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Hosted by: Doug & Andrea Van Soest

## Episode 24 – Behind the Curtain of Our Business

**Andrea:** Welcome back for Episode 24. Today we are going to take you behind the scenes of our business and kind of show you the breakdown of how we do things, and who works for us, and just sort of how all of that looks in our operation. Doug just made me laugh so hard that the soda I was drinking came out of my nose and my sinuses, and they're still burning. So hopefully we can get through this.

**Doug:** We need to wipe off the mic still. So yeah, we're going to go behind the scenes of our business today, and yes we do sit around in our pajamas and work from the couch, sometimes but not all of the time.

**Andrea:** Sometimes, but not all of the time. But it does sometimes happen.

**Doug:** But it is nice on a rainy day with a cup of coffee. But anyway, yeah we'll get into that later. But I just got off the phone with my best friend from college; actually he was the best man at our wedding. His name is Eric, just a really, really good friend of ours, and it reminded me of way back Andrea, of our beginnings of entrepreneurship if you will.

We were actually engaged, and Eric gave us this book. We've mentioned it before on the show so a lot of you know of it: [\*Rich Dad Poor Dad\*, by Robert Kiyosaki](#). He gave us this book, inspiring us to think differently. It kind of blew his mind, so he told us we had to read it.

We read that book, blew our mind, just completely opened up possibilities of future, investing, retirement, real estate, just things that we had never really thought about. And here we are, early twenties, just kind of not thinking so much about the future.

We were just working our jobs, living in the present, which was all fine. But this book really opened up the way we think and kind of directed us in the path of starting our own business and eventually getting into real estate. And you know, it all comes down to when Eric gave us that book. Right?

**Andrea:** Pretty much.

**Doug:** Yeah, and Eric actually has terminal cancer. And so he's had it for a while, and it's getting closer to that point where they're having to make hard decisions and do things, and it just was so good to talk to him. In a lot of ways this podcast came from being inspired by Eric.

We actually got to take a trip with him and his wife and some other friends to Hawaii last year, and on our way back just after spending some more time together with Eric and our friends, it just inspired us to do more with life while we are here. You know, cause you just never know what can happen, what's going to happen, what's going to be going on next week with your family health-wise or anything.

And the podcast was one of those ideas that came out of that, that inspiration on the way home.

**Andrea:** Eric himself is really such an inspirational person. He's one of those people that lives life to the fullest every day.

**Doug:** Full of energy.

**Andrea:** Yeah, and even though he's facing death. Really, that's what it is and to know that he has this time frame, and he doesn't even really know how long he has, but yet he's so positive and upbeat every time you talk to him. He's not concerned about himself; he's concerned about everybody else.

I think he just has impacted us in a way that our lives will never be the same, and we're super appreciative.

**Doug:** We are. We get to go see him next week, so we're really excited about that too but not to get too serious in the podcast.

**Andrea:** That was a little serious. Let's cheer it up a little.

**Doug:** This is about flipping houses, and that should be fun, and it is. And also, not just flipping houses, but we talk a lot about rental properties and things involved in the investing world around real estate. And speaking of owning rental properties, there are good days, and there are bad days.

And this week we had a bad day. There seems to be this trend, and I'm not going to get off on a political rant here, but there's this trend amongst cities in Southern California at least where, let's face it, a lot of the cities are broke. The financial downturn hit them really hard; their taxes are way lower; they overspent. They have all of these problems.

So they're looking for avenues of income in any way they can get it and unfortunately, landlords are an easy target. So what cities are doing these days is they're requiring people who own rental properties to jump through all sorts of hoops and pay all sorts of fees and fines.

Well fees and go through these programs, these rental programs, where you have to register your property and pay 'this much,' and you have to have an inspection on your property, just because it's a rental property. And they'll come in and say, "Oh yeah, by the way, this is not to code. That's not to code. You have to get this permit, and you have to get that permit. You have to redo this. You have to fix your roof because it doesn't look good." I mean just endless.

