

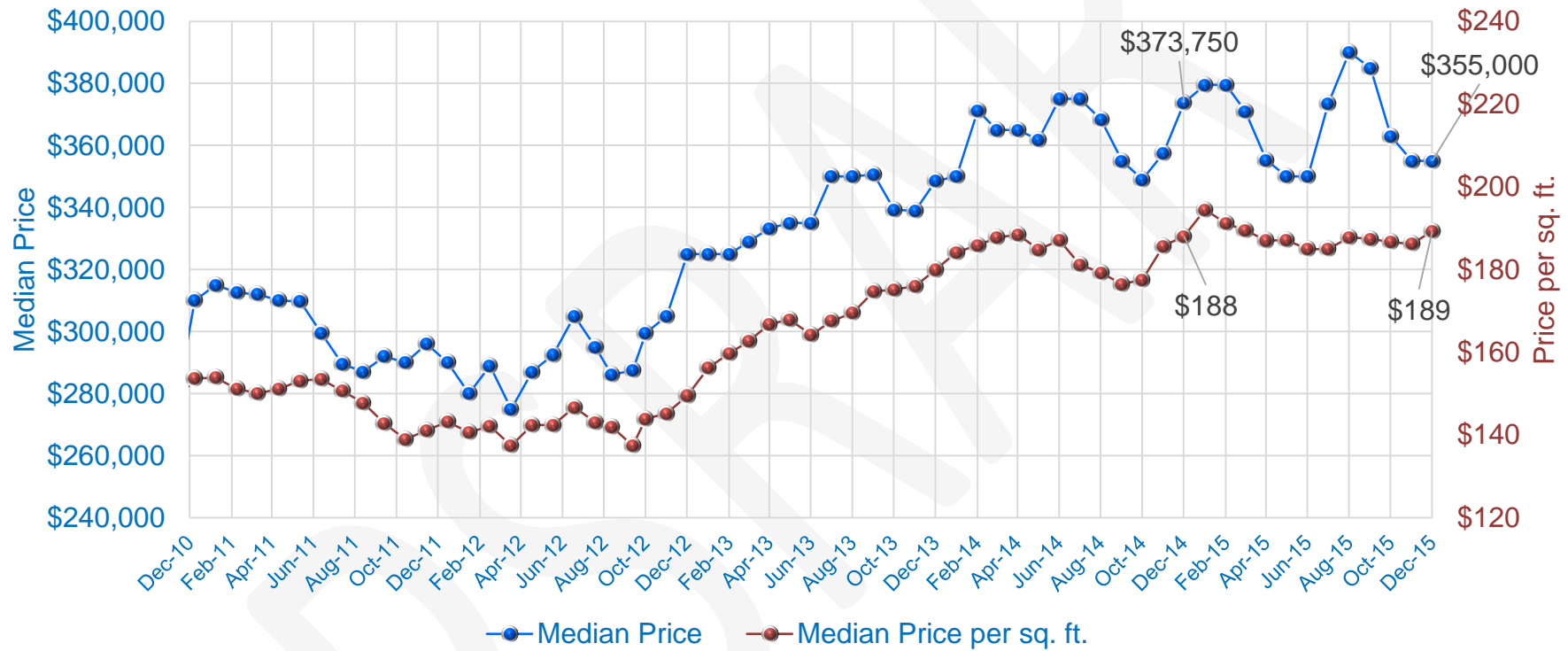


The Market Watch Palm Desert Housing Report

December 2015

Prepared for the Members of PSRAR as a Member benefit

Median Price and Price per sq. ft. December 2015



Summary

Palm Desert was the only city of the nine major cities to post a negative 2015 price change in its median price. It was down 5% to \$355,000. The other price metric, the median price per sq. ft., was effectively unchanged for the year. The long term measure of sales was unchanged for the year at 143 units a month but the short term, three month average was down 6% compared to the same time last year. Inventory on January 1st of this year was 108 units more than January 1st of last year. This caused “months of sales’ to rise to 8.1 months. The average “Days on the Market” in December was 78 days compared to 72 days a year ago.



