

I Survived 2007...

*To Thrive in 2008
and Beyond!*



***REAL
DATA***
Strategies

Today's Goals

Managing Seller Expectations in A Changed Market

- A review of how the market has changed in 2006:
 - , Prices past and future
 - , Seller and buyer psychology
- Inventory study results and graphs for use in your listing presentation
- The competitive landscape for Coachella Valley agents (including buyer agency)

About Real Data Strategies, Inc.

...and Why These Results Should Be Trusted

- ◆ The nation's leading analysts of Multiple Listing Service data:
 - 15 year history in objective, factual service to leading (and competing) real estate brands, firms and agents, as well as your MLS
 - Considered the *JD Power* of real estate
 - In 220 US and Canadian markets
 - Frequently quoted as objective market experts in local and national business publications, and on SoCal radio and television programs
 - Learn more about our methods and read our press at www.realdatastrategies.com

Market Direction

Where it stops...nobody knows

◆ A changing market (ya think?)

■ Increasing inventory

- , Current inventory in DAMLS is 6.7 months' supply
- , What was high point in 1994?

■ Reduced appreciation rates

- , Off recent highs of 22% to 25% annually
- , Expect 5% to 7% annualized in 2006
- , Expect 2% to 4% annualized in 2007

Reduced List Prices...

...do not always mean reduced sale prices

◆ Concerned sellers

■ Increasing inventory

- , Much more competition than they used to have
- , Original list price must be reduced to be competitive
- , Need to have their expectations managed by you

■ Too much information, too little understanding

- , Your chance to be a counselor (and a hero!)
- , Present market facts with your valuable insight and subjective expertise

Nobody Wants To Be....

...the last buyer at the top of the market

◆ Confused buyers

■ Increasing inventory

- , More to choose from
- , Concerned they may buy at the top
- , Bubble theory and talk (blogs are everywhere, i.e. *housingpanic.blogspot.com*)

■ Parents and friends with long memories

- , Everybody has a 1990's horror story
- , Stakes are so high that buyers ask for advice more often today than in previous markets

Let's Get Our Real Estate License

...and make the EASY money!

◆ Scared agents

■ Increasing inventory

- , Too many agents chasing too few transactions
- , Most have not seen a challenging market
- , Huge opportunity for you to win at their expense

■ Have little experience or value to add

- , With less experience, they have little to sell except discounted services
- , As commissions climb, so will expectations of sellers and buyers

Significant Change in 2006

No popping bubble....but a slow hiss

- Reduced sales activity with increasing sale prices
 - , Mix of properties is shifting to prices above the median value because those sellers have greater flexibility to change their expectations and to lower their list price
 - , Consider that a \$20K price reduction is easier on a \$800K SFR listing than a \$5K price reduction is on a \$200K condo
 - , Motivated flippers playing in entry level properties are leaving
 - , Discretionary sellers are taking their homes off the market and delaying their plans to move until they can get their price

Psychology Shift in 2006

What is your seller's frame of reference?

- Sellers are anchored by:
 - , What they paid for their home -
 - 5 "I've doubled my money in 5 years!"
 - , Their original sale price expectation -
 - 5 "I'm not taking less than my neighbor and will wait this out!"
- Identify your seller anchor when you take the listing, and list accordingly.
- Re-check your seller's anchor during the listing period for fewer surprises and happier clients.

Psychology Shift in 2006

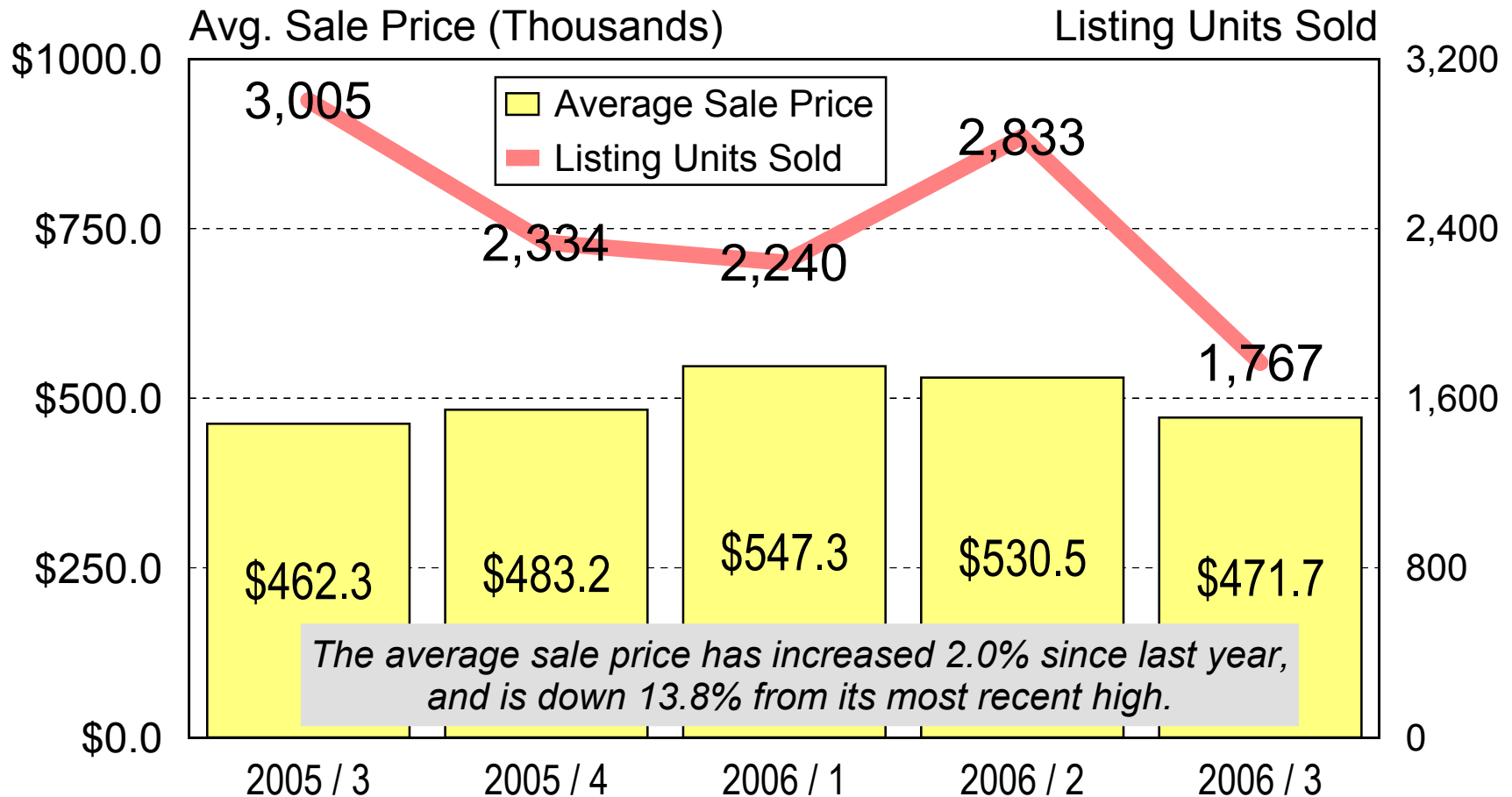
What is your buyer's frame of reference?

- Buyers are anchored by:
 - , Need for, or emotional appeal, of a "home" -
 - 5 "We plan to live there long enough that short-term appreciation does not worry us!"
 - , Fear of loss -
 - 5 "I want to steal a property that has nothing but upside potential!"
- Consider how their anchor establishes expectations and can influence your success with and for them.
- Be choosy about buyers you work with so that your time is well-compensated.

Local Market Trends

Listings Sold by Calendar Quarter in Desert Area MLS

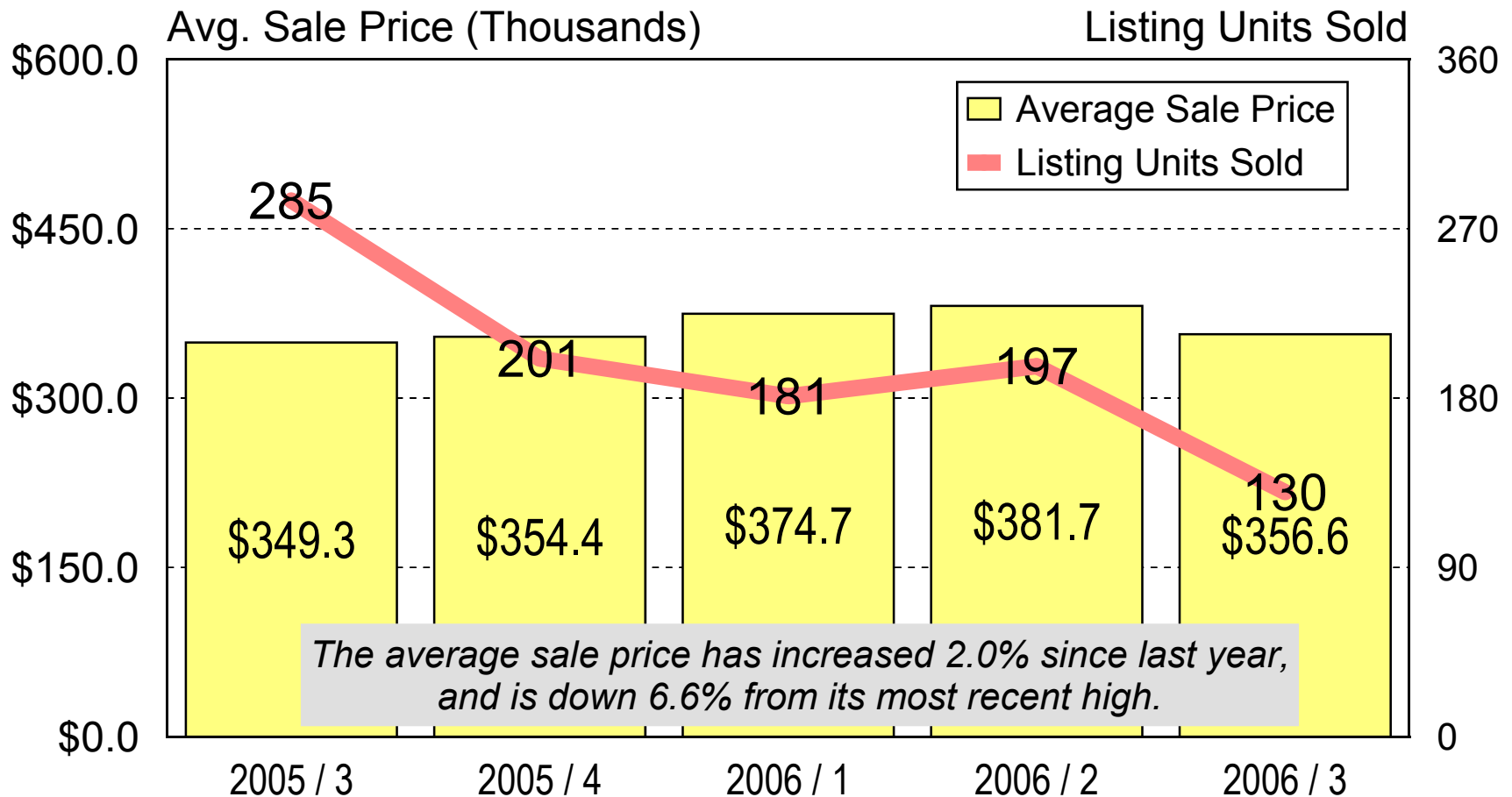
July 1, 2005 through September 30, 2006



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Listings Sold by Calendar Quarter in Cathedral City

