

A Unique Cold Offer Strategy, Paid Lead Providers & Agent Referrals w/ Isabelle Stonebraker

Chris Watters:

Hey everyone, welcome.

Frank Klesitz:

We're back to the Listing Lead Show. It's with Chris Waters and I, we talk about everything you want to know about getting listings. It's funny, when we started the podcast there just wasn't really anything on iTunes or Apple Podcast on getting listings, it was all really wide in scope on like personal development and just kind of interviews all over the place. We wanted to create something on getting listings. Or really more specifically, just getting sellers to call you and hire you. Today's show's a little bit different. We're going to probably go down more of the investment route, Chris.

Frank Klesitz:

I want to introduce Isabelle here shortly, she's up in northern Arizona and I met her at a Mastermind event, and she shared something in that Mastermind that I think is going to dramatically change how we go after investment opportunities. And you can probably also use it on the listing side, which we'll talk about too, Elizabeth. Not Elizabeth, Isabelle.

Isabelle Stonebraker:

You're alright.

Frank Klesitz:

I apologize, it's been a long day.

Isabelle Stonebraker:

No, you're fine.

Frank Klesitz:

So Isabelle, welcome. Say hello to the show, you're on the Listing Lead Show with Chris and Frank.

Isabelle Stonebraker:

Thanks very much. I'm very excited to be here, I'm a big fan of you and everything that you do, Frank. So I was pleased to be invited.

Frank Klesitz:

Cool. We're going to talk about getting listings and getting sellers. I think I want to take this discussion, first down the investment side. Before we do that really quickly, you said something before the show

that once you get the taste of a wholesale deal when you're a listing agent it's very hard to go back. Is that correct?

Isabelle Stonebraker:

Oh my gosh. You know the great irony is sometimes I'll talk to wholesalers that think they don't like agents and sometimes I'll talk to agents who think they don't like wholesalers. And the thing that I find funny is it's all the same business, right? It's all just putting deals together and talking to people and figuring out how you can meet a need. But what I think agents don't realize is that when you're dealing with an investment deal, typically because you're dealing with a buyer who's purchasing as-is and they're buying with all cash, once you've paired the buyer with the deal, it's the easiest deal you've ever done.

Isabelle Stonebraker:

So, just to back up a little bit, I have both a wholesale business and a retail business. We have a team, a traditional team that does exactly what you think of when you think of real estate agents. And then we have also a wholesale team that, their main job is to reach out to people and offer to purchase their home for cash. So, we actually have both arms and I think what is the best strategy out there is to have both a wholesale investment business and also to have a retail business. They couldn't pair more nicely together, and they couldn't complement each other more. And I think anybody who's got only one is only taking bites of one side of the apple. You're just not optimizing your business the way you really could be if you had both.

Frank Klesitz:

Give everyone a quick background of your production and how much business you do there in your market.

Isabelle Stonebraker:

Yeah, of course. So we're in northern Arizona. I do about 150 homes a year on the retail side. And then we do, I bet we do 75 deals on the wholesale side this year.

Frank Klesitz:

That's incredible. Okay. So, you decided to launch an investment division that probably focused on the bottom half of the market, from the medium price point in the market, with a listing side that focused on the other side of the market - the more expensive price points. Do you operate both businesses under the same brand, or are they separate brands?

Isabelle Stonebraker:

They're separate businesses. So, anytime you're looking at having both an investment business and a retail business, my advice would always be to keep them totally separate. So wholesale or investment business is going to have its own type of contract, it's going to have its own brand, its own logo. You don't want to confuse the two.

Frank Klesitz:

Its own logo, its own brand.

Isabelle Stonebraker:

Especially where you're looking at issues of representation. If you're dealing with a seller, you want them to know specifically if you're purchasing the home directly as a buyer or if you're representing them as an agent. You want to just be really clear about that and for that reason I would always keep the two distinct and different. So if somebody calls me on the investment side-

Frank Klesitz:

I think the regulatory boards do say that.

Isabelle Stonebraker:

Yeah you want to be really clear.

Frank Klesitz:

They're really clear on keeping, very clear on like, are you representing yourself or someone else and where that line is drawn.

Isabelle Stonebraker:

Absolutely. Even for me, if somebody were to call me on the investment side, I have one phone number. If someone calls me as an agent and they want to hear, hey, this is Isabelle, agent, they call me on a different phone number. So, you're always going to want to keep that really distinct and different. But I do still think it's two sides of the same coin, two bites of the same apple. You can use the same software, you can use the same admins, you can use all the infrastructure that you currently have. But you would want to have two separate companies that were each representing themselves differently.

Frank Klesitz:

What's your investment business called?

Isabelle Stonebraker:

So, our investment business is called Quad City Properties.

Isabelle Stonebraker:

And we buy primarily in northern Arizona, but all over Arizona. My listing business is called the Stonebraker Group.

Frank Klesitz:

And what's your listing business called?

Isabelle Stonebraker:

So that's my last name, Stonebraker.

Frank Klesitz:

Got it. Nice. Okay. Let's divide this conversation. Let's go down the investment side.

Isabelle Stonebraker:

Okay.

Frank Klesitz:

Someone's listening to this podcast and going, okay, I'm selling real estate, I'm getting listings, I get the game of ... I've been listening to the Listing Lead Show, I understand they get listing leads, but I love the idea of opening up a totally separate business that doesn't collude the message of my main business. Total separate brand, total separate LLC, Quad City Properties, right?

Isabelle Stonebraker:

Yeah.

Frank Klesitz:

Who's the target market for Quad City Properties?

