

W VELOCITY

M MARKET

P PRICING



Training Notes

Date

Conditional License Agreement

By using the materials containing "**Velocity Marketing™**" training its manual and associated materials, you accept the terms of this Agreement. If you do not agree to the terms of this Agreement, please promptly return materials to the site manager or Quantum Management immediately.

Conditional License

The "**Velocity Marketing™**" Name, concepts, procedures, "data" and analysis techniques are proprietary and the intellectual property of Douglas M. Yeaman, Quantum Management Systems. Douglas M. Yeaman and Quantum give you, the licensee, the right to use the trade name "**Velocity Marketing™**", the prescribed procedures contained in this manual and training along with the attached documentation subject to the following conditions and restrictions:

You, the licensee, are continuously affiliated with the holder of the "site license" (in this case _____); (1) You agree not to let anyone study your use of the training with the potential of exporting the material to their own personal use; and (2) You agree to acknowledge Douglas M. Yeaman and Quantum as the proprietary source of your use of these materials, techniques and technologies.

Proprietary Rights and Obligations

The information and material contained in the manual and training is owned by Douglas M. Yeaman Quantum and is protected by United States copyright laws and international treaty provisions. The structure, organization and information contained in the Manuals is the property of Douglas M. Yeaman and Quantum. You will not make or have made, or permit to be made, any copies of the Manuals, signs and attached or unattached documentation, or any portions thereof except as specifically authorized by this Agreement. You shall agree not to train, modify, adapt, translate, reverse, disassemble or create derivative works based on the Manuals, materials, concepts or trainings. The Manual and materials contained in the package may not be photocopied or distributed to others—except as expressly provided in the body of the manual and as stated herein. Trademarks shall be used in accordance with accepted trademark practice, including identification of trademark owner's name.

You shall agree to use the trained materials, manuals and attached materials for exclusive use in your own business, and if you terminate your affiliation with the site licensee this license will be terminated automatically and without notice. You shall further agree to not disclose the program to anyone other than parties to this agreement. In addition, you agree that any such use must conform to the provisions set forth in the attached manuals and associated materials.

Assignment

You may not transfer the manual or accompanying materials.

Term

The license is effective until terminated. Quantum and or Douglas M. Yeaman have the right to terminate your license immediately if you fail to comply with any terms of this Agreement. Upon any such termination you will destroy the original and any copies and related materials and cease all use of the trademarks and cease to conduct this program in any way.

Entire Agreement

You acknowledge that you have read this agreement, understand it and that it is the complete and exclusive statement of your agreement with Douglas M. Yeaman and Quantum which supersedes any prior agreement, oral or written, and any other communications between Quantum its trainers, sales agents or affiliated others, and you relating to the subject matter of this agreement, and that your obligations under this agreement shall inure to the benefit of Douglas M. Yeaman and Quantum's licensees whose rights are licensed under this agreement. No variation of the terms of this agreement will be enforceable against Quantum unless Quantum gives its express consent in writing signed by an officer of Quantum and or Douglas M. Yeaman.

Printed Name

License Granted By

Date

Signed

Date

Training Notes

Date

Conditional License Agreement

By using the materials containing "Velocity Marketing™" training its manual and associated materials, you accept the terms of this Agreement. If you do not agree to the terms of this Agreement, please promptly return materials to the site manager or Quantum Management immediately.

Conditional License

The "Velocity Marketing™" Name, concepts, procedures, "data" and analysis techniques are proprietary and the intellectual property of Douglas M. Yeaman, Quantum Management Systems. Douglas M. Yeaman and Quantum give you, the licensee, the right to use the trade name "Velocity Marketing™", the prescribed procedures contained in this manual and training along with the attached documentation subject to the following conditions and restrictions:

You, the licensee, are continuously affiliated with the holder of the "site license" (in this case _____); (1) You agree not to let anyone study your use of the training with the potential of exporting the material to their own personal use; and (2) You agree to acknowledge Douglas M. Yeaman and Quantum as the proprietary source of your use of these materials, techniques and technologies.

Proprietary Rights and Obligations

The information and material contained in the manual and training is owned by Douglas M. Yeaman Quantum and is protected by United States copyright laws and international treaty provisions. The structure, organization and information contained in the Manuals is the property of Douglas M. Yeaman and Quantum. You will not make or have made, or permit to be made, any copies of the Manuals, signs and attached or unattached documentation, or any portions thereof except as specifically authorized by this Agreement. You shall agree not to train, modify, adapt, translate, reverse, disassemble or create derivative works based on the Manuals, materials, concepts or trainings. The Manual and materials contained in the package may not be photocopied or distributed to others—except as expressly provided in the body of the manual and as stated herein. Trademarks shall be used in accordance with accepted trademark practice, including identification of trademark owner's name.

