Gary Boomershine of Realestateinvestor.com

Speaker1: [00:00:04.77] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode. Hello, this is Hall Martin with Investor Connect. Today, we're here with Gary Boomershine, founder and CEO of real estate investor Dotcom. Real estate investor Dotcom is a vertical solution provider in the real estate niche, servicing real estate investors, agents and private lenders. Their flagship service, REIT Volcom, provides Manege marketing shares systems and proven results have a proven direct response marketing formula, offering both direct mail and online services to their members. They sent out over 14 million pieces of direct mail and averaging about five hundred thousand pieces a month. Currently, they are a membership model looking for like minded investors who believe in shared resources to get altitude in their business faster, cheaper and better, and then on the five thousand fastest growing company list for 2016 and 2017. Gary, thank you for joining us.

Speaker2: [00:01:08.28] It's a real pleasure to be here and super excited about sharing whatever I can to your loyal listeners. Should be a lot of fun and hopefully everybody gets a ton of value in our time together today.

Speaker1: [00:01:20.16] Right. So what was your background before investing in real estate?

Speaker2: [00:01:23.25] Yeah, so I actually it's pretty unique. I'm a born and raised in the San Francisco Bay Area. I grew up just actually this next week I'm turning 50 to a lot of people call me an OG, an original gangster. I guess I've been doing real estate really my whole life. I was a licensed agent when I turned eighteen nineteen eighty seven, literally three weeks after turning 18, we had a family brokerage called Boomer Realtors in the San Francisco Oakland Hills and paid for college doing that and pretty much learned every gamut of real estate from an agent perspective. We had rental properties. I was out there with a paintbrush. I was door knocking and cold calling and fixing up rental properties. But I really had this. The whole technology was just getting started back there and decided to go down the technology path. I am a computer engineer, computer science and engineer from UC Davis. I did the Silicon Valley path, got hired by a company called Accenture, which is the largest management and technology consulting firm in the world next to IBM. And then I did for enterprise software companies back in the early 2000s and learned a lot, loved it, very process oriented love, technology and business. But it was in 2004 where I was, I think, two thousand and three.

Speaker2: [00:02:48.90] I had one hundred and eighty thousand miles on United Airlines and was never home. I was like 80 hour weeks and in the inside of buildings all over the world. And my wife and I, with two small kids, including a two month old, said, you know what? This is not the life that we want. I read Rich Dad, Poor Dad and said, let's go back to what we know and decided to go full time real estate investing. And that was in 2004 and really never turned back. Gosh, I love it. I purchased every type of real estate imaginable from land to apartment. Today, I'm still doing quite a bit of real estate. I do a lot of lending. Lending is probably private. Lending is probably my favorite and and being involved in various deals with other people. So I'm not really the the main operator. I kind of think of myself as a more of a venture capitalist investing other people's deals and lending all around real estate as the asset class. But I guess you can take the software guy out of real estate, but you can't take he can't take the software out of the real estate. You can't take real estate. I'm a software guy.

Speaker2: [00:03:55.14] And so in 2005, I actually started a company that's now real estate investor Dotcom. We've got about fifteen hundred active members that are a combination of hybrid agents and investors from fairly newer investors to very experienced seven and eight figure investors and real estate investor dotcoms. Passion is really taking technology and being able to utilize technology that we have today to be able to increase people's deal flow faster at a lower cost to them to make more money, have more free time, which I think is ultimately the end goal for many of us. And finding deals, the money is typically made on the front end when you find the right deal and then do the value add. And so I love adding technology. So we've got a lot of software. What's really unique about us is our software is finding off market deals primarily through channels like direct mail. We've done more direct mail than anybody in the real estate niche. I think we're currently almost 80 million pieces of direct mail set and I've got a very large phone team and is a team that also has the ability of managing and qualifying and screening all of those leads that turn into appointment. And yeah, that's a lot of fun. I'm keeping busy.

Speaker1: [00:05:17.74] Sounds great. So. So what excites you right now?

