

Get Real

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Get Real Podcast Episode: 051

“Guest - Eric Brewer - This is how we Turnkey”

Hosts: Ron Phillips & Angela Thomas

Welcome to The Get Real Podcast, your high-octane boost and in the trenches tell-it-like-it-is reality therapy for personal, business and real estate investing success with your hosts, power-preneurs Angela and Ron. It's time to get real!

Angela Thomas: Hey everybody, welcome to the Get Real Podcast. I'm Angela Thomas and I'm here with Ron Phillips. Hey Ron.

Ron Phillips: Another exciting episode.

Angela Thomas: Oh yeah, always exciting. And today we have Eric Brewer with us. Hey Eric. How's it going?

Eric Brewer: Doing well, glad to be here. Thanks for having me.

Angela Thomas: Yeah, thanks for coming. So yeah. So real quick, Eric is the owner and president of a well-established real estate investment firm in South Central Pennsylvania. And over the last 14 years, the company has grown to house several divisions servicing all aspects of the real estate spectrum from cashflow real estate investments to retail listings, rentals, renovations, repairs, and fully packaged profit turning properties for investors. Try to say that 10 times fast.

Ron Phillips: Hey hot damn. What do you not do, Eric?

Eric Brewer: Sleep.

Angela Thomas: Alright, so Eric is quickly growing into a real estate legacy. If you haven't heard of him, you will. As rapidly as Mr. Brewer's company is growing so is his family. Eric and his wife Sonia are parents to teenage son, Camden, young daughters Maya, Lily, and Olivia, gorgeous names by the way. Eric is passionate about serving his community and especially student athletic programs.

Ron Phillips: And if I'm not mistaken, Eric, is Camden not a bad individual on the field?

Eric Brewer: I'm the worst person to ask that because I'm so humble when it comes to him, but...

Ron Phillips: Look, I saw some videos so let's just, let's just... Apparently Angela, we didn't introduce ourselves well enough to Eric on the Get Real Show. Let's put the humble aside. Tell us how this boy is doing.

Eric Brewer: So we'll get real for a second. He is now the starting quarterback as a sophomore for the only undefeated football team in our area.

Angela Thomas: Come on now. Wow, cool.

Eric Brewer: They're ranked number seven in the state, number two in the district and he earned that spot. No injury, no nothing. Took the place of a senior and he just worked as he worked his butt off all year. He's been humble. It was hard for him because he felt like he should have, you know, legitimately had that spot nine weeks ago. But he hung in there. He played special teams for last nine weeks. Now he's the starting quarterback, so he got us and that's...

Ron Phillips: So cool. Good job Camden.

Eric Brewer: Had four touchdowns last week.

Ron Phillips: I saw some tape, dude. I saw some tape.

Eric Brewer: So it was the one whose birthday you couldn't ask for like a better story. Right? Like he got his first start for the season as a sophomore on his birthday and had four touchdowns.

Angela Thomas: Wow. That's awesome.

Ron Phillips: That's fantastic. That's cool.

Eric Brewer: We're excited. It's starting to get cold where we are. So it's getting, when we get into districts that we get a first round buy, it'll be two more weeks. So we're talking like mid-November when they play their first playoff game, it will be C O L D. I'll have to go get some Underarmour gear to keep myself snuggled during these games. They get cold.

Ron Phillips: Yeah. That area up there is chilly, no question. No question. Well, Eric, we were texting the other day wasn't... It was like a couple of weeks ago, I think. I don't even know when, but you know, we were throwing around some texts. Eric had sent me some sexy photographs of a house.

Eric Brewer: Pretty spicy. Yeah, they were. Me and Ron keep it interesting. Absolutely.

Ron Phillips: It was definitely something that that everyone really should see, Eric. And anyway, we were chatting about this house, which it was really nice, well done as are all of Eric's houses. And Eric said something I loved, man, I loved it. We need to like, we need to go buy the domain or something: this is how we turnkey. And then I started to sing it, you know. I dug it.

Ron Phillips: And I said, Eric, we need to have you on the show and just talk about how this happens because there's, you know, occasionally we'll have people who call us up and they get super excited and then they'll go, you know, a few days later they'll come to us, man, there's a property down the street for like \$30,000 less. And you know, why is this one such a good deal? And they just don't realize how much work is involved in what makes a property ready, how much work they don't have to do and everything that kind of goes into it with the whole team and all of the effort that you put into this deal.

Angela Thomas: And why it costs more than it sold for on Zillow a few months ago. I just had to throw that out there. I'm sorry.

Ron Phillips: So yeah, kind of just like start us through this thing, tell us a little bit about what does it, what does it look like kind of overarching and then let's drill down into a few of these.