You shall agree to use the trained materials, manuals and attached materials for exclusive use in your own business, and if you terminate your affiliation with the site licensee this license will be terminated automatically and without notice. You shall further agree to not disclose the program to anyone other than parties to this agreement. In addition, you agree that any such use must conform to the provisions set forth in the attached manuals and associated materials.

Assignment

You may not transfer the manual or accompanying materials.

Term

The license is effective until terminated. Quantum and or Douglas M. Yeaman have the right to terminate your license immediately if you fail to comply with any terms of this Agreement. Upon any such termination you will destroy the original and any copies and related materials and cease all use of the trademarks and cease to conduct this program in any way.

Entire Agreement

You acknowledge that you have read this agreement, understand it and that it is the complete and exclusive statement of your agreement with Douglas M. Yeaman and Quantum which supersedes any prior agreement, oral or written, and any other communications between Quantum its trainers, sales agents or affiliated others, and you relating to the subject matter of this agreement, and that your obligations under this agreement shall inure to the benefit of Douglas M. Yeaman and Quantum's licensees whose rights are licensed under this agreement. No variation of the terms of this agreement will be enforceable against Quantum unless Quantum gives its express consent in writing signed by an officer of Quantum and or Douglas M. Yeaman.

Printed Name

License Granted By

Date

Signed

Date

Training Notes

Date

White Paper

November 2003

Prepared by Quantum Management
Systems Inc.

CONTENTS

History	2
Traditional Marketing	3
A Different Approach	4
A Case Study	5
Conclusion	6

VELOCITY MARKETING/PRICING™: A Forward-Looking Approach

Abstract: It can be shown that the traditional approach to pricing residential property relies on guesswork and historical data that can be as much as six months old. As the residential real estate market is recognized as a seasonal one, traditional property pricing is targeting a market that has come and gone. Douglas M. Yeaman, Chief Executive Officer of Quantum Management Systems and an internationally recognized management consultant, conducted six years of research resulting in an approach to pricing and marketing residential property that predicts market activity. Called “Velocity Marketing™”, it provides a scientific approach and a formula for predicting property values.

Training Notes

Date

HISTORY

IN THE EARLY 1990's, Douglas M. Yeaman, Chief Executive Officer of Quantum Management Systems an internationally recognized management consultant, realized that the traditional approach to pricing residential real estate relied on data that didn't reflect the *then* current market. Additionally, *today* many real estate agents have a "multiple offers and sell the first day" mind set to pricing. Although the approach to *selling it quickly*, moved property quickly and is attributed to the real estate agent's "marketing expertise," Mr. Yeaman recognized that the traditional approach to pricing residential real estate was not always in the seller's best interest.

MR. YEAMAN BEGAN a research project that lasted six years. He meticulously tracked selling prices in a various national markets. More importantly, he tracked the number of homes listed, the number of homes under contract or sold versus the number of real buyers in the market place; and correlated the relationships between the listings, time on the market and *real* selling prices.

THE RESULT WAS a pricing formula that provides a "snapshot" of the current market and a way of predicting where the market was headed. Furthermore, it provides a seller with the choice of either pricing to sell quickly or pricing to allow the market to decide the value.

Training Notes

Date

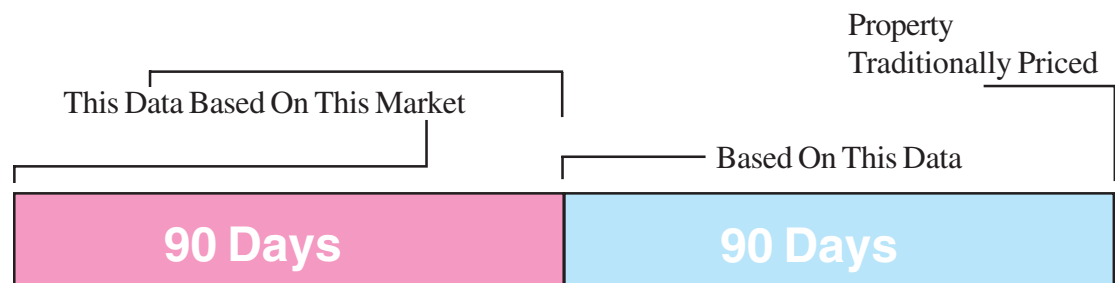
TRADITIONAL MARKETING

CURRENTLY, THE TRADITIONAL approach to pricing a piece of residential property involves some research and as much or more guesswork based up the level of experience the pricing agent has. Using computer programs or public records, an agent will develop a Comparative Market Analysis (CMA) based upon the following:

