Voice over: Welcome to the REI Diamonds Show with Dan Breslin. Your source for real estate investment jewels of wisdom.

Dan Breslin: Welcome to the REI Diamond show. I'm your host Dan Breslin and this is episode 201 on how to run real estate Facebook ads with Chad Keller. If you are into building wealth through real estate investing, you are in the right place. My goal is to identify high caliber real estate investors and other industry service providers, invite them on the show and then draw out the jewels of wisdom - those tactics, mindsets, and methods used to create millions of dollars more in the business of real estate. Our guest today is Chad Keller. Chad is a real estate investor, a Facebook and marketing funnel expert and the co-founder of Motivated Leads, a digital marketing agency that helps real estate investors expand their portfolios quickly by generating quality-motivated seller leads.
The big idea here is advertising directly to sellers for off-market deals. It is one of the most reliable methods for building a real estate agent or a real estate investing business. Chad and I discuss how to run Facebook and Google ads for motivated sellers. We also dive deep into his own experience as a real estate investor, with his method on choosing very specific houses in very specific neighborhoods, for very specific reasons to maximize returns. Shall We Begin? Hi, welcome to the REI Diamond Show, Chad. How you doing today?

Chad Keller: Good, Dan. How about yourself?

Dan: I'm also doing well. Yeah, so let's get started with a little bit of a location stamp. I'm recording from Chicago. What market are you living focused in? And, before we dive into the rest of it, will probably start with real estate stuff. So market location.

Chad: We're in Pittsburgh, Pennsylvania. We work with investors throughout the nation, but our market specifically is Pittsburgh.

Dan: Okay, cool. Before we get into the real estate topic. I was doing some research on LinkedIn. I think I saw that you had built and sold 3 e-commerce brands. Would you mind just touching on that? Going a little bit of a dive on that before we get started?

Chad: Yeah, that's pretty much actually how I got into marketing. It was about 8 years ago. I was selling products on Amazon. Facebook was kind of in its heyday where you could really put up anything and have a good product that differentiate itself a little bit. And that's when ads were so new, ad space was very cheap. You could get like 10 to 15 row ads which is return on your spend on those channel, on Facebook specifically. So I was able to grow e-commerce brand, pretty large and about 18 months off of that one brand. It was actually a brand that we put wood veneer that you put on kitchen cabinets. We put on phone cases, bottle openers, a lot of wholesale and everything. But also then created other brands that would sell those products without the veneer on. So it was like three brands and companies within one product. It's able to do that acquired. We were making so much money having videos go viral. Reinvesting that money in Facebook so I kind of self-taught myself Facebook from that. And then, started consulting for startups and then get more into market, in certain marketing agency.

Dan: Nice. Was the choice or the decision to sell the company driven on a ridiculous valuation and a price that you couldn't walk away from? Or was it more of wanting to just sheerly do something else in the new challenge? Or was it driven by, maybe the row as the return on ad started to shrink? What led to actually deciding to sell the asset?

Chad: I wish it was the valuation, but it was not.

Dan: Okay.

Chad: When you get into manufacturing, especially shipping from China and everything. The manufacturer, they're really making laser cutting doing all this work and doing the marketing on top of it. Got an offer that was fairly decent. We're like, you know what, let's take it. Really enjoy doing the marketing side of things, a lot more than being hands-on with shipping and labor and everything, building them brand aspect of things. So it really just gave me the opportunity and freedom to focus more on what I found that I love to do. And that's really the true reason why we sold it.

Dan: Nice. I hear you talk about the manufacturing component and I relate it to real estate and in a sense that they're phone cases, right? So what were we talking like a $20 or $30 average sale, cost per sale, something like that?

Chad: Our biggest product is a battery-charging phone case for iPhone so that was actually a hundred-dollar sale, but we have them all the way down the 20 of dollars.

Dan: It scares the crap out of me when I think of having to make a Facebook ad profitable or any kind of ad, right? I don't care. If it's direct mail. I'm putting ads in the newspaper. I'm running TV spots. I'm doing Google. I'm doing, you name it, right? To get marketing to work on $100 product requires a huge amount of volume. And then we bring in the risk of overseas manufacturers and having to handle that. So I can totally understand one want to of free up from that. And I think like most people listening to the show right now, when we take real estate, even if it's a wholesale deal in the low end, Chad. I remember doing wholesale deals for like $2500. And that was life-changing money for me. And of course we've made more money on deals since then and continue to do like an average size of deal. Let's say, $10,000, $15,000 or more. Especially when we flip a house, we have a very large sale, so it feels like I don't have to be quite as efficient with the way that I put together the ads or I can make a lot more mistakes because I can get lucky on one of these deals and make $18000 and cover a $5,000 mistake versus the smaller price per product. So I think real estate is attractive because of that high dollar per sale and you don't need that huge amount of volume. Of course, we have risks of labor and material, costs going up with inflation and things that need break in. So there's other risks that were certainly putting ourselves out to encounter as real estate investors, but on the flip side, when we're talking marketing and sales businesses, like we're going to be describing getting into here today, Chad. I mean, the high-dollar product really allows for a lot of mistakes-learning moments. Optimization can really turn into like a snowball effect on the other side. Would you kind of touch on that as you explored getting into real estate and how you discovered this from the e-commerce business?