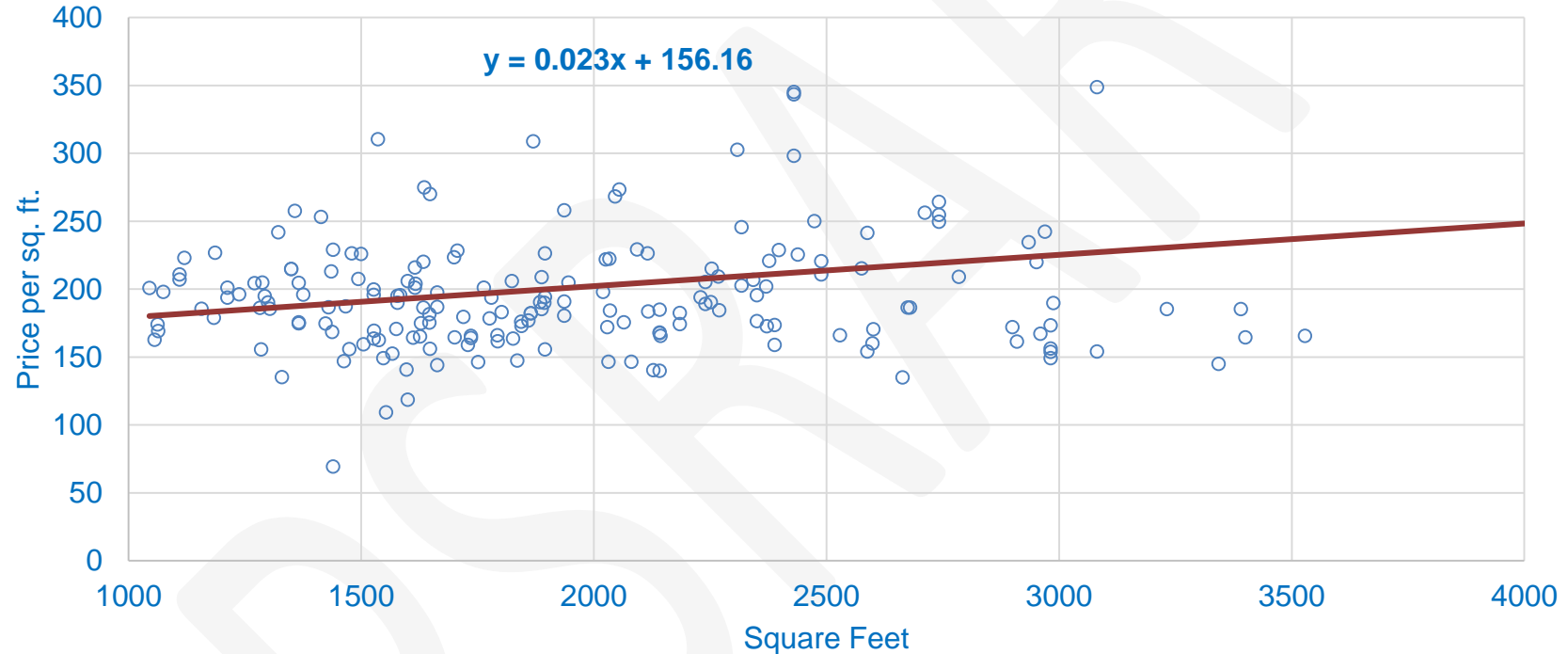
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Scatter Diagram Value Curve

December 2015



Best Fit Price per sq. ft. Value Curve

Price per sq. ft. is not constant but tends to change with the size of the home and the Value Curve attempts to find that relationship. The blue circles represent the price per sq. ft. plotted against the square feet of the home for every sale over the last three months. Then a best fit, 1st order polynomial (straight red line) is calculated through those points to arrive at the value curve. The value curve represents the price per sq. ft. the market has been generally giving different size homes over the last three months.