1. Active listings
2. Listings pending or under contract
3. Listings recently closed

CONSIDERATION IS GIVEN to the neighborhood, school district, similar home styles, the number of bedrooms and baths and other features. Weight is given to what listings are active but the focus is on the price of properties most recently closed. Agents representing buyers agents will look at that data to recommend what price to offer and listing agents will use the same data to advise a seller at what price to list.

THERE HAS ALWAYS been an intuitive sense within the industry that the data is not accurate. Most agents will use “gut-feeling” to adjust what the data suggests either up or down. In fact, as the following chart shows, that intuitive feeling is accurate.



THE OBVIOUS PROBLEM is that, even if a piece of property closed last month, it went under contract perhaps three months ago based upon data that was probably three months old. Also, both the buyer and the market are different at the moment of the current CMA than they were when the data was relevant. The most dramatic example is the real estate market in December as opposed to the market six months later in June.

VELOCITY MARKETING™ NOT ONLY provides the best possible pricing data, it gives an agent the ability to predict market direction.

Training Notes

Date

A DIFFERENT APPROACH

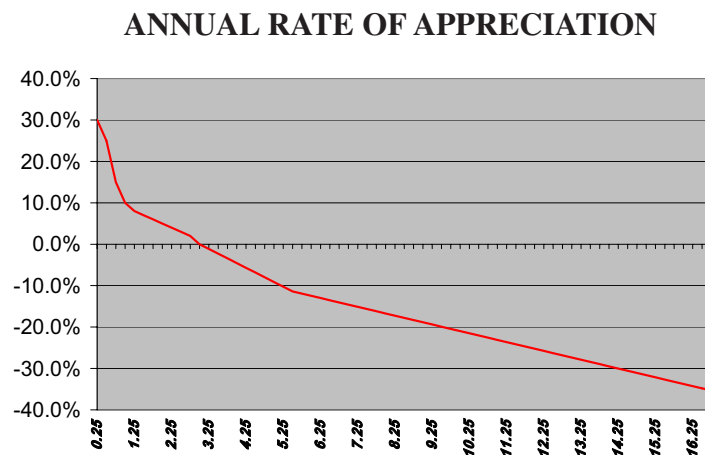
MR. YEAMAN HAS CHANGED the way agents look at property pricing within his organization and his agents have recognized traditional pricing methods are not always in a client's best interest. Whether a client wishes to sell the next day and is heedless of "leaving money on the table" or is willing to let the market dictate the property's selling price, Velocity Marketing™ provides a choice. It gives the seller a choice of a price that is likely to sell today, in 30 days or in 60 days. It gives the agent an opportunity to market the property, the company and the agent.

VELOCITY MARKETING™ BEGINS with using the traditional approach to identify a likely listing price. Then, the market is examined for properties that *demographically* profile within that price plus or minus 10 percent. Then, within those parameters, active listings and pending (s) or under contract properties are counted.

1. Pending or under contract listings indicate the number of active buyers.

2. Active listings indicate the number of sellers active in the market. (The actual method for calculating that is proprietary to Yeaman/Quantum Management Systems, Inc..)

Those two numbers provide a buyer/seller ratio that can be applied to the formula developed by Mr. Yeaman. The below chart approximates that formula.



BUYER/SELLER RATIO

THE FORMULA PREDICTS the velocity at which property is *turning over*. This is very similar to what a traditional economist would do in looking at any commodity or *shelf life* of any inventory. The more *turnover (number of turns)*, the more *pressure* on the price of the property i.e. appreciation. This allows agents to provide clients with a "snapshot" of current market values and validate upcoming fast or slow markets. As is indicated in the following case study, this information is critical in relationship to the time frame dictated by the seller's need to sell. The slope of the curve has been established through empirical research over time. It appears to be valid under almost *all* other conditions and factors; and Yeaman believes this is because it describes the buyers attitudes toward the future purchase and therefore more accurately the market. It also appears to be occurring in almost *real time*.

Training Notes

Date

A CASE STUDY

A PROPERTY IN HIGHLAND PARK, on the north shore of Chicago in a prime real estate area, came on the market. A real estate company in competition with Prudential Preferred Properties advised the seller to list the home at \$869,000 based on a traditional CMA.

