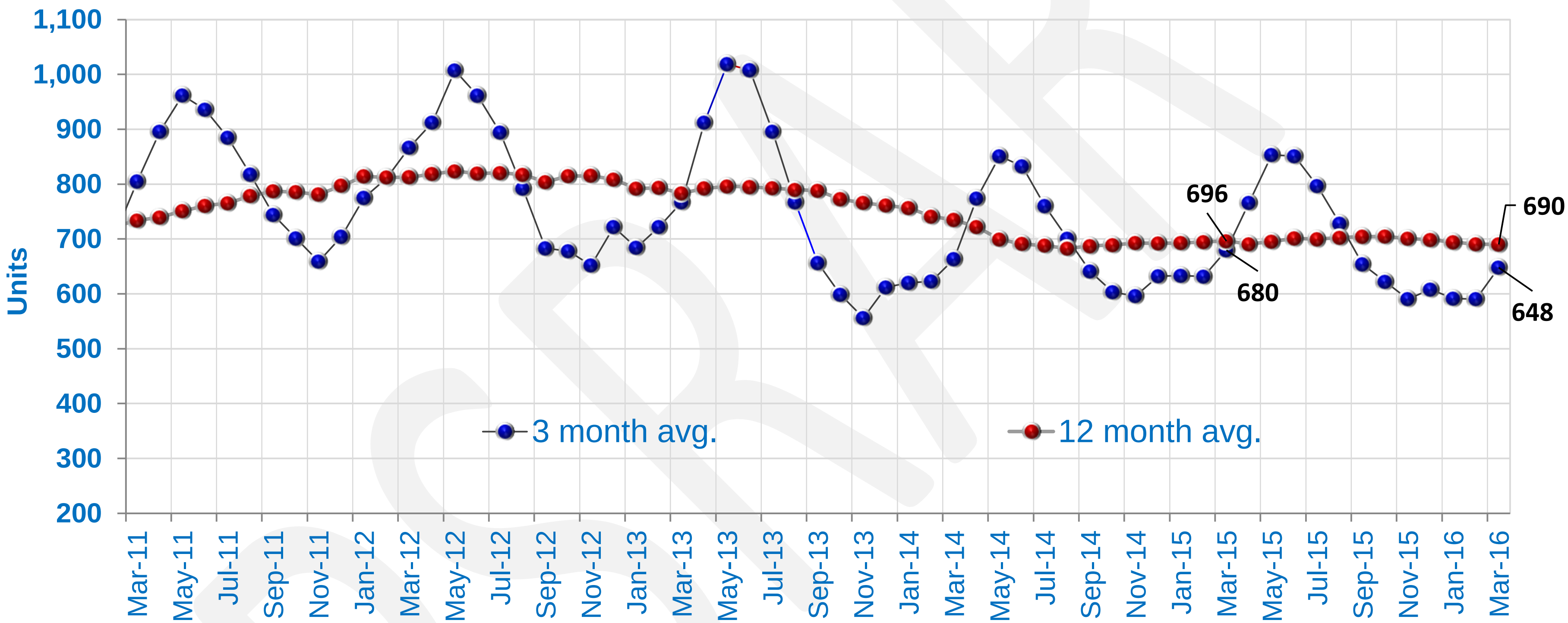
Coachella Valley Home Sales

Mar 2011 to Mar 2016



Monthly Sales

Sales have remained at a constant and relatively low rate now for almost two years. The twelve month average is 690 units a month, which is just six less than a year ago but 45 units less than two years ago. The very seasonal three month average is 648 unis which is 32 units less than the March average of last year. The positive aspect is that the three month average should now rise for the next three months hopefully hitting a high of 800 units a month.

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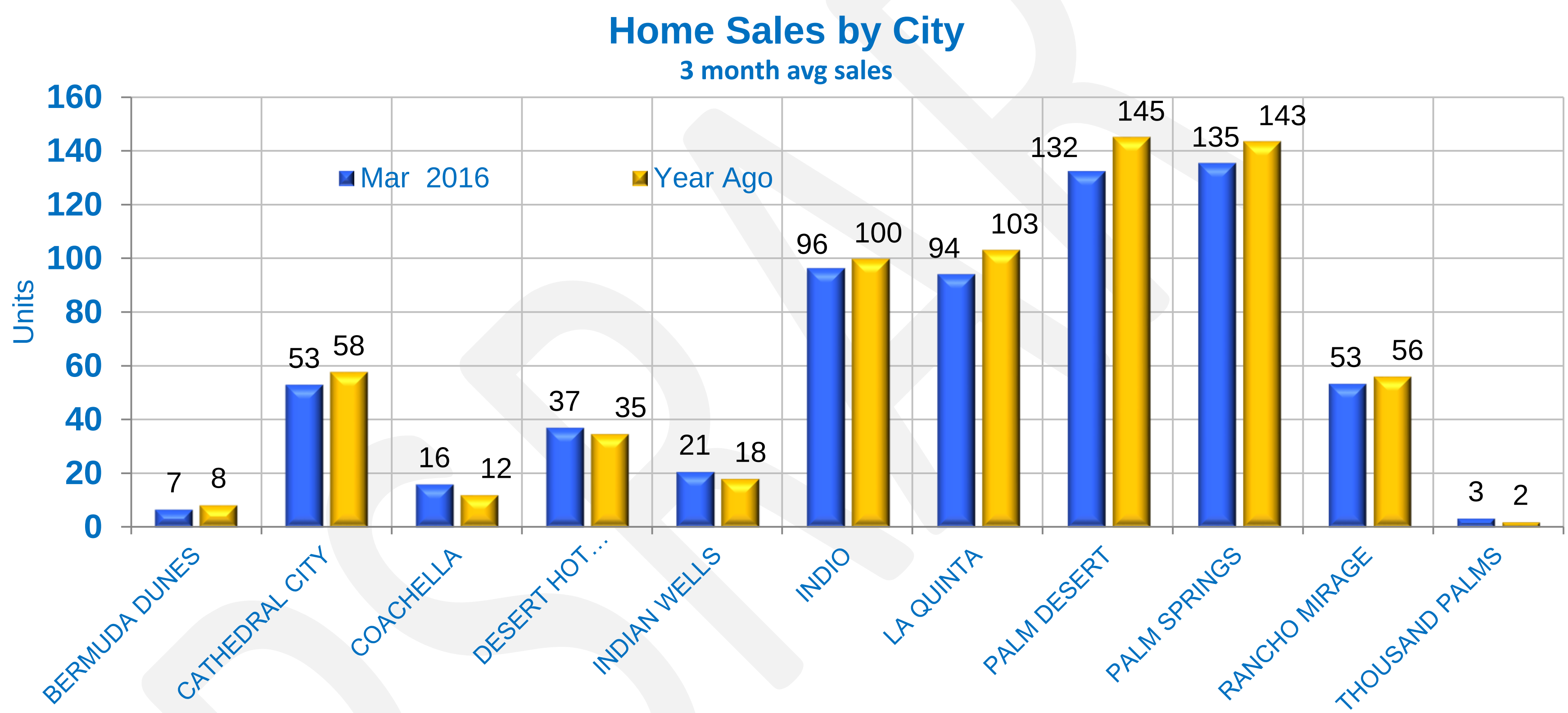