Chad: Yeah. Definitely. I started doing a lot of lead gen. For even Fortune 500 companies

performance lead gen. Or scaling my own ad spend. Hate that they would basically pay me per lead. So if I don't leave with $20 at pay me 25, so on. That's what really opened my eyes to lead generation. But you're always operating on like margins of like five to ten dollars within that. But real estate, if we get a property for anywhere in the specific areas that we buy and hold in, if we get a property for anywhere from $2,000 to $5,000, we're super happy. Sometimes we even push it to 10. I'll take 10 to go to get a property. That 70% ARV, all that. As you said, it does give you a lot of room.
Still, you're trying to keep it as cheap as possible. But it is a lot more freedom when you're doing real estate versus e-comm products.

Dan: Yeah. It feels like a lottery ticket sometimes especially in the beginning. It's like I'm running some ads, nothing's working. And like, boom. One of them hits and it's just kind of like fixes everything instantly in real estate and I think that's a double-edged sword because someone can stay buckled down and figure out the systems and optimize and really pay attention and focus on their business when that occurs. Or, someone can have the lottery hitting mentality and go take a vacation and think like, wow, I'm just the most magical person in the world. We just did this deal. We flipped it, made $60,000 flipping this house. It can be very easy for someone's like mentally checked out. So it's a gift and a curse in the same time to have that big dollar sale, if you will, that's involved in real estate. And things can go dramatically wrong the other way. We're in a period of time here. Certainly in the last 24 months, sir, even more so in the last 10 to 12 years where we haven't seen markets cool off. I mean, I've seen micro markets cool off and we've lost six figures plus on a couple of deals we were flipping. But overall, it's been a really good run for real estate. And I don't really see the demand cutting off any time soon here, truthfully. Would you mind touching on your real estate experience? How you got into that from the e-commerce and what your real estate component of business currently is, Chad?

Chad: Yeah, definitely. So the market here is pretty hot as well. But it was about unsafe four or five years ago. My partner now in Motivated Leads, Brian. He always did SEO and I was always on the paid ad spend growth side of businesses. Just helping with overall growth sales funnels, all that. And I saw what he was doing with the profits from his agency. He was just investing in real estate where I was just holding cash and playing around the stock market here and there. Did some crypto. But I saw how he was doing the BER method with the real estate. I begged him to get into it. I was like, man, I want to get some houses. I want to get some. So, finally, he let me in on it. We started buying houses in. There's two neighborhoods here in Pittsburgh, a really good school district. 3 bedroom, 2 bathroom homes, single-family homes. You get really good renters and you can get the properties if you run ads anywhere before they hit the market. Anywhere from 90,000-100,000. You put about 20,30 into them and they all assess over 200. Sometimes they even assess over 220. So that return is unreal and and he taught me a lot about it where we don't over-leveraged ourselves. So if we can go, if that property assesses at 220, 230 we still only pull out that original hundred that we put in. We don't pull out a repair costs. So if a recession or something does hit, we're not too impacted here in Pittsburgh. You're not going to have a drastic recession happen or property values going to drop by 50% or anything like that. So yeah, we've been doing that for about, say, 4 or 5 years now. Build a pretty good portfolio.

Dan: Nice. I like the 3-bed, 2-bath, and the school district selection. So I think my own asset selection, we flip a lot of houses. I think we've done 268 so far this year. And then, we invest personally the partners in our own real estate portfolios. I'm a big fan of like we can flip houses together and have this end date where this partnership may no longer work for the next one if we decide that it's not going to be a fit. Or it may work because we like working together, but I don't like the idea of owning rental property long-term. I'm very hesitant to invest in syndication deals where I'm having to rely on some other operator for like a 5 or 7 or 10 year period. That's a long time. A lot of things can change. People may not even live that long. Regardless of how old we are at the current time, nothing's guaranteed. I'm always a fan of holding rental properties myself and it probably holds me back from greater returns maybe by not doing long-term partnerships with rentals. But it's more of a risk mitigation thing. It's me being conservative, in the same way. And where I'm going with that is my own asset selection process has become like I want beds and baths the same way. Like a 3-bed, 2-bath, there's probably a whole lot more 3-bed, 1-bath houses scattered around that same area. So if I have a tenant living in my 3-2, they probably have 1 or 2 kids, maybe even three kids in the school system and it's going to be hard for them to find a replacement rental property with the two bathrooms, which is mighty convenient. And you know, you layer in the better school district as part of your selection strategy. I like that. My own strategy is to pick areas that are safe. It's not a strictly cashflow driven model and then I'm trying to maximize and have like 14%, 15% cap rate or something like that, where the cash flow is crazy. I'm happy you're buying something and keeping some cash in a deal just like you. When I feel like I'm buying in the right spot. Maybe it's an advance neighborhoods that are starting to see new construction here in Chicago. I really love Bronzeville and some of those areas. But anywhere I could buy an advance growth and people investing and get the higher number of bedrooms and bathrooms, to me, that's really high quality assets, right? So, do you usually get those? You said before they hit the market they go from 90 to 110, are these typically going to be properties that you've generated a lead that you paid for in order to get in the living room and negotiate that? Or do you have some other methods for obtaining your deals, Chad?