A VELOCITY MARKETING™ ANALYSIS revealed that, at that time, the market “snapshot” revealed a 1:1 ratio that indicated strong market appreciation. The Prudential Preferred Properties agent recommended a listing price of \$979,000.

THE SELLER chose to list the property at the recommended \$979,000; although, he stated he felt the Prudential Preferred Properties agent was attempting to “buy” the listing and had *serious* doubts.

THE PROPERTY SOLD in three weeks for \$965,000. Needless to say, the seller is a believer and is a constant source of referrals to the agent he once doubted.

THE PROFILE OF THE PROPERTY is essential to the analysis. You must carefully profile property to fit a very specific demography. This geo-demographic profiling is essential. You are not comparing, therefor, properties to properties, but buyers of this property to similar properties that these buyers would buy. This geo-demographic profiling is based on life-style, such as, travel time, distances to schools and shopping etc.

CONTRARY TO CONTEMPORARY THOUGHT, there is only one real buyer for the property...that is the buyer who buys it. Others compete and therefor drive the price up or down. This is referred to as the *property specific buyer population*. It is always very small and the key to marketing a property, is to target this population and capture the greatest number in the shortest possible time. This population is targeted on the basis of life-style and needs. (*Nothing being said here is to suggest that race, ethnicity or religion plays any role whatsoever in this type of analysis.*)

IN ORDER TO KNOW THE SCALE OF THAT TIME, it is necessary to know their size, their term on the market and where they are. These three factors insure that they will get the best price for their home, ‘*ceteris paribus*’.

Training Notes

Date

CONCLUSION

THE TRADITIONAL APPROACH to pricing residential property is not always accurate or in the best interest of the client. This has been validated by the consumer sometimes paying more than or less than traditional lenders think it should be. When what they pay is more, loans are hard to come by, but the property very often continues to appreciate well past the lenders peg points, and when it is too low it results in the banks buying back a lot of property through foreclosure at rates that cost the lenders a too much. Thanks to the research and data developed by Mr. Yeaman, there is another approach. It is an approach that takes the guesswork and gut-feeling out of the process and bases decisions on verifiable data.

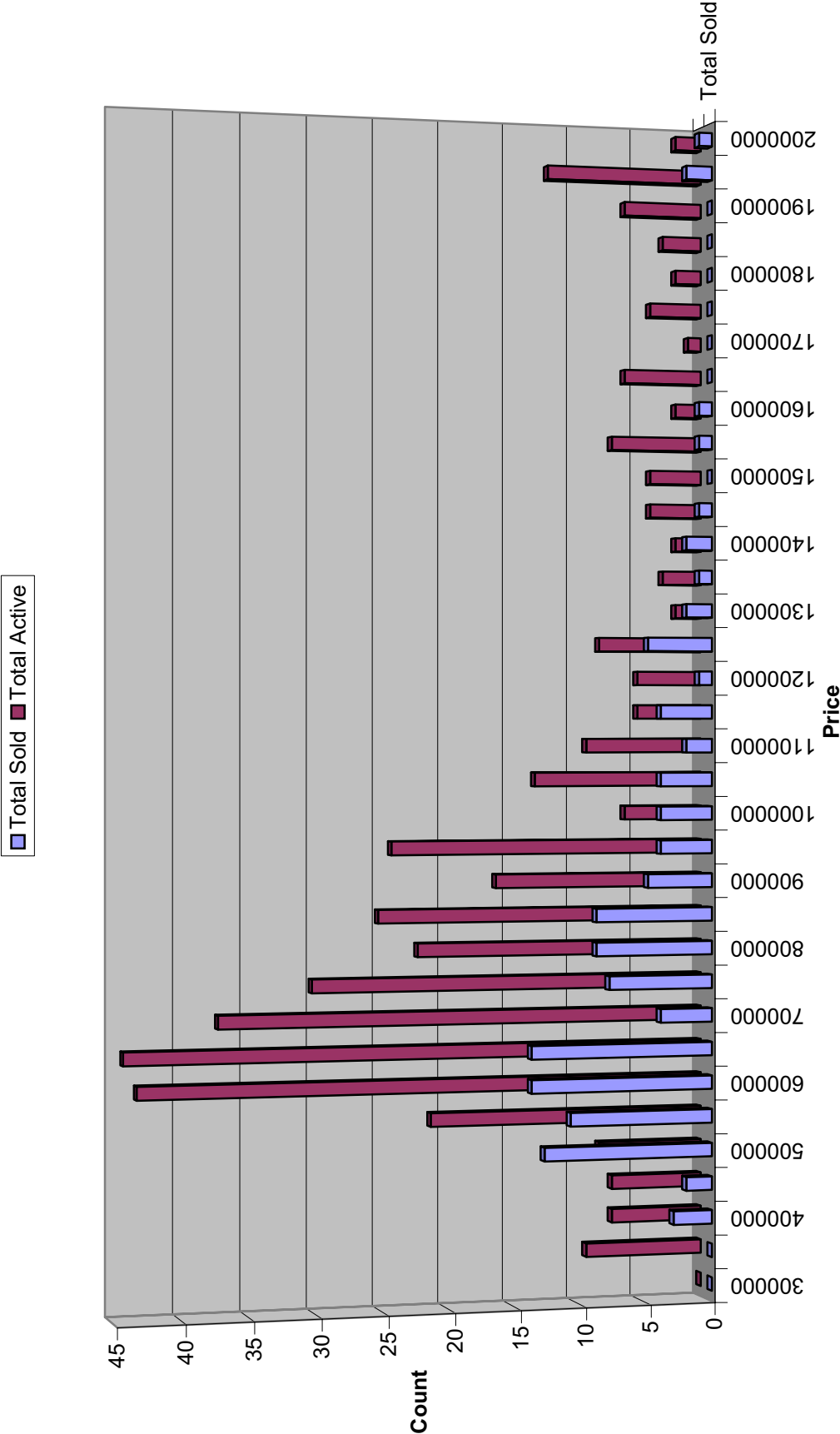
THE CLEAR BENEFIT of Velocity Marketing™ is that it gives agents an opportunity to market property under conditions where the existing market levels price, maximizing seller equity. The goal of this is to have the opportunity to either pre-market the listing two weeks ahead of any public expose or price the property in such a way that, when it goes public, two weeks pass before the first offer.

