

MLS Insights

For Residential Developers



Today's Agenda

...Arming you with facts about MLS data analysis

- ◆ Why use MLS data for residential analysis?
- ◆ MLS legalities and license agreements
- ◆ Challenges in use of MLS data
- ◆ Proposed analysis applications for MLS data
 - Sample reporting output for your use
- ◆ An embarrassing industry fact you should know
- ◆ Questions and answers

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About Real Data Strategies, Inc.

...and Why These Results Should Be Trusted

- ◆ The nation's leading analysts of Multiple Listing Service data:
 - 13 year history in objective, factual service to leading (and competing) real estate brands, firms and agents
 - Considered the *JD Power* of real estate
 - In 205 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

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Why Use MLS Data

...for residential analysis?

- ◆ Potentially real time
- ◆ Sales AND inventory data available
- ◆ All prices available (sale, list, original list, etc.)
- ◆ High anecdotal value in listing records (subdivision codes, listing remarks, etc.)
- ◆ Days on market (*serious* integrity issues)
- ◆ Concerns:
 - Accuracy of pricing and location
 - Subset of all property transfers

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MLS Legalities

... and license agreements

- ◆ Real estate brokers, their agents and appraisers may join an MLS
- ◆ You do NOT have to be a REALTOR
- ◆ It is illegal to buy property-specific MLS data from any source without belonging to the MLS and agreeing to abide by its rules
- ◆ Builder or lender staff appraisers may join to provide compliance and licenses for analysis

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Challenges In Use of MLS Data

...But there's value in the result after all of this!

- ◆ Accuracy in price, location, duplication, etc.
- ◆ Still requires knowledge of local market for design of analysis variables
- ◆ Most MLSs are web-based for ease of use, but downloading quantities of data is difficult
- ◆ Lack of standards requires manual creation / manipulation of fields for each MLS
- ◆ CRITICAL -- Point-in-time record status requires careful determination of which records to use and documentation of download time frame (Examples follow)

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Absorption Rate Listing Statuses

...Requiring standardization in San Fernando Valley MLS

| Available | Absorbed |
|-------------------|------------------------|
| Active | Contingent with Backup |
| Back on Market | Pending |
| Change | Sold |
| Change Price | |
| Contingency / | |
| First Right | |
| New | |
| Reissue | |
| Release From Sale | |

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Proposed Analysis Applications

...For use of MLS data by residential developers

- ◆ Absorption rate (supply in weeks or months) of competing resale product by:
 - Local geography
 - Price segmentation
 - Property type (attached or detached)
- ◆ Market value dynamics
 - Time series trend in units and average price
- ◆ Seller expectations
 - Sale-to-list price ratio (seller motivation)
 - Sale-to-original list price ratio (seller delusion)

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Absorption Rate

...What it is and how to use it

- ◆ Point-in-time picture of supply & demand
- ◆ Seasonally-adjusted through use of full year's absorption activity
- ◆ Use with sellers to convince them of objective market conditions:
 - Competitive list price & price reductions
 - Counter or support low offers
- ◆ Use with buyers to:
 - Find Market "Soft Spots"
 - Support Offer Prices

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Absorption Rate

...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.

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Absorption Rate

...Step-by-step instructions

1. Determine and standardize available and absorbed listing statuses
2. Filter absorbed date range to 12 months
3. De-duplicate and correct prices by repeated sorts on related fields
4. Determine price range strata based on distribution of sale prices in data set
5. Absorption rate formula:
 - a. $(\text{Absorbed} / (\text{Available} / X))$ when $X = 52$ weeks, 12 months, 365 days, or 8,760 hours

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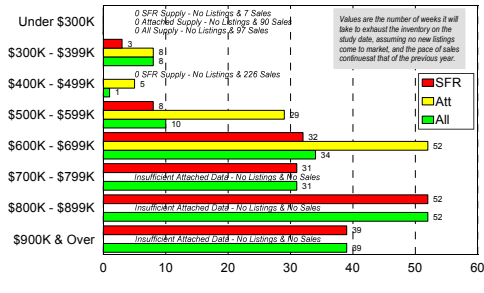
Inventory In Weeks' Supply - August 12, 2005