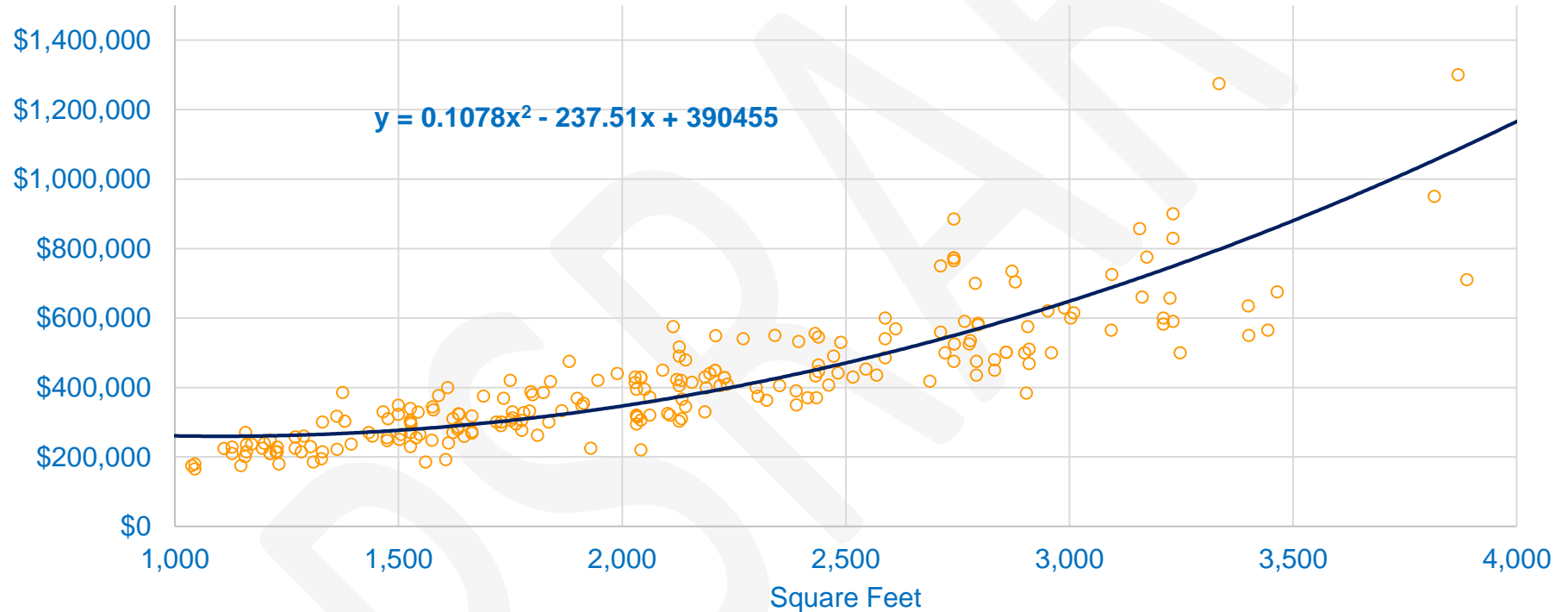
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Best Fit Price Curve

