



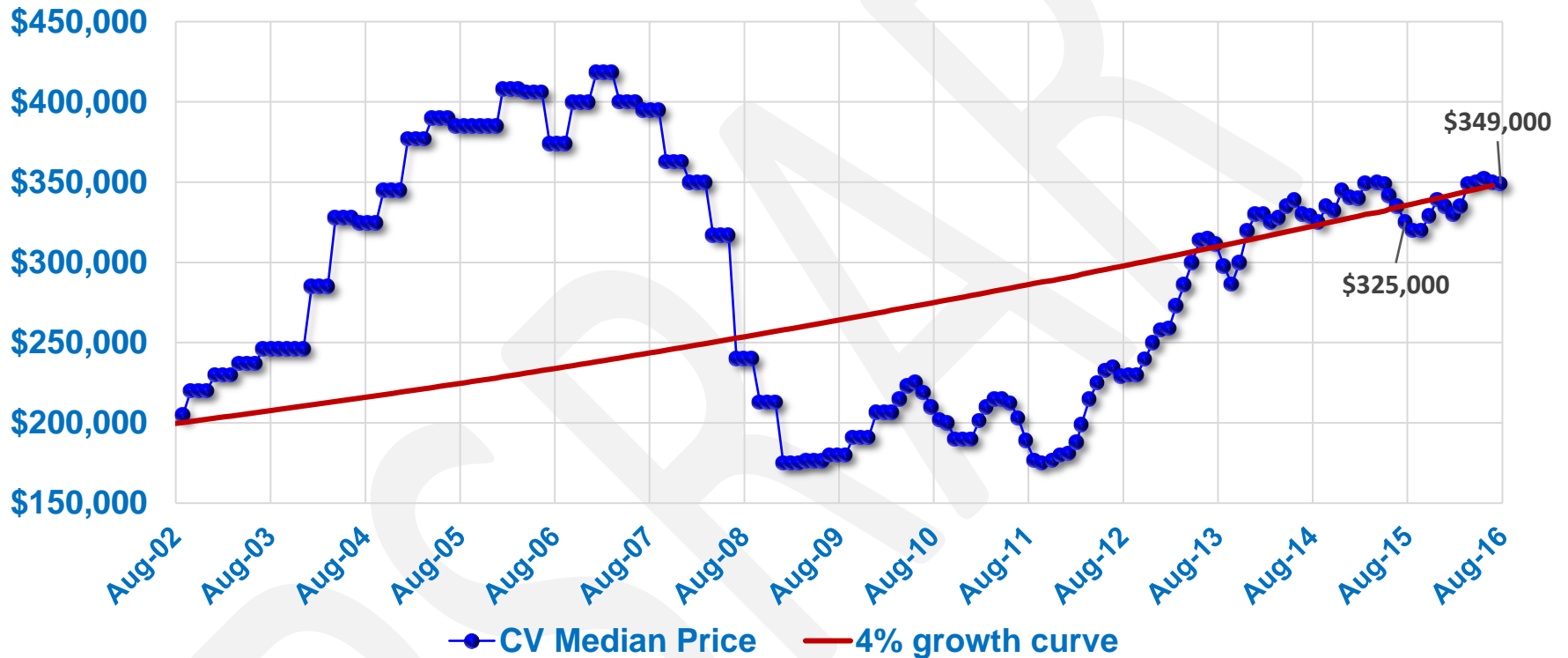
The Market Watch Monthly Housing Report

August 2016

Prepared for the Members of PSRAR as a Member benefit

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

Median Price



In August the Valley's median detached home price finished at \$349,000, which is \$24,000 or 7.4% higher than August of last year. From the chart it is easy to see that prices have been rising right along the 4% growth curve for three years now. City median prices at the end of August still show strong gains with seven cities having positive year over year gains and only two – Cathedral City and Palm Desert - are negative. The positive gains range from a high of 17.6% for Desert Hot Springs to 4.2% for the City of Coachella. It is clear to us that the slow, two year decline in homes sales is finally starting to reverse. The average of three month sales is currently 9% above a year ago. While the twelve month average is just three units more than a year ago. This means that the twelve month average will now increase every month when compared to a year ago. The slight increase in twelve month sales along with the return of inventory numbers to being close to last year has produced a September 1st "months of sales" ratio almost exactly equal to last year – 5.3 months versus 5.2.



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12 month change in city median prices (detached homes)

	Aug-16	Year Ago	12 Month Change	2011 Low	Gain off Low	2006 High	% from High
Desert Hot Springs	\$189,500	\$161,200	17.6%	\$85,000	122.9%	\$295,000	-35.8%
La Quinta	\$399,450	\$360,000	11.0%	\$245,000	63.0%	\$682,020	-41.4%
Rancho Mirage	\$640,000	\$599,750	6.7%	\$423,000	51.3%	\$950,000	-32.6%
Indio	\$299,000	\$280,572	6.6%	\$158,500	88.6%	\$380,500	-21.4%
Indian Wells	\$839,000	\$792,000	5.9%	\$540,000	55.4%	\$1,205,000	-30.4%
Palm Springs	\$548,540	\$522,500	5.0%	\$335,000	63.7%	\$600,000	-8.6%
City of Coachella	\$224,000	\$215,000	4.2%	\$121,950	83.7%	\$335,000	-33.1%
Cathedral City	\$275,000	\$279,000	-1.4%	\$139,000	97.8%	\$395,000	-30.4%
Palm Desert	\$374,500	\$390,000	-4.0%	\$287,000	30.5%	\$543,000	-31.0%

Changes in City Median Prices

City median prices at the end of August still show strong gains with seven cities having positive year over year gains and only two – Cathedral City and Palm Desert - are negative. The positive gains range from a high of 17.6% for Desert Hot Springs to 4.2% for the City of Coachella. The surge in prices in Desert Hot Springs over the last year have now given that city the highest percentage gain off the 2011 price lows of all nine cities at 122.9%. Of course the very low median price of \$85,000 in 2011 was the result of a distress sales ratio at the time of close to 75%, so it is natural that a normalization of prices would produce a very large percentage gain as we see. It should be noted that a Palm Springs median price of \$548,540 is currently only 8.6% from its all-time high.



