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Hosted by: Doug & Andrea Van Soest

Episode 2 – Choosing Your Niche!

Doug: Welcome to the *Spouses Flipping Houses* podcast with Doug and Andrea Van Soest.

Andrea: A podcast about real estate investing, business, entrepreneurship, and balancing it all with someone you love.

Doug: Welcome to Episode 2 of *Spouses Flipping Houses*. We're really excited to be back here and thank you so much for joining us and listening to us.

The topic today: Choosing your Niche within Real Estate Investing. Very important topic, but before we get to that, we just a deal. Where were we today?

Andrea: San Diego.

Doug: San Diego. We got a deal and we were down there meeting with the seller of the house, and checking out the property for the very first time. It's really interesting how this all came about, and just a good

lesson for make the offer and stick with the follow-up regardless of what you think the outcome will be.

Andrea: Even if it seems too low.

Doug: Yeah, even if it seems too low, you have to make an offer that makes sense for your numbers and for your business. And so this particular person contacted us off our website, and had a house looking to sell, and Lisa, one of the negotiators in our office, talked with him.

Andrea: Really built a great rapport with him. They had this connection about motorcycles and kind of formed a friendship.

Doug: Yeah, formed a friendship, said it went really well and you know, like we always do, hey we'll get you an offer so she did the analysis on the computer and did all the numbers and sent over an offer.

And actually I looked at it. It was not a low-ball offer by any means. It was a very fair offer for the property, for the area and what it was. All of a sudden, the guy responded with an email and it was completely opposite of the conversation they'd just had.

Andrea: Very angry.

Doug: Yeah, the email was "I am insulted. Are you kidding me? I've done my research. I know what these houses sell for. My house has this and this and this and this and the neighbors don't have it. This is insulting". Why are you wasting my time essentially was the message of that email. And that's not a common response, but occasionally we get that kind of response and you just kind of apologize and move on.

But because she (Lisa) had a good rapport with this guy, she called him back, left a voice message, and sent an email back just saying, "Hey listen, did not mean to offend you. We just ran our numbers. This is what I see and presented him with the comparables.

Didn't mean to offend you. This was not personal. This is what we can pay for the house". By the way he came back and he wanted one hundred thousand dollars more.

Andrea: And he said, "I will not accept anything less than one hundred thousand dollars more". And he was very adamant.

Doug: I think we offered 285 and he wanted 385, not a penny less. So Lisa left a message and a voicemail and then a couple of days later something changed.

He emailed back and said, "Can you do ten thousand more?" and we have a deal. Lisa called him up and they met in the middle and she came up five thousand and we're buying the house for 290.

Andrea: The interesting thing is that over the course of the weekend he traveled out to Arizona and he wanted to move his family out there and they found a house that they loved, and they fell in love with. And it had a pool and his house doesn't have a pool. He's always wanted a pool. And so that was what it was.

Doug: Yeah, a good mentor of ours Mike Cantor (?) always says time and circumstances can change all things.

Andrea: Changes all sellers' minds I think he said.

Doug: Yeah, you just never know when the motivation will change and what may happen so just a good lesson in follow-up and sticking

with it. Making your offer that makes sense. But do it in a respectful, polite manner. This is a business that we're running. In this case it worked out really well. And the house was decent. It wasn't bad, right? [Mm,hmm]. Yeah, it was a good house, so anyway that was interesting.

Andrea: And it totally feels like a win-win because this guy is stoked to move out to Arizona, and now he seems super happy with our offer. He was so kind to us and he's excited about it too. Just as much as we are.

Doug: So kind. He pulled out his cellphone. He's showing us the pictures of his house in Arizona and the pool. He just can't wait to leave California and they're so excited to get a new start in their new place.

Yeah, it's a win-win. Problem solved. Get a house that makes sense and he gets to move out to Arizona and go to his new house which he's excited about.

Andrea: It's fun when it works out that way.

Doug: It's great when it works out like that.

Andrea: So back to our main topic for today which is "Choosing your Niche within Real Estate Investing" or business in general really. It's so important to have a focus and to have a niche.