Isabelle Stonebraker:

So, typically if somebody is looking to get a cash offer on their house, it's somebody with some level of distress in their life, right? So normally, the reasons that people are going to wholesale or sell to a cash investor are there's something wrong with the house, they don't have money to fix it, or they live out of state and they don't want to deal with it. It either has to do with convenience or just don't have money to fix the problem, right?

Isabelle Stonebraker:

So I started thinking a while back, you know who is going to buy a property that we bought for cash, right? And typically we're selling to an end user investor. So we're looking to purchase something that an investor could really easily sell. So investors like a house that's easy to sell. So, 1500 to 2500 square feet. Three to four bedrooms. Typically here it's going to be one level. So we're looking to buy in that target market.

Frank Klesitz:

That target market. At what price point? So the medium price point in the market is about what?

Isabelle Stonebraker:

Yeah, the medium price point in our market is about \$400,000. So, we're typically looking to buy a house that's about \$300,000. And typically with wholesale, I tell people, look to buy at 75 percent.

Frank Klesitz:

So about 75 percent below the median price in your market, you go fishing there?

Isabelle Stonebraker:

Exactly. It'll be really easy to sell. Because once you have a deal tied up, you also want to be able to sell it to an end buyer, you want something that investors will love.

Frank Klesitz:

And really quickly, just for the audience, will you just quickly in one minute or less explain wholesaling?

Isabelle Stonebraker:

Yeah, absolutely.

Frank Klesitz:

Like what is it?

Isabelle Stonebraker:

Yeah, so if you're a Realtor and you're looking to sell a house, you're helping that seller sell for the least money possible. On the wholesale side, you're trying to get the very best deal for the buyer possible. So, the goal is, you're chatting with the seller and you're saying, "Hey, what would you sell this property for?" You're tying it up at a specific price and then you're selling it to an investor at a markup. So, the way that a wholesale company makes money is, let's say you buy a house for \$100,000 and you sell that contract for \$120,000. A wholesaler would actually make the spread.

Frank Klesitz:

Make a spread.

Isabelle Stonebraker:

They'd make \$20,000 selling the actual contract to the investor.

Frank Klesitz:

What's your typical wholesale fee on that spread versus your commission?

Isabelle Stonebraker:

Ours? So, on direct mail, we're making about \$10,000. And on pay-per-click, we're making on average about \$20,000.

Frank Klesitz:

On the investment side?

Isabelle Stonebraker:

Yeah on the investment side. So you're looking at ... If you were going to sell those same houses retail, you would make a commission of maybe \$6,000. So it's almost two to three times what you'd make. And if it's a very low price point, it could be astronomically more. I mean if you look at, say you stumbled across a house for \$30,000 and you were to list that, you're going to make what, \$900? But potentially, you could find an investor who would pay \$50,000 for that \$30,000 house and you could make \$20,000. So, the time versus money conversation just becomes much more interesting at those lower price points on the investment side.

Chris Watters:

I've got some questions for you, specific to your team. It sounded like some of your administrative team members are cross functional across the two entities. What about your agents? Are they sponsored by one entity or the other?

Isabelle Stonebraker:

So we do have some agents who work on the wholesale side too, who work both types of leads. And then we have some agents that do only retail and some that do only wholesale. It would probably depend on the person who worked for us. But what I find is, actually if you've been in real estate quite a long time, then you're good at solving problems. And a lot of these wholesale deals have some problems that you're sort of working through. They may be a little different, but most people that I know that are experienced with real estate actually really like it, because you can use your skillset and your creativity, maybe in a different way. You know?

Chris Watters:

How many pieces of direct mail do you have to send out before you acquire a customer?

Frank Klesitz:

Well that's the next question. Let's lead up to that, because Isabelle has ... I want to talk about why I brought you on here with that preface, with everything we talked about so far, is you have an incredible strategy to basically send blind offers, like full blown purchase contracts with the price. Saying I want to pay you X number of dollars for your house, call me. Will you explain how you use direct mail with your cold offer system? Like literally putting the offer in the mail unsolicited.

Isabelle Stonebraker:

Yeah, of course. So traditionally, we had been just a cold calling team. We'd make calls, we'd ask people, "Hey, do you want to sell your home for cash?", and we did that right through the beginning of COVID. And at the very beginning of COVID, our acquisition manager quit. The person who was going on all the appointments. And I was nine months pregnant. And I thought, you know, I'm not really interested in going into these mold infested houses, making people offers, potentially getting COVID, it just didn't sound great.

Isabelle Stonebraker:

So I switched strategies at the very beginning of coronavirus, and started just sending people direct mail. And the direct mail that I sent them is just a cold offer. So if I were going to mail you, I would send you a mail piece that said, "Hey Frank, I'm interested in buying your house. I haven't been able to get a hold of you on the phone, but here is an offer on your house. It is a real offer," and it would be a four page wholesale contract with his name, his address, the amount that I'd be willing to pay for it. And what I loved about it was, it was completely binary. Right? So it's either a yes or no.

Isabelle Stonebraker:

So Frank will either call me and he'll say, "F you, this is the worst offer I have ever seen."

Frank Klesitz:

"How dare you low ball me some scummy offer."

Isabelle Stonebraker:

"How dare you send me this terrible offer." Or he would say, "Yeah, I actually want to do this. This sounds like a great fit for me." And it worked like a charm. And I loved it, because it saved me having to go on the appointment. Everybody who called me was either a yes or a no. You can tell from the voicemail if they're a yes or a no. So you spend all your time on people who already know what you would offer them and are already willing to do the deal. And by the time I get a yes, there's one or two that don't work out, but at that point it's an 80 or 90 percent conversion rate.

Isabelle Stonebraker:

So every time-

Frank Klesitz:

I just think it's incredible that you just literally print off the purchase offer with the merge and the information. Do you sign it? Is it signed?