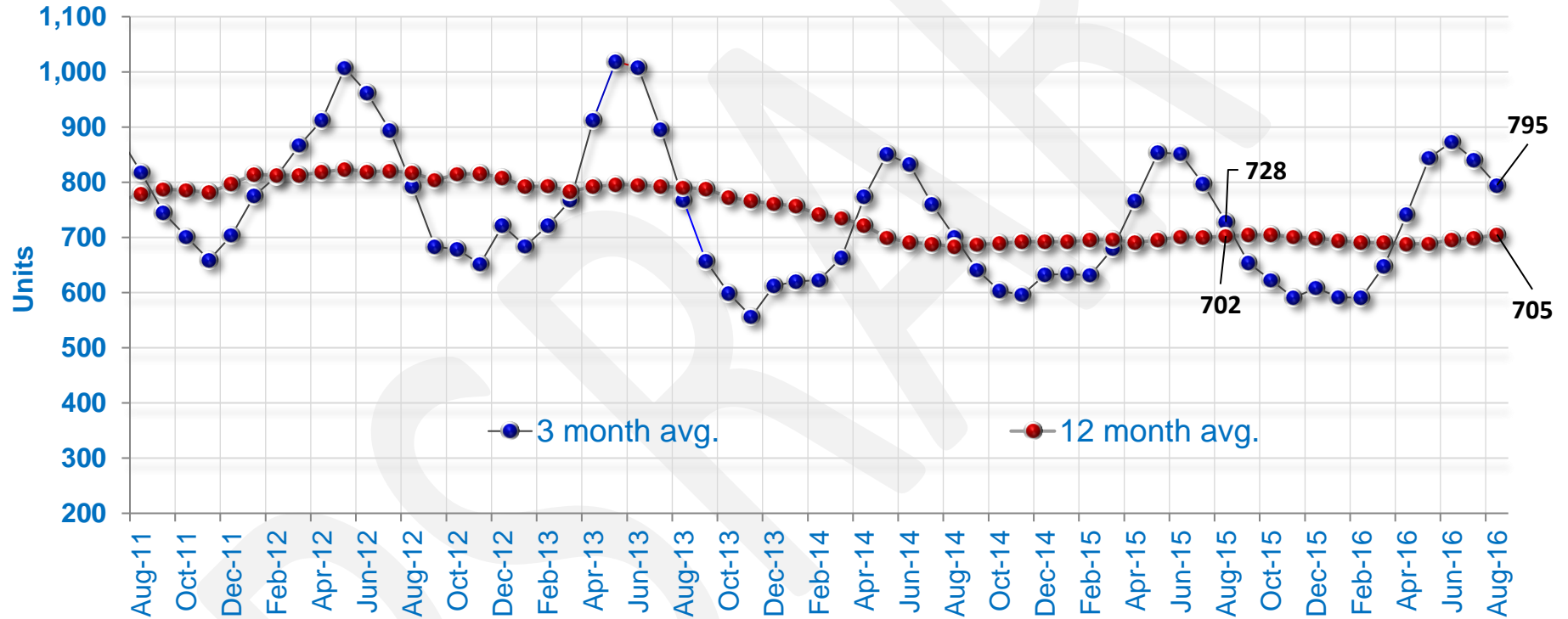
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Coachella Valley Home Sales

Aug 2011 to Aug 2016



Monthly Sales

It is clear to us that the slow, two year decline in homes sales is finally starting to reverse. A reversal will first show up three month sales compared to a year earlier, followed by an eventual upslope in the 12 month average red line, And this is what we see. The average of three month sales is currently 9% above a year ago. The twelve month average is just starting to turn up. The twelve month average is the true measure of sales since it takes our seasonality so any point can be compared to any other point. While the twelve month average is just three units more than a year ago, we can say this measure of sales will now increase every month compared to a year earlier.



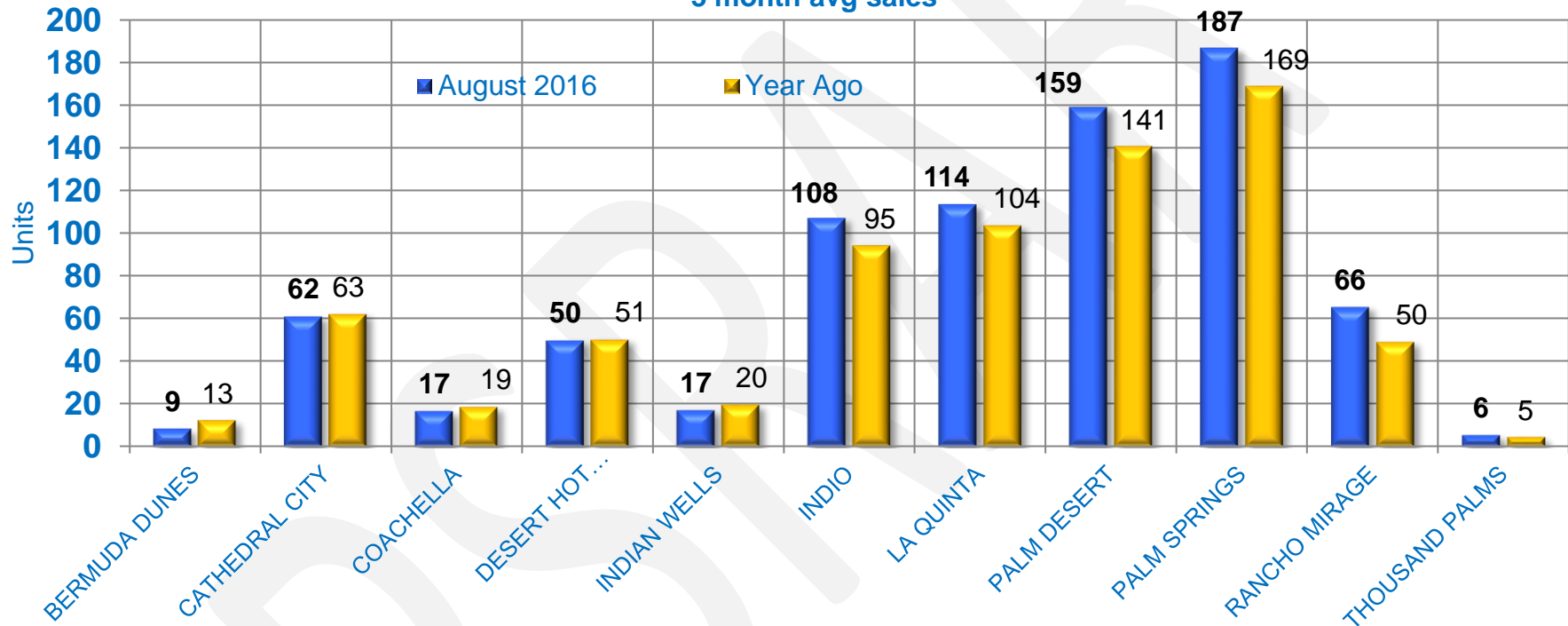
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Home Sales by City