**Andrea:** It feels so unfair because they would never do that to a regular homeowner. They could never go by and say, "You know what. We don't really like your roof, or we don't really like that thing on the side of your house. You need to change that." Unless you're in an HOA-type of an area, that's never going to happen to you.

But landlords, they're kind of really picking on us.

**Doug:** Right, so you know they demand to come inside your property once a year, disturb your tenant, disturb this house that has just been sitting there for years, and years, and years not causing anybody any problems. And ultimately, it ends up in a lot of repairs, a lot of costs, and just a lot of hassle.

And so this week we got a letter from another city that we happen to own several rentals in that they're beginning this program, and they have tracked us down, and called out our properties by name. And they will be requiring us to join their program.

**Andrea:** I think they're going into the public records and finding all of the properties that have a tax address that's different from the property address, and then that's how they know. So that's how they're finding everybody.

But trying to look at it from the bright side you know, I guess this will force our hand to maintain properties better. Not that we don't maintain them well, but it's going to require us to do things that we might not even have done otherwise.

**Doug:** Yeah that's the bright side. That's the way to look at it. No that is true, and that is their angle that they're improving communities, and neighborhoods, and that's how they sell it to the general public maybe. But I don't know; it kind of seems unfair sometimes.

**Andrea:** Yeah, just another reason why you have to buy your properties right from the get-go because you have to have some room in there. You have to have some flexibility because you never know what is going to happen.

**Doug:** Very good point. Yeah, we could have bought this property on a really thin margin for cash flow, banking on nothing changing, and then something like this totally out of your control can come in and all of the sudden wipe out several hundred dollars a year in cash flow. And that could have changed the decision you made to potentially buy that property. So yeah, good point. Buy it right.

So now that we've thoroughly inspired everybody to go out there and buy rental real estate.

**Andrea:** Just keeping it real, just got to keep it real because like you said, there are great days in this business where it is a lot of fun. But then there are hard days too. There's stuff that happens that just plain stinks.

**Doug:** The realities you have to deal with. So let's go into the main topic. Let's talk about our business and what we look like today. Let's go back to the past. So when we first started flipping houses, it was in 2008, and of course it was just Andrea and myself. It was just us.

And we literally did everything, which is not a bad thing. I mean that's how most people start, and that's how you should start, but we stayed that way though. We flipped houses until 2008 all the way up to 2012 just you and I.

**Andrea:** Yeah, and we're big fans of keeping it simple, so I wouldn't say to go hire anybody right away. Keep it just you for as long as you can really, until it comes to the point where you are ready to scale and you just cannot do it anymore by yourself.

**Doug:** Yeah. I think there comes a point in everybody's business when you're trying to grow that you are sort of getting in your own way if you're not hiring some help or expanding. And we'll go into a little bit of that later here, but it was just us doing everything.

And we worked out of our house the first four years or five years actually that we were flipping houses. But today it looks very different, so we'll get into how that happened. People ask us a lot about our team and what our operation looks like, so we're going to roll back the curtain.

I always picture the Wizard of Oz and like there's this little guy kind of running the whole thing. But we'll just share what our business looks like today. It didn't look this way six months ago; it didn't look this way a year ago. It may not look this way in six months or a year from now.

But currently today, this is kind of how it looks and what we do. So let's get into it.

**Andrea:** So about two and a half or three years ago we decided it was time to hire an assistant that would help us out full-time. And because we worked from home, we really didn't want to bring somebody into our home because that's just weird.

I mean, maybe it's not weird for other people but for us, that didn't feel comfortable. So we started looking for office space, and we found a great little place not too far, like two miles from our house, and it was a newer office building type of a setup that was kind of cool, and our neighbor actually was renting another suite in that building.

And so it was kind of fun to know somebody that was already there, and so we decided to go ahead and rent that office space. We got our assistant in there. Did we just have one at that time?