Counts of Properties in Anaheim / 92804

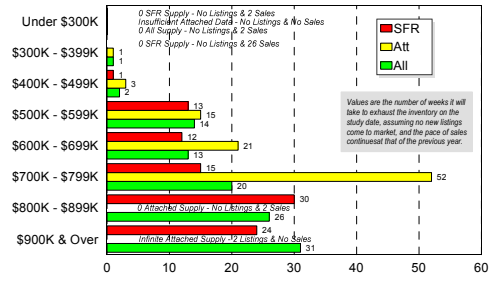
| Price Range | SFR Available | SFR Absorbed | Attached Available | Attached Absorbed | All Available | All Absorbed |
|-----------------|---------------|--------------|--------------------|-------------------|---------------|--------------|
| Under \$300K | 0 | 7 | 0 | 90 | 0 | 97 |
| \$300K - \$399K | 1 | 17 | 25 | 161 | 26 | 178 |
| \$400K - \$499K | 0 | 226 | 5 | 51 | 5 | 277 |
| \$500K - \$599K | 41 | 258 | 10 | 18 | 51 | 276 |
| \$600K - \$699K | 28 | 46 | 5 | 5 | 33 | 51 |
| \$700K - \$799K | 9 | 15 | 0 | 0 | 9 | 15 |
| \$800K - \$899K | 1 | 1 | 0 | 0 | 1 | 1 |
| \$900K & Over | 3 | 4 | 0 | 0 | 3 | 4 |

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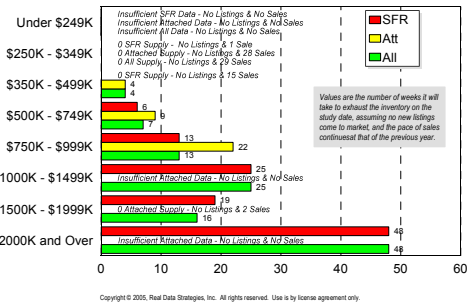
Inventory In Weeks' Supply - August 12, 2005 Properties in Anaheim / 92804



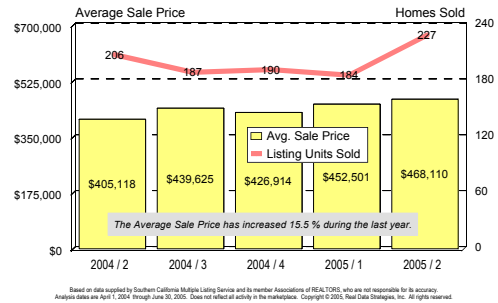
Inventory In Weeks' Supply - August 12, 2005 Properties in Buena Park / 90621



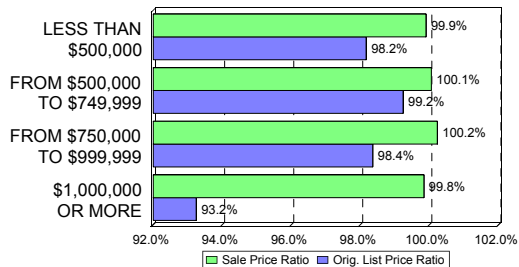
Inventory In Weeks' Supply - August 12, 2005 Community of Anaheim Hills



Listings Sold by Calendar Quarter Properties in Anaheim / 92804 5 Calendar Quarters through June 30, 2005



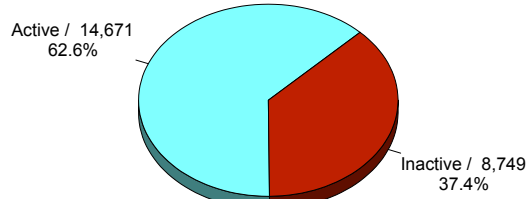
Seller Expectations vs. Realities Properties in Anaheim Hills / 92807 Sales Closed in Q2 / 2005



Real Estate Agent Gene Pool

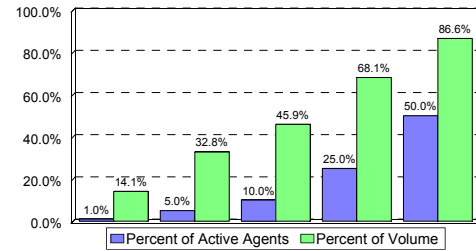
Percent of Agents Representing 1 or More Sellers

*In Southern California MLS
12 Months through June 30, 2005*



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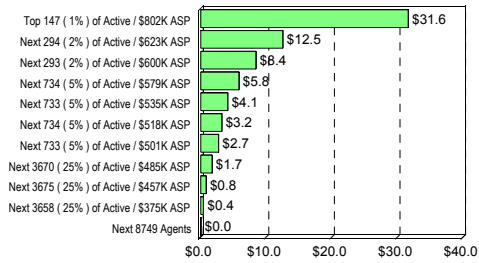
Listings Sold Volume by Active Agents *In Southern California MLS 12 Months through June 30, 2005*



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Q & A

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