Isabelle Stonebraker:

Yeah. So we sign it. Well I don't send the actual contract, but we do sign the cover letter. I mean, it's a real offer. If they move forward, oftentimes they'll come back into our office with [inaudible 00:14:01].

Frank Klesitz:

Got it, but the purchase contract isn't signed, that's the thing.

Isabelle Stonebraker:

Correct. Yeah, correct. But even if it were, there's still an inspection period on it.

Frank Klesitz:

There's still an inspection, it's still subject to inspection.

Isabelle Stonebraker:

Yeah. Sorry Chris, what were you going to ask?

Chris Watters:

How many of these direct mail pieces are you sending? And then my second question to that is, are you individually researching each property to come up with a value, or do you have a rough estimation tool and you're using some static number like the county tax record value?

Isabelle Stonebraker:

So, that's a great question. Let me answer that one first and then I'll talk about how many I'm sending. So typically, if I'm going to send an offer, I'm going to send it to anybody who has gotten that property for less than I'm offering. So a while back, I just thought, who even says yes to our investment deals? Who would say yes to that and what's our main objection? Well the main objection is, I paid more for the property than you're offering and that's why I don't want to do the deal. So I thought, well-

Frank Klesitz:

Yeah, not what it's worth, because that's the anchor.

Isabelle Stonebraker:

Exactly right. And the way people psychologically work is they want to at least make a dollar if they've owned the property for any period of time. So I thought, well, if I pull a list of people who have purchased this property for at least less than I'm willing to offer it for, then they're more likely to say yes. So, I went into the tax records, and I'll pull by subdivision who purchased that property for less than I'm offering. And then I would sort that Excel data by square footage and make an offer that is specific to their home based on the square footage in their neighborhood or their square footage on their house.

Isabelle Stonebraker:

So I'll pull pricing based on the ARV in the neighborhood. But the offer that Frank would get would be completely unique.

Frank Klesitz:

So let me break this down, because you explained this to me, it's why I brought you in on here. Essentially, you pull the area that you want to mail. And there will be, depending upon the software that you use, I use a program called PropStream, you could also use Property Radar or Real List. But it will have the estimated value of the home. And then you're taking 75 percent off of the estimated value, or the ARV, the after repair value we call it in the investor land. And then once you subtract, once you bring it down to 75 percent of estimated value, you then subtract off that 16 dollars per square foot for estimated repair costs.

Frank Klesitz:

So it's estimated value, less 25 percent discount, less 16 dollars per square foot on the building, and there's your offer. Is that correct?

Isabelle Stonebraker:

Yeah. At that point, if they say yes, you should have a house that's either going to be great for you to buy as an investment or that you could re-sell to an end-

Frank Klesitz:

Especially with wholesale.

Isabelle Stonebraker:

Yeah. You could wholesale it to an investor. So the idea is a neighborhood that I would target, to answer your question Chris. It would be 75 percent of the average home price in the area. So if average would be \$400,000, I'd go into a \$300,000 neighborhood. And then I would say, all right, well who paid less for this house than I'm offering? I'd create a totally unique offer and then I'd mail merge it and send it out to them. And they would get a completely unique offer with their name and address on it in the mail. And it would be a real offer. Something that we would honor and that we could close on.

Chris Watters:

But what about just like unique nuances. Like for example, you direct mail someone that's got a 1,500 square foot home versus 2,500 square feet, and there's, call it a \$75,000-100,000 spread. If you're using,

for example, the neighborhood average and taking 75 percent of it. On the smaller homes, you could be potentially in a situation where the margin's very small.

Isabelle Stonebraker:

So we actually look at sales prices in the neighborhood and would stratify the neighborhood. So we'd say, well, 1500 to 1800 square feet, we're offering this. 1250 to 1500, we're offering this. 1250 and below, we're offering this. So we would actually stratify it, which, yeah, is similar to Offer Pad. Similar to what any-

Frank Klesitz:

Like, I just mailed it in. Literally mailed it in. [inaudible 00:18:33] read this mailer.

Chris Watters:

Okay, so you're downloading a master CSV file and looking at the square footage, sorting it by square footage, breaking in the categories as you suggested and ... I mean, if it was me, I would be taking the average price per square foot, because that adjusts, right? Typically price per square foot goes down as your square footage goes up. And so, I imagine you have a different price per square foot per category. For example, 1000, 1250, you're going to have a pretty high price per square foot. When you back out the 25 percent off full market value, and then, you know.

Isabelle Stonebraker:

So you could probably do it by price per square foot. I think you could stratify it and do it by ARV for that strata. I think either way would work. I think you're probably just looking at two of the same ways to do virtually the same thing. Just figuring out what is your end price going to be and then backing into what you'd be willing to pay for it.

Chris Watters:

Yeah. Okay. I understand what you're saying. Okay, I got it.

Frank Klesitz:

There's a couple ways by the way I want to share with you, because I was playing around with this. Isabelle has one way of getting this number, let me show you how I have got to the number, Isabelle.

Isabelle Stonebraker:

Okay, yeah, I love it.

Frank Klesitz:

I downloaded all the information in the entire county. So I took the entire county, not a neighborhood. Of everything like \$175,000 or less. Which is about 75 percent of the median value. So I was able to pull everything, \$175,000 value list.

Isabelle Stonebraker:

Okay.

Frank Klesitz:

Then I said, okay, let's create a new column. 75 percent of the estimated value of the home. Then I created a new column, \$16 times ...

Isabelle Stonebraker:

The square footage, yeah.

Frank Klesitz:

The square footage. Subtract that. And then I adjusted, I subtracted the last sale's price from the offer and if it was positive, I kept those. If it was negative, I got rid of the rest.

Isabelle Stonebraker:

Makes perfect sense.