IT IS THE ONLY marketing system that operates in the best interests of the client under market conditions that are realistic at the time decisions are being made.

Training Notes

Date

Irvine Activity Blt 2000+



Training Notes

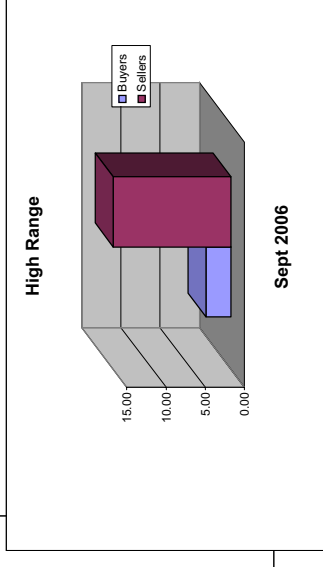
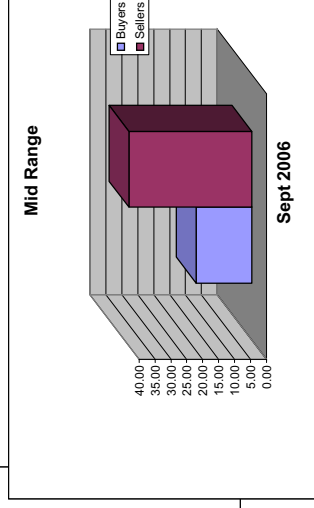
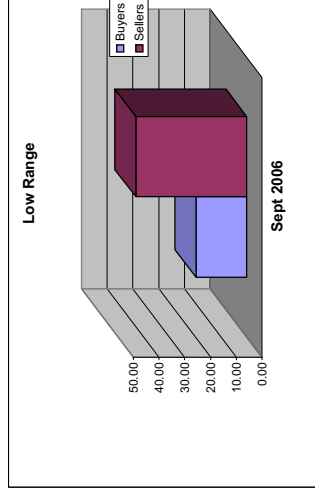
Date