Chad: Yeah. Primarily. It's all driven through Facebook and Google. We do have some friends that are just realtors that will contact us with something that just got listed. And they'll be like hey, if you make a fair offer on this, you probably get it kind of fits within your portfolio. But most of them, I would say 90% of them were driven from Facebook and Google.

Dan: Do you actually call the seller yourself, head on out, negotiate face-to-face? What does that look like?

Chad: Yeah. So what we do is we send everyone that clicks one of our Facebook ads, they come through a form. That form is 10 to 12 steps. Ask him what why they want to sell, how quick you want to sell, how much do you owe on the property, how long have you owned the property. Make sure it's not listed was the ultimate goal with the property. Pretty well-vetted. As soon as they come through, give them a call. Try to set that appointment to go out and view the property. We go view the property, just have a negotiations there. Tell them what we'll offer. Some people take it on the spot, some people just back out. Hey, I'll let you know. Very laid back about it, but they're starting to know us a lot in the community. Just because we've been buying and my partner lives in the community as well so they trust us a lot, which is nice to have versus a wholesaler that's coming in just trying to grab the deal and get out of there. So it's a little different aspect that way but we've had a lot of success.

Dan: Nice. So you talked about them being vetted, what type of close rate? Are you going on 10 appointments for every deal with this laid-back strategy. Is it a 1-in-5, a 1-in-20? How many offers are made for each deal that you end up with under contract?

Chad: Usually out of say, 8 leads. That's not appointments going to see them. That's eight leads in the door. We usually get a deal from it. And out of those eight leads, we'll probably go see 2 or 3 properties. Two of the properties might want full price and no matter what we talked to on the phone, people tell you the condition of this. Say, I know what the markets like right now and I want that. So we'll push it to a realtor and they'll list it and give us a little kick back. Some of the properties just doesn't make the they don't make sense for us from an investment standpoint. Maybe they need too much work, or the clean outage is too heavy. Like we want to sell a hoarders house about 2 months ago. Second floor bathroom, bedroom fell down into the dining room. It's just a mess and it was too much work for us. So we push to one of our wholesale buddies. You want to hold wholesale property and just cut us a check on it. But 1 in 8 leads, if you vet him right, you're gonna pay a lot per lead. In Pittsburgh, were fortunate. We pay about $100 per lead. And we don't have management fees of an agency like a typical client would with us. But in Chicago, for instance, you're probably about 150 a week. If you're in Salt Lake City, San Diego, you're paying like $300, $400 a week. So it really dependent upon your market, the cost of those leads as well.

Dan: It's pretty solid. 8 leads, $800 to get, a deal that you are willing to buy. That's pretty decent. Can you talk a little bit more about the lead quality? I mean you kind of vetted them on the front end and there's like a certain philosophy around getting any leads, right? So I paid for leads in the past and you login and you get the leads and probably everyone get some who like joins the system. I'm not going to name on the air here. Versus this lead that is generating and its exclusive to you, to the investor paying a hundred, two hundred, three hundred dollars for this lead. What is your philosophy around quality of leads and your process to get that to occur?

Chad: We actually initially, we only started offering this to other investors about 2 years ago. But we set this up because we always, ran agencies full-time and investing was very passive to us. So, we had to vet these leads very well because otherwise it was a waste of our time. So, the process we use to set of everything that we use is super directly at the ads. Everything. We always make every investor that comes to us, we make them their own brand, if they don't have a brand. Ours is 412 Houses. 412 is our area code. Might have something like, Chicago Cash Offer or I Buy Houses Chicago, Local Guy Buys Houses Chicago, whatever you want to get. But we'll make the logo, the website. All the ad creatives everything for the investor and all the ads are really direct.

There's a lot of people that will sign up or investors sign up. And these ads are just put out there for clickbait. Like our ad say, sell your house as is, get a fair cash offer. Or are you in a situation you no longer want to be in with your house. Don't pay a realtor fees, things like that. The whole website is super direct as well. We never want to confuse the consumer and we want them to type in as much a manual information as possible. We don't want automated forms on Facebook where they just click a button. It auto-populates their form. They hit submit. Those are just trash so you want to bring them to a website, manually type in so they know what they're filling out. That way, they're actually going through a process that takes 10-15 minutes for them to do and they know what they're getting themselves into at that point. So you can get leads all day for $10,

$20 on Facebook if you just automate it and get automated answers and everything, but it's not our process.

Dan: Yeah. There's like certainly anyone who's designed their own website like I have, there's like that push-and-pull of quality versus we want to capture all the information. You do research about it online and it's like well, if you ask only for the email address, let's say, you sign up for a blog or some mailing list, you're getting such a significantly higher opt-in rate with just the email versus the email and the name. And an even lower opt-in rate if I add the email, the name, the last name and then the cellphone number, right? And so there's like this balancing act. I feel like from a marketer's perspective of finding the right amount of information versus the right amount of quality and lead. It sounds like you're leaning more on the side of let me build in as much resistance as I possibly can. Self-select out. We don't want to talk to you. We don't want to hear from you. Unless you're the highly qualified leads. Does that sum up the mindset?