Home Sales per Month by City

On a city by city basis the overall regional decline in three month sales is mostly due to lower sales in three cities – Palm Springs, Palm Desert and La Quinta. The average for these three cities is 8% lower sales than the same time last year, which we think is not major decline. There are also small sales declines in Cathedral City and Indio. A few cities show three month sales increases. The cities of Coachella and Desert Hot Springs along with Indian Wells all show slightly higher sales when compared to last year.

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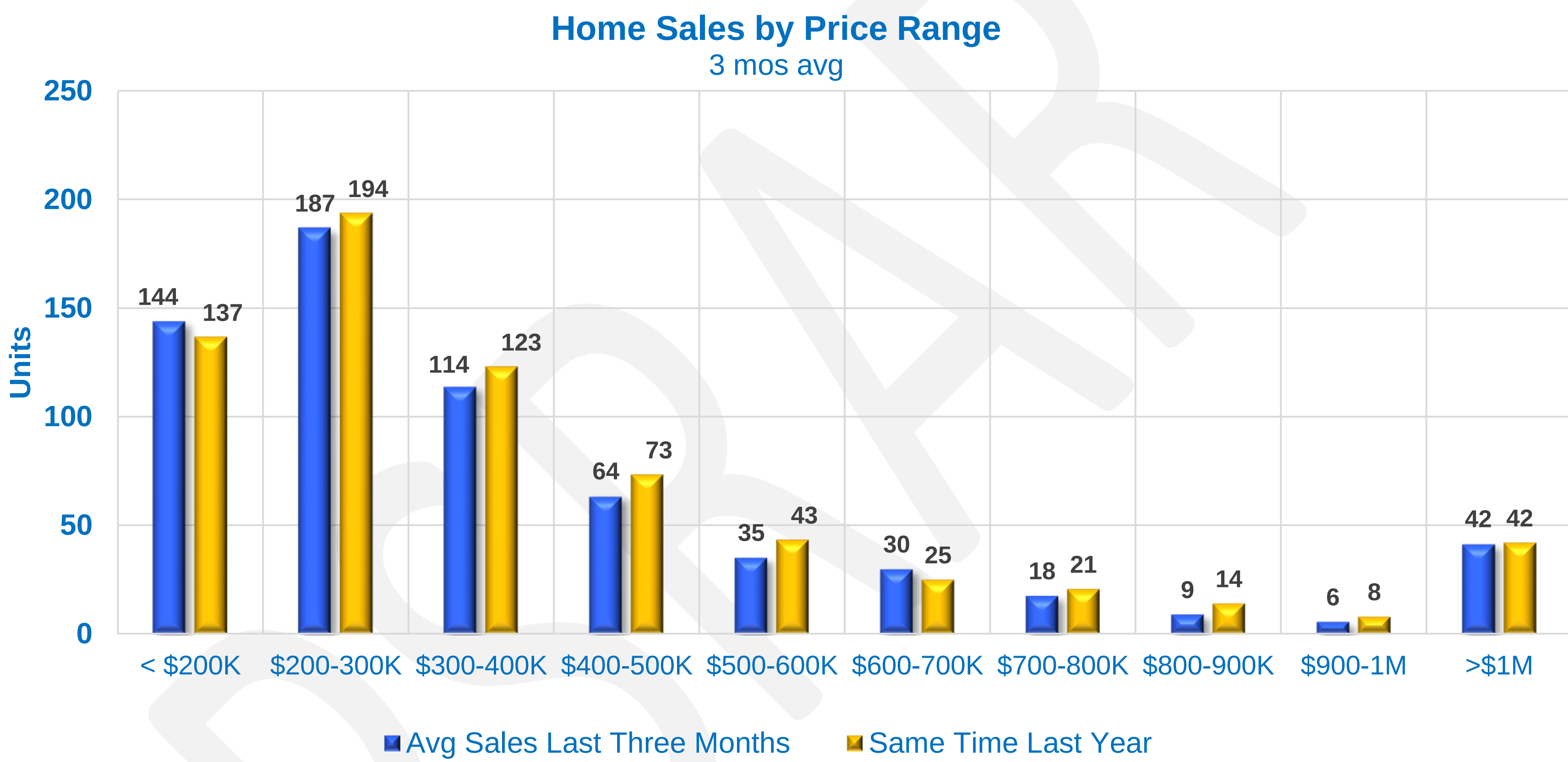

Home Sales by Price Range

Three month sales is slightly lower in almost all price ranges except for units priced under $200k. The reason is higher sales in the under $200k range is due to the large increase in sales last month of condos priced in that range. We find it encouraging that sales of homes priced over a million dollars in March remains equal to sales at the same time last year.