Doug: Real estate investing is a big broad term. There's so many different niches within real estate investing as a profession. We narrowed it down to three of the main niches that are out there and we're going to go into those here shortly. But it is important to, before you get started, at least our experience was we would go to

educational events and we'd read books and we'd go to these seminars and clubs, and there's so many bright shiny objects we call them. Oh, that one sounds great! Let's go do short sales. Oh, that one's better. Let's fix and flip. No, let's wholesale properties.

Andrea: Oh, short sales. That's the best way to go.

Doug: Yeah, short sales. Oh no, Subject Two. Let's go do that! Everything works and everything has its place. There all not necessarily good or bad ways to go, but there's so many different ways you don't want to get pulled in too many directions especially when you're first starting.

We're going to go over the three main ones that we've narrowed down, and possibly some good tips on how to narrow it down when you're just getting started to get into a specific niche. Not that you're in that niche and you can't change because if you remember when we first started, we were going to go short sales.

Andrea: In fact, we worked short sales for probably eight months. With no return.

Doug: No deals. We took some seminars at that time. This was 2007-ish and we were working hard to do the short sale niche and we were taking a lot of the steps necessary. But for whatever reason it just didn't quite work for us, didn't quite happen.

Some of the things were good, we'd get some responses, but we could never get that entire deal to the finish line. We ended up changing niches eight months later and it still took us a while to get our first

deal. But then it finally started clicking. So don't think that once you pick one you can't shift and change later.

Andrea: Or that you can't do multiple niches, but figure out the one or two that you'd like to focus on and stick with that.

Doug: Right. So our first tip or thing you should think about when choosing your niche would be to think about your goals. What is your end goal here? Are you looking to generate cash quickly? Like, chunks of cash? Are you looking to make this your income right away?

Or are you looking for more of a long-term strategy for creating possibly residual income cash flow that comes every month in the form of a check or multiple checks. Think about what your goals might be when looking into your specific niche that you're going to choose.

Andrea: Our second tip for helping you to decide what niche you should go with is to know your personality and to know your strengths and your weaknesses. A lot of people, I think, don't feel confident in who they are and what they're good at, and what they're not good at.

So if you are one of those people, maybe ask a few people that you really trust. "Hey, can you tell me the things that you think I'm best at? What are the things that you think I'm not so great at?"

Doug: Someone who can be honest with you.

Andrea: Definitely someone who can be honest.

Doug: Ask your spouse, but then ask someone else, too.

Andrea: Yeah, maybe a best friend. Maybe it's your parents. Somebody that you really trust who loves and cares about you and is going to tell you the truth in a loving and kind way. Another thing you can do is take a strength finders test, and I love these. You can learn so much about yourself.

There's actually [strengthfinder.com](https://www.strengthfinder.com) which is a test that gives twenty-five strengths, and there's a book that goes along with it, and they basically through the test give you your top five strengths. What they're suggesting is you learn how to operate within your strengths.

Do what you're good at. Focus on what you're good at and become better at it. Stop trying to do and be what you're not good at. Let somebody else do those things.

You can go to [strengthfinder.com](https://www.strengthfinder.com), there's another called [kolbe.com](https://www.kolbe.com). If you pretty much just google strengths test, there will be so many that come up. Personality tests. And you'll learn a ton about yourself. You'll learn about what you're good at, and I think that can really help you to focus in on what you should do.

So another thing that you need to do really is determine your personality. Are you a people person or are you not? If you are a people person, you might be really great at door knocking. That's totally for the extrovert!

Doug: Great way to go but you need to know how to talk to people for something like that.

Andrea: Also sending out mailers and taking calls, maybe you enjoy that sort of thing if you like talking to people. Forming relationships with agents, that's another good way to go. If you are not a people person, that's totally okay. I am very much an introvert. Some people

are just kind of rough around the edges and they don't do so great around other people, but you can still be good at this business. So you might want to consider bidding at auction. That's kind of hard to do in California right now in this market, but I know in other states I think that's still a viable option. You might want to consider Buy and Hold. You don't need to get such a big discount to hold a rental property. So maybe that is a niche that you want to focus towards.