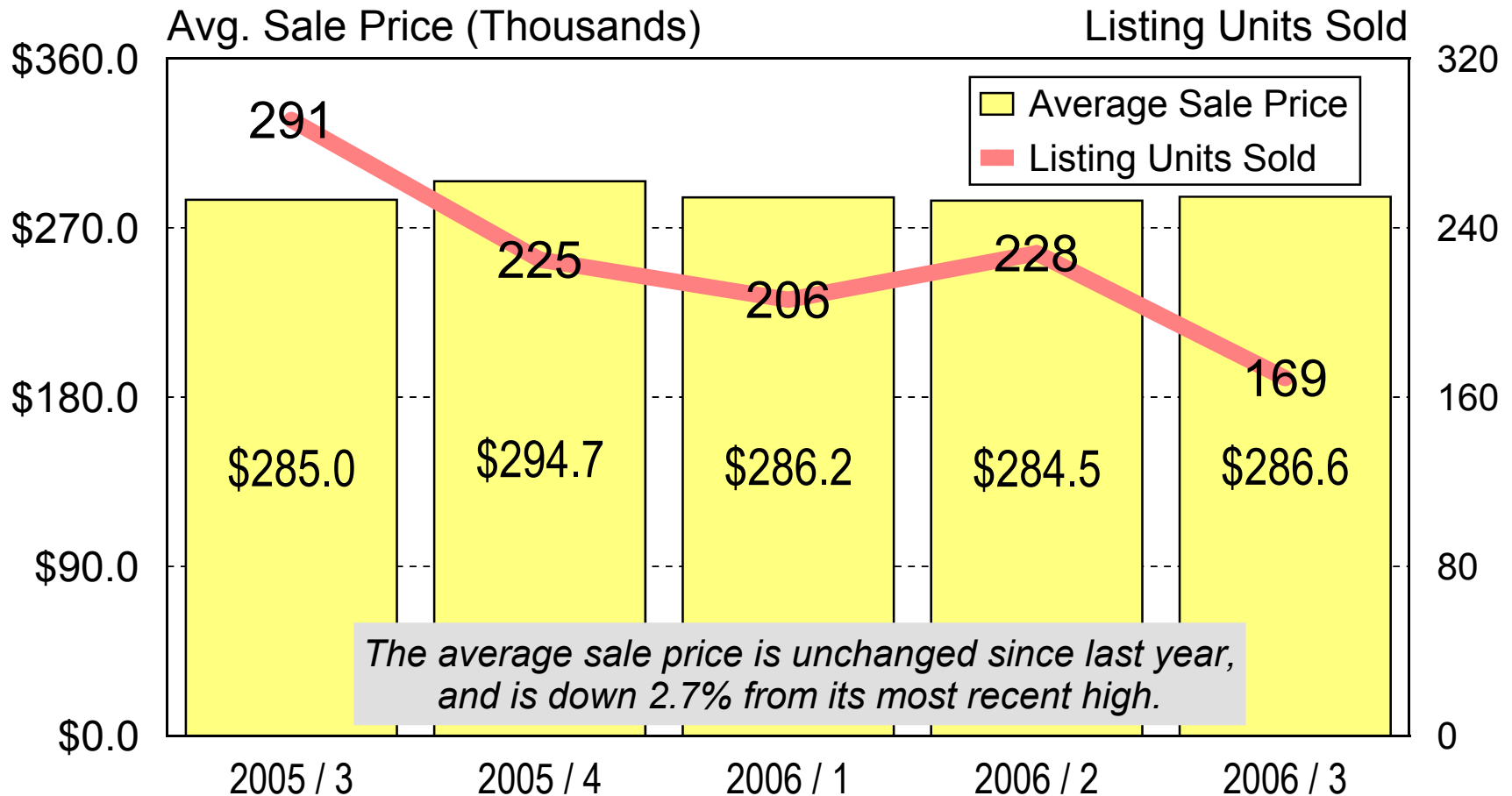
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Listings Sold by Calendar Quarter in Desert Hot Springs

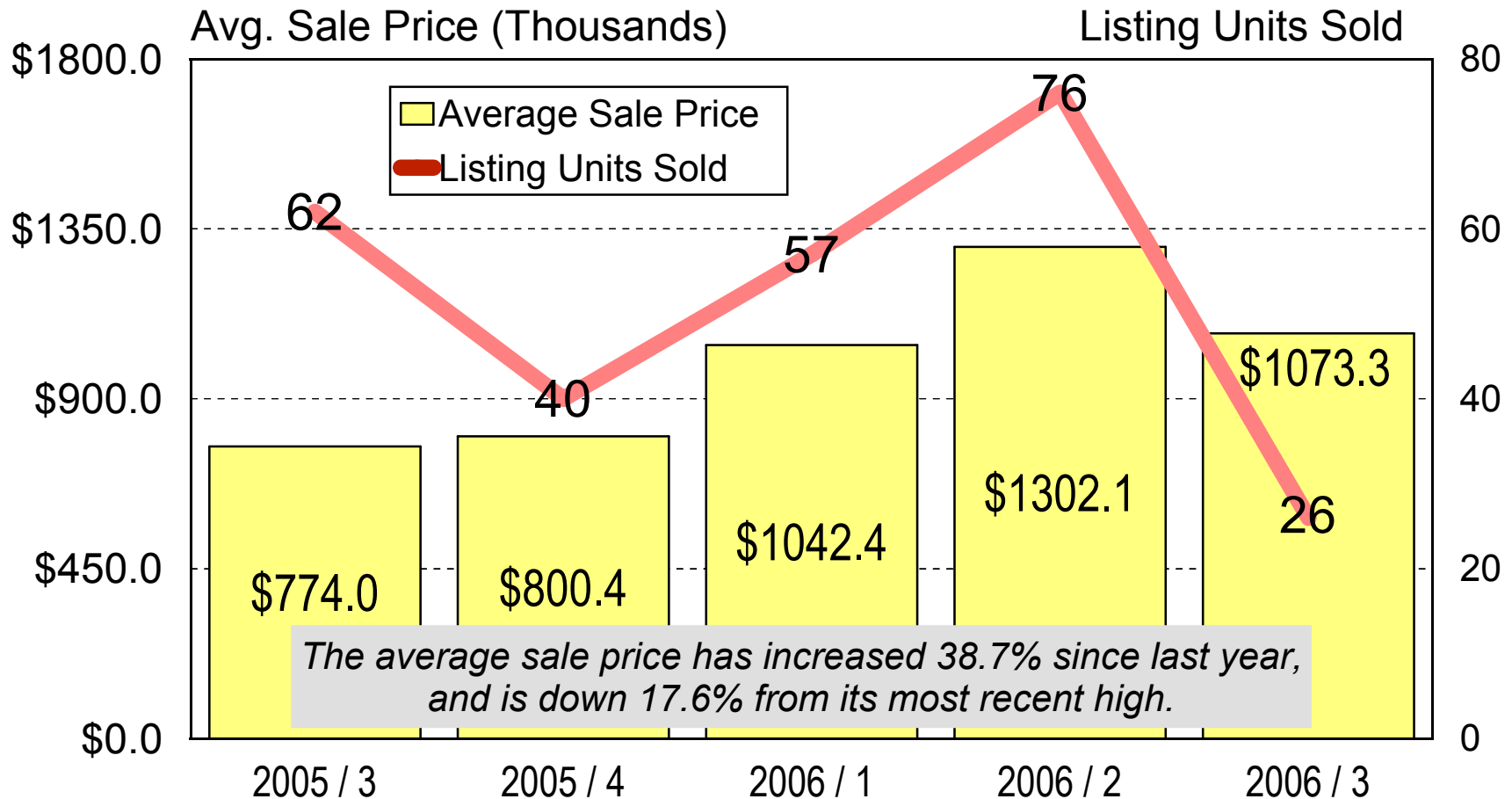
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Listings Sold by Calendar Quarter in Indian Wells

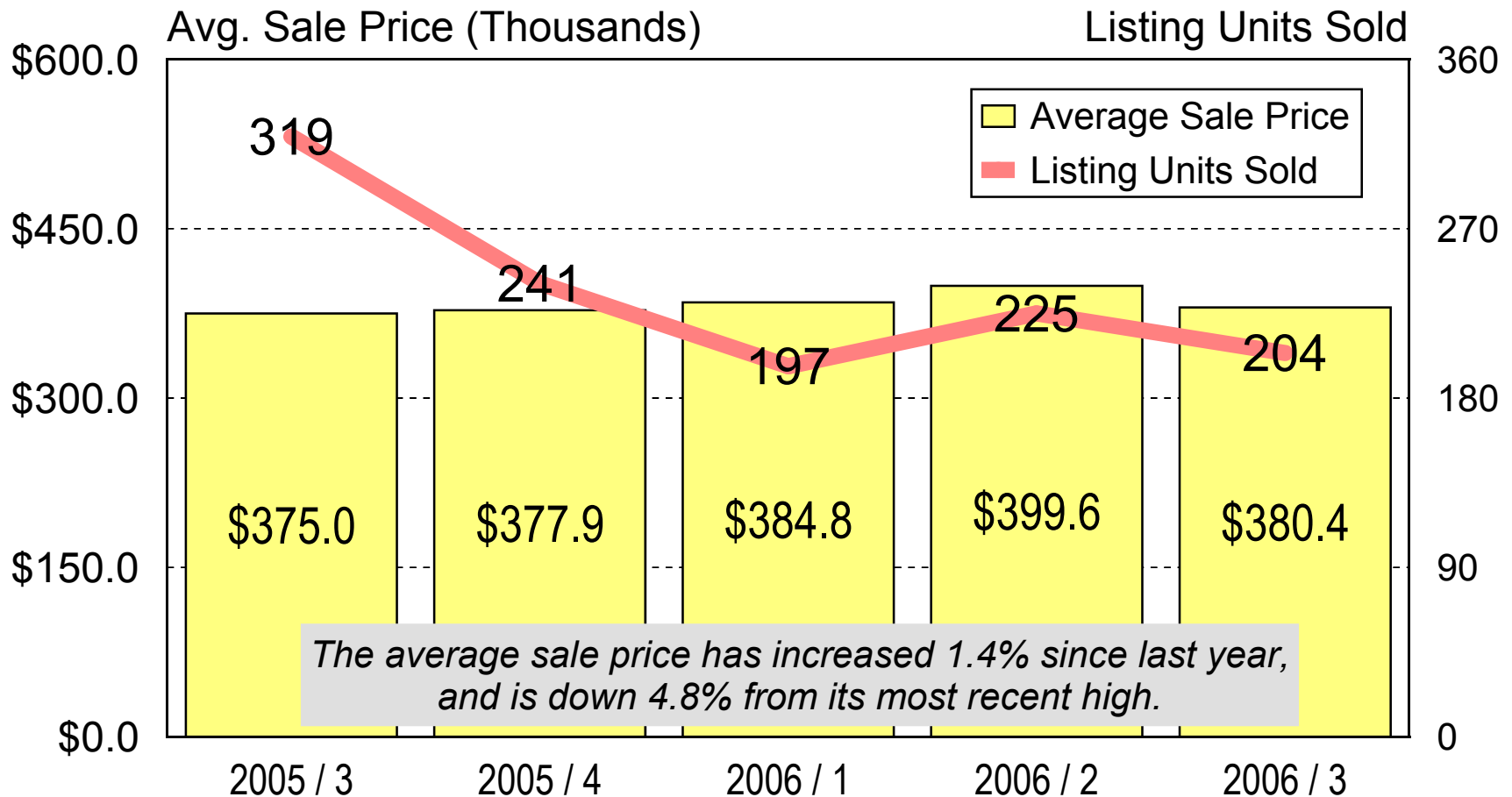
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Listings Sold by Calendar Quarter in Indio