Eric Brewer: I think that the conversation you and I had last week, I think it started and we just got pictures of like four or five turnkey rental properties we had just finished three of which you guys had already sold. And soon as I get the pictures, it's like, you know, a kid on Christmas, right? I can't wait to see the pictures of these properties. The one in particular I sent to Ron was condemned when we bought it seven months ago. So we had to go through the whole, you know, going through and getting it uncondemned. We had to submit all kinds of paperwork to the local municipality with our plans to redevelop. Sounds way more important than it is to renovate the property. And then we went through a series of 11 different inspections, right? Everything from plumbing to electrical to HVHC to final to installation.

Eric Brewer: And that's when I finally got the pictures, I sent them to Ron, and I think the tagline was, yo, this is how we turn key. Right? And I was joking but at the same time I met what I said, and I think just a few days after that I was talking cause there's this terminology that's always kind of floated around and the lines have really got blurred between what is rent ready. And I just did a video the other day because I had someone call me, they're like, oh yeah, it's turnkey. They were trying to sell it to me and I got there and I was like, yeah, I think we have difference of opinion between what turnkey is and what it, what it really is to me.

Eric Brewer: And that's when it was, you know, for me as it was just before, you know, I sent that to Ron and I think that was the context of where that came from was like, you know, our definition of turnkey has very high standards and a lot of thought that goes into that, and a lot of attention and energy. And I think the terminology used a little too often sometimes when it really should be rent ready. Because there are properties that that's a great way to invest. Some people have a lot of success with that. But rent ready is not turnkey and

turnkey, you know, is not what I would consider, you know, necessarily rent ready. And when someone says rent ready, I'm like, Oh, you can live there.

Ron Phillips: It's even more than that, right. At our level it's a little more than that even, because I've seen properties that people live in. So I mean they're livable and they're rentable, but neither one of us would live in them. We would not rent them that way. We would not sell them that way. We might buy them that way at a discount and then make them turnkey.

Eric Brewer: We turnkey a lot of turnkey properties. People sell it to us as a turnkey and then we actually fix it. You don't want to, I always say this when people call me, they're like, yeah, it's turnkey. I said, would you lay on the living room floor and watch television while you eat a sandwich? If you wouldn't do that on the living room floor it's not, it's not even the beginning stages of turnkey. Right. If they, you know, they've not touched, think about that for a second.

Angela Thomas: That's great.

Eric Brewer: You've got to be able to lay on it and watch TV. It's gotta be pretty nice.

Ron Phillips: Well look, and to your point, I think there's, if you can't do that, odds are plumbing sucks. Electrical sucks. HVHC sucks. Everything else that's going to cost you money sucks. And it's going to be a train wreck. I mean that's really the... And I think there is a real misconception out there, and I think it's because it has become the in-Vogue word, right? Turnkey. Everybody's doing turnkey.

Eric Brewer: It's the buzzword for sure.

Ron Phillips: But there are very few people out there who do it right. And that's what I want to talk about. Like let's talk about what the scope is and then let's also talk a little bit about Eric... Just what does it take to take this scope that we're going to talk about and wrap it up in a nice little bow and present it to someone as a quote, turnkey or a rent ready property. Talk us through the scope man. Like what, when you get a house that's condemned, not condemned, doesn't make any difference, what are your guys going through on your checklists and everything? What does it look like?

Eric Brewer: So the first thing for us, like everything for us starts with acquisitions, right? So everything that we sell typically originated three to five months earlier as a property that was out there. You know, maybe it was rented, maybe it was vacant, maybe it was owner occupied. So for us, we spend an awful lot of time looking for turnkey properties. So, you know, we've, we've defined in our market, we believe in what we found produced the best returns, right? Rent the quickest. And by nature for us, we're typically dealing with properties built after 1920 you know, and it's just a lot of issues when you get older than that. We'd

like to be, you know, work with stuff newer than 1960-1970 obviously the newer the better. But they're not always the, you know, in our area, the price point for some of those get a little bit too high, they're a little bit harder to rent. They look really cool, but the returns are the coolest thing to me. Right?

Eric Brewer: So what I look at, what are we rent the quickest, what stays rented the longest? And as we're doing these renovations, what's the most predictable model that we can buy and renovate? So we spend a lot of time on the acquisition side. We cover seven different counties in PA that you guys sell from. And if you go from Lancaster County to Cumberland County, very little difference between market rents, very little difference between sale price. So for me and my acquisitions director, it's really easy to make quick decisions about the projected market rents of property because we've bought and sold probably 15 or 20 within a few mile radius within the last six to 12 months.