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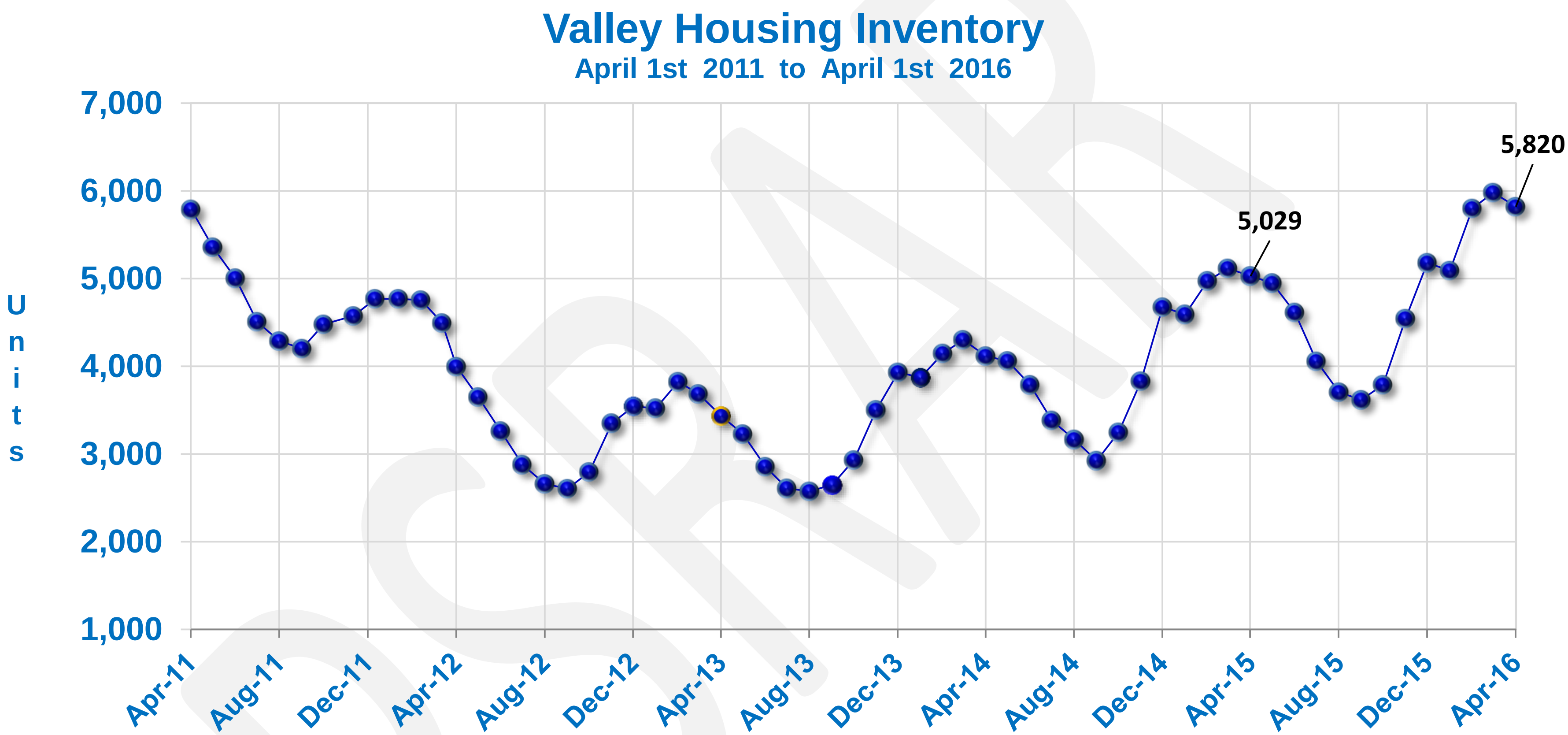

Coachella Valley Listed Inventory.

While inventory remains near the highest levels of the last five years, we have entered the seasonal period when it usually rapidly declines over the next four or five months. We believe this seasonal pattern will continue this year too. We hope to see it come down to around 4,000 units sometime around September. For that to happen, besides the natural delisting process that takes place during the hot summer months, we hope to also see a rapid pick up in sales over the next few months