You could focus on getting in with some wholesalers, so go to clubs. You're going to have to get outside of your comfort zone, even if you are an introvert, so go to some clubs and meet other wholesalers, and maybe get on their lists and they'll send you deals and that could be your source. And you don't have to talk to too many people, just a few wholesalers.

You can also go on Craigslist and search for bird dogs. If you don't know what that is, it's sort of like wholesalers, people who go out there and are maybe new in the business, and they're kind of out there hustling, looking for deals in different ways and they'll send you everything they got.

Another thing that kind of goes along with all of this is operate within any advantages that you may already have. So let's say that you have a job that's in some kind of a delivery service. Maybe you're a mailman, or you're a pizza man, or anything where you're out driving around.

You have an opportunity to do what we call driving for dollars. That is just sort of taking notice of homes in these neighborhoods that you're driving that are looking a little run down or distressed. Take note of that address and send them a letter.

Or maybe go knock on the door if you're an extrovert. Find out what the situation is. Maybe they're interested in selling their house, and

that's a fantastic strategy. Maybe you have contractor skills, you worked in construction in college. That's a great skill that can help you determine what your niche you'd want to go because then you'd be a great fix-and-flip person because you'd know exactly what to do. What needs to be done.

Maybe you have sales skills. Maybe you already had some kind of a sales job. Well, that is huge. You can do just about anything, I think if you have sales skills in this business.

Doug: Yeah, absolutely. Maybe you're an accountant and you know the numbers really well and you know how to calculate rates of return and Buy and Hold would be easy to figure out if this is going to be a good rental property cash flow for you.

Andrea: Yeah, so operate within your strengths, and operate within any advantages you already have. Or things that you're already good at.

Doug: So the third tip that we would have on choosing your niche would be to look at your time. how much time do you really have to give to this endeavor you're about to take on. Are you unemployed? Do you have all the time in the world?

Or do you have a full-time job that maybe you have and want to keep for a while and you can give an hour a day. Whatever it is, you're going to really need to take that into consideration. Some niches and skills that you'll employ out there are going to take a lot more time than others.

For example, if you're going to be sending out letters to people, depending on the number of letters you send, you're going to be getting a lot of phone calls and you're going to be talking to a lot of

people. That can take a lot of time. If you're going to go door knocking or things like that, that takes time. You're going to have to get out there in the neighborhoods walking these neighborhoods and looking for properties, looking for opportunities essentially. It can all be done full-time or part-time, but you just kind of need to know going into it how much time you need to give and that may play a part in what niche you choose.

Andrea: And our fourth and final tip before we tell you these different strategies is to avoid Analysis Paralysis. Just choose something. For us, starting with short sales, we learned so much even though it didn't work out for us and we ended up going with another niche. You will learn more by trying something than by setting everything and never doing anything.

I can't tell you how many people that we have met at real estate clubs and at every single seminar we've ever been to that have never bought a property because they're trying to learn every single thing that there is to learn before they get started.

Doug: They have a name: Seminar junkies. Don't be a seminar junkie. Education is good, don't get me wrong. But at some point you need to step out and take some action and choose something and go for it. And like she said, you'll learn a lot more.

So, into our niches of today. The first niche that we're going to go over, the first strategy...

Andrea: Basically there's four, right. Oh, three.

Doug: Quick three. Three strategies, these are generalized of course, there's niches within these niches, but the first one is very simple: Buy and Hold. What are we talking about when we say Buy and Hold?

What we're talking about here is generally buying rental property that you're going to hang onto that could be commercial property, could be a residential house, could be condos, could be multi-unit properties, apartments.

Andrea: Vacation home, that's a big one now.

Doug: Vacation home is a big up-and-coming one that a lot of people are getting into. Essentially what you're doing is you're buying a house and you're renting it out.

And your goal would be to sell it at some point in the future, even if it's a year or two years. I consider that long-term. It's not going to next week or next month or even within six months that you're planning to sell that property. This is a Buy and Hold strategy.

The thing you're looking for here when you're getting into this niche, you're looking for cash flow, typically. You're going to be looking for a rate of return on the money you've put into those rental properties. You can hope for appreciation, but that is more of a speculation.