Ron Phillips: Yes. So let's not gloss over that, man. Cause you said it's easy, it... Guys, it's easy cause Eric's done hundreds of these, right? It's not, it's not quote easy. Right. But it's easy for Eric's team because he's, this is what he does all the time.

Ron Phillips: For the record we went over 4,000 this year. 4,000 properties.

Angela Thomas: Whoa. Not hundreds, thousands.

Ron Phillips: Let's back up a step. So you got an acquisition department that is actively marketing for properties, right? So before you've even purchased a house, you've spent thousands of dollars right, to generate these leads that then you guys have to go out and cultivate for what you said was months sometimes to actually get one of these properties that will work.

Eric Brewer: Yes. So the typical way, we have two main acquisitions department on market, you know it's, there's, there's bank owned properties out there, properties that are listed in the MLS. We attend Sheriff's sales, we attend to tax sales. So anything that's up for public sale, we treat us on market. I have a full time executive assistant that scrubs all those different MLS. We have over 70 keywords plugged into that MLS that notify us the instant that that property or a property like what we purchase, renovate, and sell and rent as turnkeys becomes available. And the markets that we do business in and we have two full time buyers for that cover those seven counties. I have two full time buyers that cover our Northern Maryland office. So and then another executive assistant. So you know, you're talking about a number of six full time people on, on market acquisitions. We look at 20 to 25 properties a day? Make offers on maybe half of those. And you know, a large portion of those we get so, and they just don't work. The location, the proximity to the road, the neighbor's house, the ceiling height.

Eric Brewer: We have an actual form. I'd love to get it tattooed on the forearms of my acquisitions agent like it's a red flag list. Like they're non-negotiable, right? Properties with bad backyards, we don't buy properties with slope driveways. Like if you need to, you know, to use equipment to climb the driveway in the middle of winter, we don't buy it. Seven foot ceilings, you know, structure, which just certain things that for us are non-negotiable that we don't even, you know, make an offer on. And we buy, you know, between 5% and 7% of the properties we make an offer on. So the sheer volume of work that goes into that on market acquisitions is pretty substantial.

Eric Brewer: And I got people that, you know, they stay organized, they make those offers. Some of those properties that we buy, we've been making offers on for six to 12 months. You know, because when you're dealing with on market and bank owned properties, the bank puts it out an appraised value.

Ron Phillips: Sometimes time is your friend, right? It's their enemy and your friend.

Eric Brewer: It's the only reason they'll consider a reduction is because it's been on the market for 90 days. Not because you know of any information I share with them. Then we have on market acquisitions and I think that's what you touched on a little bit. Do everything from direct mail to Facebook advertising to Google to search engine optimization. This summer I employed 13 young students and football players, we did door to door marketing. We basically canvas pockets of great turnkey neighborhoods; like properties that were very equal rent, low and supply, school district. They were all like... The neighborhoods we hit were like between 1100 and 1400 square feet. Right. So they weren't too small. They weren't too big. And the average rents were between 1200 and 1500.

Ron Phillips: And let me ask you, because I spoke last year at the Ohio real estate investors' association convention. And one of the questions, I did a 45 minute Q and A, just open Q and A, and one of the questions I got was that, you know, the market's different nowadays. It's not the same as when you were doing it, Ron. Cause I used to rehab houses way back in the day and you know, we did our marketing and everything and you know, they're like, you know, I'd send out letters and, and, and people, people were getting the same letters and everybody's doing marketing and everybody's doing the same thing I'm doing. And I thought to myself, man, I dodged pitbulls putting flyers on people's houses. So I don't even want to hear the fact that you can't get a deal. How was the door to door thing?

Eric Brewer: It's awesome. So I have this, actually just before I got here, I spoke to a group of students at a local high school that are, they're approaching graduation at the end of this year. So they're going through a lot of career visioning and stuff like that. And this particular class, they have an emphasis on construction, architecture, things of that sort. So they invited me in and we were talking a

little bit about our construction processes and stuff like that. But one point I made to them is that in today's competitive environment, the more difficult the marketing strategy, the more successful. And it's more successful because the Average Joe doesn't have the time, the energy, the resources, or the patience to implement it.

Ron Phillips: I'd just say the willpower. Nobody's got the guts.

New Speaker: I had three days of training. Like it seems easy, right? Like knock on a door, hand out a flyer. So you gotta imagine you've got, you know, some of these kids are 165 pound football players knocking on a 74 year old woman's door. Like you gotta be able to do something more than just kind of grunt and hand them a flyer, right? Like it doesn't work. So we spent the first two weeks that I employed them going through training. We call it an elevator speech. You know, I work with integrity first home buyers we're a local real estate investor, just touching base to let people know that if you thought about selling your home, there might be a quick and easy way to do that. So I'm going to show you something real quick. They won't hear it on the podcast, but I want you to see the visual. So this is like the crazy stuff I go through.