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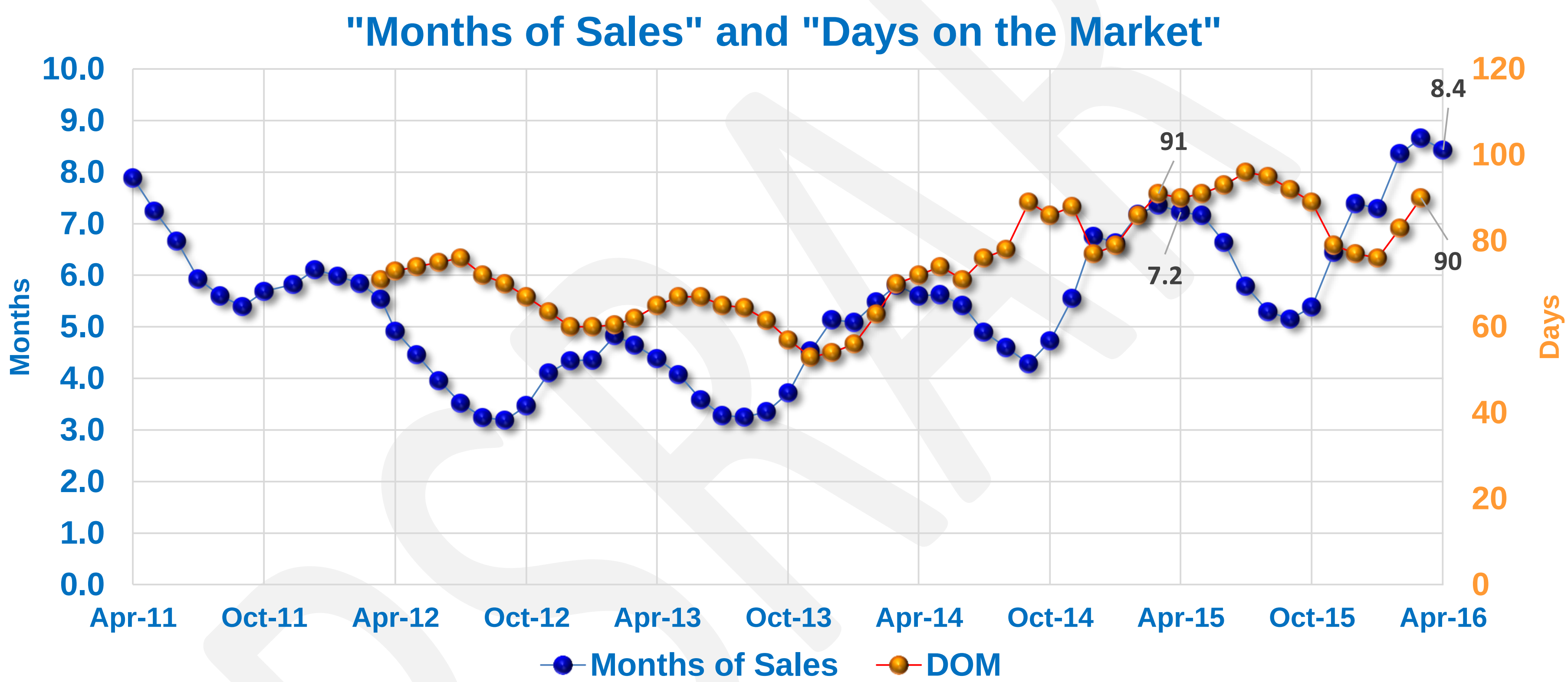

"Months of Sales" and "Days on the Market"

Months of sales on April 1st declined slightly from March 1st from 8.6 months to 8.4, beginning what we believe is the start of the seasonal pattern of declining ratios each month until September 1st. A year ago the ratio was 7.2 months. Anything over eight months is considered too high – too much inventory and not enough sales. A ratio closer to six months would be better. A high ratio like this begins to put upward pressure on Days of the Market. DOM, which is the three month median value on the length of time homes have been on the market before selling, has been rising but at 90 days it is still below last year's median of 91 days.

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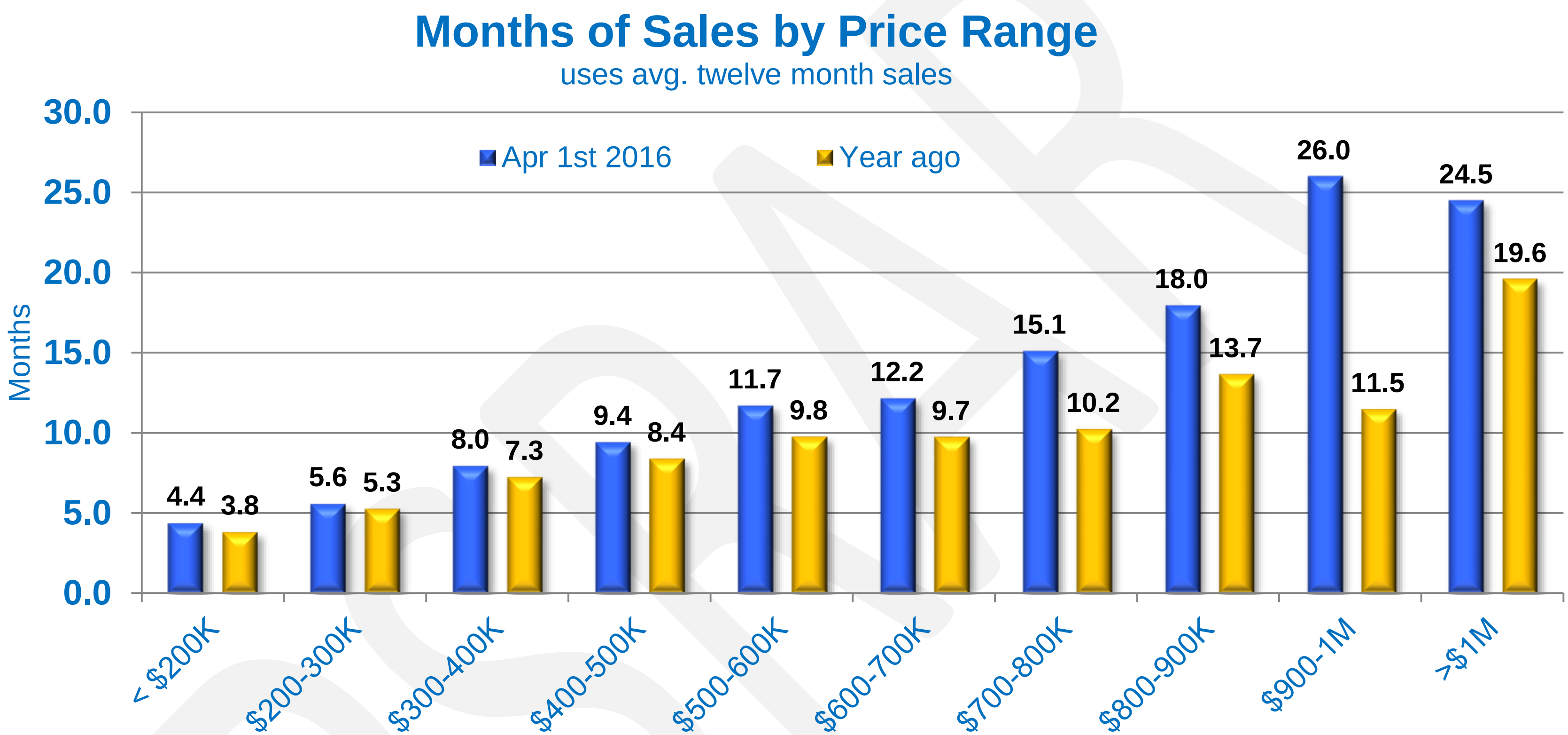