Chad: Correct. We actually break it down to a two-step form. So on the front end, we optimized for both steps through the ads, but on the front end, we ask email, phone number, address. We don't even ask name. That way, we have the information to contact them. We have the address to look at the house, if we need to and then we push them to step 2 to fill in all the other information. So you'll see if 70% of people still fill in Step 2 because they went through the 1st step. But still that 3% that fall off, you still grab that and have that information to contact them or throw them into a drip campaign, whether it's text or email, whatever it may be to get back in front of them.

Dan: Did you do an A/B test with the name there and without the name on the first step of the form at some point to make that decision or was that like an intuition kind of a thing?

Chad: Ever hear of Carrot?

Dan: Yes.

Chad: They did a lot of testing behind it. So we ran with it and they had it initially. If you sign up for their site like that's initially what they say to do because of the testing behind it. So we tried it that way but we did try it on the front end at one point with the names because we had people that were complaining about the names not pulling into their CRM. So then, the cards and the CRM just had no names associated with them. And you did see a lower conversion rate when that name was on there and it was like 2-3%. It wasn't anything crazy, but it still made an impact.

Dan: Yes. Because the 2% that's out of a hundred leads, the question becomes does the two leads who bailed, is one of them the lottery ticket deal that I kind of mentioned earlier. Is that the universal deal where the person hesitating, they got the hoarder house, it's really great for real estate investors to buy and flip that house. That's what's needed there. And because we were a little bit ambitious on the front end, they fell off early in the process and they're gone, you know?

Chad: Exactly. And then we drop them in the drip sequence which means like every day, sometimes they go up to 90 days not every day, but every 48 hours or three days later, we'll send them an automatic text message that says, hey you stopped by our site the other day, were you still thinking about selling your house? Or we'd love to talk to you about selling your house. That way we're always paying them and they'll naturally had one of our biggest wholesale deals that we passed to a partner actually came 4 months later from one of our drips. And in Pittsburgh, a $40,000 wholesale deal was very unheard of. But we average like you were saying earlier, about 2500 to like 15,000 like there within that and he grabbed it. And we're like, man, what do you think? He's one of your leads. It came back. It was literally from September, wow. It's crazy how a drip that you never think about, which is their setup. But I promised 40. But I probably take half of that brought us $20,000 out of nowhere.

Dan: So they filled out form 1 and not form 2, and the auto drip is happening? Or you all do dripping form 1, form 2 doesn't matter, we got a cell phone number there. They're getting older drip the text message.

Chad: Yeah, if we don't get a hold of them and they fell out of Step 2, we don't get ahold of them after two calls, they'll still come in drip.

Dan: Okay, so it's like a physical decision to put them into the drip?

Chad: Unless they don't fell out of Step 2. If they don't fill in second form, they automatically go into the drip.

Dan: Got you. It's funny how endless it can be, right? There is drip cycle for the email, drip cycle for the text now. Such a variety of ways to approach it and skin the cat. It's mind-boggling.

Chad: Yeah. That's like the world I come from. It's crazy. What people do, even voicemail drawers that you can do or the phone doesn't even ring and just lays on the voice mail. That's the new thing I've been always doing, but we don't like to get too spammy with it.

Dan: Yeah.

Chad: Brand name there.

Dan: I guess it's like an opt-out kind of a sequence, right? Like it probably says there's marketing you put in a number, there's permission type of thing and then they can click stop to get out of it. Something like that.

Chad: Yeah, and then one of our biggest client, biggest flippers and wholesalers that we deal with, he's short on the step one on his site. If he can't get a hold of them, he will go to their house.

Dan: Nice. Knock on the door...

Chad: That intense. I can't go there and just knock on the door. Like that's not our style but that just shows you how just getting that initial information, he's literally doing 20, 30 deals off. We asked him the most he ever called someone, 300 times.

Dan: 300?

Chad: Yeah, we were like that's not even real. No, he's like literally just had my assistant call dialing nonstop. I wanted the property.

Dan: Huh. And he got a got a deal, I guess?

Chad: Yeah, he got the deal. So he just non-stop and he's just he's high energy. Different level.

Dan: What market is that?

Chad: He's in Kentucky?

Dan: Okay. So it's not even like a Los Angeles or Salt Lake City.

Chad: Kind of crazy. Like I think he branched out.

Dan: St. Louis or one of them over there.

Chad: Yeah, whatever is there. He started in Kentucky.

Dan: We mentioned a couple of mistakes, what would be a few common mistakes other people have done or on opposite end like a few other strong strategies for setting up and optimizing a marketing funnel? I mean, we kind of touched on a few. Are there any that we missed here, mistakes or strengths?