Frank Klesitz:

And now I have the offer price that was greater for every single home in the county than what they paid for it. So which goes back to Chris' question, how many do you mail? What's the conversion rate?

Isabelle Stonebraker:

So, at this point, we're mailing about 2,000 letters a week. And our conversion rate is 15%. So what is that? For every 600ish homes, 680 homes, we're getting a deal.

Frank Klesitz:

And you do 8 deals a month. 8, 10 deals a month of that. That's incredible.

Isabelle Stonebraker:

Yeah, absolutely. And our average wholesale fee on that is about \$10,000, just over \$10,000. So it pays for itself.

Frank Klesitz:

It's incredible ROI.

Isabelle Stonebraker:

Yeah, it's the best thing I've ever done from a marketing standpoint.

Frank Klesitz:

8000 letters is probably what, like \$6,000 dollars? \$6,000, \$7000 to mail it? What are you paying per piece?

Isabelle Stonebraker:

Yeah, we pay \$3.13 per piece.

Frank Klesitz:

Oh you're a little more than a dollar per piece.

Isabelle Stonebraker:

Yeah, we're \$3.13 per piece.

Frank Klesitz:

\$3.13 per piece.

Isabelle Stonebraker:

Yeah but we still make-

Frank Klesitz:

This is a number 10 envelope? A regular envelope?

Isabelle Stonebraker:

No, so I send it in a colored envelope about a party size. So my thought is, I want someone to think they're getting a greeting card or an invitation to a party. I want them to open the mail piece. So I want it to look not like business mail. I want it to look personal.

Frank Klesitz:

Beautiful. But you're spending a little more to send out like a larger letter, like an invitation envelope.

Isabelle Stonebraker:

Yeah. I'm spending to have it look like a piece of personal mail. So we use a stamp that looks like a personal mail stamp. We use a colored envelope. My recommendation is that it's card size, so that someone thinks, oh, I got a birthday card or a wedding invitation or something they would want to open.

Frank Klesitz:

Isabelle, that's just so cool. When I heard that, I'm like dude, just give them what they want, which is an offer.

Isabelle Stonebraker:

Yeah, I love it because it's just really efficient and it's scalable too. So anytime you want to increase the amount of properties that you're wholesaling, all you do is you double your mail. Right? I already know what the conversion rate is, and that conversion rate is with somebody else answering the phone. Not with me answering the phone. So it was a little higher when I was answering the phone. If you answered the phone yourself, you should get a much higher conversion rate. Right? But anytime you send something to somebody else-

Frank Klesitz:

Yeah but also with the marketing doing such heavy lifting like that, you don't need much talent answering the phone.

Isabelle Stonebraker:

That's what I found.

Frank Klesitz:

The marketing did a lot of the heavy lifting, yeah.

Isabelle Stonebraker:

You know, anytime you have an entrepreneur doing all the work themselves, there's a cost to that too, right, because you can't scale it. But if there's somebody else who can do it 80% as well, then you give it to that other person and you go live a happy life.

Frank Klesitz:

I want to read you guys this postcard I got from Offer Pad today. So this is today. I mean, they've spent millions of dollars of research into copy that goes on this postcard. I'm going to read it to you. So, the last owner here, name was Clinton, apparently from Tennessee. "Hi, Clinton. We want to buy your home. Sell direct to Offer Pad and get a free no obligation express cash offer within 24 hours. Get started at offerpad.com/mailer or call 6158821221. Get sold with Offer Pad, here's our estimated offer for your home at my address. \$373,000 to \$461,000*. Sell your way with certainty and a solid cash purchase offer. Sell direct with a cash purchase offer. New showings. Pick your closing date. Free, three day extended stay after closing. And free local move. Request your free customized offer today. Offerpad.com/mailer. Selling direct not your way to go? Find out how you can get maximum muscle and value out of listing your home with us instead with Offer Pad Flex."

Frank Klesitz:

So here's a wholesaler flipping the leads to their listings. That's how I see it. I love the asterisk by the way. Hold on, there's an asterisk after the price. You got to have the asterisks. So there's an asterisk next to the price. Actual offer may be between \$373 and \$461. So basically, this advertising is meaningless because the prices vary. So it doesn't mean anything, right?

Isabelle Stonebraker:

Well and that's the thing. Anytime somebody cold contacts you, I mean they've still got an inspection period and things like that built in. Because I've had people ask me, well what if the house is totally destroyed when you get there? And you say, well, I've done my inspection, I did not expect that you'd be hoarding rabbits inside your house. So we're going to need a \$20,000 price deduction to pay for the sub floor. Or whatever, right?

Frank Klesitz:

Yeah.

Isabelle Stonebraker:

You know, I mean everything is contingent upon an inspection period.

Frank Klesitz:

No, that's cool. Isabelle, thanks for coming on here and sharing that. What a cool thing. I mean, the very first thing I did is I wrote that cover letter that I sent you of like what the cover letter should be. Saying, "Hey I'm reaching out because I want to buy your home and if you don't like the price, let me know, I can adjust, it's negotiable. But I have attached an offer and this is what I'd like to pay you. And I've

factored in a little bit of a discount for probably remodeling your kitchens and bathrooms since you've been living there since X number." I merged in I think the year they bought it.

Isabelle Stonebraker:

It's brilliant, actually.

Frank Klesitz:

And then I got the purchase contract down to a front page and a back page. And then I merged in all the merge fields. And I'll just go to the printer and it'll do all the merges for the offers. And they'll print it and they'll mail it out and we'll see what happens. I'm excited. Thank you for sharing that, Isabelle. I'm going to do that.

Isabelle Stonebraker:

Yeah. I think you're going to be really excited. It's one of the best things I've done. And it's interesting because traditionally people do reach out with the postcard saying I want to buy your house for cash, but don't say how much. Or they cold call, right?