"Months of Sales" by Price Range

When we calculate "months of sales" at prices ranges that go from below $200k to over one million dollars, we find higher months of sales across the boards. Only with homes and condos priced under $300k do we find ratios with somewhat acceptable readings of five months or below. The ratios for homes priced over $700 begin to get particularly high ratios of over fifteen months. Any ratio over a year is considered very high even for high priced homes. And for homes priced over $900k, months of sales is now at two years or more.

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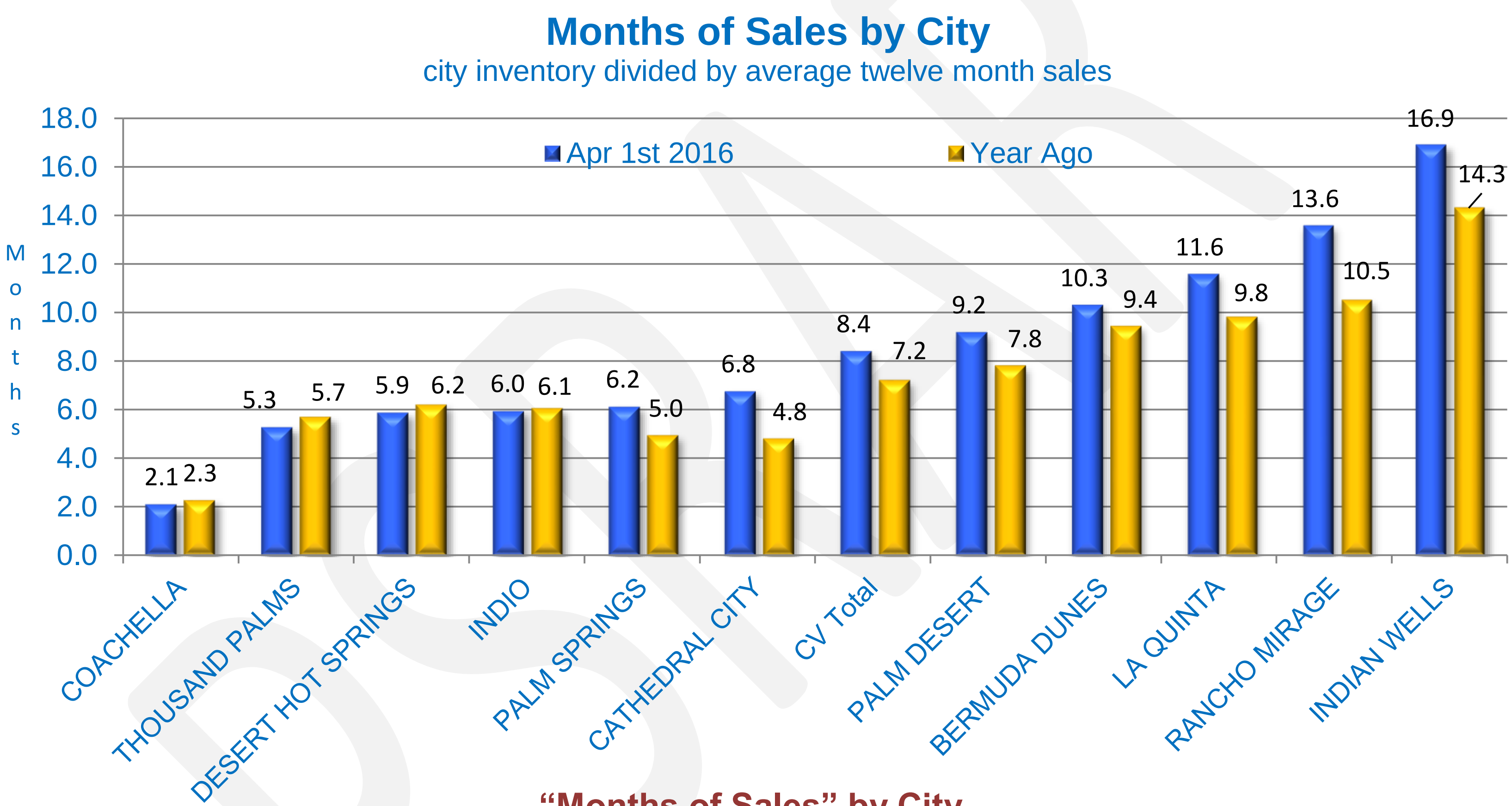
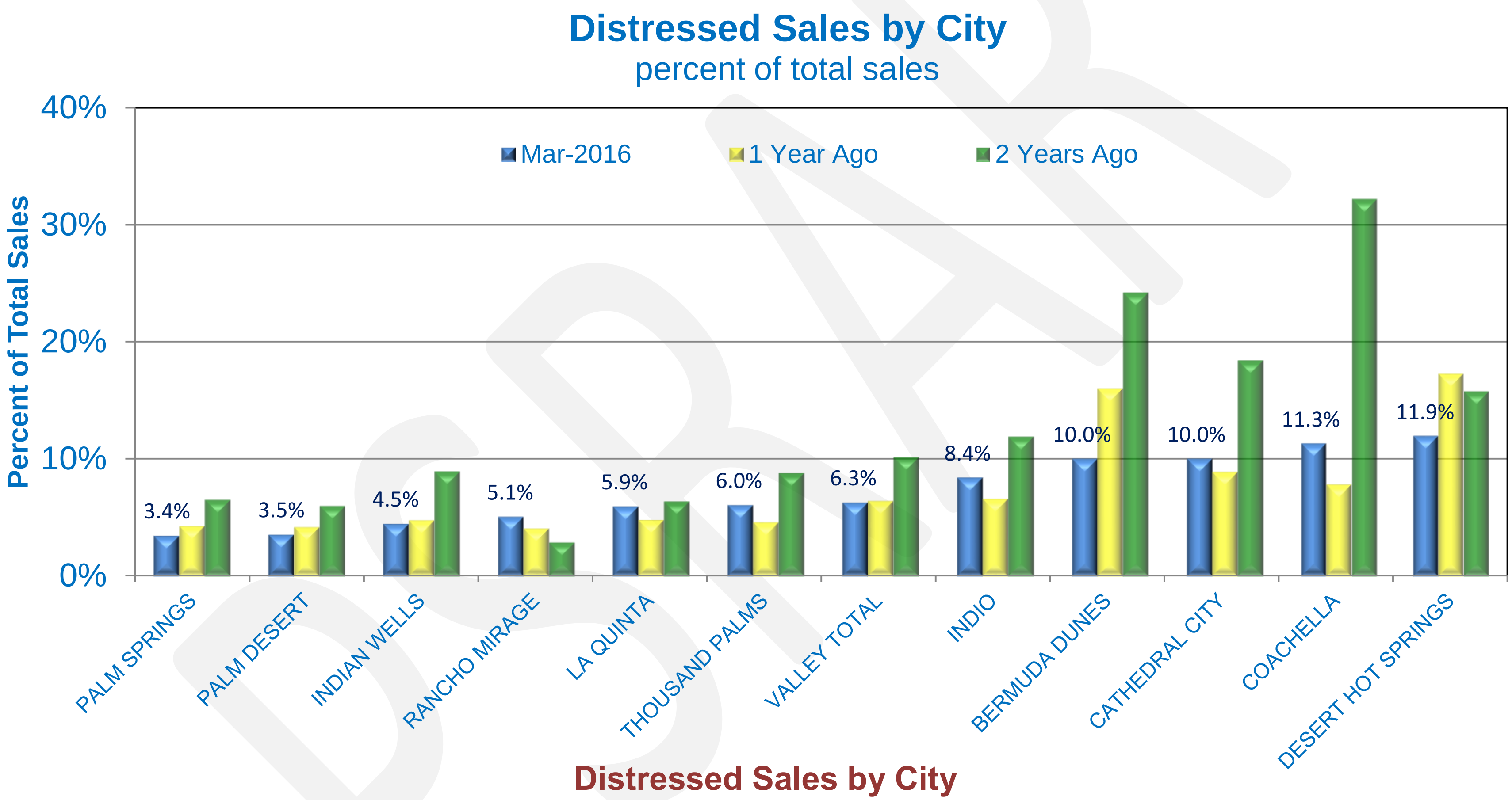


"Months of Sales" by City

When we calculate "months of sales" by city, we find six cities with ratios near six months with two – Coachella and Thousand Palms – at two and five months respectively. These are all below the Coachella Valley regional average of 8.4 months. Then we have ratios that go from 9. 2 months for Palm Desert, 10.3 for Bermuda Dunes, 11.6 months for La Quinta, 13.6 months for Rancho Mirage and 16.9 for Indian wells. While higher priced areas like Rancho Mirage and Indian Wells always have high ratios, any ratio over one year is getting pretty high.



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. What is noticeable, however, is that a few cities now have distressed sales higher than last year at this time. This is true of Rancho Mirage, La Quinta, Thousand Palms, Indio, Cathedral City and the city of Coachella. These increases seem to offset the declines in the other cities leaving the Valley average of 6.3% the same as last year.