Chad: Biggest mistake that you see people make when they're first getting into digital as they don't give it enough time. And that's where it just comes down to acquisition cost and everything. This is an upfront investment. It's about $1500 to $3000 a month. All in all depending on the service you want to do. But the more data you pay for, the more clicks, more reach that you get for your ads, the more data you get back and that means more optimization that you can make. So as you keep going, it all gets better. Granted there's a point where it sticks, this is your market. We pre-vet people, we tell them when they come on like, hey, this is, we ask you to give it three months because by then you'll have your subcontractor across the table, you should be able to measure your acquisition cost, your ROI, everything on this campaign. You need to give that time. Some people get nervous coming in, and they're spending $1500 a month on ads, and they've never done that before.

Dan: Could be a lottery ticket.

Chad: Yeah, exactly. So you just got to give it that time and that's the biggest mistake that you'll see people make. Yeah, I cringe. I guess it was 2011 and I remember somebody had a pay-per-click kind of agency. And I used to set all my own pay-per-click ads up myself at the time. I remember I got on Google is like 2006, 2007 and it was like $150 a click. Like if I go all the way back in my account of wow, these things are like $1 million, click there, like $25, $35, $40 now. They figured it out. Then Facebook was the same way when you, when you were talking about it

8, 9 years ago. It was kind of wild west before they reach critical mass and get to optimize things from their end as opposed to luring us advertisers into the business. But anyway, I remember this agency had this thing where you would go in and rank the lead. You were supposed to like login rank the lead. It was $1500, $2000 a month. That was like $1 million to me at the time, striving 15 year old pickup truck. I was barely keeping the rent paid at the time and I never logged into it. And I look back and I was like that client that probably should have been vetted. Like it was just so overwhelming to me, not only to spend the money, but like I missed all the nuance in the detail of having to go in, lock in, rank the lead. It's like did you rank the lead? What are you talking about? Totally missed the ball on it. That long-term mindset, any ability to kind of keep putting money in when it doesn't feel like you're getting money out of his real key. So for $1500, $3000 a month, Chad. Is that a Facebook only strategy or is that also a pay-per-click strategy? What is that comprised of for an investor to kind of pull the trigger?

Chad: We really let investors, if they're doing Facebook or Google ads, paid ads, really let them like pick their price. You would be $1500 at all in where it's a 750 charge to us and 750 in ads. Just understand if you're starting that low. It's going to take like two months to get data back or sometimes even more if you're in a competitive market. Recommend that you start at $1500 on ad spend, and then our management fee is $1500, that way you're getting data back quicker and seeing the true RI of the program quicker. So you can start at 1500 a low-end dabble would get a few leads in the door. We had a lot of people that never did digital before. So when a lead comes in, you got to figure out your system and your cadence to call them how you're going to handle that and all that. So newer investors to digital that come to us, we ask them like I start slower. Start even $1000 management, $1000 ad spend, get a feel for the leads. Once you're comfortable, you can scale it up. So it's really dependent upon what you're comfortable with because we never want an investor coming to us and they're like, ah, this is a lot like a ton of money, makes them spending a month and like I got enough for 3 months and I hope I make it. It's like, okay. Well, let's just start slower. Let's make sure you get your pitch down and everything that because it's just newer calling these leads when they come in and everything goes to see the properties. You just learn as you go. So it just really dependent upon the investor's budget and everything. We have guys that come in spending $20000, $50000 a month on ads because they've been and they have they have the team to back it up. They know what it can do because their friends doing it. So it's just really depending upon the investor.

Dan: Is 50000 ad spend also coupled with the 25000 management?

Chad: No. So we actually max our management per platform at 1500.

Dan: Okay, so it's 1500. God. That allows you to kind of scale up that way.

Chad: Yeah, so it's locked and the most will charge is 1500. We it's pretty much equal management to equal ad spend below 1500, but at 1500, our management fee is capped. Spend whatever you want to spend.

Dan: How much better does it get for that investor? If someone's coming and pulling the trigger on, hey, I got $20000, Chad. Am I best to do that in 5000 a month? So that I'm running $3,500 a month in ads for the 1500? What does that look like?

Chad: It's all dependent upon your market, to be honest. Here in Pittsburgh, if we spend over about $3000 a month on ads, we have diminishing returns where our lead cost is going up and we're not getting any more leads. But if you're in a market like LA or San Diego, Salt Lake City, in Phoenix and you want to compete and you're willing to pay $10,000, $15,000 to grab a deal because out there, your splits are so big, then you can just come and push down as hard as you want from month 1. So it's so dependent upon your market and how much you want to take over the market. Your ad spend dictates that. So, if you come to us with $20,000 per se usually in the first month, when we say like hey, max we'll spend is $5000 just because we need to get data back. Make some adjustments before we push down really hard. So after that, we will scale up. Accordingly. You can only scale about 20% every 48 to 72 hours. You want to be smart about it. Don't want to just go waste your money. So it takes time to get to true scale. But every market has capacity that you can push to unless you're doing like full states or multiple cities or multiple states. Then you have like unlimited scale at that point where, if you're doing the whole nation, you could literally spend $15000 a day.

Dan: So what happens when you do go to the whole nation versus certain markets, right? There's got to be some limit, like you're saying $3000 a month in Pittsburgh, Pittsburgh is what? A 1.5 million people in the metro?

Chad: Yeah.

Dan: So a 1.5 million you're hitting. It's your kind of scaled out a $3000 a month. I mean if you went to 5, what do you get incrementally? How much higher?