Frank Klesitz:

They're overdone.

Isabelle Stonebraker:

Yeah. But I think you'd be surprised the number of older people who love getting something they can hold in their hands and consider.

Frank Klesitz:

And very honest with the offer and it looks important, like a legal document.

Chris Watters:

Isabelle, are you competing with iBuyers?

Isabelle Stonebraker:

We are, yes. So we've got Offer Pad and Open Door that are up here now. They're not everywhere. They're not buying manufactured homes, they're not buying certain ages of homes. Things like that. But they are buying here. They just got here, it's relatively new in the Prescott area. But yeah, they are here.

Chris Watters:

Do you think that's a threat to your business that because they're able to pay much more, significantly more than you, they could take some market share?

Isabelle Stonebraker:

You know it's funny that you asked that, because I actually train our acquisition people to start off with the cash offer from us and if it doesn't work out, to then go to Open Door, Offer Pad, and solicit offers as a secondary back-up so that we can monetize the lead further. So I think things cut both ways. I think it is possible that you'll lose some business to those iBuyers. But I think it's also possible that you can sell

your deals to the iBuyers for more and pick up a deal you might not have had. So anytime an agent tells me, oh, I'm really threatened by iBuyers or I'm really threatened by hedge funds or I'm really threatened by whatever novel thing is coming into the market now, I just sort of laugh and go, "look how can the situation be different for you?" If you can figure out how to turn it around and monetize the lead in a different way, then it could absolutely be as big a strength as it would be a potential threat.

Isabelle Stonebraker:

So I think probably yeah, you do lose a few deals. But you gain a few, too. It's just monetizing differently.

Frank Klesitz:

It's about the first person to get there.

Isabelle Stonebraker:

Absolutely. Yeah.

Frank Klesitz:

Right? It's about the first person to get there, then you solve the problem and you have a buffet of options to do it and you get a commission on everything.

Isabelle Stonebraker:

Well and I think to be [inaudible 00:28:28].

Chris Watters:

Isabelle, what do you think-

Isabelle Stonebraker:

Oh sorry, what were you going to ask?

Chris Watters:

Just a hypothetical situation. Let's say you're located in a market where Offer Pad, Zillow Offers, Open Door, are mailing every single homeowner, every single month, a postcard just like the one Frank showed. And it says, we're going to pay you \$375,000 or up to \$460. And so, again let's say they, just like Frank gave that example, he pulled the county property records, download whatever it was. 100,000 of them. And all 100,000 of those people are getting a postcard once a month. Technically they're getting three different postcards per month. One from Offer Pad, one from Zillow Offers, and one from Open Door. With a postcard that looks very similar to that. How would you recalibrate to get in front of the prospect first prior to them being bombarded with offers from iBuyers that are going to probably be higher than what you're offering?

Isabelle Stonebraker:

So it's a brilliant question.

Chris Watters:

How would you get higher up on the funnel?

Isabelle Stonebraker:

So I think it's not about being higher up on the funnel. I think it's about a completely blue ocean. So there are things that Open Door, or iBuyers just in general, will not buy. They will not buy a house that's older than a certain year. They will not buy a manufactured house. They won't buy houses in certain areas because they can't value them as well as potentially you could. For me, I think it's always foolish when you're trying to go head to head against a million or billion dollar company, you're going to lose. But what you could potentially do is look at what are the opportunities that the hedge funds aren't buying and how could I start a conversation where they're talking only to me.

Isabelle Stonebraker:

So sometimes we'll have leads that could potentially be an Open Door lead. And yeah, 100%, we would look at selling that deal to them. But also, if I'm sending direct mail, something that does cost money, I'm trying to have a conversation that's just with that person. So I'm probably mailing a different list, I'm probably looking at a target property that a hedge fund wouldn't look at. You're just going to run a different strategy.

Isabelle Stonebraker:

Why spend double as much to get half the deals? It doesn't make sense.

Chris Watters:

Yeah. So basically recalibrate your mail list so you're hitting up properties that aren't in the buy box of the iBuyers.

Isabelle Stonebraker:

Oh yeah. Like if you're mailing Open Door's target list, that's a crazy suicide mission. Just in the same way that they tell you don't start farming a place where there's a dominant agent farming.

Frank Klesitz:

That's good. Chris, have you been on suicide missions before? Were you a kamikaze marketer?

Chris Watters:

You know, from a direct mail farming perspective, yes I was.

Frank Klesitz:

I'm sorry, I love that. Marketing suicide. That just hits home.

Chris Watters:

I hope a lot of people heard that, Isabelle's point. I think most people on here that are listening know that my group was the Zillow Offer partner in Austin. And I'm not saying anything that Isabelle hadn't already said, there is a buy box. And we've had some people come on the show that are in the direct mail farming business, and they have said, like you just indicated, don't go into a neighborhood where somebody's already got significant marketing share.

Chris Watters:

So, you know, if it was me going into a new market, I would look at the NLS or tax records, see what is a iBuyer owned house. Identify what those attributes are and then make sure I'm not going after them.

Isabelle Stonebraker:

Yeah, I mean to your point, I've come up against wholesalers that just could not get traction, could not get traction, could not get traction. Well, they're playing in an area that has everybody and they're competing against everybody. And oftentimes, what you'll find is if you move a neighborhood away or an hour away, you could spend those same marketing dollars and get a 10x return. So I mean if you're marketing anyone, be smart about where you're marketing.

Chris Watters:

Just for people that are listening to the show, to humor Frank, we downloaded the entire property record list for the entire greater city of Austin, Texas. 400,000 property records. And we were direct mailing them.

Frank Klesitz:

All of them?