3 month avg sales



Home Sales per month by City

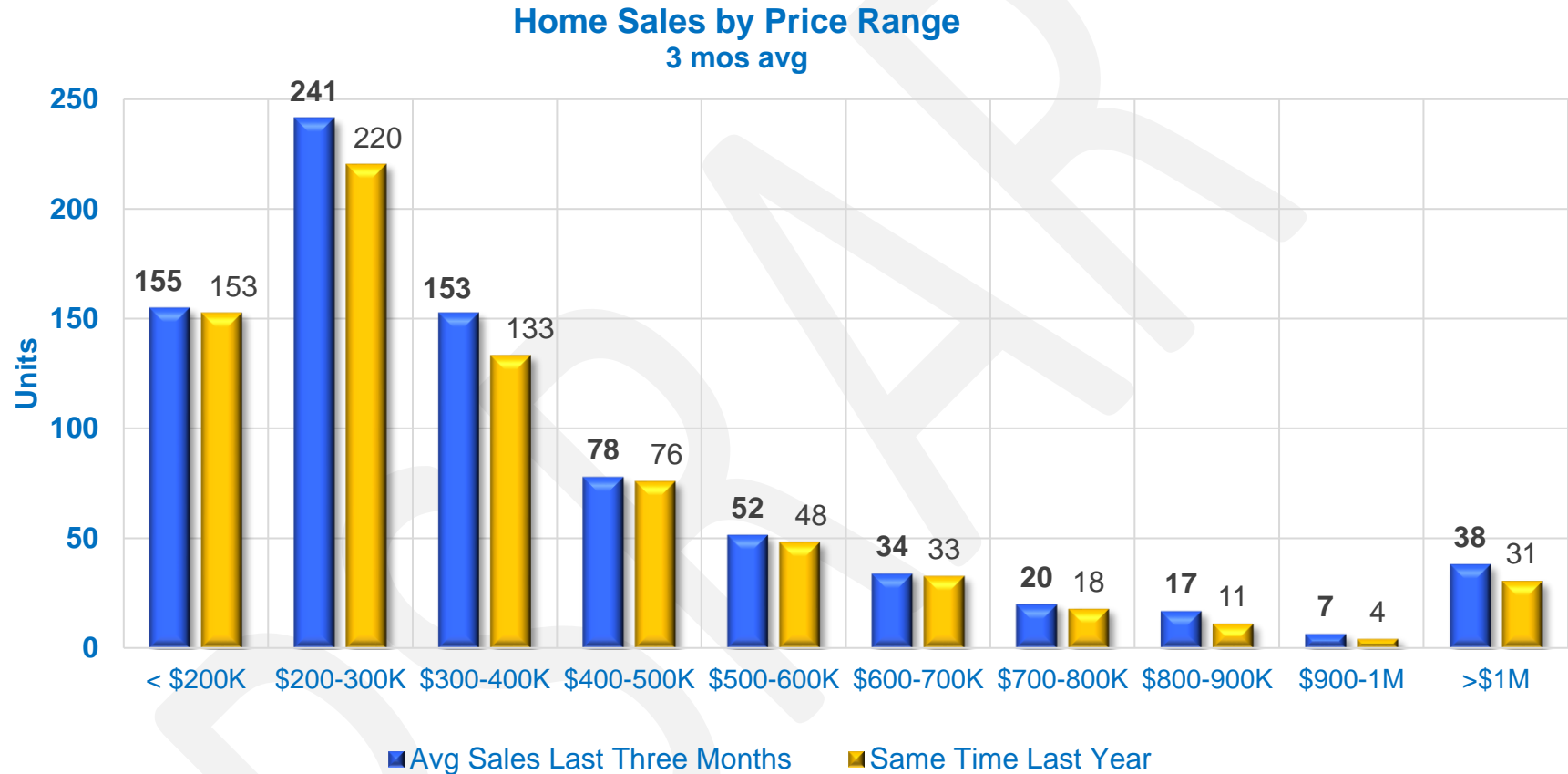
We see an expansion in three month sales compared to a year ago in six of eleven cities. Indio is 14% higher, La Quinta is 9.6%, Palm Desert is 12.7%, Palm Springs is 10.6%, Rancho Mirage a whopping 32% and Thousand Palms 20%. Cathedral City and Desert Hot Springs while slightly lower were effectively the same. Sales in Indian Wells were off 15% while those in Bermuda Dunes were off the largest at 31%.



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Home Sales by Price Range

When we calculate sales levels in the various price brackets we find that the three-month average of sales in August was higher in all price brackets compared to a year ago. While some of the sales increase is due to increased sales in attached homes – this would help sales increase in homes priced from \$200k to \$600k, this is not the only cause. The large increase in sales of units priced over \$800k is from more detached sales.