Speaker2: [00:05:20.40] Yeah. You know, we're going at. To a new market, I've been talking about this on my own podcast for years, real estate's been a historically for over one hundred years, has been a seven year cycle. That just happens. This is the longest cycle we've ever had. We're at year 12. And there are very interesting comparisons in each of these cycles. And I think we're about ready to go into another transition. And I'm preparing and also preparing a lot of our user base for that transition, because those transitions are also massive transitions of wealth. And so I've become much more into a cash position in terms of where I think the market's going to turn. I think there's going to be incredible, incredible buying opportunities in this turn, which I think is coming. And so right now, I'm probably spending a lot I'm a little bit more risk averse right now where there's a lot of people that are like full steam ahead. I'm actually picking chips off the table because I think there's going to be buying opportunities and then followed by massive inflation. And so I'm kind of a numbers guy and I'm kind of preparing for this new wave of real estate. So most of my time right now is I find creative deals that make sense, that have upside. And then I do a lot of lending. I love doing first position, lower risk lending and actually funding another deal as we speak.

Speaker1: [00:06:44.07] All right. So what's your advice for people investing in real estate? What do you tell them to do before they write that first check?

Speaker2: [00:06:50.01] Yeah, you know, I'm actually just about ready to release a book. It's going to be called the Freedom Code. And it's one of the things that I see for people in real estate is they focus so much on the how like are they going to whole sell? A lot of people jump in and they're wholesaling or they're going to fix and flip. And I think I always coach my students on making sure that you understand the why. What do you really want to get out of real estate? Because I know a lot of people end up getting into real estate, focusing on this little niche or that little niche. And for me, it's like figuring out what what do you really want real estate to do? Do you want it? Real estate? There's three kind of buckets in real estate. From my perspective. There's cash now. There's cash flow and then there's cash later. And a lot of people are focused on one bucket and they're missing the huge opportunity. Like, for instance, wholesaling is great. I still do that today. That's really you're not owning it's a one time transaction, right? You find an asset, you get it under contract, you find another cash buyer and you're flipping it for a check. Well, that's cash. Now, that's a transaction. That's really a job. I like real estate where you're looking at cash now, which might be the front end transaction. There's cash flow, which is typically around things like lending and taking advantage of rents. So if you're a landlord and then cash later is the appreciation. And I think a lot of people get pigeonholed looking at real estate the wrong way.

Speaker2: [00:08:15.99] So I think really understanding what you really want. Some people are very focused on trying to do one hundred deals a year and five hundred deals a year or whatever it is beating their chest. It's like, hey, you know, you may be doing one hundred deals a year, but what is your bank account looking like and what kind of are you working eighty hours a week and getting real clear what you want on real estate and then building your business around that. And so that to me is number one. Number two is, you know, what strategy are you going to do? Some people like start with wholesaling because they don't have a lot of money or experience and then they think they're going to go into fixed and flip and then ultimately into apartments. And I think that they've got it backwards. It's not it's almost like if you're building a house or you really just going to use a hammer as a general contractor to build a house. No, you're actually going to use other people, right. Other other resources that are experts and get leverage off of those people and actually be thinking of what real estate, real estate has incredible value. Right. But it's not just about the front end transaction of wholesaling. It's also around the cash flow and making sure that you've got your strategy right. So that's what I tell people and get really crystal clear on what their vision is for themselves. And then focus on the how, because I think the how in real estate is a lot easier. But the why is the hard one. And most people missed that goal.

Speaker1: [00:09:39.45] And so how do you see the real estate industry evolving from here?

Speaker2: [00:09:43.11] Well, I think my take is I think that we're kind of in a very interesting time right now with what's going on with the covid world. My take is we're probably going to see a change. I think there's going to be a tsunami of properties that are going to hit the market. The musical chairs can't go on forever. So I think there's going to be a lot of people that are buying and buying. And they're they're they're buying properties that they may get stuck on. So I actually think this is a time to be cautious, make sure that you're buying the right properties. It's the most competitive market that I've. In a very long time, it looks very much like 2008 and then 2000 before that and seven years, just like all the other markets all the way back to the early nineteen hundreds. And so I think this is a good time to be very watchful of where you're investing. I think that the properties need to make sense. I know a lot of people that are buying as an example that rehabbing and their profits today are super thin as opposed to what they were doing four or five years ago.