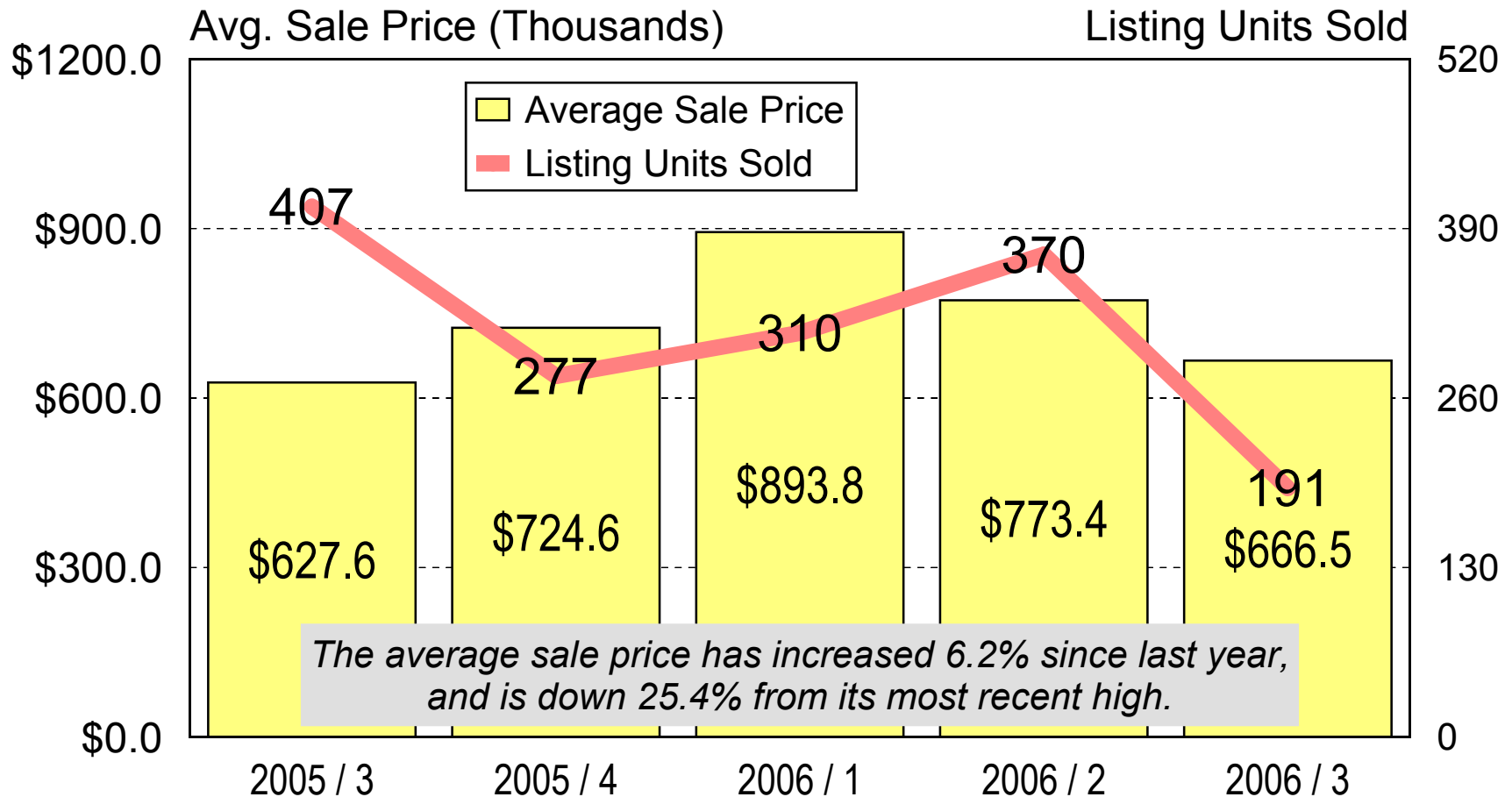
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Listings Sold by Calendar Quarter in La Quinta

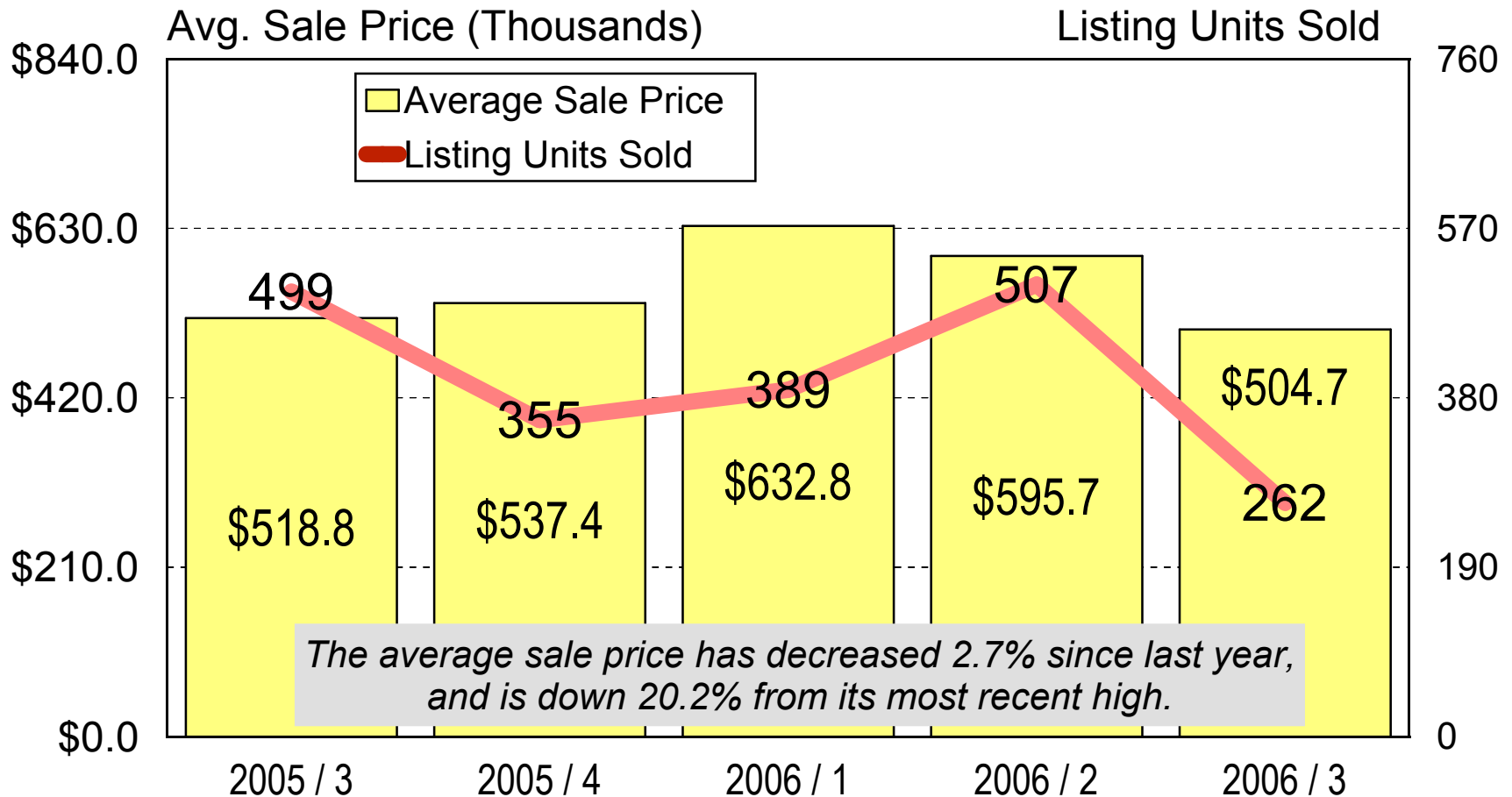
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Listings Sold by Calendar Quarter in Palm Desert