Ron Phillips: See, to me that's sexy dude. For all of you visually impaired right now, he's showing us his war board. Basically it's a big whiteboard and it is got numbers and all kinds of stuff all over it, right?

Eric Brewer: So can I tell you what that is? I call it my recipe for 500. So what I did was I'm constantly, it's the biggest thing I do here, I have great people day to day operation is mostly managed and led by key people that I have here. Liz who's one of the prime guys that you guys deal with. Then Anthony, my COO runs the day to day operations. Right? And so when I'm in here in my office by myself trying to figure out what to do with myself, I figure out ways for us to generate more leads, become more focused on the properties that we purchased, and then how do I generate leads in those areas or in those markets where the most appealing inventory is?

Eric Brewer: So what that all was, was we have over 200,000 points of data in our marketing system. So 200,000 points of data it's virtually, you know, every address of every property that we may have interest in buying between now and the next 36 months. And then we analyze all different types of, you know, analytics about that property, what's the proposed value, how big is it, how long has it been owned? And then basically what we do is we take a three touch approach to what we mail, call, text, and four soon to be with door knocking because it was successful. So each of those customers will get four touches every six weeks.

Eric Brewer: It comes out to be some ridiculous number, 75,000 calls every six weeks, 90,000 text messages, 5,000 doors that are knocked on. And then when you plug all of

that into, you know, the predictable response rates and then the appointment, then eventually, you know for each appointment we buy 25% of the appointments we attend that will net us 500 deals a year.

Ron Phillips: So I want everybody to understand, I mean you probably just talked over almost everybody's head that is listening. That's okay because there's a point that needs to be made here and that is that, you know, people take for granted... I don't know what it is about houses, rental properties where people like to discount the amount of work that is involved in creating one of these properties. And we haven't even gotten to the scope of work yet. And most people are probably sweating already out of energy, out of breath. And we've only touched on one part of the business. This is the marketing, the acquisitions piece of his business, which are all of those people he just talked about doing all of those calls, all of that stuff, all of the data research, all that crap, all that's just to acquire the property, right. There's a whole other section, probably a couple, right?

Ron Phillips: But the next one we're moving into where this whole scope of work is, that's the whole construction piece, right? So we haven't even gotten to the construction piece and most people are tired and don't have any interest in doing this.

Eric Brewer: They can, they can break this out over a three or four day listen.

Ron Phillips: For sure. For sure. Yeah. We, and we'll probably have to have you back. I mean this is fantastic stuff. But yeah, so Eric, you spend an enormous amount of energy just acquiring these properties.

Eric Brewer: Yeah.

New Speaker: But, but as you know, as people kind of say sometimes, then the work actually starts, right? Because now you've got this property. So take us through like what, what's the scope? So you've, you've kind of laid out, I know everything that I need to know about these properties before I buy them, but now we're going to fix them and I already know you, you have the same kind of structure with how you do construction too, right? So talk us through construction and the scope and how that thing works.

Eric Brewer: So what we do is we have a standardized, what we call a property walk or a scope of work. And basically we've built this and sort of, you know, tweaked it and you know, I'm comfortable saying almost perfected by taking every potential line item that could come up in a property, anything from power washing the siding to replacing the boiler to upgrading the electrical system. So when our acquisitions agents walk this property, it prompts them to make a decision on whether or not that that item is acceptable, needs replaced or reconditioned. Right? So to make a long story short, there's about, they do it

digitally, but if you were to, to print it out, it comes out to about 10 or 12 pages of selections that they have to make.

Eric Brewer: So does the roof need replaced? Well how do we decide that? It doesn't have five years of useful life? We make it brand new. Windows are old and one that have lost their installation with broken seals or they don't open and close, they got to go. Same thing with furnaces. If the furnace doesn't have five years of useful life, so they don't have to think about that, they just simply have to make a decision because of the scope of work that we've created that when they walk a property, they're only asked to make a decision as a yes or no. And if it's interior doors, let's say for example, they just have to count the amount of doors. So they say, yes, it needs doors, it needs 11 of them. And then that system auto-populates what the cost of that will be based on the historical data that we have after remodeling thousands and thousands of properties. So we created a standard, right, of what is an acceptable property. And I think it was someone it might've been Ron, it might've been, you know, someone at your company that stated you guys kind of renovate your rentals the same way you do your flips. And I was like, well, yeah, I didn't know there was any other way. And I started in this business doing retail flips. So I, you know, I didn't buy my first rental until eight years ago.