Chad: Higher lead costs used get high lead cost.

Dan: Yeah, but you really will get more leads that way?

Chad: You can get more leads, not guaranteed. Yeah, usually what you do is you open up another channel. So like if you scale up Facebook to $3,000 a month, like I'm saying, like total like and it's very even if we spend 1500 on Facebook, 1500 on Google, anything beyond that, we always paying a higher lead costs and we don't need that many leads because we're buying hold every 45, 60 days. We're happy over here. But some guys, like don't push 1 platform to the max. Then add on Google push, that platform to the max. The more population that you have, the more data you have. So the cheaper your lead cost naturally is. So guys that do multiple states or full state or multiple cities, they're going to have a much cheaper lead cost than somebody that just does one city of one county.

Dan: Do you have to have those cities be contiguous? Does it have to be Grove City, Pittsburgh out to somewhere in Ohio. Does it have to be in a circular geo where those cities are located? When you say, multiple cities or can it be like my example where it's Atlanta, Philadelphia, and Chicago.

Chad: For our brand, it would only work on 1 state. We have 412 houses. We do national ad testing on a brand called USA Cash Offer that pertains to the whole entire USA. We have Family

Home Buyers as well. If you were able to do the whole state of Georgia, you make your brand, something like Georgia Cash Offer, Georgia Community Home Buyer. You're going to do multiple states, then you would make your brand something like Local Guy Buys Houses where it's not specific to an area, but you can encompass all three of those states within 1 campaign. And that way you have a bigger data set to go after with those campaigns.

Dan: Got you.

Chad: So, if you're going to do it, we always recommend putting them all together and then Facebook. You might get to a point where it's like, hey, I'm getting too many leads in Atlanta and not enough in Chicago and we need to break it off. But if you do it all in 1 brand, you're going to have a cheaper lead cost doing it that way. So we position them brand based on the areas that you can target.

Dan: Nice. What what are limits to scale? I mean, your guy at $40000, $50000 a month. Is it like a population thing? Is there somewhere where there is some limit to the area that you get a number of leads? Something like that?

Chad: Yeah, it's limited area. So he's doing like LA, San Diego, the kind of hot areas in California. They're just naturally super competitive out there. So his lead costs are naturally $300-$500 on Google. And he's willing to pay $10000 to $15000 to acquire property. So it's really if he's getting even 2 deals sometimes at a $50,000 ads spend, he's not upset. It's just another channel for him and he has the budget for it.

Dan: I think one of my 1st podcast episodes ever where guy that was doing LA county, I think. He was saying that he did like $80,000 in mail to get like 2 deals and each of the deals was probably $80000 or $100000 in spread. I'm like man that just feels like such a risky proposition. Like what if the optimization of the funnel was such that the 2 people who fell off like we used in our example earlier was supposed to be allocated as 1 of those deals. Man, that's like a losing proposition, but I guess if you're there and you're doing it, it's a different story, right? Just playing it at a bigger stakes table.

Chad: With an investor in San Diego and her split. If she flips and her splits after she spoke. She flips her anywhere from $300000 to $800000 in deals. That just showed that's what that market is and she's like a designer too. So she makes these places all nice. So she has huge margins. She can spend as well.

Dan: Nice, so did I forget to ask anything about Facebook, Google or any of the other Edge strategies that you feel like we should share here on the air?

Chad: A lot of people ask like, hey, what's better this one or that one? Facebook? You're going to get cheaper leads. You're going to get pretty much the same conversion rate on the leads. That's because you're paying for impressions on Facebook. So you get more reach for your money no matter what on Google. Your conversion rates is pretty true to Facebook. Your acquisition cost pretty true there as well. But you're going to pay a little bit more just overall. So it's a little bit scary for people to tap into Google. Because in the beginning stages like where in

Facebook, you might start off getting 5 or 10 leads in the 1st month in your Market where on Google you might only get 2 or 3 weeks. That's just because you're going up against like Zillow, high-buyers, all these big players where you're haven't hit optimization yet. You got to get Google a little bit more time, but it'll catch up. So we always start people on Facebook too. Just because you're paying more per click on Google and you can retarget those people through Facebook. So if you have Facebook set up, then you can add on Google and retarget that way. So if you're debating like, hey one should I start with? I would always start with Facebook.

Dan: Got you. So speaking of Zillow, the high-buyers, the rest of them, maybe even the market as a whole, where do you think the real estate market is heading here in the next 2 or 3 years, Chad?.

Chad: I think there's a point where that it has to pull back a little bit and open up. I don't know when that is but I can't see it continuing like this. I was reading an article the other day about how this Tiktoker exposed that Zillow has this data and say iTool that comes in and sees that, hey, there's 30 houses for sale in this market and everyone's willing to pay $200,000 a house right now. We're going to come in and buy 25 of these houses, at 200,000 of the last 5, we're going to buy it 250 and we're going to raise the value of these other 25 that we bought by buying those at 250. So that's starting to be exposed and more people are starting to see that and so we're starting to do more and more of that. So as that happens, I think that'll even bust and they're doing a lot of that now, controlling the markets in some areas, especially smaller states, I don't think that can continue as well.