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Best Fit Price Curve

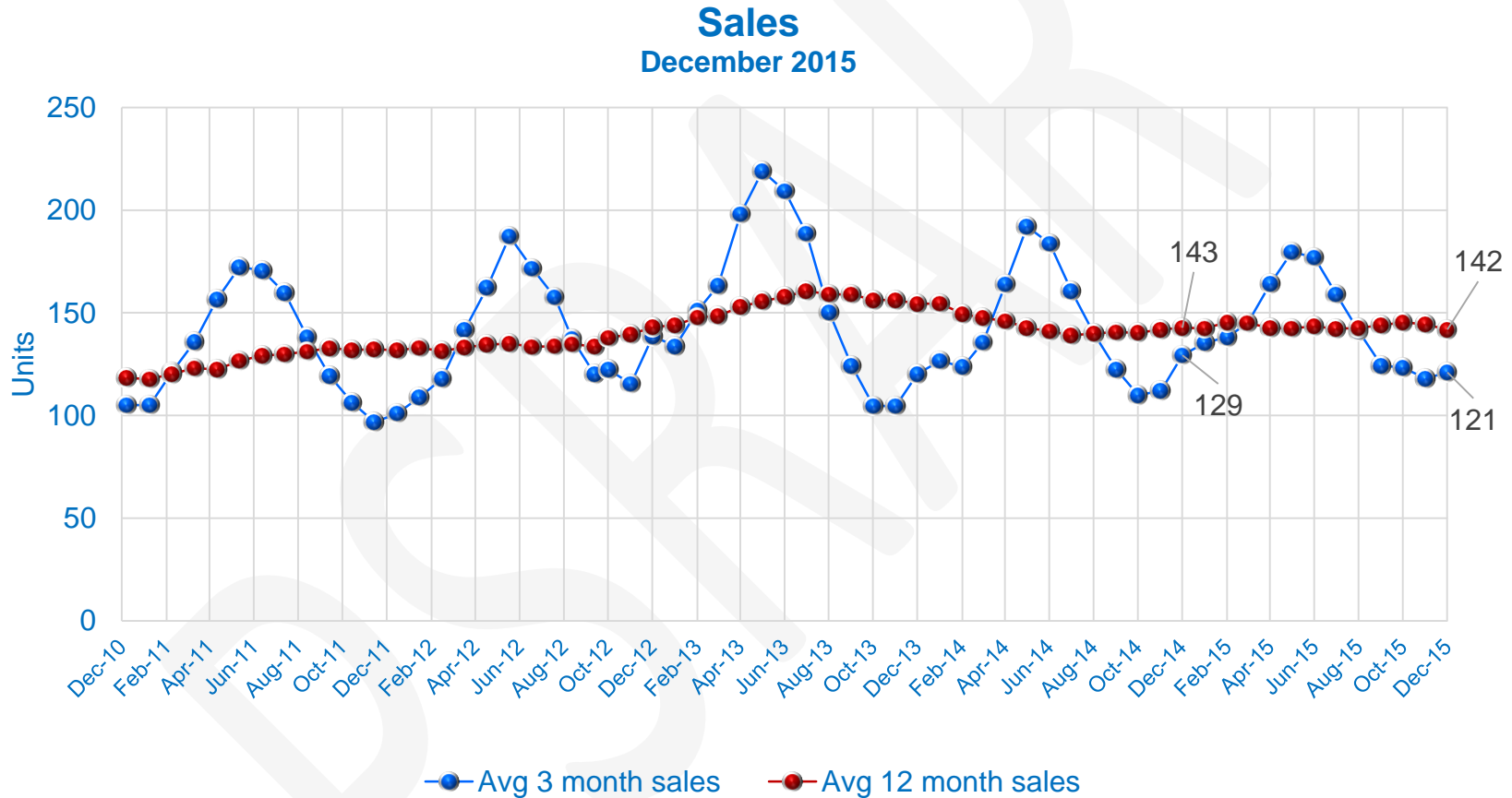
Price, like price per sq. ft., also tends to change with the size of the home but the relationship is slightly different. The above curve is an attempt to find that relationship using statistical least square regression (best fit) on all transactions over the last three months. In the graph each small orange circle represents a sale. Then a best fit, 2nd order polynomial (curved blue line) is calculated through those points to arrive at the price curve. This curve represents the average price the market is generally giving different size homes over the whole city. The formula shown above is the equation for this curve.



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Sales

We calculate two sales numbers every month. One is average monthly sales over the last three months. The other is the average over the last twelve months. These averages help reduce the often meaningless variations found in monthly sales numbers. The three month average shows more immediate activity but varies widely for seasonal reasons. The twelve month number takes out seasonality and shows the longer term trend.