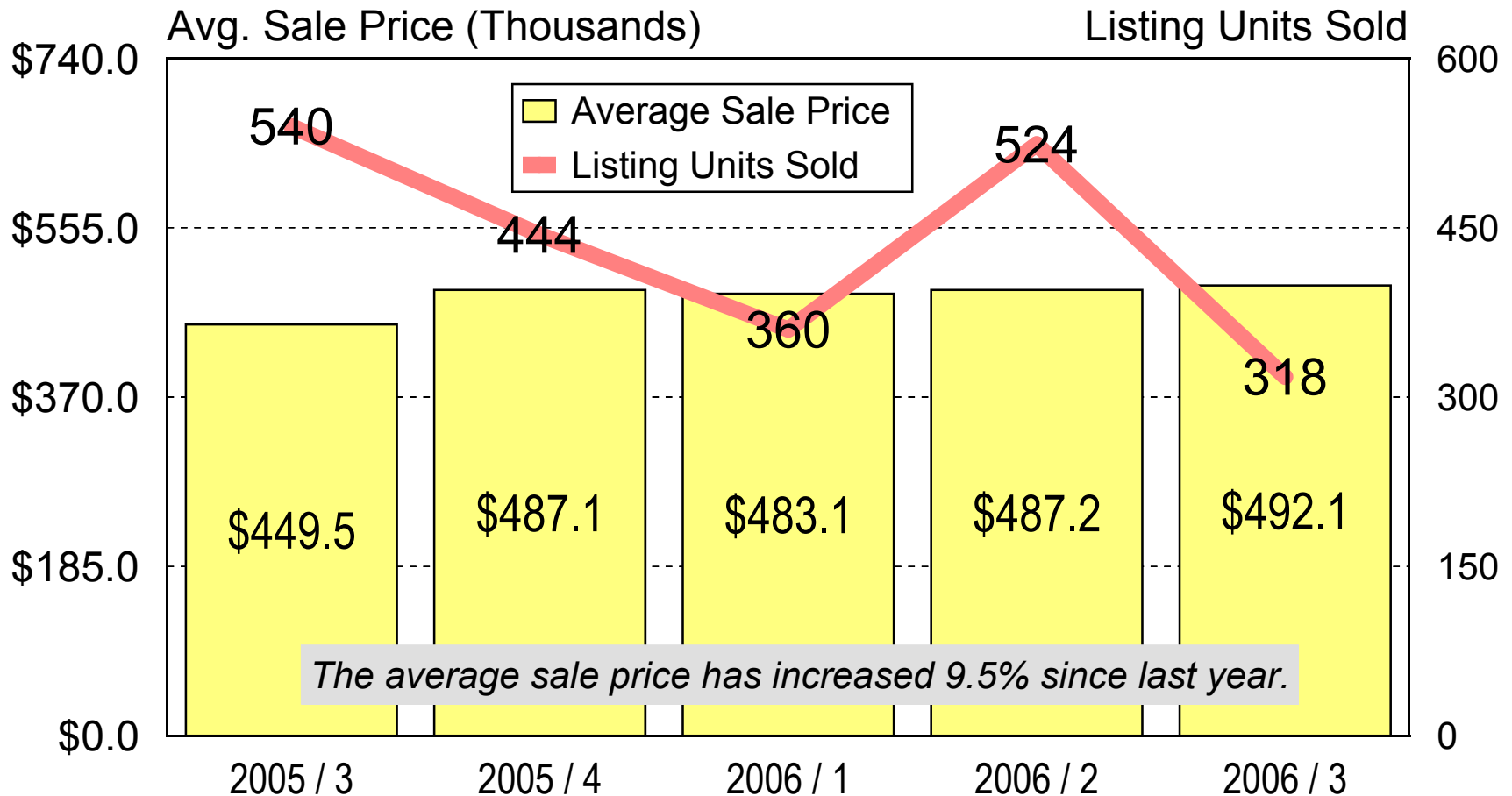
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Listings Sold by Calendar Quarter in Palm Springs

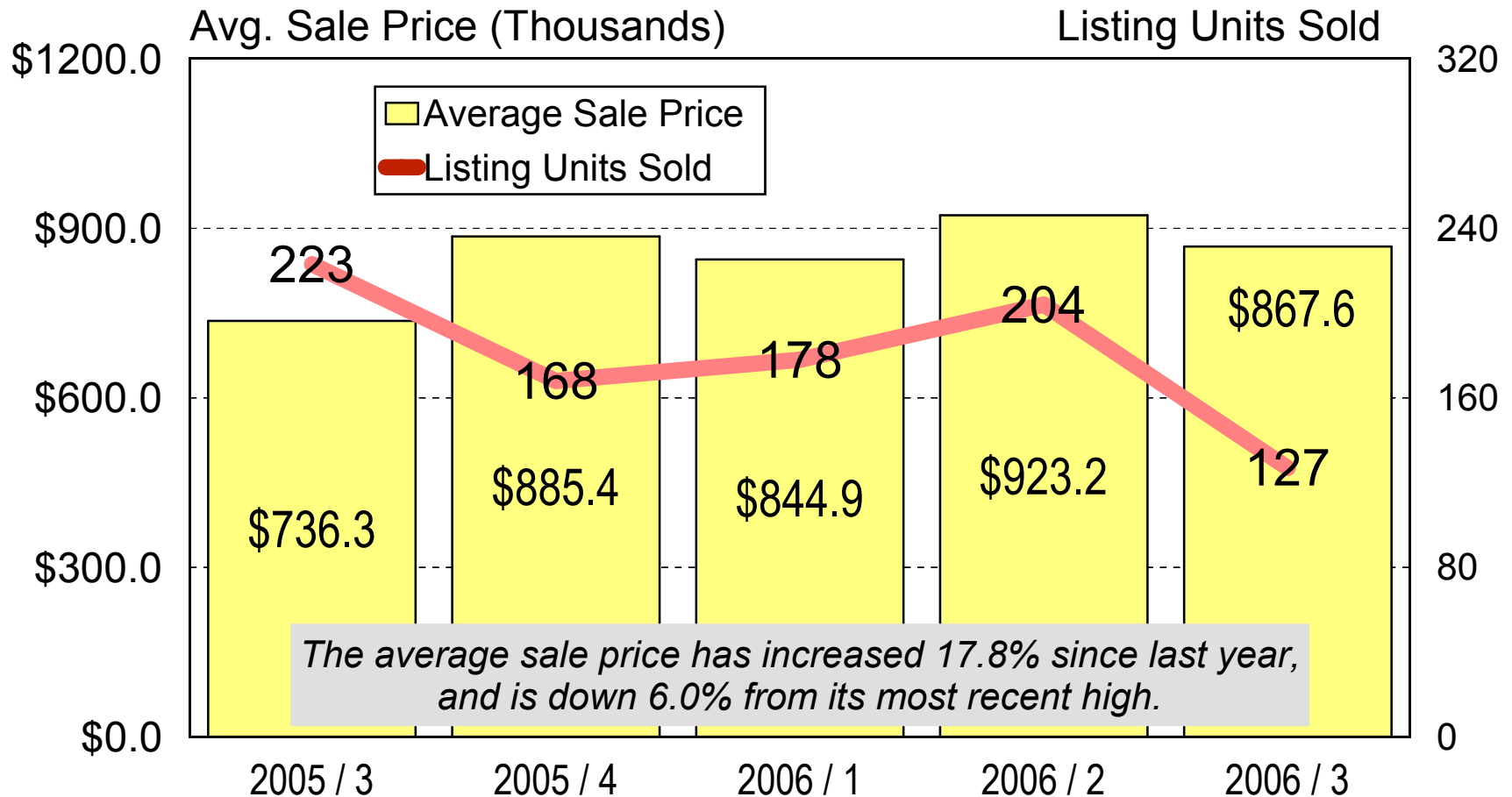
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Listings Sold by Calendar Quarter in Rancho Mirage

July 1, 2005 through September 30, 2006



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Desert Area MLS Appreciation Trend

In Average Sale Price by Property City

Property City	Year Ended Q3/2004	Year Ended Q3/2005	Year Ended Q3/2006
Cathedral City	35.8%	24.4%	2.1%
Desert Hot Springs	33.5%	33.3%	0.6%
Indian Wells	7.8%	27.9%	38.7%
Indio	16.3%	34.6%	1.4%
La Quinta	37.4%	28.2%	6.2%
Palm Desert	34.8%	23.9%	- 2.7%
Palm Springs	28.3%	22.8%	9.5%
Rancho Mirage	39.2%	21.8%	17.8%

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Desert Area MLS Sales Trend

By Calendar Quarter In Listings Closed by Property City

Property City	Q3/2004	Q3/2005	Q3/2006	Q3/2006 Trend Vs. Q3/2004	Q3/2006 Trend Vs. Q3/2005
Cathedral City	298	283	130	- 56.4%	- 54.1%
Desert Hot Springs	283	290	169	- 40.3%	- 41.8%
Indian Wells	83	62	28	- 66.3%	- 54.8%
Indio	208	313	204	- 1.9%	- 34.8%
La Quinta	436	398	191	- 49.4%	- 52.0%
Palm Desert	592	491	262	- 55.8%	- 46.6%
Palm Springs	689	531	318	- 53.9%	- 40.1%
Rancho Mirage	253	222	127	- 49.8%	- 42.8%

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Inventory in Months' Supply

Don't Just List...List The Right Stuff

- ◆ Point-in-time Picture of Supply & Demand
- ◆ Seasonally-adjusted
- ◆ Use with Sellers to Convince Them of Objective Market Conditions
 - Competitive List Price & Price Reductions
 - Counter or Support Low Offers
- ◆ Use with Buyers to Convince Them of Same
 - Find Market "Soft Spots"
 - Support Offer Prices