Dan: Wow.

Chad: We will see how that all plays out.

Dan: I feel like that's like a price-fixing, anti-competitive, monopolistic charge heading down from Congress kind of thing. Is there truth to that? Or this Tiktoker...

Chad: Yeah, it just went viral. It actually was like 2 weeks ago when it was super viral now, everyone's looking into it. Because he was an agent himself in those areas and like an investor himself and he was sick of it happening. And he noticed there was 20 houses in 1 market. It was a slower market too, but they were all closed on within like a week to 2 weeks. How did 20 here they all went to the same buyer?

Dan: Zillow.

Chad: Yeah. So they're all, okay. In some instances, they're even taking those 20 putting five $10,000 into them to justify the extra 100000 they're going to charge when they really put them back on the market because those other 5 are 250.

Dan: I guess they got the 20 that were on the market so they must have gotten them direct, right? Like the Zillow offering.

Chad: Yeah. They even buy them like off-the-market too. On the market. You figure if you have 20 houses in a neighborhood and you buy it 200 in the last, the last 5 that sells out, 250 and a sq. ft. is similar or smaller than those original 20 and then just as nice, like you just put $50,000 on those first 20.

Dan: Yeah. That's interesting in a sense. It's like what real estate developers have always done. Buy a 10-acre plot subdivide prepare to build a hundred houses, build the first 3, sell them for 200, build the next 3, sell them for 210, 220. Build the next three, sell them for 228. And so they're like constantly upping the ante for the rest of the houses, except Zillow does it in a more... It's a market-making method. It's mind-blowing actually to hear it if that's actually true.

Chad: Yeah. What can you do? As if the government steps in, they're so big now, it's hard to control.

Dan: Yeah, and it's not necessarily like it's a bad thing when we're outbid for the houses that we're going to get. I think it's a very bad thing for the consumer and it feels like it's way in opposition to Rich Barton's operating principle, power to the people, which was what he initially had come up with, when he put Expedia together and then when he put Zillow together, he's want to give power to the people. Give you the ability to book your own travel online. Here's the tools. Here's the information. Give the real estate community. Here's the estimated values. Here's the potentially for sale by owner platform. And now here Zillow offers and so it feels so contradictory to that if the company is actually doing a market-making kind of a scenario. We had a perfect storm occur, obviously, with COVID and a lot of people moved plans, forward 5, 6, 8 years. I think people were faced with their own mortality and started to really cut the procrastination and start to make their moves. And I think there's people who are certainly like my age, 40, 41, and younger, the millennials who are in the first time homebuyer year. And we're having this we're still on like the wave is coming still of millennials, and we're probably like here on the wave, meaning like the peak of the number of millennials at homebuying years, it still has yet to come. And it started later because the recession to crash and all those things. The 2008 in 9 in 10 years were actually at the very trough of when first time homebuyers, the least number of demographics, the age of people who are buying houses, the number of first-time homebuyers was at its lowest in society in 2008, 2009, and 2010. Just after we vacuumed up all of the demand with, the faulty underwriting and mortgages and things of that nature. So now we have the demand still coming. So it's like the prices could hold and so we're like on the back end of the wave, right? And then the man kind of falls and maybe if the interest rates take up, so it's anybody's guess as far as what's going to happen. I could see it continuing to hold and be stable. I could also see a large number of foreclosures cycling through here in the next year or two. And you know, the inventory is taking up but It's not going to stop me from buying. I'm going to keep on doing my thing, right?

Chad: I'm here. We're talking about just how can we buy more recently?

Dan: Yeah, and you know real estate's function of the rents that are produced. Are the rents more now than they were in 2009 or 2005 in Pittsburgh?

Chad: Honestly I don't know because I myself am 32.

Dan: Okay.

Chad: Yeah. My partner, Brian, he's 41. So he more so went through that. So I fully don't know but naturally like in the hot areas here even over the last 2 years rents have gone up. Even just for us on like rentals in our plate. Not much, I would say about 10%.

Dan: That's a lot.

Chad: So I'm just going to see that with inflation and everything.

Dan: Yep. And it's kind of thing is it's a real estate to function of the rent that's produced. That's a way that it derives its value. So, if I take Philadelphia as an example, 2009 or 2010, a house was probably renting for $700. That same house in the same condition. Now is probably in that neighborhood, where that is where I'm thinking of, it's probably $1100 a month, maybe 1050. And if it were totally renovated, we would be talking like, probably 1400, 1450. So the rents have doubled since 2009 or even back it up to 2006 when the market was kind of at its most hyped and hottest in Philadelphia and so have the property values doubled. So if I use that as like a metric or a basis, how much rent does this property generate, I don't know that the values are all that far detached from reality. Especially not to the level that they were in 2006. So I feel safe buying property and I think I'll continue to do the same.

Chad: Yeah. I feel like it's the safest way right now, go against inflation and everything and I do crypto as well, but you have no clue what's going to happen there.

Dan: Yeah. I'm a little. I'm a little scared of the crypto thing

Chad: Most Most secure I would say is real estate. So we'll continue to buy as well.