Chris Watters:

So we were sending pallets and pallets of postcards every two weeks.

Frank Klesitz:

Was that a suicide mission?

Chris Watters:

That was a suicide mission. We were using direct response copy, Dan Kennedy style. But it was a suicide mission. The "aha" for me as a young marketer, I guess, was when you get to that level, you have to start paying attention to a key metric markers look at, which I didn't have a marketing background, I figured this out the hard way. Which is CPM. Your cost per thousand. And so when you start trying to blast a message out to a lot of people, your cost per thousand's important so that you keep your acquisition cost in alignment and can actually make a profit.

Isabelle Stonebraker:

Yeah, absolutely. And the thing that I, as we're chatting about this, I think I should probably throw out there. The first mailing I did was not 2,000 pieces. The first mailing I did was 200 pieces. And it worked exceptionally well, so I expanded it. And then that next expanded model worked exceptionally well, so I expanded it. So my advice to anybody who wants to try any new strategy would be, launch a test mailing, see what the response rate is, make it big enough that you could potentially get a deal out of it, but see what the response rate is and then scale it if it makes sense.

Isabelle Stonebraker:

You don't want to send out 10,000 mail pieces and then realize, oh goodness, this is also Open Door's mailing route. I mean, that would be too bad.

Frank Klesitz:

Let's talk about your second investment resource. So thank you for sharing the cold offer system here, that's the main thing I wanted everyone to take from this podcast.

Chris Watters:

Isabelle, that is an amazing nugget. Thank you.

Frank Klesitz:

Dude, Chris, when I saw this. I was up at five in the morning the next morning pulling lists running algorithms and taking the purchase contract that's four pages long and stuffing it down to one. Front and back. And then going into Adobe Acrobat like putting all the merge fields in all areas and then adding all what the mergers are going to be in Excel, so the whole thing just goes out. That's like the first thing I did the next morning.

Isabelle Stonebraker:

If everybody could do one thing tomorrow, I would seriously do this. And even if you don't want a full investment business, I'd send out maybe 500 in an area that you wanted to just personally invest in. Even if you just wanted one rental property that was actually a good deal that you bought off MLS. This is how I would start. I think you don't have to do this at 2,000 mail pieces a week. I think you could do this at a really small scale. Just to go buy some investment properties to start off.

Frank Klesitz:

Well, Chris would just jump to mailing the entire city.

Chris Watters:

Let's just go for the whole state.

Isabelle Stonebraker:

Not everybody is on that level, Chris.

Frank Klesitz:

Chris. The reason I think it didn't work in Austin, is because you didn't mail the whole state. I think it was a volume issue.

Chris Watters:

I mean, there's so many factors. And for people that have listened to the show, there's things you've got to factor in like turnover rates and how long have they owned the house. Isabelle mentioned looking at the purchase price and making sure you're only hitting up people that are getting offers higher than the purchase price. There's a lot of variables. And so we've had a lot of people on the show that talk about mass media. And so if you're going to go really big and get your message out using a megaphone, really your only options are radio, TV, and billboard. Otherwise your cost per thousand to do anything else is too high and your acquisition cost eats up all your profits.

Isabelle Stonebraker:

That's right.

Frank Klesitz:

What are you willing to spend to get a deal, Isabelle? What's your maximum allowance to spend per deal with what you do wholesaling?

Isabelle Stonebraker:

So right now, I'm at \$2,100 about for a deal. And that's okay with me. I'd be willing to go to \$2,500 or \$2,800 to get a deal.

Frank Klesitz:

That's what I hear. It's about \$2-3000 dollars per deal in those pockets.

Isabelle Stonebraker:

Yeah.

Frank Klesitz:

Your cost per acquisition on marketing.

Chris Watters:

How many rentals do you have, Isabelle?

Isabelle Stonebraker:

I have nine rentals and eight notes. So I do a lot of seller financing on manufactured housing as well.

Chris Watters:

Cool.

Frank Klesitz:

The second resource, and we'll talk about this very briefly. I want us to do about five minutes on this. But you mentioned that you can go to, before the show I was bringing it up to speed things along. There's lead providers just like there's Zillow in the real estate listing world. Fast home offer, you said, and there's many of them. Why don't you explain how these companies sell you leads and the price of them and what you're willing to pay per lead?

Isabelle Stonebraker:

Okay. So we used fast home offer to get wholesale leads. It's typically somebody who is looking for a 30 day, all cash close. Sometimes they're distressed, sometimes they're somebody who's just curious. The thing that I like about that particular service, is it's a guaranteed lead. So they guarantee that the contact information is good and that it's not already listed in the MLS. We've gotten our highest wholesale fees overall in the business from fast home offer leads. So I do like them. You have to watch pricing, because the cost per lead will get bid up or bid down. We've paid anywhere from \$2-600 per lead. So it can get quite expensive. You have to make sure they're converting at the level you want them to convert. I mean at \$600 a lead, you basically have to be converting one out of every four or it won't make money.

Frank Klesitz:

3 or 4.

Chris Watters:

Yeah.

Frank Klesitz:

So those exist and you've been doing some of those.

Isabelle Stonebraker:

Yeah, those exist.

Frank Klesitz:

Let's talk about the third thing, about, yeah. The referral from agents and how you work referrals for investment deals. Tell us about that.

Isabelle Stonebraker:

Yeah so I had just worked in northern Arizona a certain amount of time and people know that I do investments, both for myself and through Quad City Properties. So occasionally, if an agent is prospecting and they come across something that just would not be right for listing. Either they're a hoarder, it's going to take too much work to get it market ready, whatever. They'll refer it over to me and I'll get that lead as a wholesale referral instead. I've also had friends who love the idea of a wholesale business, but don't have one themselves, who have cold called for me, tied up the deal, brought it to me and I've just positioned it for them.