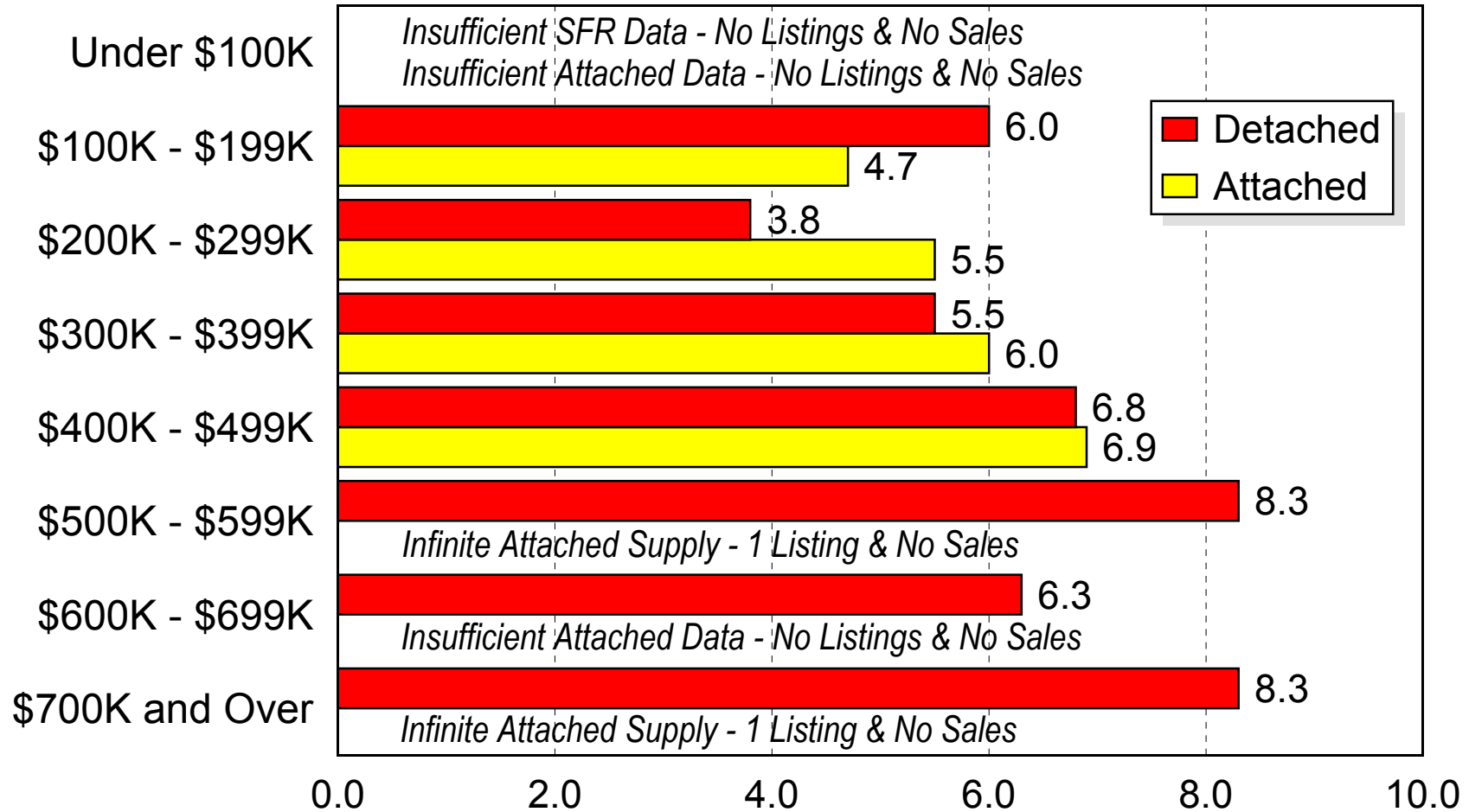
Inventory In Months' Supply

Three Ridiculous Assumptions

1. There will be no new listings added to the market
2. Buyer activity will remain at the same pace of the previous annual period
3. All homes are equal in their appeal.

Inventory In Months' Supply - November 3, 2006

Cathedral City

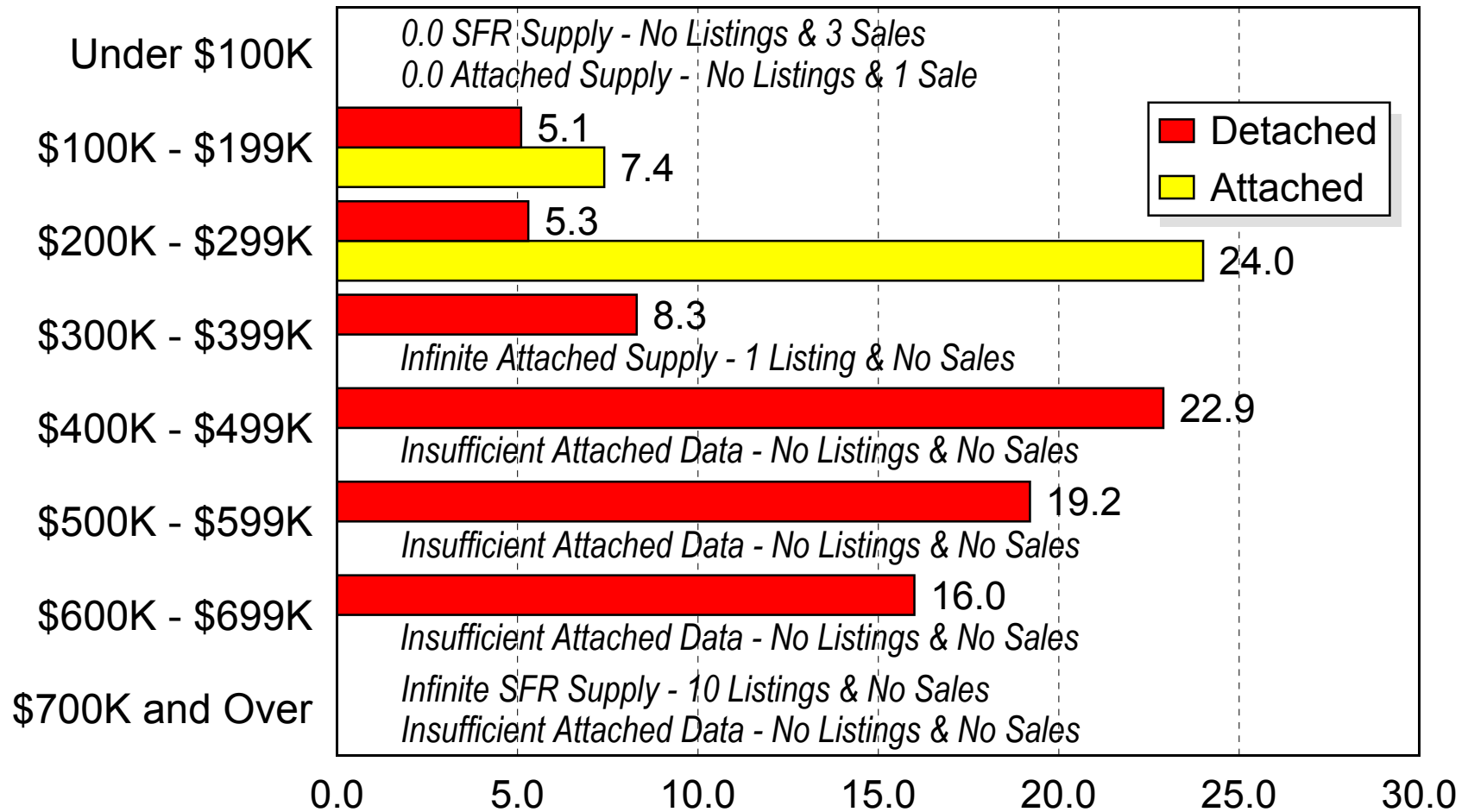


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Values shown are the number of months it will take to exhaust the inventory on the study date, assuming no new listings come to market, and the pace of sales continues at that of the previous year.

Inventory In Months' Supply - November 3, 2006

City of Desert Hot Springs

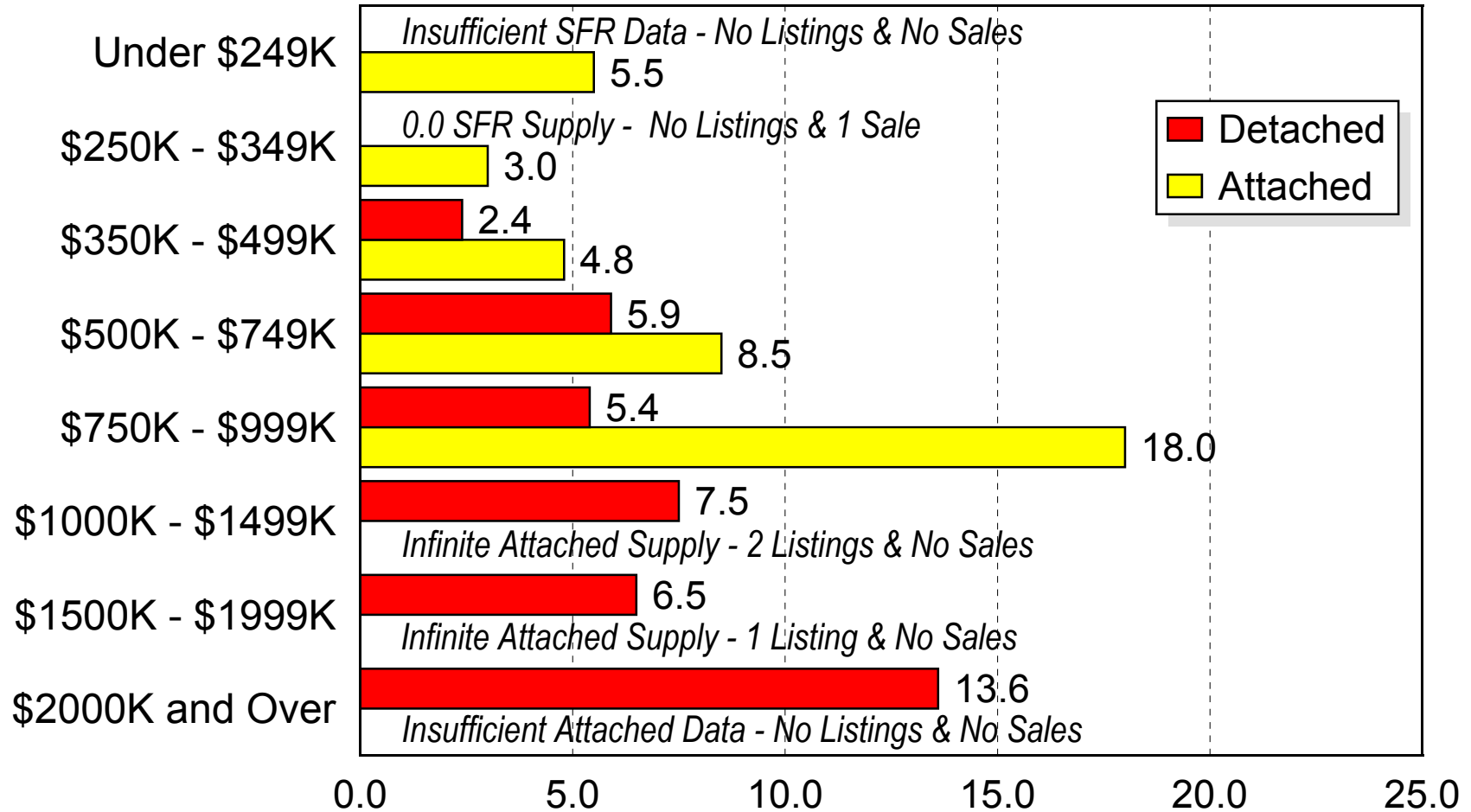


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Inventory In Months' Supply - November 3, 2006