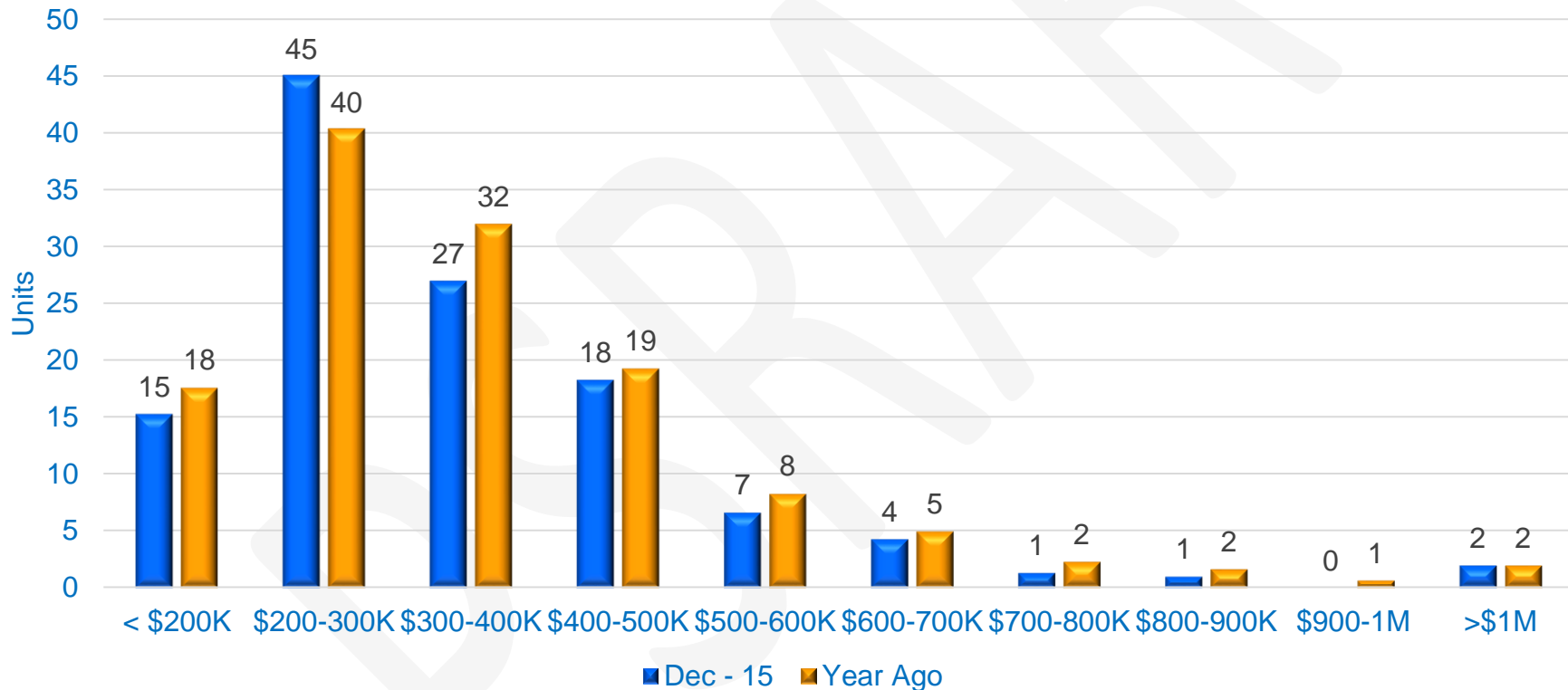


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Sales by Price Range 3 mos sales



Sales by Price Range

We break down sales by price range showing the relative activity at different price points. We then compare sales in each price range with sales in that range a year ago.