The idea with a good rental property is that it doesn't matter if it goes up or down as long as that thing is going to be rented it's going to be providing you a return on your money and a cash flow. Any appreciation, that may or may not happen. That's just kind of icing on the top that you're looking for there.

Andrea: Some skills that would be really important for this niche would be deal analyzation. So if you're a detail person, you need to be able to understand your numbers.

You need to understand rates of return. You've got to be good at property management or knowing how to hire someone to manage your property. That's a big deal.

Doug: Very, very big.

Andrea: People skills are important in Buy and Hold, so if you don't have them, know how to hire a good property that can deal with your tenants because it is like babysitting.

Doug: And selecting the right tenant even more so.

Andrea: And you've got to have patience because there's a lot of things that require patience in this niche.

Doug: This one's a waiting game. This is true investing here. A lot of these other niches could be considered like a business. This one is true investing. You're holding on for the long-term. It's a great strategy, a great niche. We employ this strategy in our business as well, not as our main one, but it is one of our strategies.

And this might be good for people who work full-time. You can do this on a part-time basis for sure. You can buy one property a year, you can buy five properties a year. All of that can be done part-time as you build your rental portfolio.

Andrea: And you will also have the W-2 income to maybe get some fantastic loans. So that might actually really be a great strategy if you have a job.

Doug: Right, that can be a complement to this strategy if you have a W-2 income. Anyone who's tried to get a loan in the last few years

knows what we're talking about. Okay, so that's the first strategy. Strategy Number Two: Fix and Flip.

This is what you typically see on those TV shows, on HGTV. Someone who's going to buy a house, fix it up, upgrade it, do things to it, make it look beautiful, and then turn around and put it on the market and hopefully sell it for a profit. This is what most people think of when they think of real estate investing.

Andrea: Buying it below market, adding value, and hoping to sell it for a profit.

Doug: Right. It's definitely a great strategy to go. It can be a little bit higher risk, but it can also be higher reward depending on the property and depending on how it comes out. Now this is a great strategy. It can take a lot of time.

It can be done part time. But typically if you're going to do this on more than just a one off basis, if you're going to have multiple projects going at any given time, it's going to take a lot of hours, and it's going to require management. You've got to manage contractors or subcontractors depending on how you're doing it.

You've got to find the deal first of all, depending on how you get the house. You have to find the right property that's got enough, where the price is right so you can actually invest money into it, and create a bigger value by what you're doing to the house.

Andrea: And you need to have some money for this strategy. People will tell you that you don't, and maybe you don't. I'm sure that there's ways where you don't, but it's easier if you do because even the hard money lenders want to see that you have a little bit of skin in the game. So you should have a little set aside to be able to participate in

this strategy, even if you plan on getting some kind of a hard money loan.

Doug: Now if you have no money, we'll get into another episode down the road where you can start investing with no money, but money needs to come from somewhere so somebody that is on your team or that you know needs to have a little bit of money to get going in this strategy.

Andrea: So some skills that would be important for Fix and Flip are deal analysis, and I'm going to say this every time, deal analysis is important. You need to know how to run your numbers, for sure.

Doug: The money is made when you buy. You've got to buy it at the right price.

Andrea: Yeah, you need to have some rehab knowledge. And actually you do and you don't. We really didn't when we got started. We just got to know a good contractor and we would bring him along on our inspections and he just kind of walked through silently with us and then afterwards we would go outside and he points out the things that we didn't see. You can learn so much that way. And now we don't need him. Now he taught us so much that we know exactly what to look for.

Doug: Yeah, after a few we could estimate our repairs within ten percent of what that budget would be.

Andrea: Get creative if you don't have rehab knowledge. It's still possible. But that's a definite plus. Budgeting obviously is hugely important in this one because if you blow your budget, that's your profit. You have your profit margin that is allocated and so you have to stick within your budget for your flooring and your paint and

everything else that you're doing. And there will be unexpected things that come up and you have to allocate for that as well.

Also, team management skills are important because if you are really going to go after this and you're going to do a lot of Fix and Flips, then you're going to have a team, so you need to have some leadership skills to be able to lead them properly and to manage them.