**Doug:** Yeah, we hired one assistant. She was full-time, administrative, kind of helping us out with a lot of paperwork and things, so it was just one at that time. We had one room in this little suite.

**Andrea:** So to make a long story a little bit shorter, that office space ended up coming up for auction. And we knew immediately that we wanted to try to buy it because if we had our choice, we would actually move our working space into a different suite within there that had some different rooms, and a little kitchen area.

**Doug:** That was a little bigger.

**Andrea:** A little bit bigger, and then we could rent out all of the other suites within there, and it would cover our whole payment. So we got super excited about it, and Doug went to the auction. About 10 or 12 people showed up so we thought for sure we weren't going to get it, and sure enough we got it for less than we had even hoped to.

Me and our assistant were like on the other side of the wall because they performed the auction right there in the office building in the suite that we wanted. Me and our assistant were listening through the wall like, "What number are they at?"

"Did we get it. Was that us? Was that Doug?" It was really exciting.

**Doug:** Yeah, it all happened so fast, and we got the property for much lower than we had hoped, so that was really exciting. And then we've been in there now a total of about two and a half years. We've owned it for about a year, and we're still there. And it gives us a little bit of room to grow if we want to.

So it's kind of a cool thing, and we rent out the rest of the suites just like we had planned.

**Andrea:** So the cool thing is that now we have a working space at work, and we have a working space still at home, and so we have our choice. Some days we're more productive at the office; some days we're more productive at home, but it's nice to have that option.

**Doug:** So let's be real. I mean we have three young kids. We have kids from junior high down to kindergarten, and we love working from home because we can be here with the family, and we love being those kind of parents. But in the summertime when the kids are all home, let's face it. I'm down at the office.

We are down at the office as much as possible in order to be productive, just because it gets a little loud around here sometimes. So it's nice to have the option. All right, so enough about our office space. Let's talk about our team, our staff, and who they are, and what are their roles.

So there's me. Initially, again it was Andrea and I. We were everything. So today it's kind of been segmented off. So there's me, and what my main role is right now is managing the acquisitions side of the business. My entire role is to get deals.

There's a lot involved with that, so I manage our sales team, our marketing that goes out. I'm responsible for sending all of the marketing out and finding new avenues, anything I can do to generate leads to potentially get deals. That's my role. I also take on training the sales people that we have.

I will train them on how to analyze a property, how to properly value it based on the comps, and I'll teach them a little bit about what I know about negotiating with people, and just sort of the ins-and-outs of dealing with people and acquiring property. I handle that training.

I've also developed our Podio system. We've mentioned Podio in the past, and it's our software that our entire business runs through. And so I've developed some systems and some things in there that will make life easier and help automate a lot of the processes that we have in sending out offers, and tracking leads, and things of that nature.

And then my other big role is what I call 'dispositions' or selling the properties. When we wholesale houses, which we do a lot of, I'm responsible for selling them and marketing those properties to our potential buyers, getting them interested and coordinating them to take a look at the houses, and inspect them, qualifying them, and getting the properties sold. So that's kind of my role today.

**Andrea:** Man, you're busy.

**Doug:** I am busy, but it's better than being bored. I like what we do. It's fun.

**Andrea:** I've got to say that I was joking. You really keep it in check really well, so I appreciate that.

**Doug:** Oh, thanks. Well let's talk about your role. You've evolved a lot over the time of our being in business, so what is your current role today?

**Andrea:** So I have three main roles within our business, and I always say that I'm a full-time real estate investor between 9 and 3 because getting the kids off to school in the morning is kind of my first priority. I want to make sure that they get sent off joyfully, and that we've had a

great morning together, and then I pick them up at 3 o'clock and try my best to give them my attention until they go to bed.

So I will take some calls here and there during that time frame, and I'll check emails again after they go to bed, but I'm pretty much working from 9 to 3 for the most part on most days. And so you mentioned that my role has evolved, and it most definitely has, and I think I'm loving what I'm doing now more than I ever have since we've been in this business.