Isabelle Stonebraker:

So a lot of times on the wholesale side, you'll actually have two wholesalers that are collaborating together to make the deal happen. Either splitting the wholesale fee or one person will bring the deal, another person will bring the disposition. But we actually do a fair number of deals that way and make great money at it. It's fun. You get to work with friends. A lot of times those are deals that just fall in your lap. That say, hey, I have a deal locked up at 123 Main Street. I locked it at this price, would you be interested in selling it for me?

Frank Klesitz:

And you have good relationships with these people, even though you're an investor?

Isabelle Stonebraker:

Yeah. A lot of them are friends.

Frank Klesitz:

Did you farm your list?

Isabelle Stonebraker:

No, it's funny because there is a place in the market for someone who can come in and solve a problem instantly. I think every agent has had that listing that's sat and they could not get rid of, and they could not get repairs on it. And sometimes having somebody come in with cash who can solve the problem instantly is a god send. We've also frankly had leads that came in that were already listed that indicated they wanted to go the wholesale route. And especially if I know the agent, I'll actually call the agent and say hey, your listing called us, they want a cash offer. Why don't you let us wholesale it for you and then we'll pay you a commission at the back end? And everybody wins in that situation. There's nobody undercutting anyone, there's no one doing anything sneaky. You just say look, we can make this really easy. They're willing to accept this cash offer, it's what we're wanting to pay on it. We know we can sell it, we'll pay you a commission.

Frank Klesitz:

Has your, on your website, We Buy Prescott houses. It's on Carrot. So you're using Carrot's website. But I haven't heard anything about SEO or pay-per-click or anything online with your website. Any reason you haven't doubled down on that or added that as your mix?

Isabelle Stonebraker:

So only because you have limited opportunities in life. I mean honestly we're doing so well with the other lead sources that we just haven't needed to. So you could absolutely do SEO. I will tell you, because we are in a smaller market, it hasn't worked as well for us, because you're bidding on key word terms and what could potentially happen is you spend a lot for the administration of it and it gets expensive ...

Frank Klesitz:

Because there's lower traffic volume.

Isabelle Stonebraker:

For the number of people who are ultimately going to click on that lead.

Frank Klesitz:

Well that's been very knowledgeable, Chris. It's just the offer system.

Chris Watters:

Yeah, no doubt.

Frank Klesitz:

No doubt, man.

Chris Watters:

Hey, Frank, what we're doing up in Amarillo, right?

Frank Klesitz:

Oh yeah, I got you.

Chris Watters:

So Isabelle, I have a quick question for you. One of the important things for wholesalers is to have a cash buyer list. What are some of the tactical things you do to build a cash buyer list so when you get a deal on a contract, you can distribute that to potential cash buyers to get a deal executed and closed quickly?

Isabelle Stonebraker:

So that's a really good question. For anybody who wants to have an investment business, one of the things you're going to find that that's going to make or break on, is how big their investor list actually is. So one of the metrics we look at in our business is did our cash buyer list grow every single week? And if it didn't, why not? So the things that we specifically do to build that list are, number one, any agent in the MLS that works with investors, and you can tell because they're at the low price points, should be on your cash buyer list. So typically if I'm going into an area, I'll pull the hundred lowest sales on buyer and seller side and add those to our cash buyer list. From there, I'll also pull the cash buyer list from an area from Real Estate Worldwide. So it's a website, it's called Real Estate Worldwide. And what they do is, they go into the tax records, and they see anyone who paid cash for a house.

Isabelle Stonebraker:

Now where I live up in northern Arizona, we have a lot of retirees. So it's actually not uncommon for someone to move into the area and pay cash, just because they're older and their previous house was paid off. So what I'm doing is I'm pulling anyone who's bought two or more properties for cash. And they would go into a cash buyer list that we would then text using launch control software, so that it would be a legal text, saying "Hey, I see that you bought some houses for cash in the past. We have some good deals that come across our desk, would you like to be added to our list?" If they say yes, we would add it to our text blast list. If they say no, we say "Okay, have a great day."

Isabelle Stonebraker:

We also advertise on Facebook Marketplace. Anyone who responds to any of our ads, even if the property is sold. We'll say, "Well that property's sold, but we have more coming up. Let me get your phone number," and we would actually text, we would add them to our text list as well. What else do we do? And then just word of mouth. So anytime I'm talking to an agent, I'll say "Hey do you get our deals?" Anything like that, we'll always add them. But the goal is, you want to add cash buyers to your list every single week. As your cash buyer list increases, so should your wholesale fees.

Frank Klesitz:

That's awesome. I was taking notes. I want to add something to the audience for that. So I've done it too, and this is just as good as all the ones Isabelle shared, thank you. Is I'll go to List Source, or I'll use PropStream, and I'll say give me a list of every single family home in the past 12 months that's sold to an LLC that is non-owner occupied and the value of their home was under the median price point.

Isabelle Stonebraker:

Oh that's good.

Frank Klesitz:

Pull that list.

Isabelle Stonebraker:

That's really good.

Frank Klesitz:

They're all investors. Then I'll go into Excel and I'll identify duplicates by mailing address. Because usually they'd use different LLCs. And if it's a duplicate, that's my want, because they bought two or more.

Isabelle Stonebraker:

No that's actually a really good idea.

Frank Klesitz:

So I get a list of every ... So then what I do is I have the past 12 months, every single sale where an LLC bought it. It's not owner occupied. That the purchase price is under the median price point. It's an investor. Like, guaranteed. And then, once I export it, I look for dupes. And I only want the dupes, because they did more than one. Follow me?

Isabelle Stonebraker:

Oh, I follow you.