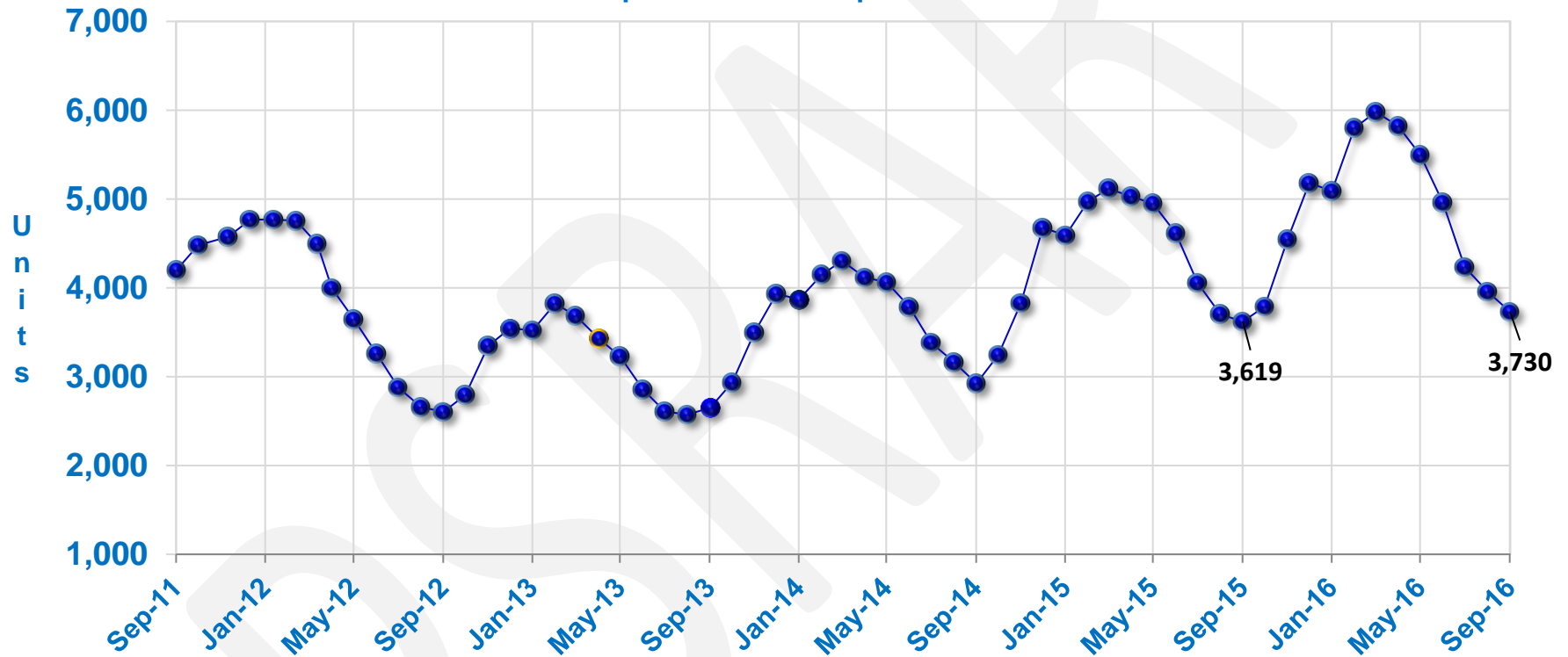
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Valley Housing Inventory

Sep 1st 2011 to Sep 1st 2016



Coachella Valley Listed Inventory.

As was expected, because of seasonal patterns, Valley inventory continued to decline through August but at a higher than normal rate. Five months ago on March 1st inventory was 6,000 units. This was 1,000 units more than on March 1st a year earlier. This caused some concern at the time but the numbers have now fallen to a level almost equal to September 1st of last year. This is very encouraging sign. We think a large part of the reduced inventory was due to the hard work of brokers and agents over these last five months.