Santa Cruz County - Seller to Buyer Ratio

Residential - SEP 2006

Area	Low Range	Buyers	Sellers	Seller to Buyer Ratio	Mid Range	Buyers	Sellers	Seller to Buyer Ratio	High Range	Buyers	Sellers	Seller to Buyer Ratio
Watsonville	-700	31	96	3.10	700-899	13	68	5.23	900+	0	6	
Green Valley (Green Valley & Arnesi Rd)	-700	10	24	2.40	700-899	3	14	4.67	900+	4	6	1.50
Aptos Hills (Aptos, Larkin Valley, Pleasant Valley & Corralitos)	-850	29	42	1.45	850-1,49	15	30	2.00	1.5+	4	22	5.50
Aptos Coast (Seacliff, Rio Del Mar, La Selva, Seascapes)	-850	22	48	2.18	850-1,49	18	51	2.83	1.5+	4	32	8.00
Capitola	-850	2	17	8.50	850-1,49	10	11	1.10	1.5+	2	4	
Live Oak	-800	15	24	1.60	800-1,19	11	27	2.45	1.2+	2	17	8.50
Soquel	-800	15	12	0.80	800-1,19	12	16	1.33	1.2+	1	11	11.00
Santa Cruz	-800	45	75	1.67	800-1,49	38	63	1.66	1.5+	1	14	14.00
Scotts Valley	-800	18	39	2.17	800-1,19	33	38	1.15	1.2+	9	29	3.22222222
San Lorenzo (Brookdale, Ben Lomond, Felton, Boulder Creek, Zayante)	-550	28	91	3.25	550-899	38	100	2.63	900+	8	16	2
Bonny Doon (Bonny Doon & Empire Grade)	-800	1	5	5.00	800-1,19	2	6	3.00	1.2+	0	8	

Total in Markets		216	473	2.19		193	424	2.20		35	165	4.71
Average		19.64	43.00	2.19		17.55	38.55	2.20		3.18	15.00	4.71



Bailey Properties

Training Notes

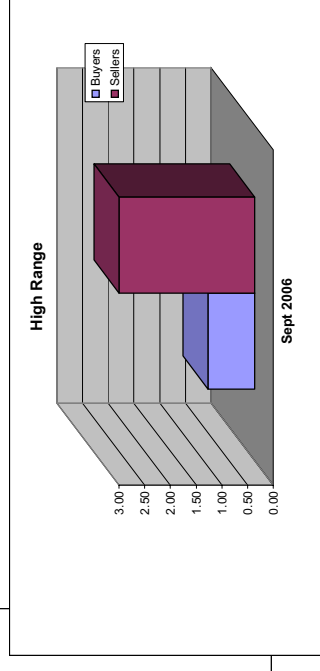
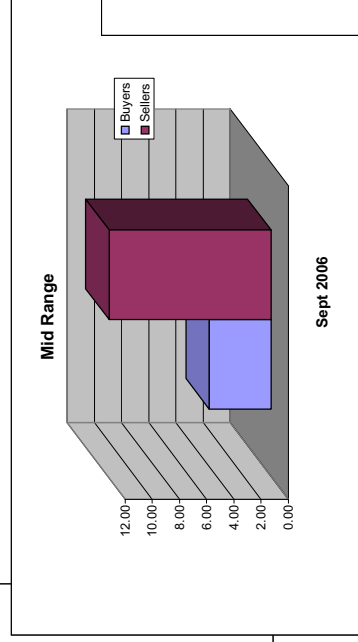
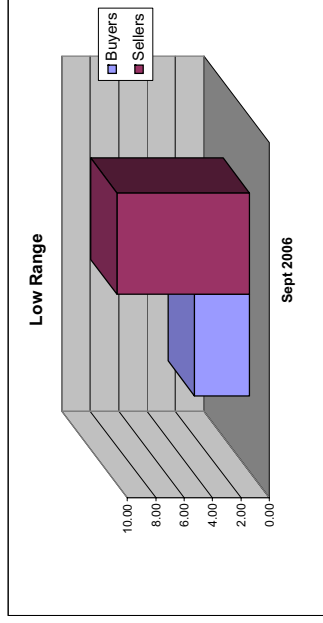
Date