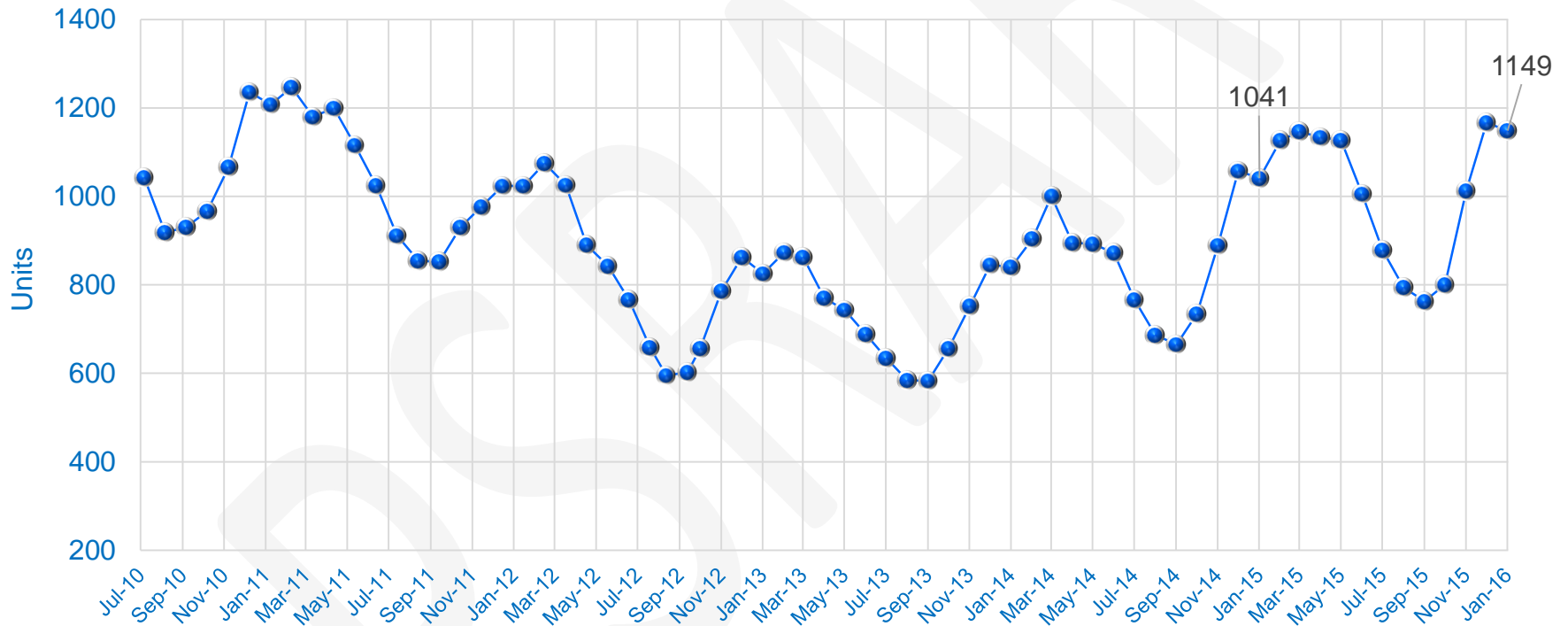


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Inventory Jan 1st



Housing Inventory

Our housing inventory is the number of housing units listed for sale on the first day of the next month. For example, a February report will contain sales and price statistics for February but the inventory is for March 1st