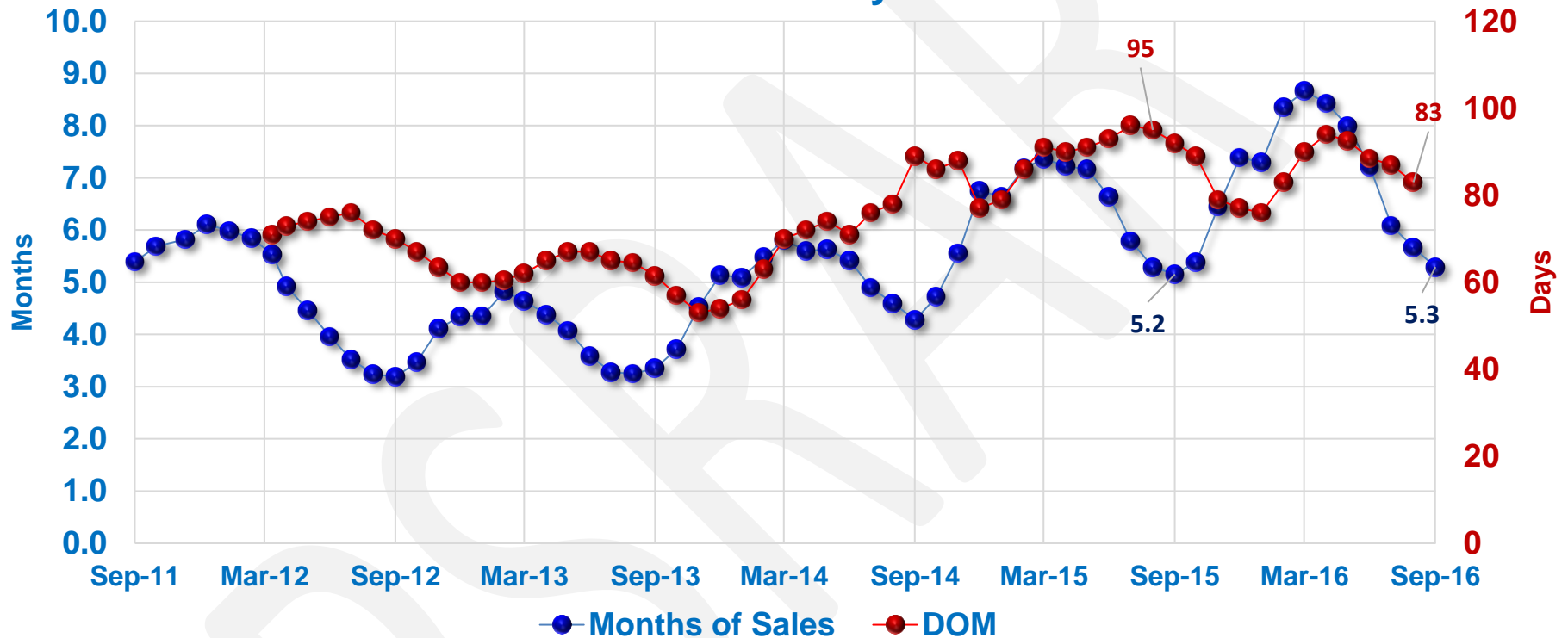


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"Months of Sales" and "Days on the Market"



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

The slight increase in twelve month sales along with the return of inventory numbers to being close to last year has produced a September 1st "months of sales" ratio almost exactly equal to last year – 5.3 months versus 5.2. This is very encouraging. Days on the market has also declined from 95 days a year ago to 83 days now.

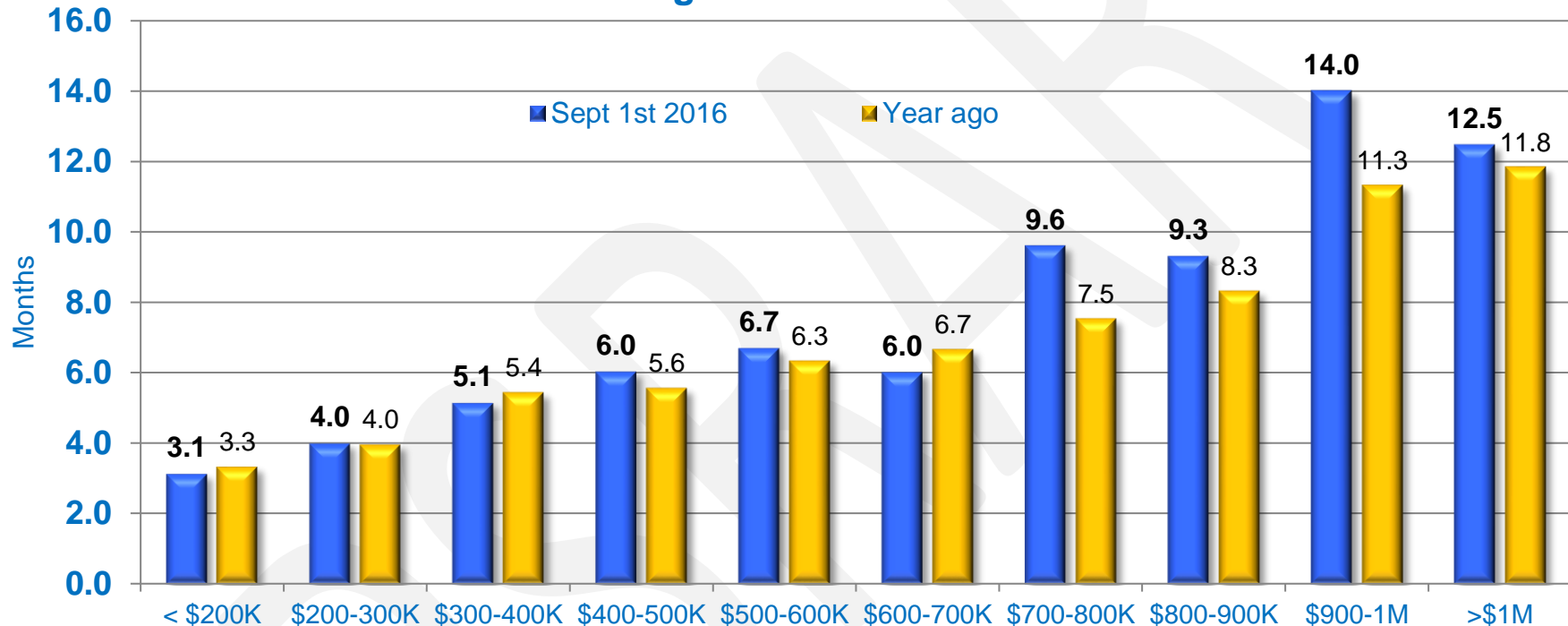


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"Months of Sales" by Price Range uses avg. twelve month sales



"Months of Sales" by Price Range

When we calculate "months of sales" at various price ranges we discover that the inventory is comparable to last year in most brackets except for homes priced over \$700k. However, nothing looks too out of line for this at any price bracket for this time of year. It could be better but we're happy considering how bad the numbers looked just five months ago.

