## The Market Watch Monthly Housing Report

May 2016
Prepared for the Members of PSRAR as a Member benefit
Coachella Valley Median Home Price (detached homes)


## Summary

In May the median price throughout the Valley was $\$ 349,000$ which is exactly equal to the median price throughout the Valley one year ago. However, we see more positive price changes on a city by city basis. And the increases are not insignificant; five cities show positive, double digit gains, with the City of Coachella up $18 \%$ from a year ago. When we compare average sales over the last three and twelve months, we see that sales continue to decline compared to a year ago. However, the differences are very small and we think for all intents and purposes can be considered equal. With the inventory at 4,962 on June 1st, it is now only 346 units above the level one year ago. This is encouraging since it shows the inventory problem that appeared to emerge at the start of this year's selling season has not intensified but has actually somewhat abated. With the rapid decline in inventory to a level only 346 units higher than last year - and with sales numbers comparable to last year's numbers - the ratio of "months of sales" on June 1st was relatively close to last year's ratio. It's currently 7.2 months; a year ago it was 6.6 months.

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

|  | May-16 | Year Ago | Change | 2011 Low | Gain off Low | 2006 High | \% from High |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| City of Coachella | $\$ 225,000$ | $\$ 190,000$ | $18.4 \%$ | $\$ 121,950$ | $84.5 \%$ | $\$ 335,000$ | $-32.8 \%$ |
| Desert Hot Springs | $\$ 178,500$ | $\$ 160,000$ | $11.6 \%$ | $\$ 85,000$ | $110.0 \%$ | $\$ 295,000$ | $-39.5 \%$ |
| Indian Wells | $\$ 860,000$ | $\$ 775,000$ | $11.0 \%$ | $\$ 540,000$ | $59.3 \%$ | $\$ 1,205,000$ | $-28.6 \%$ |
| La Quinta | $\$ 465,000$ | $\$ 419,500$ | $10.8 \%$ | $\$ 245,000$ | $89.8 \%$ | $\$ 682,020$ | $-31.8 \%$ |
| Palm Desert | $\$ 385,000$ | $\$ 350,000$ | $10.0 \%$ | $\$ 287,000$ | $34.1 \%$ | $\$ 543,000$ | $-29.1 \%$ |
| Cathedral City | $\$ 272,500$ | $\$ 251,000$ | $8.6 \%$ | $\$ 139,000$ | $96.0 \%$ | $\$ 395,000$ | $-31.0 \%$ |
| Palm Springs | $\$ 550,500$ | $\$ 525,000$ | $4.9 \%$ | $\$ 335,000$ | $64.3 \%$ | $\$ 600,000$ | $-8.3 \%$ |
| Indio | $\$ 279,700$ | $\$ 275,000$ | $1.7 \%$ | $\$ 158,500$ | $76.5 \%$ | $\$ 380,500$ | $-26.5 \%$ |
| Rancho Mirage | $\$ 625,000$ | $\$ 637,500$ | $-2.0 \%$ | $\$ 423,000$ | $47.8 \%$ | $\$ 950,000$ | $-34.2 \%$ |

## Changes in City Median Prices

We are very pleased to see that the median price of detached homes in most cities is higher when compared to a year earlier. And the increases are not insignificant; five cities show positive, double digit gains. This might not have been expected a few months ago given the very large inventory of homes that accompanied the start of the spring selling season. Both the city of Coachella and Desert Hot Springs continue to benefit price wise from their late emergence from the distressed selling of a few years ago. The median price in Palm Springs at $\$ 550,500$ is only $8 \%$ from its all-time high of $\$ 600,000$ (only $4 \%$ when measured by median price per sq. ft.).

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Coachella Valley Home Sales


When we compare average sales over the last three and twelve months, we see that sales continue to decline compared to the year before. However, the differences are very small and we think for all intents and purposes can be considered equal to last year. May's three month average of sales, a time period that highlights the seasonality of desert home sales, was 844 units compared to 853 last May, a decline of only $1 \%$. The twelve month average, a time period that removes seasonality and shows the long term trend, was 688 units compared to 695 last May, again only $1 \%$ less. When we compared sales in May to May of last year, sales were 863 units compared to 858 last year. These trends indicate to us that sales have stabilized and possibly might even be starting to rise slightly.