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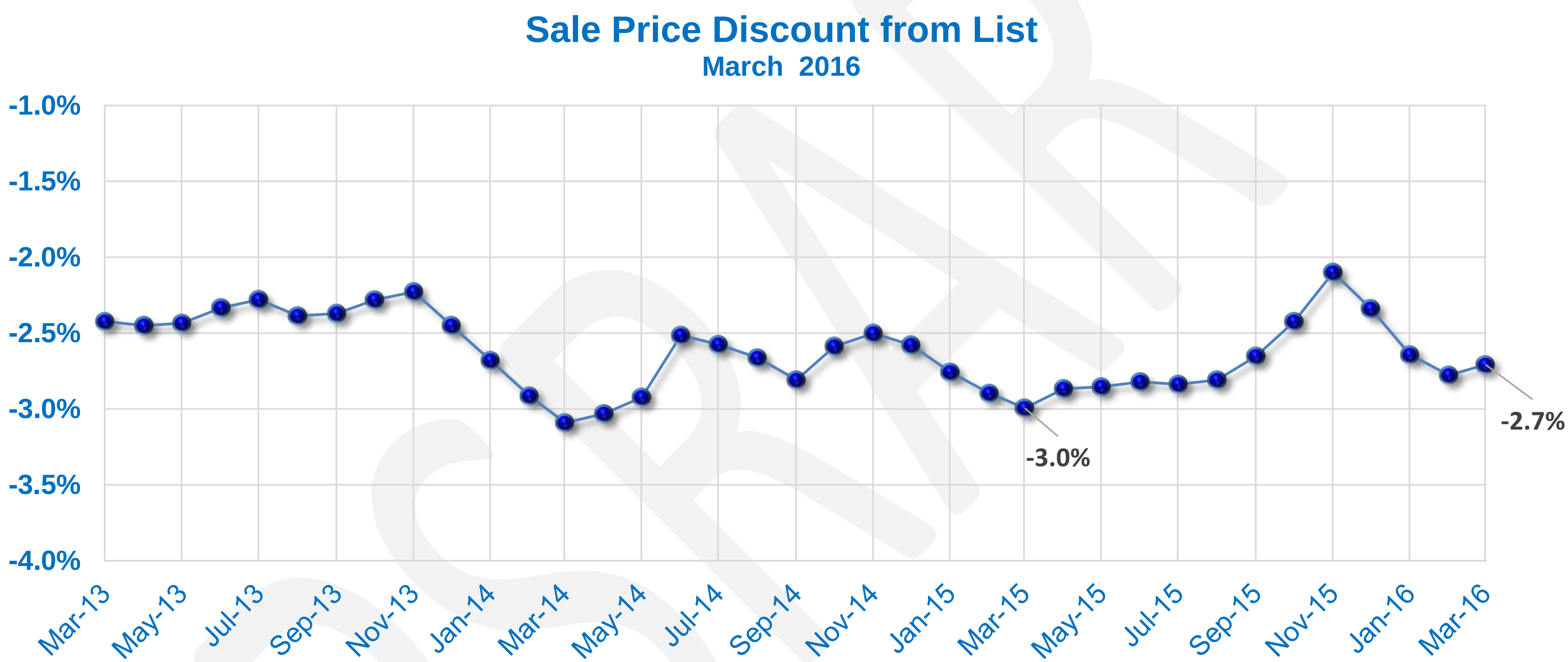

Sale Price Discount from List

The latest "Sale Price Discount from List" is -2.7% which is less than the value in March of last year. 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. We find it encouraging that after dropping for the last three months it actually rose in March compared to the value in February. The current reading of minus 2.7% implies that the selling discount to a home listed for $300,000 home was approximately $8,100.

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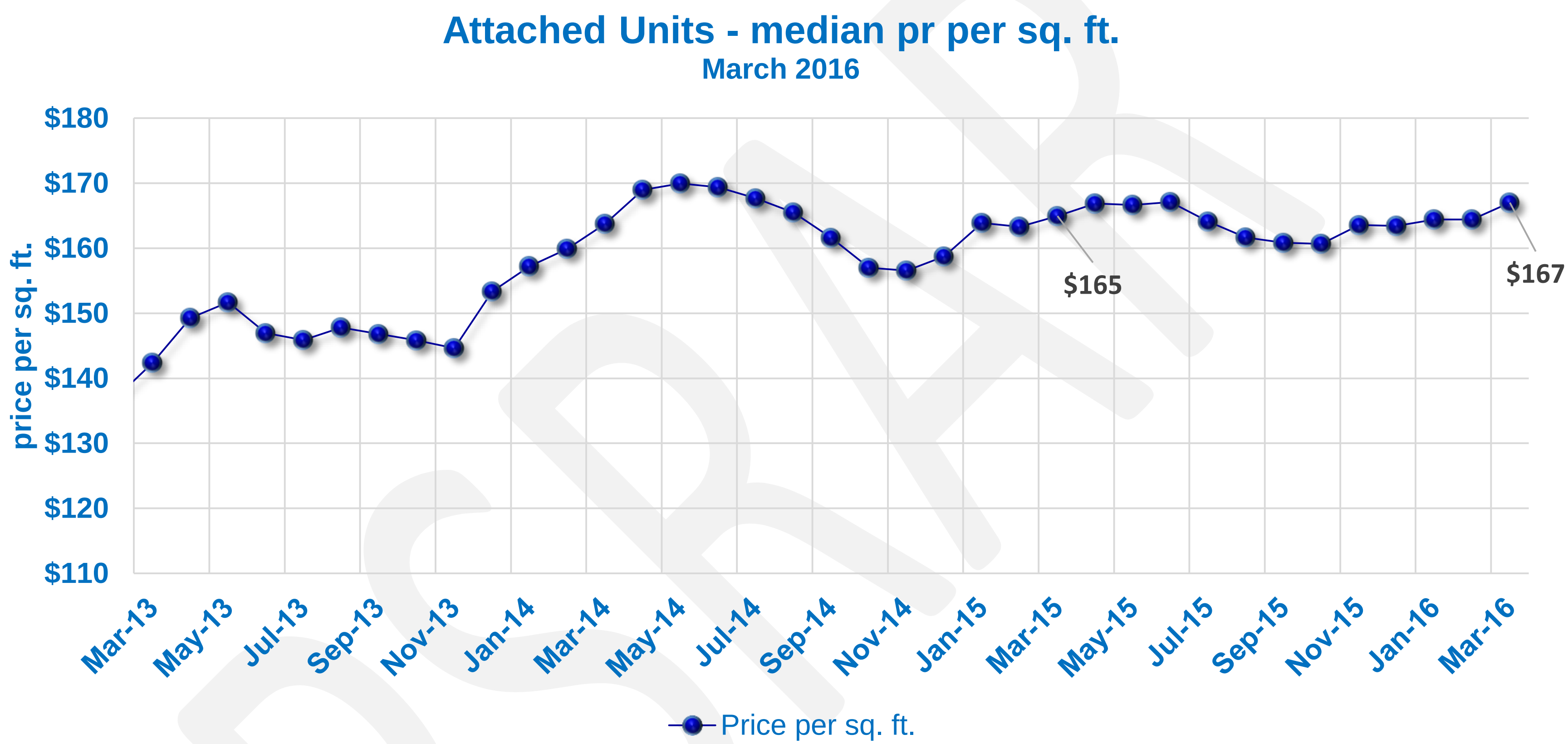