Ron Phillips: Guys, retail flip. That means he's taking the same kind of house that he just told you about, even that one that was condemned and he's re-purposing it and making it for retail sale to a homeowner, somebody who's going to walk through the house and go, oh my gosh, I want to live here. Right?

Angela Thomas: That's a big deal.

Eric Brewer: And I think like that particular property that I sent you Ron, like didn't that look like new construction?

Ron Phillips: I mean it was sexy. I'm not even kidding.

Eric Brewer: When we got it down to the studs it actually appraised for \$15,000 more than we sold it for. I could've put it on the retail market and we'll get to that. But the core of my business, I'm really passionate and excited about working with your clients and giving these folks the ability to build wealth through the accumulate income producing property. I'm burned out of the retail environment of flipping homes. It's almost a thankless job. Like it's just not, you know, I get a little bit of connection to that homeowner. They move in, they're happy, but like I never hear from them again. Right.

Eric Brewer: So it's like, you go from hero to zero each time you sell a new property. I get this deeper level of gratification that when I sell one of these properties to your clients that I know: A, it's not going to be the last time I talked to them. Most of

these clients are buying two, three, four properties. So there's this, you know, just greater, you know, satisfaction I get from selling that property. So when we approach these, you know, the only difference I would say between our flips and our and our turnkey renovations is a little bit of the aspect. Like I don't get into like opening up walls and feeling like that cause it doesn't have an impact on what it'll rent for. It doesn't necessarily have an impact on really what it all appraised for. So it has no financial impact. But that's the only time I may, you know, really any adjustment when people walk a property. We don't have like a, a turnkey scope of work versus a flip scope of work. We use one tool.

Ron Phillips: I think it's really important to not gloss over that either. Cause Angela, you know, we've been through this so many people when they're like what's a rental. That doesn't mean what's a crap hole. It's a, I mean, I don't understand... how many times when we said this on the podcast that, you know, people somehow they lose their minds when they're buying or when they're renovating rental properties? I don't understand.

Eric Brewer: And again, I think it's just because, I mean honestly, like I until I was introduced to Ron, I knew a little bit about the turnkey business, but I didn't know... And it took us several months of sort of vetting each other. I would have went out and bought a bunch of properties and sent them over, but I really wanted to understand what the expectations were because for me, this isn't, you know, something I want to do for six months to move on to the next cool thing.

Eric Brewer: What I love about turnkey investing is I've analyzed every potential market from where we've been, how we got to where we are, where we might be headed, where we could be headed, and where I think we're headed. And this model stands up in any of them. So for me as investor, you know, I was in business in 2005. I was in business in 2006, 2007 it was like you could do, I could buy something, literally do nothing, put it back on the market and sell it and make \$25,000. In 2008 I was forced to completely reinvent my business. I actually got into installment sales agreements and owner financing had over 140 installment sales agreements. I was holding paper for people that could have got mortgages, should've got mortgages, but couldn't because of how reactionary the lending environment was. I mean, I was lending people money with 700 credit scores and 30% I don't want to get too deep on the lending side, but 30% debt to income and couldn't get a loan because they had been on their job less than two years.

Eric Brewer: So had I not, you know, been able to do that or had the lending capacity to be able to, you know, run that portion of my business, I might've been out of business in 2008.

Ron Phillips: That's one of the things that anyone who made it from, you know, 2005 which is when I started in this particular business as well... In 2005 all the way through.

You're right. I mean it was like a, I mean it was like giving candy to a baby. And you know, Angela and I've talked about this many times as well, but you have to be able to pivot when the market shifts. You have to be able to pivot and which means you have to be, you have to be nimble enough to do it, but you also have to have some foresight. You also have to be able to look at the problem and go, okay, here's the clear solution to this problem and I can make this happen.

Angela Thomas: And you guys like, I mean you saw, yeah, like you said, the foresight, like I mean right now you can kind of feel the market shifting, but a lot of people are gonna wait for it to actually shift before they do anything. So looking ahead a little bit and making sure that you're good no matter what happens, I mean that, that's what helps both of you.

Eric Brewer: And it's hard. It's, I mean, I can tell you it's hard for me because we're, I mean, we've been in a really good market, right? So it's, it's hard to get caught up in the excitement of just doing more of what we're doing now and try and focus on. But for me and my company, I owe it to our people. I owe RPC, I owe it to everybody to make sure that when that business does pivot that we are not only nimble enough but smart enough. And I'm not building out, you know, property management practices and SOPs and construction scope of works two years from now when it's time or whenever, I'm not speculating, but let's, here's my take. So this is when it all kind of fell into place for me was like, okay, so let's say that the market has an adjustment and less people were buying homes. That's what we talk about with a market adjustment, right? So if they're not buying them, they still need a place to live, right? Yup. So what will they do? Rent them.