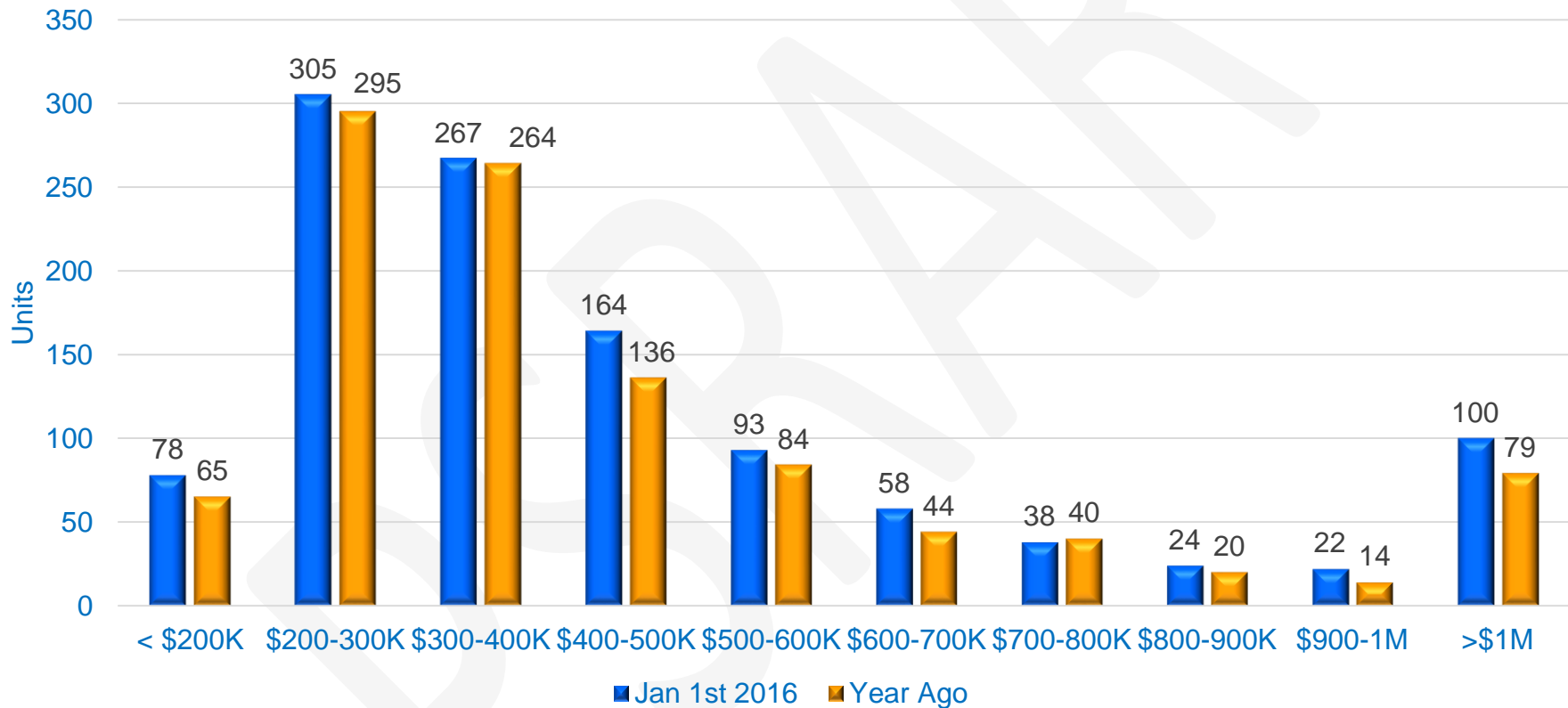


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Home Inventory by Price Range



Inventory by Price Range

We break down the inventory by price range or bracket to better analyze what is happening in different priced markets. We also compare the latest sales numbers with the sales numbers one year ago in that same bracket.