**Doug:** Yeah, I think you've found your genius-zone.

**Andrea:** I don't know about that. But it's been so fun.

**Doug:** No you have. You've settled into this role. I think it's really good. Go ahead.

**Andrea:** Yeah, so probably about in November I would say, I took over in the project management role with our rehabs. It just made sense because I had done interior design school, had learned a lot about design and the psychology behind it, and working with contractors, reading plans. I've done a lot of drafting myself and that sort of thing.

So it just made sense if I was the one creating the design plan for the house, and I was also the one there making sure it was being implemented correctly. And so I'm loving that so, so much.

My second role is I'm doing all of the design, which we already kind of mentioned in the last one, and sometimes this is more involved. Sometimes it's less involved. We have a lot of projects that we do that is like "clean it up, same old paint, same old bathroom, same old kitchen" that we always do.

But then sometimes we get those really fun ones that take more time, but I really love those projects where we get to be more creative. So that falls under my role, and then I'm also a licensed agent, so I list all of the properties that we sell after they're fixed up.

**Doug:** Yeah, which can be a lot of time in itself depending on how many properties we have listed and in escrow at any given time. That can take a lot of time as well.

**Andrea:** But we'll talk about our other employees here too in a minute, but our assistant helps out a ton with that so it doesn't all fall on my shoulders, which is really nice.

**Doug:** So the third member of our team, and this is the first person we hired on a full-time basis, is our assistant. And to just say that she's an administrative assistant is really doing her a disservice because she handles a lot of the administrative processes and things that go on.

She does all of our transaction coordinating, so all of the paperwork and phone calls that need to take place when we get a purchase and also when we're selling a property. She takes on that role, so essentially our acquisition team will get something under contract, and then we hand it over to her.

**Andrea:** She wears many, many hats.

**Doug:** She does wear many hats. Kind of the heart of keeping things running in the business and this person also does property management for us. She does a lot of the rent collection; she'll take phone calls and deal with tenants.

We do have another part-time assistant that helps with some of the leasing of properties and taking some of the phone calls as well, but our administrative assistant here is the main point of contact for all of our tenants and handles 90 percent of all of the property management roles.

**Andrea:** So then the fourth member of our team is our inside sales person, and so why do we call her 'inside sales.'

**Doug:** That's a term for on the phone. It doesn't go outside of the office, if you will.

**Andrea:** Okay, so this person actually was our very first hire. She was not full-time at first. We hired her on HireMyMom.com. We had heard on another podcast that it was a place to find virtual assistants, and so we hired her just to scrub lists, and I think she built our original website and just to do a little bit of things like that.

But the more work that she did for us and the more we got to know her, we realized wow, she's really good on the phone and she's a really hard worker. It would be great if

we could give her a larger role, and I wonder what that could be. And one of the things we were really looking into taking off our plate at the time was returning phone calls.

So we were having all of the leads come in to a recording service and having to call everybody back, and comp out those properties. It was taking a long time, and Doug also discovered that she had had previous real estate experience, so she knew her way around comping up properties and things like that.

So Doug asked her one day, “Hey, would you want to try out doing some phone calls for us, calling people back?” Sure enough, it turned into a really great situation, and she is our full-time inside salesperson.

**Doug:** Yeah, so she literally screens all of the calls. Any calls that come in from any of our marketing pieces, she gets through those. She listens to the messages, calls people back, answers them, calls live, kind of filters and determines motivation, does some negotiating, and sends offers to people who might be out of the area or properties we aren’t actually able to access and meet in person with the owner or seller.

She takes on that role, does the negotiating, sends offers, and locks up deals that way. So she’s our inside salesperson, and she’s great.

**Andrea:** Then our fifth? team member is our outside salesperson.

**Doug:** Yeah, outside sales meaning leave the office, at least that's my understanding of it on why it's called that.

**Andrea:** At least that's what it means in our office.

**Doug:** So this is another role, again, that I used to do, and it was just taking up a lot of time. It's a necessary and important part of what we do in acquiring property, but I was getting in my own way because you can only spend so much time doing that. And then when you're doing that, you're not doing other things that need to get done.