And then systems. I'm sure we'll have future episodes about systems that we use and systems that we recommend, but you've got to have systems in place to do this smoothly and effectively.

Doug: Yeah, yeah. Definitely. So good niche but it does require a little bit more hands-on, a little bit more skills that could be needed for that one. The third strategy, or third niche that is widely popular out there is called wholesaling. Let me explain a little bit about what wholesaling is. We do this as well. We do all three of these actually.

Wholesaling is where you are getting a property under contract, and you are essentially acting as the middle man. You're finding a seller for one price and then you're immediately finding a buyer, typically an investor buyer, for another price. And whatever the spread is in the middle, that's what you keep.

There's lots of different ways to do this and we will definitely have future episodes on wholesaling. It's one of our favorite niches. It's a pretty popular one for beginners and the reason is that the risk can be very low.

You can do this with a very limited budget because you're not actually going to own the property. You're a property finder is what you are. The skills, or what's important for the wholesalers is finding the

property. So you've got to be good at marketing. You've got to be good at...what are the skills involved?

Andrea: Well, I was going to say again deal analyzation. That's really important. That's one of the gifts that we are giving away is actually a course that Doug has put together for deal analyzation.

He used to be an appraiser for a lot of years, and so he has this whole e-course, web course, that teaches you how to analyze a deal, how to look at it from an appraiser's perspective. That's really important to Fix and Flip as well as wholesaling. You've got to know how to buy right.

Doug: You've got to know what the numbers are. What the house is worth. Very important.

Andrea: Then marketing like Doug just said. It's huge. It doesn't so much matter what you put on the letter, but you've got to be able to send out letters or postcards or door knock. Whatever your means of marketing is, you've got to be good at and you've got to do it. Repeatedly. Don't stop.

The other one, the next one is people skills. This is kind of a niche where you have to have people skills. You have to be able to negotiate because you are kind of sandwiched in the middle of a negotiation. You're negotiating with the seller of the house and you're getting it under contract, and then you're negotiating it with the person that you're going to sell it to.

So you need to get a good deal and then you need to sell it for the right price. So you're right there. You're all up in the negotiation. You've got to be good at it.

And then, well, sales that kind of goes along with it. Organization is really important if you want to be a wholesaler too. Keeping track of your leads. You need to have some kind of a system for that. It's really important.

And then the last thing I would say is you've got to hustle because there are a lot of wholesalers out there. So if you're not going to hustle, then you're not going to get the deal.

Doug: Yeah, there's no substitute for good hard work. So that pretty much wraps it up for today for the topic of choosing your niche within real estate investing.

Once again, the important things to remember: what's your end goal; know your personality, your strengths and weaknesses; what opportunities are right in front of you; how much time do you have to commit to this niche; avoid Analysis Paralysis, choose something eventually.

And then the three strategies or niches are Buy and Hold, more of a long-term strategy, Fix and Flip, could be good profit and high risk, and Wholesaling, low risk and can also be very profitable. It takes a lot of time.

Andrea: And we want to encourage you to check out our website [spousesflippinghouses.com](https://www.SpousesFlippingHouses.com). We have two free gifts for you if you go on there and enter your email address to stay connected with us. The first one is an e-book, *Eleven Essential Tips* that we've come up with for successfully working with your spouse. So you can check that out.

Also the e-course that Doug has put together for deal analysis, kind of thinking about a deal like an appraiser would and knowing how to buy it right basically. It's really valuable stuff, especially for a

beginner, but really for somebody who's seasoned in this, you can never know enough about buying a property the right way.

Doug: Yeah so get on over there and connect with us. Also if you like what you hear, please leave us a review in iTunes. Go to iTunes, give us a five-star review if you liked it. Let us know what you think. That really helps us in our ratings and can get more people listening to what we're doing here.

Andrea: If you have any questions or you want to connect with us, you can email us. Check out our website again for our email. And if there's topics or anything that you'd like to hear more about, let us know.

Doug: Yes, we'd love to hear from you. So until next time....

Andrea: Have a great week!