Dan: Nice. So any book recommendations, you would make, Chad?

Chad: Book recommendations about the changed my life when I was at a low point in my life, went bankrupt before I started my e-commerce company, was How to Win Friends and Influence People. Completely changed my life. A gift that to a lot of people. It's a classic but it's a great one.

Dan: Nice. So, if we were to go for the crown jewel of wisdom, let's just say it was the moment, right then when you read How to Win Friends and Influence People, right? You're coming back off of a challenging period of time and you know now and you could go back and share the crown jewel of wisdom with yourself then, what would it be?

Chad: Putting yourself in uncomfortable situations and taking risks. I think that is the thing that has always put me far above some of my peers and everything is that I'm always willing to take risks and I always put myself in the most uncomfortable situations. That's how you grow.

Dan: Can you give me an example of one?

Chad: The most uncomfortable situation I've ever been in. I'm actually a millionaire before the age of 21 from spray stuff that I used to do. Lost everything, is down to my last $40,000, created a investment shark tank company here in Pittsburgh, bought my way into a angel investment meeting to where it was this big launch and everything and I was just like, you know what I'm going to buy this thousand dollar ticket, even though like I shouldn't and actually end up meeting the guy that I started the e-commerce company with.

Dan: How about that?

Chad: Yeah. So I did not belong in the room at all. When they want around it, introductions and everything, I just told them exactly what I was. I didn't start any business. I'm not an angel investor. I'm here to learn. They all respected it.

Dan: Wow.

Chad: So I was like 22 at the time.

Dan: How did you get the idea? How did you hear about that event? To even go in the door? Where was the inspiration?

Chad: I was just trying to figure out like hey, what can I do next? What can I do? I got like $40,000 to my name. What can I do? And I was getting really interested in startups and startup events. And then realize I like, hey, all these startups are taking fund in investment and I was like, where are they getting this investment from? And then here found two of the investment, the angel investors in Pittsburgh with the groups and saw that, there was this launching that you could like buy yourself into if you had a company and I had a Instagram company basically, so that's what I put down as it and that's how I got into it.

Dan: Nice. Yeah, I think back I struggled with drugs and alcohol. I quit in 2012, have been clean ever since but right around that time, when I got clean, I still had all the wreckage of being broke from having bad habits. And I remember there was like a real estate meeting. I think I had a property under contract and I thought I had a joint venture partner lined up who didn't want any parts of the deal and I remember feeling inspired to go there. I woke up really early that morning went to the gym for the first time. I think most of my life and have going ever since. And I remember, showing up at 7:30, 8 o'clock and it was kind of a similar thing. I met a guy, you know, that morning if I didn't go and I thought, like, I didn't want to go feeling broken. That was an uncomfortable position. He ended up funding that deal for me and then the ability to fund that deal continue to open more and more doors. So that was kind of a similar... I remember being uncomfortable at that point. And, here we are 4 years later. Thank God, things are better than they were back then.

Chad: Exactly. That's why I try to tell everyone, just put yourself into uncomfortable positions. I still do, to this day. Go to something I don't want to do, networking event. Not a big networker and Brian, my partner is always pulling me in the networking event, but let's do it because you'll never know.

Dan: Nice nice. So how can listeners get some more information about you or the company if they were thinking about running some ads?

Chad: Yes. If you go to motivated-leads.com. Motivated-leads.com. Just fill in a form there and book a call. Me and Brian take every single call. We have 100 plus investors that we work with but we're there with you along the way. We would team to help build everything on the back end stuff, we know the markets inside and out and have 30-day review calls with all of our clients. So you'll personally get to talk to either me or him. So feel free to go there and call one of us.

Dan: All right, cool. Sounds good. Hey, I appreciate you, you know blocking out the time and spending this hour and just giving so freely of your knowledge. Thanks for coming on to show, Chad.

Chad: Definitely, Dan. Appreciate you as well.

Dan: Off-market real estate deals. All of us, real estate investors covet that rare, profitable, off Market real estate deals often bought with very little competition. The problem is many investors futilely try to develop their source of off-market deals through real estate agents or wholesalers, only to become frustrated when they discover that they are not the only buyer in that real estate agent or wholesalers network. The only real way to have a consistent source of off Market. Real estate deals is to develop a business of attracting those deals. Enter the REI deal machine originally developed as a resource for high-volume investors to build teams of drivers who are literally driving their market looking for run-down and distressed property. The REI deal machine simplifies the process of route tracking, lead generation, and literal push-button marketing to allow you to focus on the highest value skill set a real estate investor can build and that is negotiating profitable real estate deals. For a limited time, you can register for free access to the REI deal machine at reidealmachine.com. You have a chance to play around with the system, take a demo, and actually begin using the app at no cost. So go, register free right now at rei deal.machine.com.

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Philadelphia region, please send me an email with the details.

We are at the conclusion, my friend. Next up. We have California real estate agent investor and probate expert, Bill Gross, joining us to discuss the nuance of probate deals. Probate deals are one of the biggest sources of real estate investor deals, important topic. We're going to talk about how to find them, market them, and get them to the closing table quickly. Okay, it's you and Bill next time.

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