Attached Units - Median Price per sq. ft..

The median price of $167 per sq. ft. for attached units in March continues the gradual price rise that's been in effect now for five months. This rise is easily seen in the above price chart. Some of this is seasonal as prices usually continue to advance until around June or July. It is encouraging that prices of attached units are higher than last year by two dollars per sq. ft.

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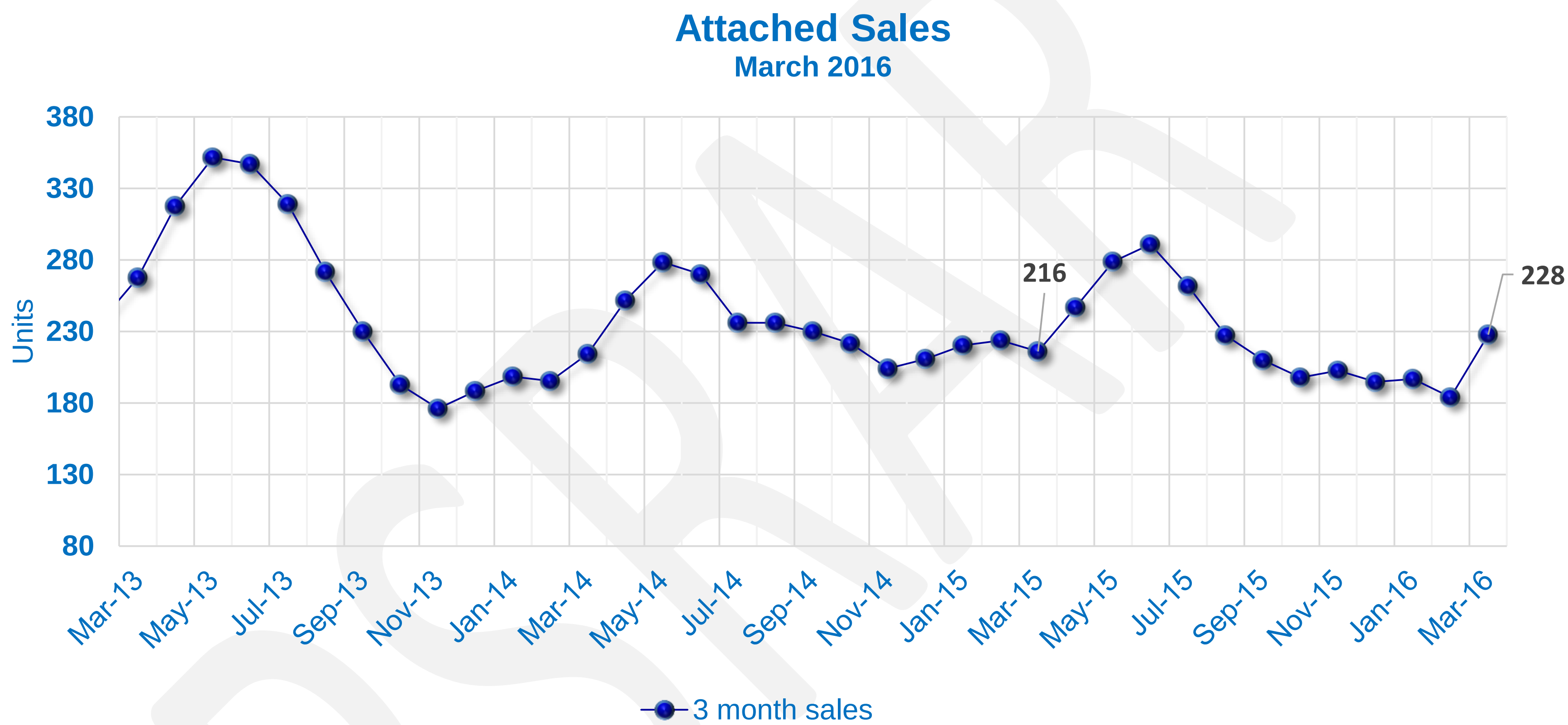

Attached Units - Sales

Sales urged in March rising to 228 from 184 the previous month. This is all the more outstanding since these monthly values are the average sales over the last three months. On an actual monthly basis the one month sales in February was 175 units, which jumped to a one month reading of 318 in March. This highlights two facts - the large increase in sales in just one month as well as why we use three month averages to keep the values from going back and forth in very extreme monthly readings.

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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

PSRAR – 760-320-6885

Source data - MLS.COM