City of Indian Wells

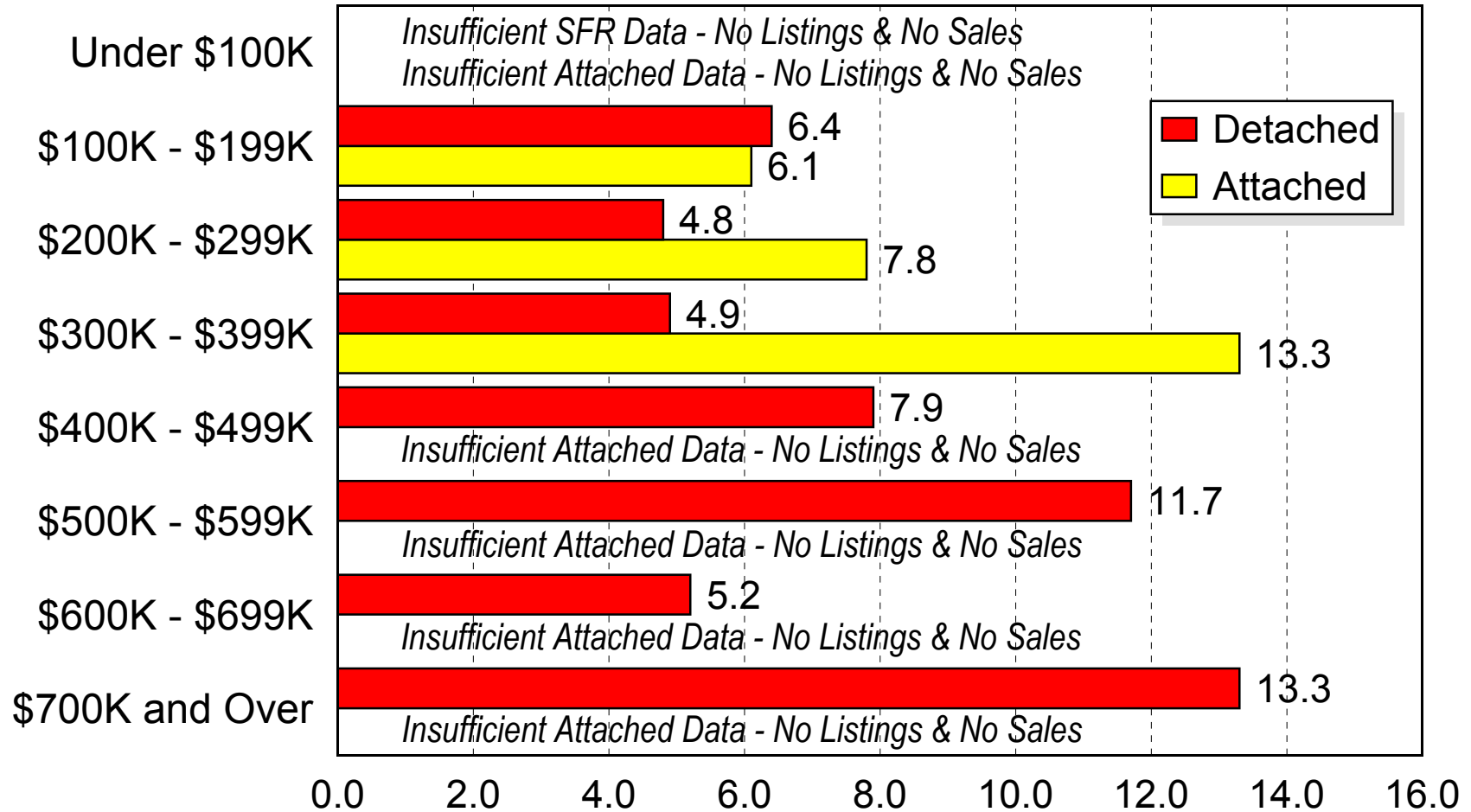


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Inventory In Months' Supply - November 3, 2006

City of Indio

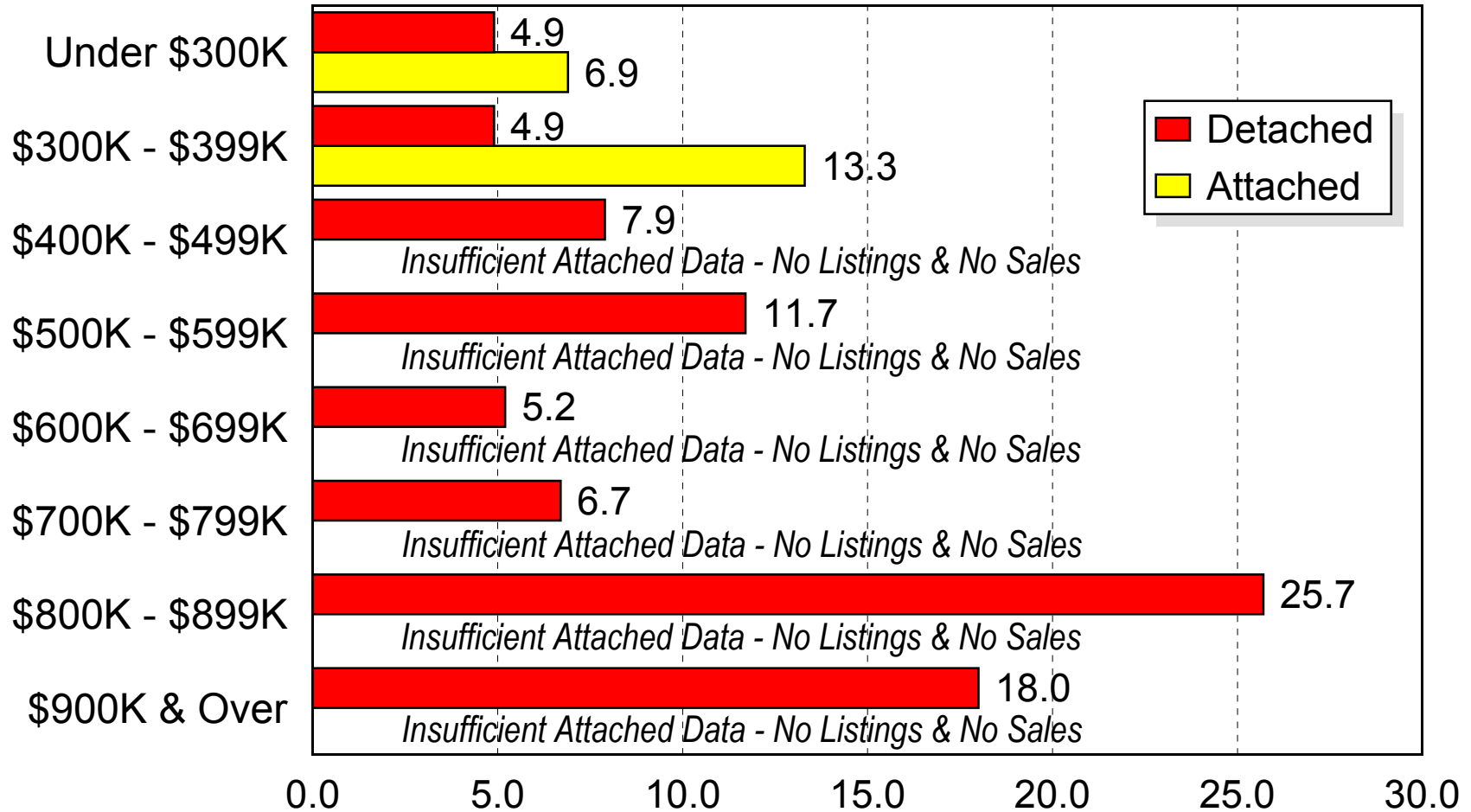


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City of Indio

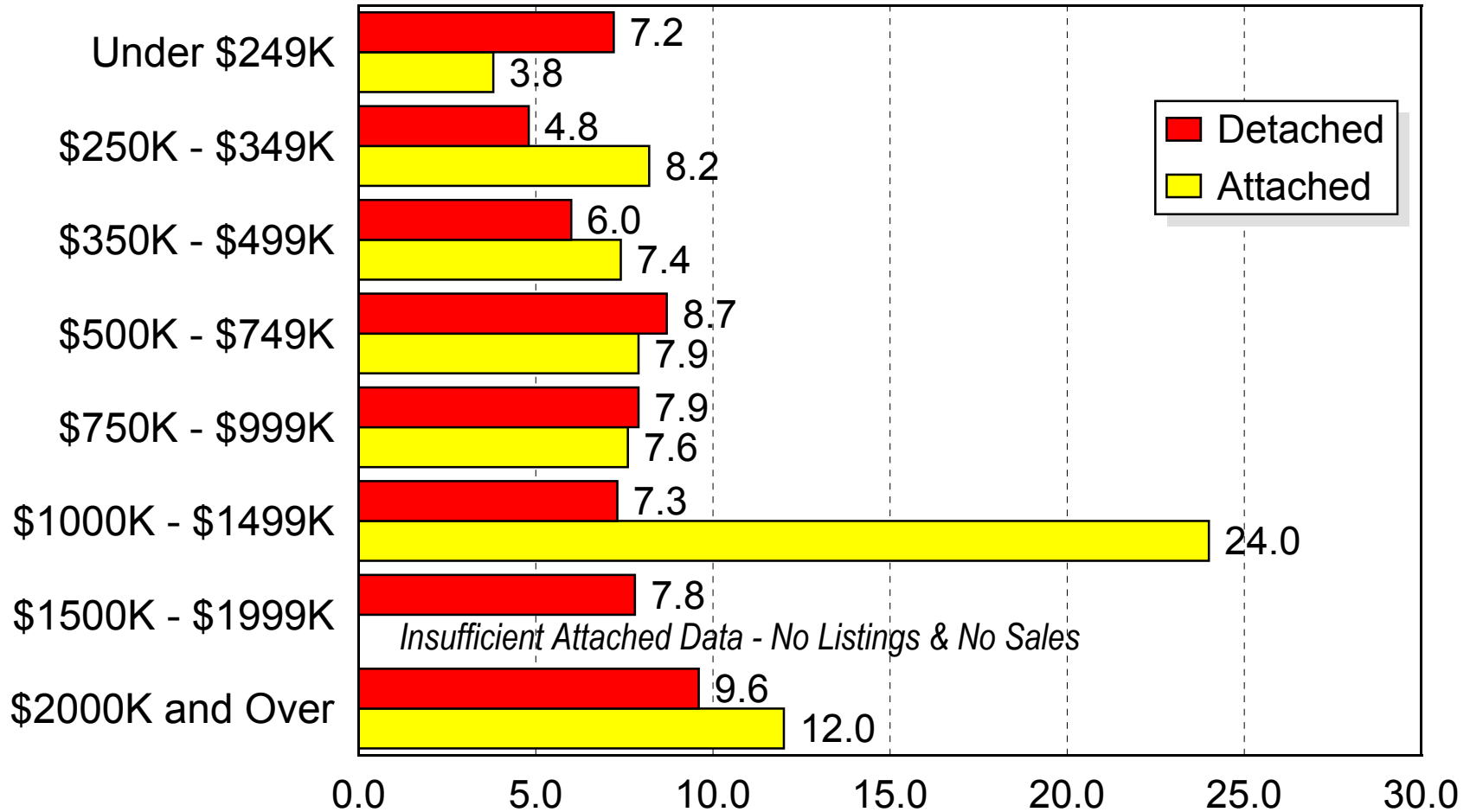


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Inventory In Months' Supply - November 3, 2006