Speaker2: [00:10:52.29] And I know some people that are almost not even make any profit at all. They're just trying to keep their teams alive. And I think that's a recipe for disaster. I think the fundamentals still need to make sense. I think you need to always look at the downside as opposed to the upside and just making sure that you're buying right. You're buying, knowing that the market may turn and you can survive in a downturn market. And I think the people that are preparing and doing that are going to do really well in a number of mastermind's collective genius as an example, mostly seven, eight, nine figure players. And we're all having that same conversation. A lot of people are just business as usual. And it's like this is a time to be watchful. It's incredible right now, but real estate always turns. So those people are watchful. They make tremendous opportunities here in the next 12 to 24 to 36 months. And those that are not being watchful, they get really stuck.

Speaker1: [00:11:49.66] Right. Was we come out of committee and go into various stages of reopening. What's the biggest change you will see in real estate?

Speaker2: [00:11:55.89] I think right now this is a seller's market. I think that we're going to probably be looking at more of a buyer's market. I think there's going to be a lot more supply. You can't have businesses closed and the stimulus checks that are happening, there's going to be a point in time that they just can't print the money that they're printing right now. It's got to give. And so I think we're going to probably see a lot more supply on the market and the market turning. And if you look at a lot of the smart money, the hedge funds, you know, they're they're watchful, too. I talked to a few of my friends over at the hedge funds and they're like, we're we've got lots of money on the sidelines, but we're making really smart bets right now. And so I think there's got to be a point in time where the music ends and people are going to be looking for their chairs. And those people that are preparing for that, I call it the three PS you want to protect, you want to pivot and then you want to profit. And I think there's going to be incredible buying opportunities. So people that are buying right now just make sure that their value properties, the fundamentals work. You know, you know the numbers and you could actually survive six to 12 to 18 month term. That's that's my take.

Speaker2: [00:13:04.32] So what am I doing? I've liquidated a lot of my portfolio on the real estate side, and I'm we're very much in a cash position to take advantage of it. And so I'm still buying. But some of the stuff that I'm buying would be more creative deals where I'm getting some owner financing. I've got a deal up here and I'm working on it is a combination of a lot and a brewing company. The fundamentals make sense where I can get in and get a nice return with a with a nice pop on the back end and survive a downturn. I'm just not I'm just not trying to compete on crazy prices. So I'm allowing what I'm seeing out there on the market of what people are paying and the margins that they're playing on is is crazy. So a lot of people have shifted. I'll give you an example, especially on the single family house area. I know a lot of people have shifted from doing heavy rehabs into wholesaling. And so instead of doing, you know, two wholesale deals and eight rehabs, they're doing it the other way around. They're doing eight wholesale deals because they're cash buyers are crazy. And there are a lot of people that are spending money just like they were in 2007. And then they're being very, very specific on what they're actually taking on. So that's on the single family side.

Speaker1: [00:14:23.70] Great. Well, that's a good rundown of your investment thesis. Is that what you normally do or do you look at different things in different time frames?

Speaker2: [00:14:31.77] Explain a little bit more.

Speaker1: [00:14:33.24] So looking at your investment thesis, it sounds like what you're doing now is just specific to the current landscape and it's not what you'd normally do. It seemed like you were doing something different before because you just liquidated everything. What is your normal investment thesis? What is your criteria for investing?

Speaker2: [00:14:50.22] Yeah, so in early from 2008, when the market turned to two thousand and thirteen, I was heavy rehab lending. So we were doing a lot of rehab lending on after repair value. I shifted in about 2013. Where were the market was profits were crazy. We were heavily direct mail marketing. There weren't that many people that were using direct mail because all the deal flow from twenty eight to twenty thirteen were pretty easy. Foreclosure auctions. Bank owned Oreos and buying HUD properties, but as that dried up and became competitive, we started focusing more on going off market, which is off market means direct to the seller. So very heavy direct mail. What we've seen lately is the cost per deal has started to go up considerably. And so we're just monitoring that. I still my my primary way of targeting properties is is direct mail cold calling a large cold calling team. We also do this for a lot of our members. And just being really smart, it's a little I mean, I don't think anybody knows the direct mail model as well as us. Direct mail today is a little different than it was three or four years ago. You've got to be very, very well targeted.