Ron Phillips: Actually, if it's anything like last time there will be more people who, of course, like you said...

Eric Brewer: Now the flipping business slows down, right? So the resale value of properties stabilizes. Maybe it dips a little bit, let's just assume it stays where it is. It doesn't drop. And I think that's what you anticipate as a correction as it stops growing. But it doesn't, we don't hit a recession. It's a correction. So now for me, I'm able to buy on market off market properties with 75% of the competition gone for lower prices. Right? Which means I'm selling them for a lower price and the rents have increased. So now what happens to the returns for someone that's involved in the turnkey rental space?

Angela Thomas: Oh, it's beautiful.

Eric Brewer: Right? It's like for me, when I thought about that, I'm like, how do I protect myself and get like how can I be prepared enough? And the best thing that I did in 2007 and 2008 is I had to, by accident, worked almost exclusively in the first time home buyer price model. So I didn't really take that, that hit when the,

when the prices fell, because first time buyers don't know what rates used to be. They didn't know that y'all, you know, you could have got an 80/20 loan. They were like, oh half percent. I have that. That's cool. 7% well that sounds cheap, so that's what I pay on my car. I'll do it.

Eric Brewer: So we sold out of that inventory pretty quickly. And then as we bought stuff, it was easy because our average flip took inside of 90 days. If I bought it and the market was crappy, it just meant that prices were down. So I bought it based on a crappy market and I bought it at the right price. I renovated it and I sold it and I put it on the market for \$30,000 less than some people get mad at me, but I was on the market for \$30,000 less than the neighbor cause he bought it in 2005, I bought 90 days ago.

Ron Phillips: People got pissed off at the builders too. The builders that all went out there and bought the lots that were all closed on. Right.

Eric Brewer: Some of those are just now being developed. You know, there's lots of developments in my area that have been owned by builders since 2007 that they're just now developing.

Ron Phillips: I know. Yeah, I know, I know. I know. Well, I mean I think the thing that sets this business apart from other businesses, and I've been preaching this to people for a long time, you know, cause we were in the same mastermind group, one of the same mastermind groups is that this business doesn't stop either. It either it's either really good and gets better or it just goes back to really good. One of the two happens. The challenge, I think mentally that you've been able to overcome, but a lot of people don't, is that there's maybe five to \$10,000 more per property sitting them on the, on the retail market. Right? Why would I want to retool my business right now when I can, when I can generate more revenue today and take advantage of this market? I think you hit the nail on the head.

Ron Phillips: It's because they're overlooking the fact that this is a machine that has to be built, and that you can't just build it overnight. That doesn't happen overnight that you get the systems that we were just talking about. And it's the same thing on the other side of the coin, right? So the reason that this works so well together is because when you can, when you can build a production machine for the rental properties and then there's a consumption machine built on the other side, you plug those two pieces together and this machine is, it just, it can just keep cranking out and it can keep growing and we can keep helping more and more and more people and it doesn't have to stop based on the market. It actually can, can become a bigger juggernaut when the market corrects.

Eric Brewer: Yeah. So, so like for me, what I look at is when you talk about like the ability to be able to, it's a much more scalable model for me as well. Yes. I like when I send someone out to... So let me put this into perspective. When you talk about

like I wouldn't say a sacrifice, but a shift in thinking for me is my average sale price on a flips \$170,000. My average turnkey rental I sell with you is 115. So profit margins, which we all operate off of a profit margin is 15%. Obviously 15% of 100 is less than 15% of 170. But I'm able to do, you know, I think the biggest month we had was last month with RPC, we did eight turnkeys. It would be my average renovations below 30,000. My average rent or flip renovations exceed 65,000.

Eric Brewer: So you know, when I look at a turnkey, I'm not looking to build additions, I'm not looking to change the footprint of the property. I like predictable renovations that normally stay within a very, I'll say small variance of what needs to be done because the bigger the project, the more likelihood there is for issues, the more likelihood there is for, you know, issues down the road. Even with those renovations, if I'm completely rebuilding a property from the ground up, you just always run the risk of 12 months from now, 18 months from now, 24 months from now. When you try and put brand new everything in a 80 year old property, it doesn't always quite fit right.

Angela Thomas: Yeah, that makes sense.

Eric Brewer: So we try and keep our renovations predominantly mechanical and cosmetic based on our turnkeys, which makes it much more scalable. Like I can send a guy out with 90 days' worth of training to buy 10 turnkeys and nail the renovation estimate; it would take him over 12 months in my experience to learn how to properly estimate a flip more of it. There's just more stuff. It's the same scope. There's just more, you know, we put a building up on one of our flips.