City of La Quinta

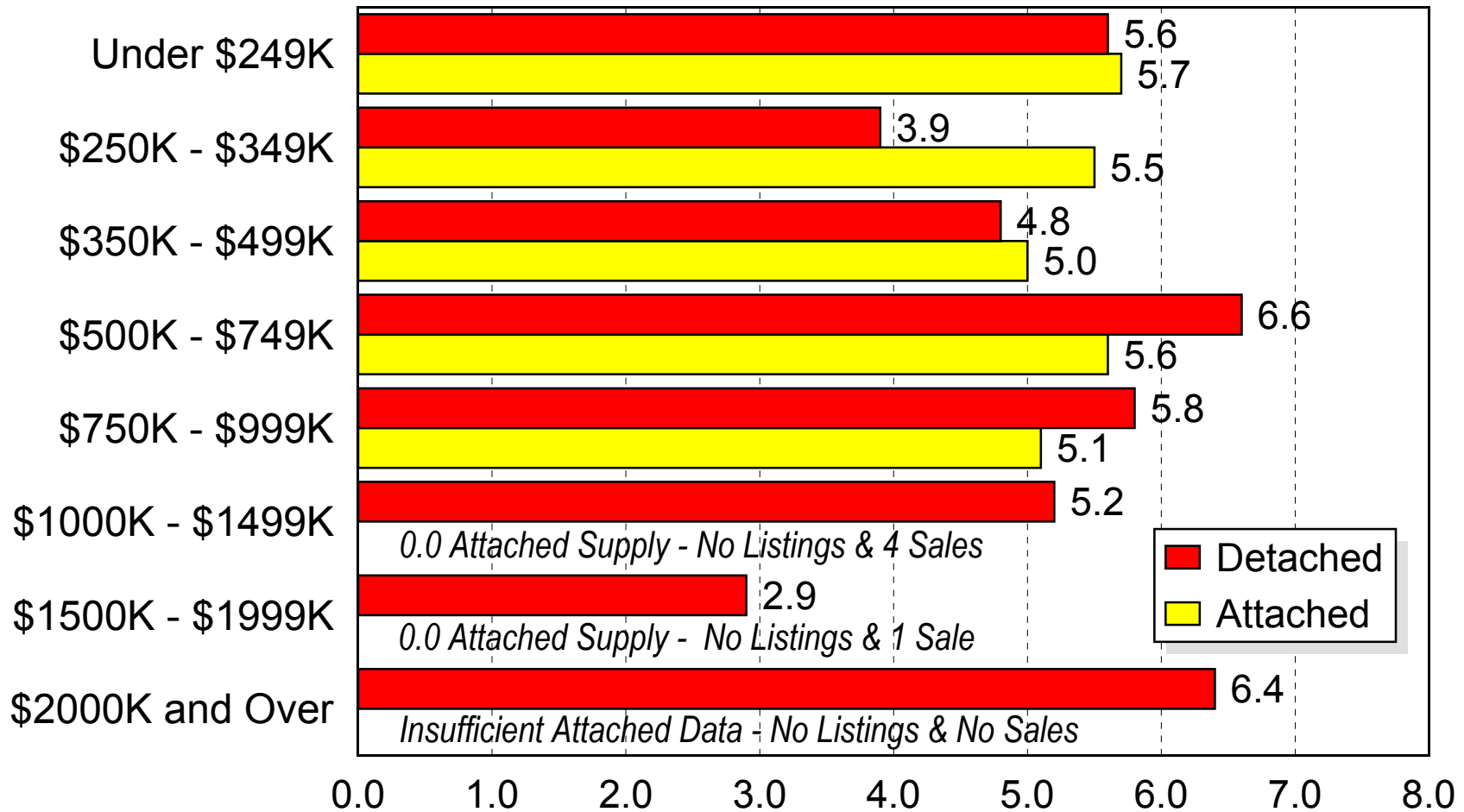


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Inventory In Months' Supply - November 3, 2006

City of Palm Desert

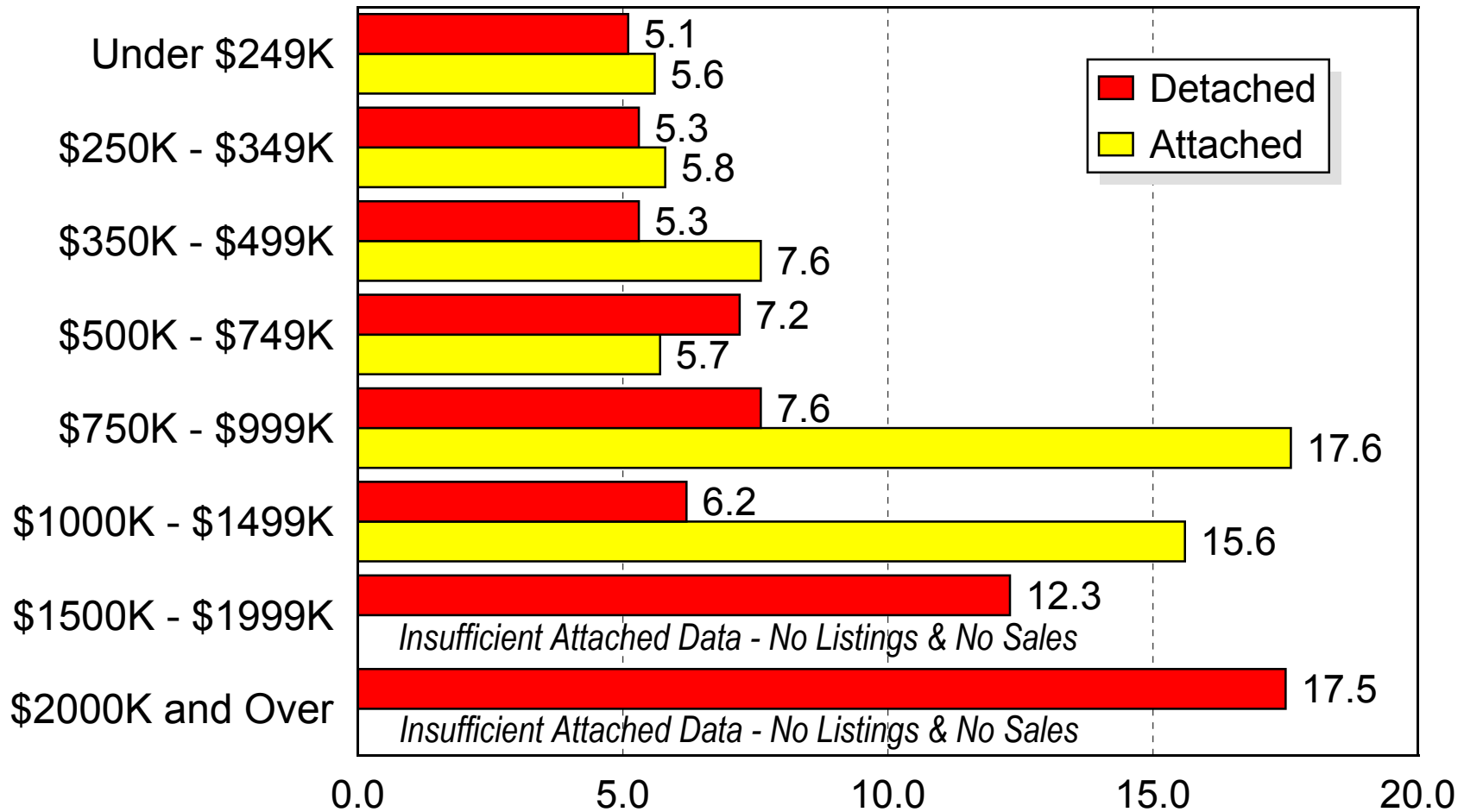


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Inventory In Months' Supply - November 3, 2006

City of Palm Springs

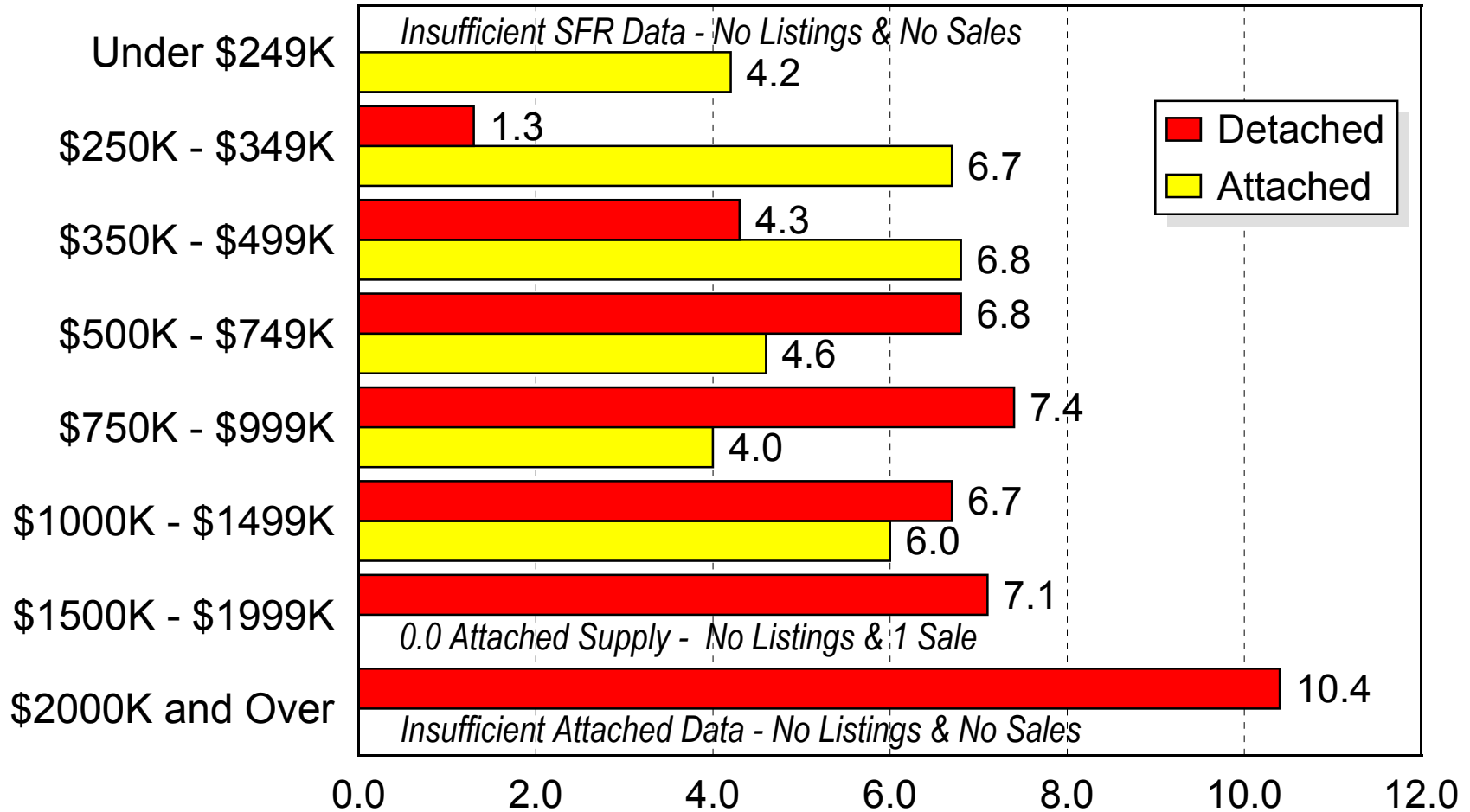


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Inventory In Months' Supply - November 3, 2006