So we've got an outside sales guy that we hired about six weeks ago, and it has just been working out phenomenal. So what he does is go on appointments to meet with owners and sellers of the property that get scheduled from our inside sales rep, so she will schedule him appointments.

He'll go meet at the property, negotiate the purchase, and get the agreement signed, and then he's onto the next one. And that is his sole role. So he's driving all over Southern California everyday and seeing all kinds of houses, and just meeting with people constantly.

**Andrea:** I think that a lot of 'mom and pop-type' investors could really benefit from hiring this type of person, but they're very reluctant to do it because they've always been in control of that role. And it can be really challenging to give up... Doug's raising his hand...

For a lot of reasons, maybe you're really good at it, and so you're afraid that whoever you hire might not be as good

at it. And I think that actually, that is what most people's hang-up is. And I know Doug would never say that about himself, but really it was true because he would build such great rapport with people.

And you don't know if you can duplicate that, and sometimes you don't know how to train someone else to do *that*, that thing that you just naturally have in your personality. And so we've been lucky with this person that he's been able to do that kind of in a similar way that Doug does it, in a way that represents our team and our company the way that we want to be represented. So it's been a good fit.

**Doug:** It's been a great fit, and the reality is he may go about it differently than I do, and that's always going to be the case. But he's really good, and he's probably better at it than I am. So I'm so glad we took that step to get this role filled because it has relieved such time from me and has been a great thing to allow our business to grow. So that's been a huge acquisition for us.

**Andrea:** And then last but most certainly not least, is our sixth team member, and that is our tech guy. Not a very fancy title, maybe we should consider giving him a better title, but this person is very valuable to us for a lot of reasons. But first and foremost, he produces this podcast.

**Doug:** Yeah, we just get to push 'record,' and play and stop, and then pass it on to him. And the rest kind of just happens.

**Andrea:** Our random giggling and when we pause because we don't know what to say, and he makes us sound much better than we really are.

**Doug:** Well we need all of the help that we can get.

**Andrea:** Yes, we most definitely do.

**Doug:** And he's listening to us right now, so be careful what you say.

**Andrea:** And then he also does a lot of website stuff and just really all of the tech stuff for us. Our brains don't function in that capacity.

**Doug:** Yeah, and that is his forte, that's his skill, and it's been a huge benefit to us and our team. So he's a valuable member at this point, and that's really our staff. We have a lot of other parties and people that we work with on a part-time basis that aren't necessarily 'employees.'

We don't pay them directly, but we use their services, and they really are a part of our team as well, honorable mention to our title and escrow companies. We've been very loyal to our title people and our escrow officers and in turn, they take care of us. They go above and beyond in working for us.

They understand our process and the transactions that we have, and they will go the extra mile to help us out when needed, and that's just been a great relationship there.

**Andrea:** So that's pretty much it. You don't have to start with this many people. It was a couple years' process of getting our team in place and like we said, it was just the two of us for a very long time. And we functioned great that way, but there does come a point where you need to get out of your own way, like Doug said.

**Doug:** Yeah if you want to grow.

**Andrea:** So in our next episode we're actually going to talk about when to grow, how to grow, who to hire, and I think that'll be really good and helpful, so stay tuned for that one.

**Doug:** Stay tuned for that one.

**Andrea:** I'm going to put some pictures of our office up on Instagram, so if you don't [follow us on Instagram](#) you can check us out over there. Also check out our website for a free gift.

**Doug:** [SpousesFlippingHouses.com](http://SpousesFlippingHouses.com)

**Andrea:** We will be gone next week for Easter. We're headed out to Nashville and South Carolina to visit my sister and some friends.

**Doug:** We get to see Eric out there. It's going to be great. So we will catch up with you in a couple of weeks.

**Andrea:** Buh-bye.

**Doug:** Bye.