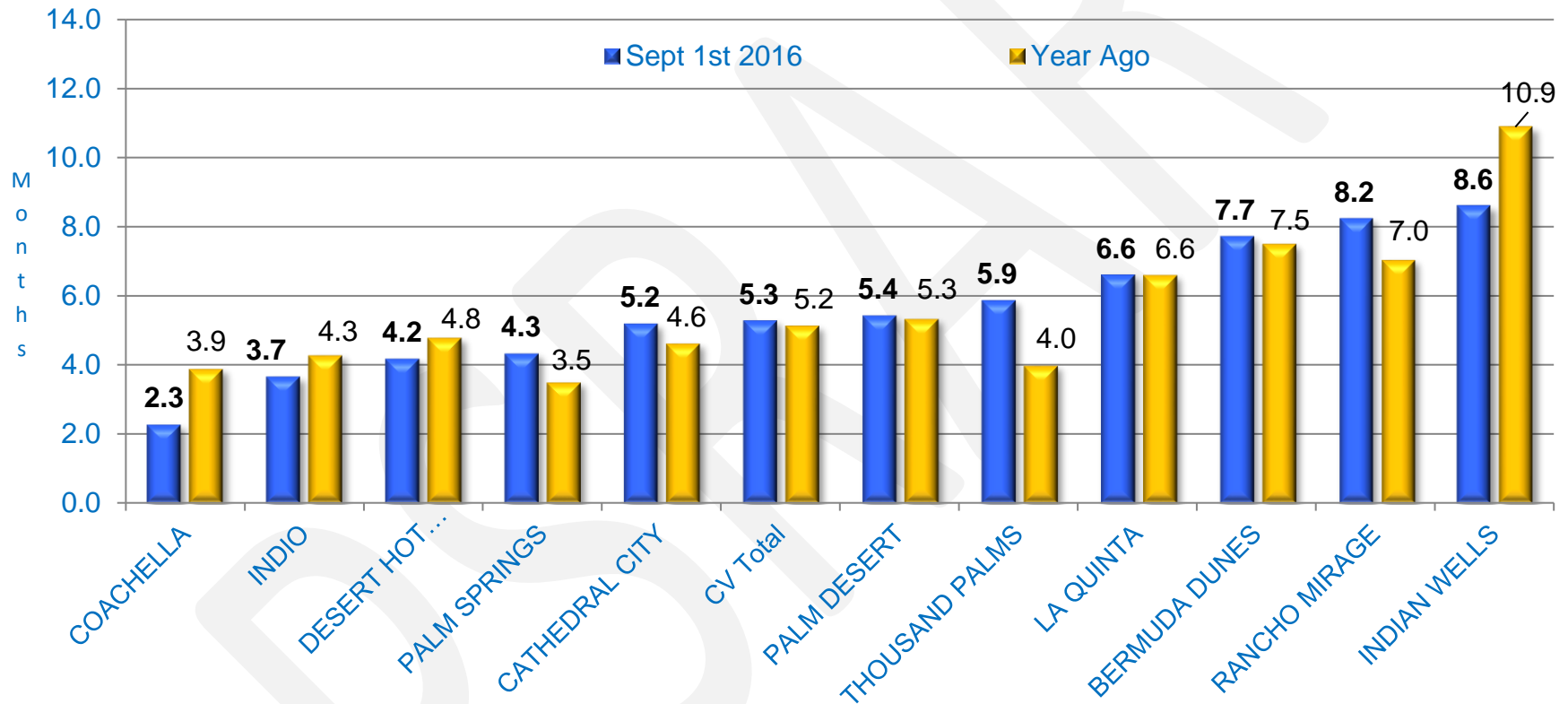


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"Months of Sales" by City city inventory divided by average twelve month sales



"Months of Sales" by City

When we calculate "months of sales" for each city, we also see relatively acceptable numbers for this time of year. We are very encouraged by this because the high readings at the beginning of the year could have created some severe problems had more replacement inventory come out. But a combination of fewer new listings and a strong selling effort by agents kept everything in line.