Frank Klesitz:

So this is how you buy the active buyer list. These are active buyers. Not someone off Facebook who's like, yeah, I want to buy a deal.

Isabelle Stonebraker:

The reason I'm laughing is, my husband and I have all our LLCs through the same address.

Frank Klesitz:

Mailing address?

Isabelle Stonebraker:

Yeah.

Frank Klesitz:

The names will be different but the mailing address is usually the same.

Isabelle Stonebraker:

Yeah, you're 100% right.

Frank Klesitz:

So you look for duplicates by mailing address. And then what I do is, I hire a virtual assistant to go look up every LLC on opencorporates.com or at the Secretary of State's office to find out the name of the owner. So now I have the owner, company mailing address. And I'll send them a letter. I actually just mail them a letter, say I'm looking to build a really deep relationship with an investor that can buy quickly and that can actually close, I want it to be a legitimate wholesale. And that's how I built my investor relationships and the phone just rang off direct mail and was easy.

Frank Klesitz:

And they were all qualified, they all had bags of money.

Isabelle Stonebraker:

That's the thing. I mean, anybody who had multiple LLCs is doing several deals a year and they're an actual player. That's a great strategy. I love that.

Frank Klesitz:

Mm-hmm (affirmative). So, that worked well for me. Isabelle, we were going to talk about listings but that's going to be a different show. That's enough. That's about investments. Chris, we have an investing podcast now.

Chris Watters:

I'm telling you, man.

Frank Klesitz:

I think the lesson here is, open an investment division. Separate brand name, separate LLC. Make sure it has all the right disclosures. I'm sure if I went through all your documents, it would be disclosed that you're an agent.

Isabelle Stonebraker:

Yeah.

Frank Klesitz:

And I'm sure all the documents and disclosures would all be in there that you were going to buy the property for a profit or loss.

Isabelle Stonebraker:

Yeah, yeah.

Frank Klesitz:

Right?

Isabelle Stonebraker:

Yeah.

Frank Klesitz:

And you've got all the right [inaudible 00:48:06], right? And talk to an attorney about that to make sure that you're always good there. But a separate business, and then just mailing out straight offers, man. Like on the actual legal looking purchase contract, no one gets that. Like if you guys want to go online, go to Google and type in "real estate investor postcards or letters." And click Google images. And that's all the crap these people are getting. Do you know what I mean? In Isabelle's stuff, money flows to differences, not similarities. And you're showing up entirely different, you're going in the A pile, not the B pile.

Chris Watters:

I'm curious, basically like Open Door, Offer Pad, they've been able to basically digitize this on their web user interface. I wonder how difficult that would be to have your website-

Frank Klesitz:

There's companies doing that now. That will spit out the algorithms or the offers for you there. We'll probably [inaudible 00:49:01], Chris. But I've been hearing there's companies where it's like, hey, you know. You know like Home Bot, it's like here's what your home is worth. Or here's what your home is worth systems.

Chris Watters:

Yeah.

Frank Klesitz:

Now it'll spit out, here's your offer systems. Open Door and Offer Pad ads. And you'll be able to pay \$30, \$40 a month for the service.

Chris Watters:

If you had brokerages-

Isabelle Stonebraker:

Oh, go ahead, Chris.

Chris Watters:

Well I was just going to say, brokerages, right? If they could digitize the offer on their website, and drive traffic there and focus on the out of buy box stuff the iBuyers are getting, then that could be a way to create a pseudo iBuyer program through your website as a brokerage.

Frank Klesitz:

Chris, IP targeting with a Facebook ad with literally their offer just for them. That to an online DocuSign, they click a button, they sell their home while they're late at night watching Netflix by clicking of a button and it's sold. That's the one-click nirvana that Rich Martin wants from probably Zillow. I mean think about it. Think about it. I mean think about it. IP targeting. Oh my gosh, here's an offer for my home with my price on Facebook. Click. "Hey, we'll buy it for this price." Click. It's sold. Wow.

Isabelle Stonebraker:

It's easy.

Frank Klesitz:

Don't discount me, man.

Chris Watters:

That's a nirvana. I mean that is what they're trying to do. Ultimately, there's some pending ... I think there's a pending, not lawsuit or litigation, but there's something pending I think with, is it the FTC?

Regarding the acquisition of showing time. Because if Zillow is successful in closing the deal or showing time, they'll control 80% of the lock boxes. So imagine connecting the Zillow app to showing time, right? Integrating that so that if you have the Zillow app, you can automatically, as a consumer, schedule a showing. And something else lobbyists are pushing right now is that it is a violation of the anti-Sherman trust laws to only let members of NAR to access the lock box. And it limits emerging technologies that could lower the costs for consumers.

Chris Watters:

So there's a lot of interesting stuff going on right now.

Isabelle Stonebraker:

What's even more interesting beyond that, is that at some point I realized my investment business was actually a data business, right? And a lot of who you would target is based on the data surrounding the house. So if Zillow starts getting perfect information about who's looking at what house, what type of demand is on what house, they may actually have an unfair advantage by just having that showing time data, right? Because any real estate business, it's a data business. It's really interesting.

Chris Watters:

Yeah, it's massive.

Isabelle Stonebraker:

Yeah.

Chris Watters:

They have a massive competitive advantage. Like their quality of lead of people walking through a house is going to be exponentially higher than just someone clicking a button, submitting for information, right?

Frank Klesitz:

Well we'll wrap it up there. Isabelle, thank you so much for sharing this great just cold offer system along with a few other things you shared. Just staying on the investment side, that was pretty cool today and showing how you run both. [inaudible 00:52:14] with the investment division. And I want to thank everyone for listening too. Isabelle, thank you so much. Please subscribe to the show, Listing Lead Show. And thank you all for listening.