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Home Sales by City
3 month avg sales


Just as the entire region shows sales just about equal to a year ago, so most city sales are about equal to last year, with a few slightly higher and a few slightly lower. Sales in the city of Coachella are $50 \%$ higher than a year ago ( 18 units versus 12) while Indian Wells is also higher by $15 \%$. However, Rancho Mirage is lower by $10 \%$ and Palm Springs is also slightly lower by about $5 \%$.

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## Home Sales by Price Range

When we calculate sales levels in the various price bracket we see slightly lower sales in the two price brackets under $\$ 300 \mathrm{k}$ but equal to slightly higher sales in price brackets above $\$ 300 \mathrm{k}$. In homes priced over a million dollars, the three month average of sales per month in May was 56 units, exactly equal to sales one year ago.

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Valley Housing Inventory
June 1st 2010 to June 1st 2016


Coachella Valley Listed Inventory.
Since reaching a peak of 5,980 units on March $1^{\text {st }}$, total inventory has been declining at a monthly rate much faster than last year. For example, the number of 5,980 on March $1^{\text {st }}$ was 792 units higher than the year ago number on March $1^{\text {st }} 2015$. Now with the inventory at 4,962 on June $1^{\text {st }}$, it is now only 346 units above the level one year ago. This is encouraging since it shows the inventory problem that appeared to emerge at the start of this year's selling season has not intensified but has actually somewhat abated.

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With the rapid decline in inventory to a level only 346 units higher than June 1st of last year - and with sales numbers comparable to last year's numbers - the ratio of "months of sales" on June 1st was relatively close to last year's ratio. The ratio is currently 7.2 months; a year ago it was 6.6 months. While both ratios are still rather high, the fact that the difference of the current ratio compared to last year is declining is encouraging. Days on the market (DOM) is 93 days, just two more compared to a year ago. These numbers are effectively equal to three months, which is generally considered an acceptable period of time.

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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 brackets, we discover that the ratios are just a little higher than a year ago, except for prices over $\$ 700 k$. There the differences compared to last year begin to widen. For example, for homes priced from $\$ 700 k$ to $\$ 800 k$, the ratio rose from 11.1 months to 15 months. For homes priced over one million dollars, the ratio has climbed from 19.8 months to 23.1 months.

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


When we calculate "months of sales" for each city, five cities show lower ratios compared to a year ago - Coachella City, Indio, Desert Hot Springs, Bermuda Dunes and surprisingly, Indian Wells. The city of Palm Springs, with a ratio of 5.7 months which is only one month higher than last year, is still very well contained. The two cities of Rancho Mirage and La Quinta, with "months of sales" ratios of 9.9 and 11.8 months respectively, are at levels we'd consider a little worrisome.

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Distressed Sales by City
For the first time since we've been measuring foreclosures and short sales (2009), total distressed sales as a percent of total sales in May fell to below $5 \%$ for the entire region. The only city with a ratio still over $10 \%$ is the City of Coachella.

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Sale Price Discount from List (detached homes)
May 2016


Sale Price Discount from List
The latest "Sale Price Discount from List" is at minus $2.6 \%$ which is better than a year ago when the discount was minus $2.9 \%$.

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Attached Units - median price
May 2016


Attached Units - Median Price.
The median price of attached condominiums and homes in May was $\$ 251,000$, a thousand dollars more than the same time last year. The slight seasonal pattern that is apparent in the price chart suggests prices might move slightly higher over the next month or two before possibly starting a slow declining period as we enter summer and the start of fall.

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## Attached Sales <br> May 2016



## Attached Units - Sales

The three month average of attached sales in May was 312 units, significantly higher than the 279 units averaged last May. In fact the chart shows the strongest increase in attached sales during the last three months of any period over the last four years. We attribute much of this increasing interest in attached units to the rapid price increase in all the cities of detached homes.

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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 $1^{\text {st }}$ 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 $1^{\text {st }}$. 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.