Ron Phillips: You have to be a little more of an artist, too.

Angela Thomas: That is an art. Seeing what buyers want to see in your house?

Eric Brewer: The guy or girl that's good at doing an analytical assessment of a property does not possess the same skill set it needs to be artsy. It's an analytical person not a deal maker, not a creative salesperson that's looking for a way to make a deal on our market. It's X plus Y equals Z. And if it doesn't, we don't buy it.

Ron Phillips: Well look, there's, there's a million other things we can talk about. I think you hit it on the head earlier, Eric. I think we probably need to have you back and discuss a little bit more about your business and how things work. I think that people who... at least what I hope people get out of this, that first piece that we've done with you, Eric, is that I hope that people get a little bit more of a sense of what it actually takes. Manpower hours. Well, it's not hours. Days, weeks, months to make something like this happen. And then to keep a machine like you've built churning out properties over and over and over again.

How effort and how much knowledge and ability has to be spent to make that happen. Right? There's not like you started doing this yesterday and all of a sudden you're a successful man. This has been, you know, decades long and hard fought knowledge on how to make this thing work to the scale that you've been able to make it work.

Eric Brewer: So let me, let me just take 45 seconds and finish that renovation conversation. So we talked about the scope of work very specific when the acquisition agent turns that over to our renovation department, they send that entire scope of work. So everybody's on the same page about what the intentions were when we bought it versus the actual scope will be. But before we hire a contractor, I do a full home inspection. You guys know this.

Eric Brewer: We actually get to home inspections and do a home inspection before I start renovations. Well, I'm not a contractor. I'm not a builder. Even my PMs with all their construction experience, they're not a home inspector, so the home inspector goes through and tells me everything that's wrong with the property. Occasionally something will pop up that we didn't identify on the front end. We then add that to our scope of work, right? So now we go through the renovation. I have three full time project managers. I have a full time construction manager, I have an executive assistant he has all the permits, the paperwork. When we send you a property, you guys get a detailed less room by room that's tagged as a renovation list and we send over that entire list of everything we've done room by room. Then at the conclusion of the renovations, our property managers get to the property no less than two days a week to check on progress and monitor quality.

Eric Brewer: At the conclusion of the renovation, we order another home inspection. That home inspection is designed to verify the integrity of the repairs that have been done by our licensed and insured contractors. What do I mean by that? I mean that a home inspector is going to go in and make sure that the GFC is supposed to be 11 and three quarters inches away from the sink. It's 11 and three inches, three, three quarters of an inches away. Not 11 and a half, not 12 not 13. Right. I mean I don't know what the points are. I actually had the guy on a show I did Monday, the home inspector. He was the guy knows so much about flipping real estate and, and renovations he even blew my mind and I've remodeled a couple thousand properties.

Eric Brewer: But the point is is that, you know, home inspectors, their whole job to find something wrong. So we're completely transparent. Like, hey, we're proud of this. We just renovated it. Tell me everything that's wrong. Even after doing a full renovation, we normally have a half page of stuff that comes back.

Ron Phillips: You know, that's the other thing too, is I think that when sometimes when our clients and probably everybody out there who's ever bought a house, when they

get an inspection report back and it's got a list of things on it and the house was supposed to already be rehabbed, the question in their mind is like, well, they must've done a crappy job because look at all this stuff. And I'm like, I mean if he walked out of the house with zero things wrong, what you should be doing? What happened with that dude? He couldn't find one thing wrong with the house? You gotta be kidding me. I paid him, I don't know how many hundreds of dollars. Why in the world did he not find one thing, right?

Eric Brewer: And a lot of the stuff that they'll find like, so one of the, we use a couple of different companies, but one of the companies, what I love about their report is the break it up into significant findings and then things to keep an eye on, right? Like this isn't an issue. It might never be an issue, but make sure you do this, make sure, and for us, I don't, we've never had even a conversation about a reply to inspection because we fix it without asking if it shows up on significant findings. We sell what's called a CR certified property. So the CR certified, you'd never buy a certified car? Certified cars run through the factory inspections and they're confirmed to be up to minimum standards. So we, I came from the car business, that was my idea to sell CR certified. And basically what it is, is that, listen, we do a home inspection and not only do we talk about the furnace and roof and all that other stuff, having five years of useful life, if it's a significant finding on a home inspection report, no questions asked, your client doesn't even have to ask. We replace it. We just send over pictures and a receipt because it's significant.