Santa Cruz County - Seller to Buyer Ratio

Condo - SEP 2006

Area	Low Range	Buyers	Sellers	Seller to Buyer Ratio	Mid Range	Buyers	Sellers	Seller to Buyer Ratio	High Range	Buyers	Sellers	Seller to Buyer Ratio
Watsonville	-400	0	11		400-599	15	38	2.53	600+	1	5	5.00
Green Valley (Green Valley & Amesti Rd)	n/a			n/a	n/a			n/a	n/a			n/a
(Aptos, Larkin Valley, Pleasant Valley & Corralitos)	-450	1	0	0.00	450-649	2	16	8.00	650+	0	1	
Aptos Coast (Seacliff, Rio Del Mar, La Selva, Seascape)	-600	10	16	1.60	600-849	9	16	1.78	850+	6	15	2.50
Capitola	-500	5	13	2.60	500-849	0	7		850+	1	3	3.00
Live Oak	-500	6	8	1.33	500-849	5	16	3.20	850+	0	0	0.00
Soquel	-450	1	3	3.00	450-649	5	13	2.60	650+	0	0	0.00
Santa Cruz	-600	20	45	2.25	600-849	7	6	0.86	850+	2	3	1.50
Scotts Valley	-450	0	1		450-649	5	13	2.60	650+	0	2	
San Lorenzo (Brookdale, Ben Lomond, Felton, Boulder Creek, Zayante)	-400	0	6		400-599	2	6	3.00	600+	0	0	0.00
Bonny Doon (Bonny Doon & Empire Grade)	n/a			n/a	n/a			n/a	n/a			n/a

Total in Markets		43	103	2.40		50	131	2.62		10	29	2.90
Average		3.91	9.36	2.40		4.55	11.91	2.62		0.91	2.64	2.90