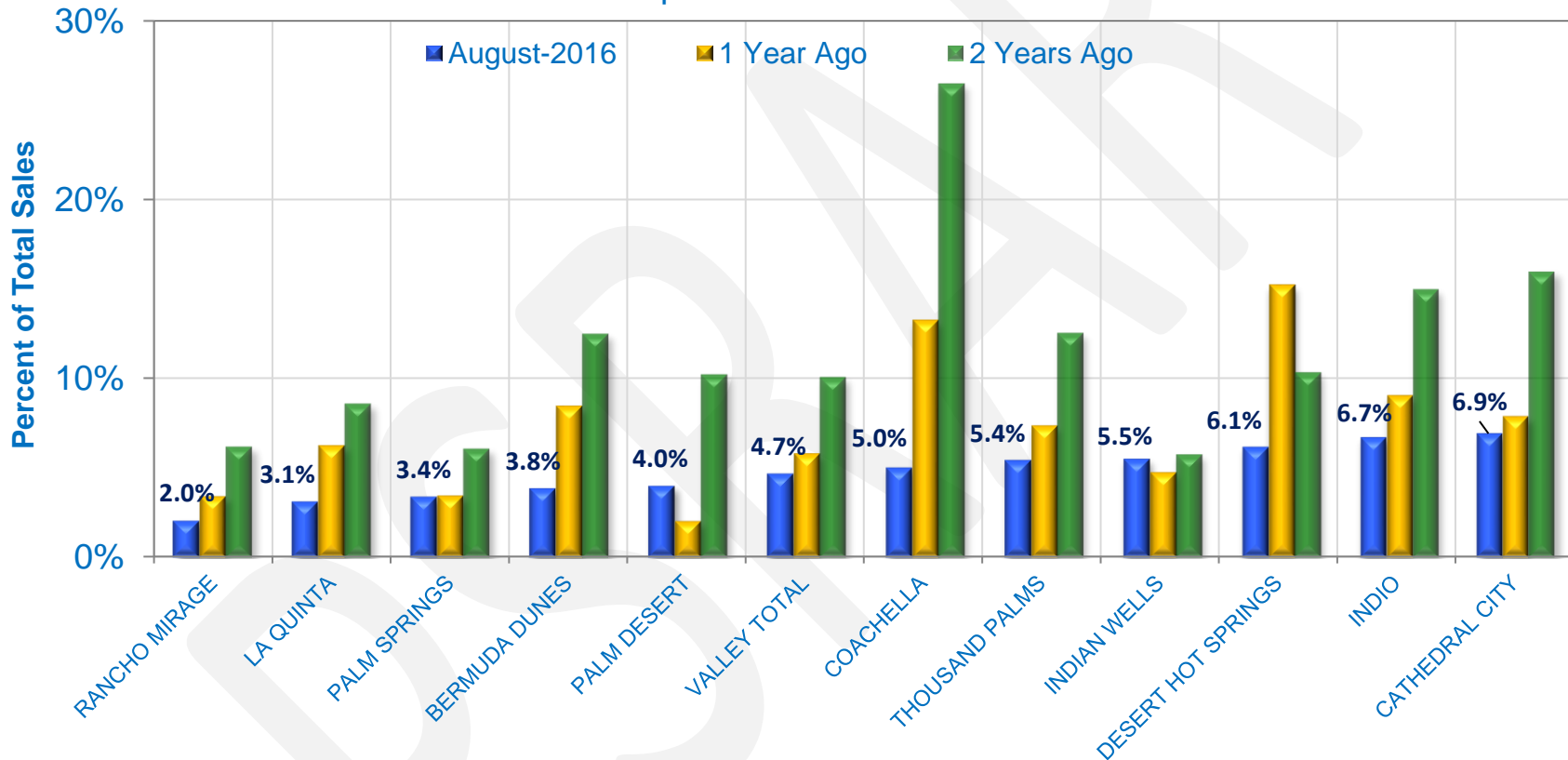


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Distressed Sales by City percent of total sales



Distressed Sales by City

Distressed sales (REO and short sales) continue to average around 4.7% for the whole Valley. Every city is now below 10% with Cathedral city the highest at only 6.9%. There are still quite a few homes still underwater in the Valley so there will still be short sales. But we think foreclosures and strategic defaults will continue to rapidly decline.



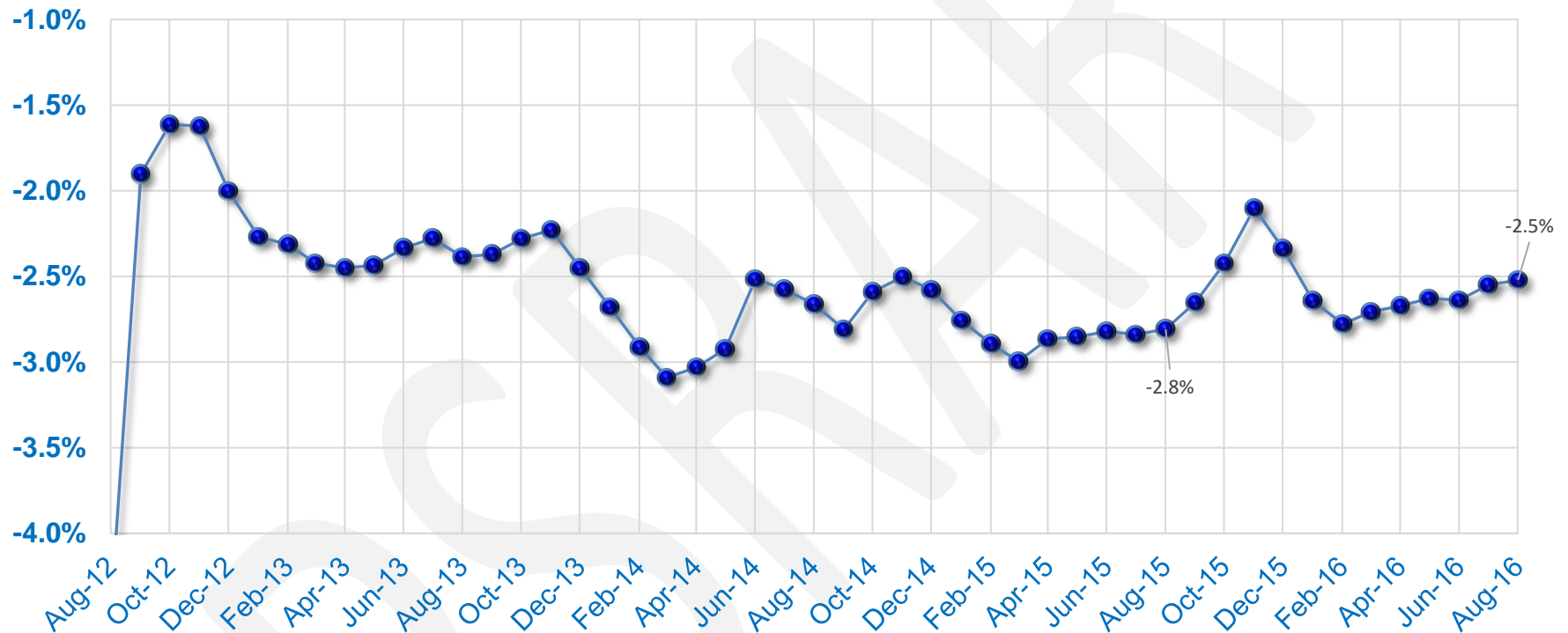
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Sale Price Discount from List

August 2016



Sale Price Discount from List

The latest "Sale Price Discount from List" is at -2.5%. 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 transactions for detached homes. The current value is better than the minus 2.8% a year ago. A DOM of 2.5% implies that the selling discount to a home listed for \$300,000 approximately \$7,500.