Eric Brewer: Typically those reports significant is identified by a safety issue. Why are we arguing about a safety issue? It's gotta be done something that individually costs more than \$400 to me that we should have caught during the renovation, but we're not always. So rather than rely on us, and I love the third party degree of separation where I can turn it over and say, Hey man, it's good to go. It's going to last forever and really believe it and do everything I could to make that a reality. But I'm not a home inspector, so this guy might find something. I know they crawl up in insulation and addicts and I mean there's like animals and stuff sometimes. I'm not them and you tell me what it costs when you come down. I'll meet you on the first floor. I can't do that stuff. It's not for me. Septics we don't sell rentals that are septics but like those home inspectors get down in that stuff. And that's a tough job.

Ron Phillips: Thank you man. Thank you. You can't pay me enough money to be a home inspector.

Eric Brewer: That's our, that's our renovation process to home inspections. Fulltime property man, project managers. We do a final punch list that's done by the head of construction at the conclusion of every job. And we combine it with a second home inspection once it's completely done to verify the integrity of the repairs

and then no questions asked we fist we fix anything that's tagged. This is significant.

Angela Thomas: Man. I've been in this for, for 10 years now, Ron, in real estate. And I mean I've to quite a few sellers and that's gotta be one of the best processes I've ever heard. I mean, that would make me feel really comfortable buying one of your properties.

Eric Brewer: Well, and you know, for me as a seller, it is that buyers know. Because you know, there's the two major reasons deal fall apart is because of an appraisal or an inspection issue. Inspection like most of the time. Why, why wait? Like why? For me, why would I wait until four days before settlement to find out whether or not it's an issue? Or sometimes, you know, if it's someone's first property, they might go, Hmm, that handrail's missing. Should I really buy it? And they go through sometimes, particularly a new investor might, they're concerned. So in that, that takes time. It takes some explanation, a little bit of an education. Well for me as a seller, I don't want to be on edge wondering whether or not our transactions going to go through to settlement. Let me take all the guesswork out of it. I'm going to fix it. Its 80 bucks. Why would I argue about that? Right?

Eric Brewer: So, you know, it takes the guesswork out of it. We have a over 95% close rate on our deals. So for selfish reasons, you know, I do it because I want to know that my deal's going to stay together. Buying and selling 400 pounds. Cash is a big, I fund all of my deals with my cash or the bank's money, so I have to make sure what's going out is also going to be replenished by what's coming back in, which is by our settlements and our sales to make sure that I can go out and buy, you know, another 15 or 20 properties those two weeks.

Ron Phillips: Otherwise the machine slows down and you can't do that. Right? Eric, I think, I think everybody got a, a mountain of information out of what you just said and anybody listen, there's several different types of people who are listening on here. I mean, anybody who actually is in the business and is listening to this, got I mean, they got more probably out of it than anybody else did about what it really takes to run a successful and a growing rental business, rental rehab business. I mean that's what it takes. I think sometimes people, people get these impressions that it's, it's, it's easier or it's it's, it doesn't take as many moving parts. It doesn't take as many people. It doesn't take a good leader. It doesn't take a good team. You could just cobble a bunch of crap together and all of a sudden you've got this great thing.

Ron Phillips: I'd love to get you back and talk about team cause it's something that we've, we've talked about on our show several different times, but I know you have a phenomenal team. I know that you also have a phenomenal environment there for your people and that they love working there, man. One of the coolest things, those of you who are not friends with Eric on Facebook, that dude is a

ton of fun. Which lines up with one of our core values. Fun is one of our core values. And so you know when I see Eric out there racing his people down the streets on Facebook's hilarious dude.

Eric Brewer: It's an easy win for them.

Ron Phillips: I don't know, man. You're fast for big guy.

Eric Brewer: I'm like an oversized cheetah, you know. It wasn't me, so I can't take the credit.

Angela Thomas: Oh, that's great.

Ron Phillips: Well listen, we'd love to have your back talk about some other things that you do very, very well. We really appreciate your time. I know everybody else who's listening really appreciate your time.

Angela Thomas: Yeah, and real quick, since we're going to have Eric back, I just want to mention if anyone has questions for him that we didn't cover, we'd be happy to cover next time you can reach us, reach out to us on Getrealestatesuccess.com. Leave us a comment or look us up on Facebook at Get Real podcast

Ron Phillips: Now since you can't separate the likes and the dislikes, you got to give Eric all likes. Don't be a jerk and give him, you know, on the shows that just as Ron and Angela, you can dislike us all you want because you know, no big deal, but give Eric likes. All right. And share this around man. He's a stud.

Eric Brewer: Thank you so much for having me.

Ron Phillips: All right you guys, see you next time, have a good day.

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