Training Notes

Date

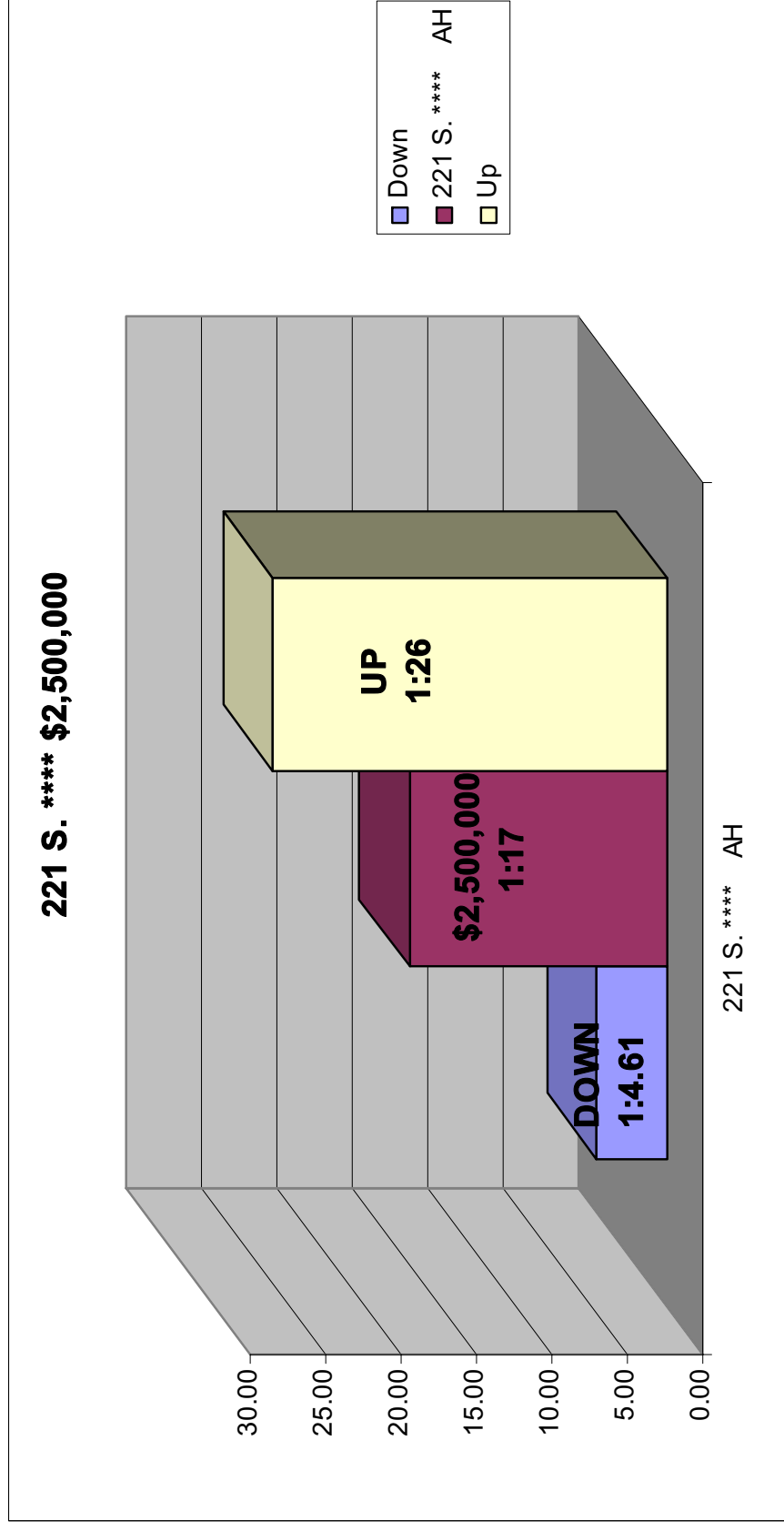
ORANGE COUNTY MARKETS

Area	Low Range	Buyers	Sellers	Buyer Ratio:1	Med. Range	Buyers	Sellers	Buyer Ratio:1	Hi Range	Buyers	Sellers	Buyer Ratio:1
Ana Hills	-750	30	104	3.47	750-1.25	36	139	3.86	1,250+	8	36	4.50
Newport Bch	-1	8	36	4.50	1.0-2.0	22	136	6.18	2.0+	31	161	5.19
Newport Coa	-2	4	21	5.25	2.0-3.5	8	49	6.13	3.5+	8	47	5.88
North Tustin	-1	7	55	7.85	1.0-2.0	11	57	5.18	2.0+	0	22	
Orange	-750	94	223	2.37	750-1.25	43	163	3.79	1.25+	3	54	18.00
Placentia	-750	48	106	2.21	750-1.25	13	69	5.31	1.25+	0	1	
Santa Ana	-600	76	206	2.71	600-800	94	363	3.86	800+	13	85	6.54
Tustin Ranch	-750	4	11	2.75	750-1.25	9	33	3.67	1.25+	4	24	6.00
Tustin	-750	19	85	4.47	750-1.25	15	91	6.07	1.25+	4	29	7.25
Villa Park	-1.25	2	10	5.00	1.25-2.0	1	16	16.00	2.0+	0	14	
Yorba Linda	-750	34	93	2.88	750-1.25	46	162	3.52	1.25+	21	120	5.71
Total in Markets		326	955	2.93		298	1278	4.29		92	593	6.45

Training Notes

Date

Strategic Property Analysis



Address	Price	Range	Buyers	Sellers	Buyer Ratio: Down	Range	Buyers	Sellers	Buyer Ratio: 1 Up	Range	Buyers	Sellers	Buyer Ratio: 1
IOT LISTED													
1 S. ****	\$2,500,000	\$2,000-\$3,000	4	68	17.00					\$3,000+	1	26	26.00
						\$1,500-\$1,750	13	60	4.61				
						\$1,750-\$2,000	4	54	13.50				
						\$2,000-\$2,250	1	18	18.00				
						\$2,250-\$2,750	3	33	11.00				

Training Notes

Date

Velocity Marketing and Pricing

A conventional method used to estimate the value of a property is analysis of the “sold” and “pending” prices of similar homes in the area. Their value is referred to as **comparative market analysis**. Unfortunately, the data used in this method reflects activity in the marketplace that is already 2-14 months old.

Realtors also take into consideration all the “active” properties that would be competitive when the property is marketed. Pricing a property this way is referred to as **position pricing**. The problem with this method is that it can error by either being too high or too low for what is really happening in the marketplace currently. And if a home is priced too high, valuable market time is used trying to establish the proper pricing level. If, on the other hand, the home is priced too low, then the result is that one or several offers are generated in reaction to the low price, and the highest optimum price is never established.

Velocity Marketing and Pricing is a unique method of analysis in which we compare the pace of buyers’ activity within the last 45 days to the number of sellers (investors) currently on the market. This analysis concentrates only on those characteristics of the property that define the potential buyer’s profile. When the ratio of investors to buyers is established, we can take the “historical” data and know how much appreciation, if any, to add to the average “sold” price to establish the ideal price at which to market the property.

Property characteristics: _____

45 Day Buyer Activity

Closed _____

Pending _____

____ (A/I) _____

Total Buyers _____

Active Properties for Sale

Contingent actives _____

Total Sellers _____

BUYER TO SELLER RATIO _____

Sold Price (Historical Data) _____

Appreciation (+/-) _____ = _____ Recommended List Price

1:4 or less = 8-10% 1:4-1:6 = 5-8% 1:6-1:8 = 3-5% 1:8-1:12 = flat 1:12 or more = Decline



**QUANTUM
MANAGEMENT
SYSTEMS**

© Quantum Management Systems
and Douglas M. Yeaman
All rights reserved. May not be reproduced
without permission
1992, 1995, 2000, 2002, 2003, 2004, 2005