City of Rancho Mirage



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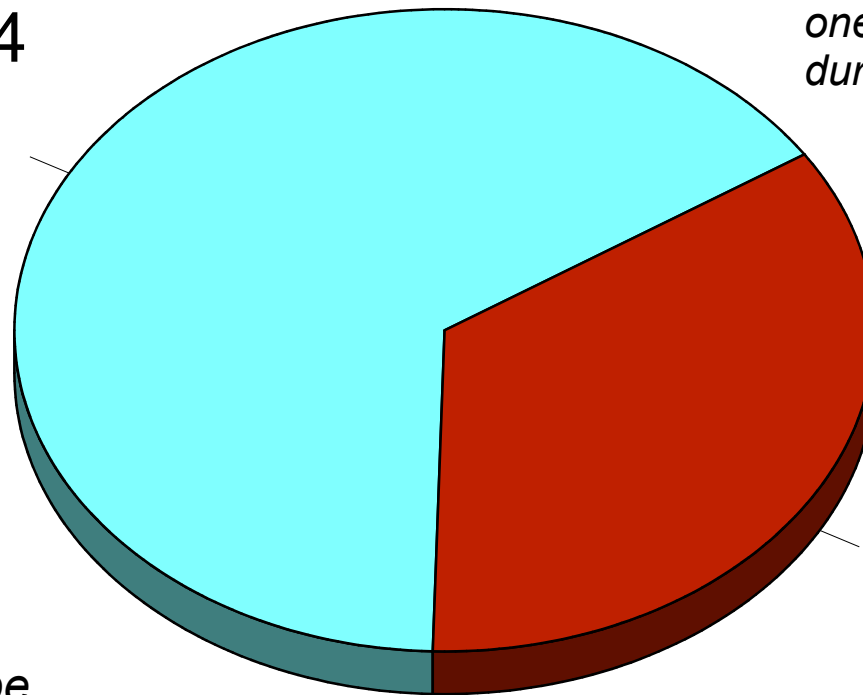
The Competitive Landscape

Percent of Licenses Active

*Desert Area Multiple Listing Service
12 Months through September 30, 2006*

*An active license represented
one or more seller or buyer
during the period.*

Active / 2,704
65.4%

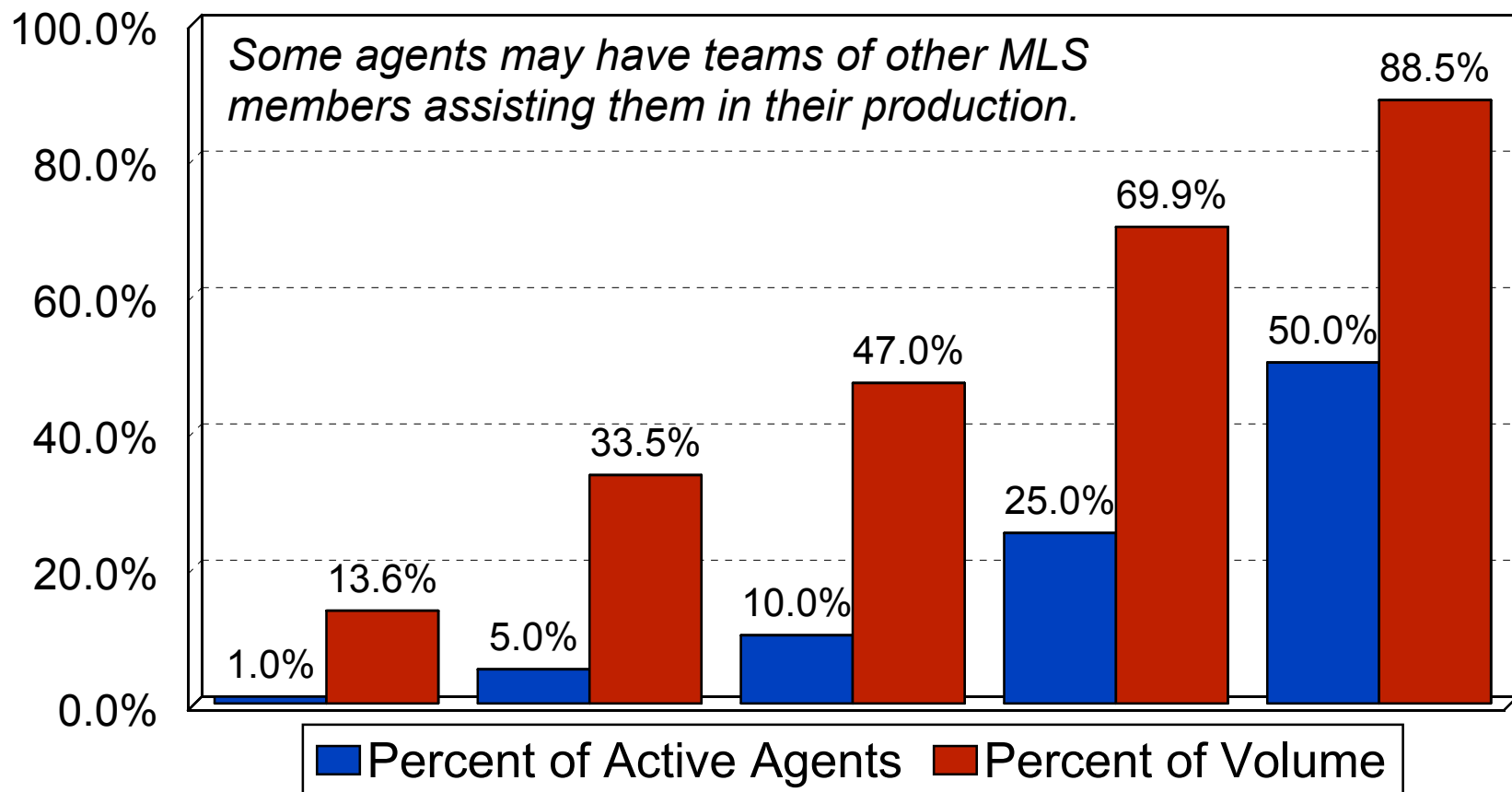


Inactive / 1,429
34.6%

*Inactive agents may be
members of producing teams.*

Total Sides Volume by Active Agents

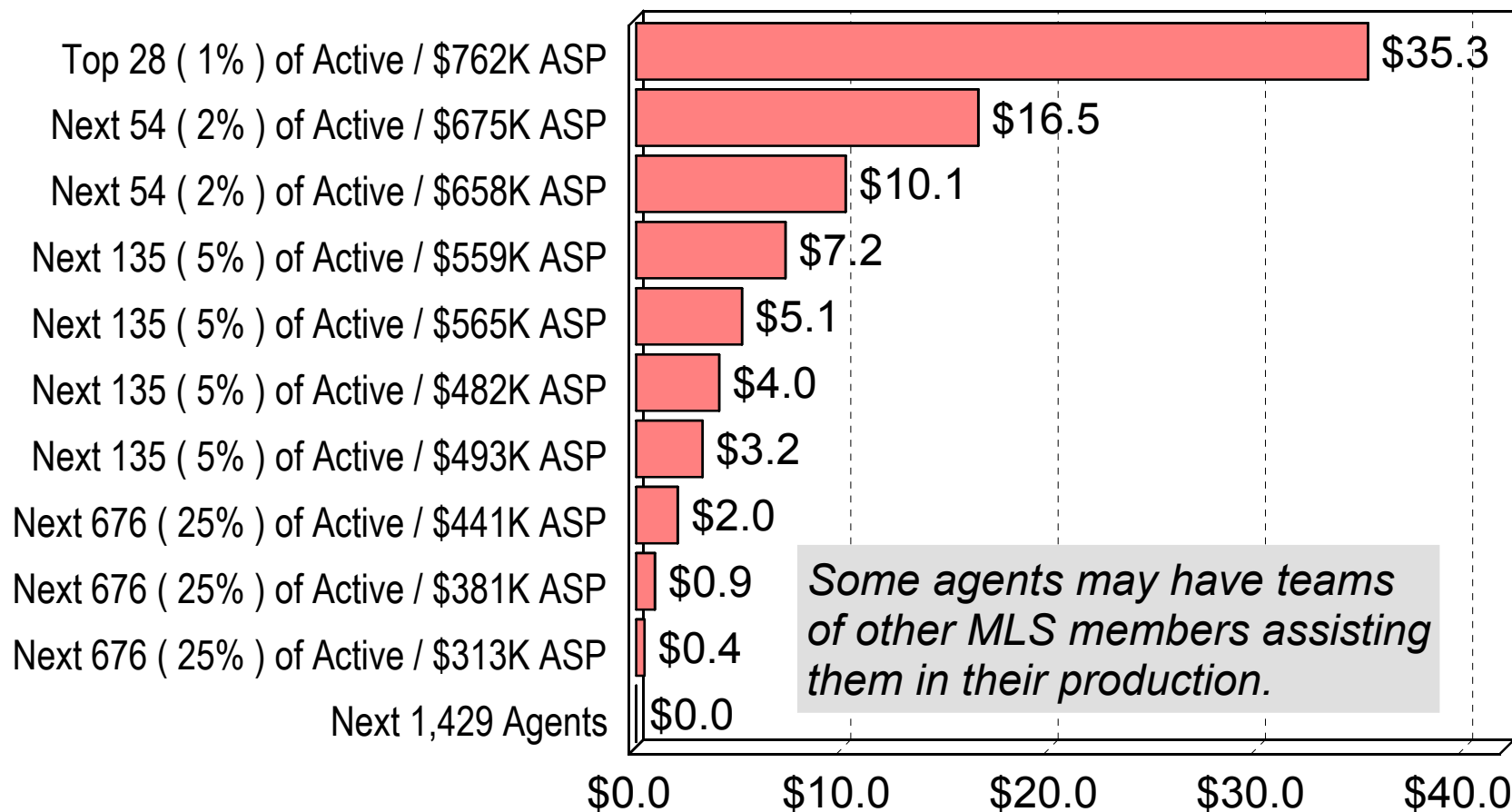
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Total Sides Volume by Active Agents

Desert Area Multiple Listing Service 12 Months through September 30, 2006



Strategies for Success

...In a confusing market

- Be the best source of market information for your sellers and buyers. Filter data to create counseling opportunities that make you critical to your clients.

- Choose your sellers wisely:
 - , Their motivation?
 - , Do not hesitate to replace them with another seller or home in your inventory!

- Learn to counsel buyers....not sell them



REAL
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