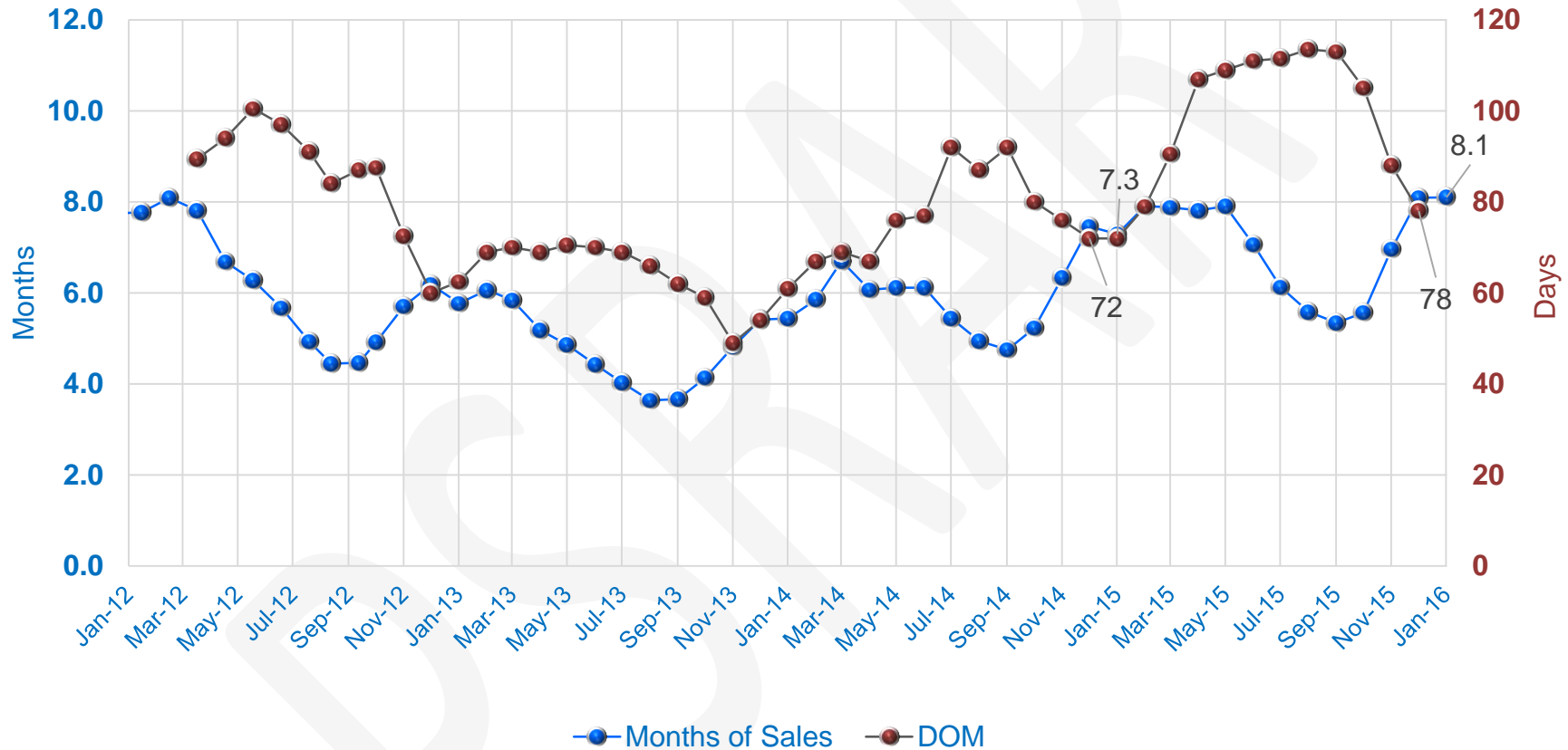


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"Months of Sales" and "Days on the Market"



“Months of Sales” & “Days on the Market”

Months of sales is calculated by dividing inventory on the first of the next month by the current monthly sales rate. The ratio says how many months it would take to sell off the current inventory. We use 12 month average sales to help take out seasonal variation. Days on the market is the three month median value of the DOMs of all the sales. Month of sales usually leads DOM.



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"Months of Sales" by Price Range



"Months of Sales" by Price Range

We calculate months of sales for each price range and compare them with the numbers one year ago. Generally, more expensive homes take longer to sell and you generally find that months of sales is higher in more expensive price ranges.



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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. 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 also to reduce unnecessary variation and random 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. A second order polynomial is fitted to the graph which plots price versus square feet.

To contact Market Watch LLC call Vic Cooper at 949-493-1665