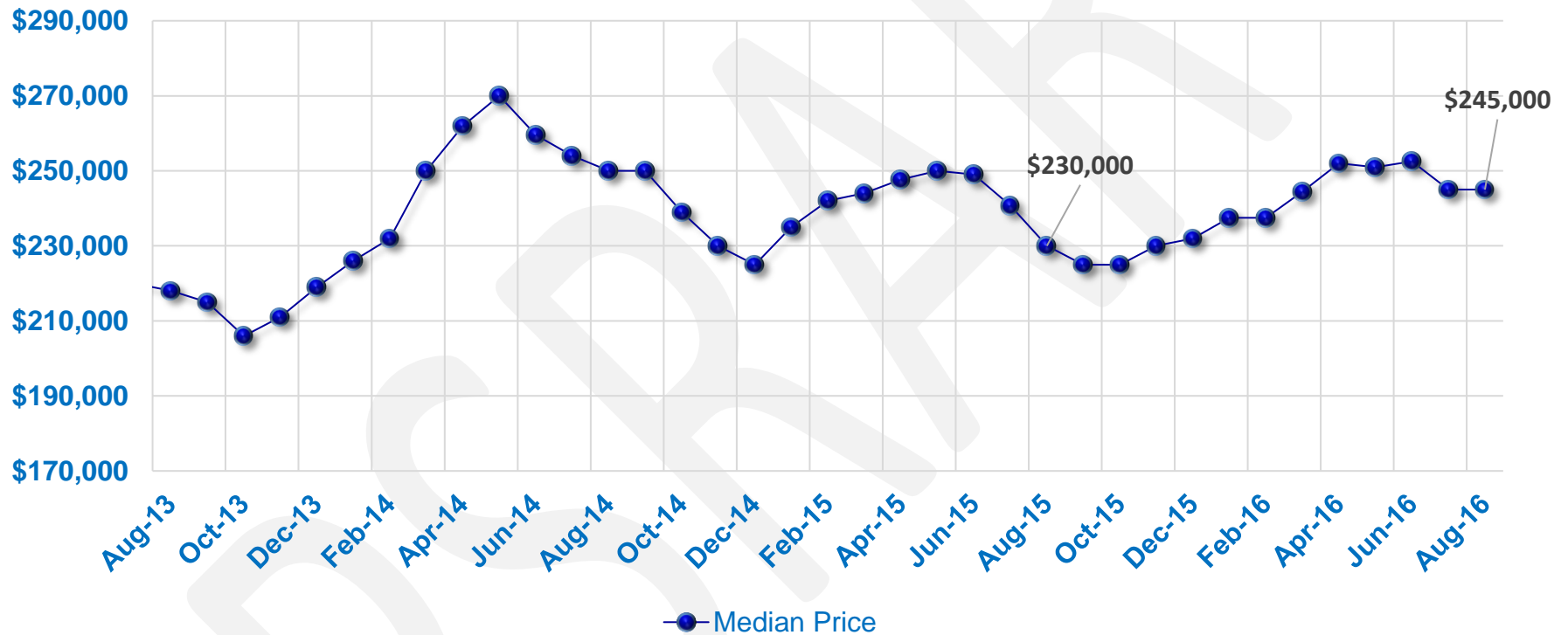


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Attached Units - median price August 2016



Attached Units - Median Price.

The median price of \$245,000 for attached units in the Valley was higher than a year ago by 6%. Prices have been holding the last few months. This may be a positive sign since they normally start to decline in July. However, seasonal patterns still suggest prices might move slightly lower from here as we move toward the end of the year.

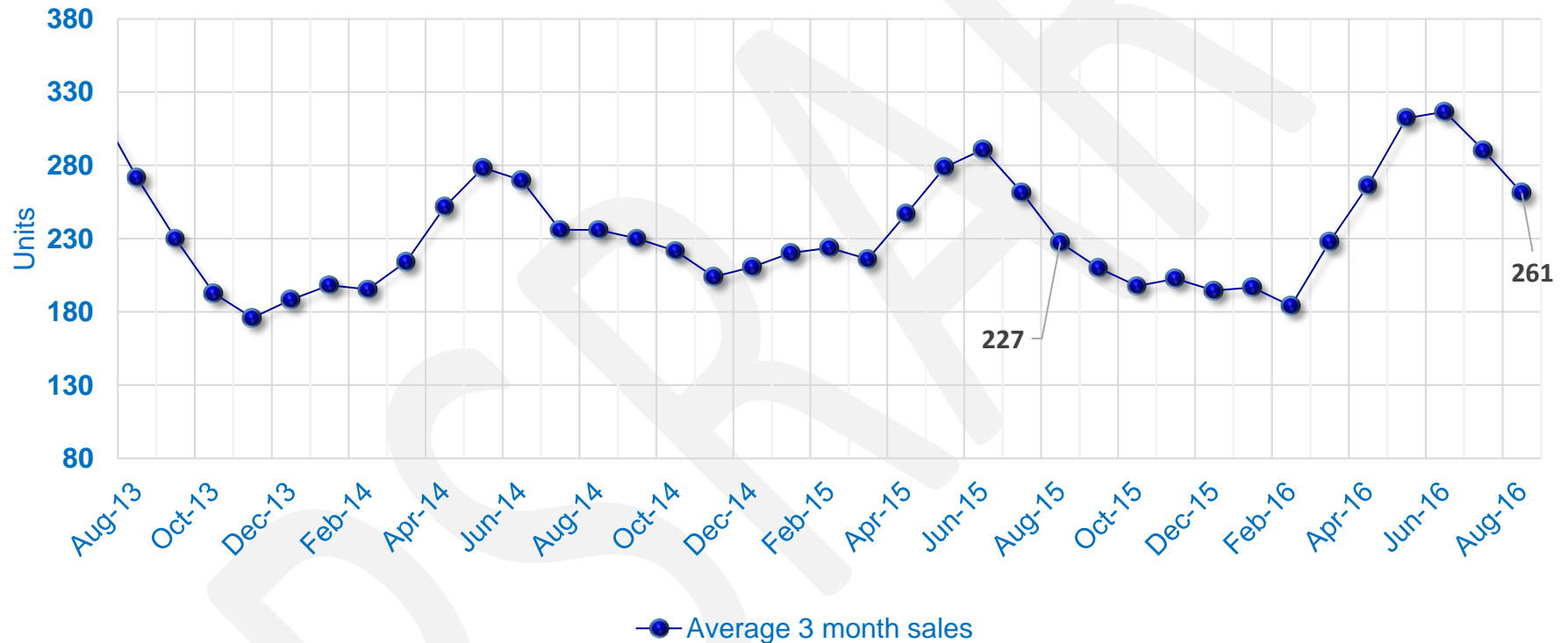


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Attached Sales August 2016



Attached Units - Sales

The three month average of attached sales was 261 in August,, which is 34 units more than the same time last year. Some of the increase in overall sales is coming from the Condo market which has picked up lately. Prices of many detached homes have recovered very strongly and many households looking to buy a home are finding condos affordable. It's the same situation with second home buyers looking to buy a piece of the desert.

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



The *Market Watch* Monthly Housing Report

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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 1st 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 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.