Speaker2: [00:16:09.14] What I mean by that is you need to you can't just go buy a list from List Source or CoreLogic and send out some postcards and some letters and expect the phone's going to ring. And while you're going to make money, you have to be very people are going to be using a data stack. The list. You've got to be very specific on what you're targeting or finding inherited properties as an example, mostly free and clear. Most of the absentee owned which are burned, that landlords or ah, are really good targets. We data stack that. So we're pulling the vacant and then we're very specific in how we target them. We combine that with text messaging and some cold calling. So we've got what I call omni channel marketing and then really good follow up. So the follow up is key. So being marketing is not just around sending postcards, it's around being very specific on what you're targeting, having a system to be able to capture those leads. And then a no left, no seller left behind around follow up. So being able to stay in contact with the seller, including a really good person that's calling them and that's very, very lucrative.

Speaker1: [00:17:15.74] You talk about the cost of what's driving that competition primarily.

Speaker2: [00:17:21.26] And also I think the sellers doing this for a very, very long time, going after off market. Dealers are usually like five to six months behind where the market is and what we're and by the way, on a turn, that's really interesting as well. When a market starts to drop and go down, the sellers are still behind, which means they think the prices are a lot higher than what they really are. So you've got a combination of competition. You know, there's so much competition for going after these off market deals. A lot of people are doing direct mail. A lot of people are cold calling. There's a lot more technology out there to push button and make that happen than there has been. And then also sellers know that this is a seller's market. So being able to find those needles in the haystack takes a little bit more work. I'll give you an example in Texas. So in two thousand and seventeen, the cost per deal was probably about twelve hundred dollars in direct mail per deal that was spent. Twelve hundred dollars smartly on direct mail produces a deal. Nice return on investment today. That cost is going to be probably about three to three thousand or thirty five hundred dollars. Why? Because you're going to get more competition. The response rates a little bit lower. Know a seller isn't going to their mailbox and finding one postcard, they may be finding five.

Speaker2: [00:18:46.61] So you've got to basically stand out and then you've got to be really good at not just coming in and talking to the seller and giving them a crappy seller cash offer. You've got to be really good at building a solution for the seller. So a lot of people that are doing it right now, being able to build a relationship with the seller, being able to stand out from the competition are doing really well. Most of the big guys that I know that are doing seven and eight figures are still heavy direct mail, but all of us have seen the same thing. The cost per deal is going up. What's nice is the profits per deal are also going up because there's so much demand for buyers, for people that are looking for rental properties that are paying a premium. So the return on investment is still the same that it has been spend a dollar, make five or six dollars if you're wholesaling. So that's typically the way we look at our marketing as a return on investment, but it just costs more in order to get the result that you want. So I know get and a lot of data, people's heads are probably spinning, but anybody that does it will know that. And a lot of us do it for apartments. This actually works for a partner, multifamily as well.

Speaker2: [00:20:00.07] A little bit different formula to get it to work. But it's, you know, direct mail. Everybody says, Gary, you're a technology guy like you and you're doing direct mail and it's like it still works. Why? It's repeatable. It's scalable, it's measurable. So I can predict in a particular market, you know, how much money do I have to spend to get how many leads that they're following up on that are going to turn into opportunities that are going to ultimately close in deals. And if I can manage what's my cost and what's my profit, does my return on investment work, I know I can make that market work. The other interesting thing, just as another data point is just like any other business, there's really the cycle. So typically when you're sending out marketing, those deals are going in contract four months later, a lot of people that do direct mail, they'll send out direct mail or cold call and think that, OK, I should be able to make money immediately. No, it doesn't work that way. There's a period of time that leads come in. They need to get nurtured. And because there's a point in time where the sellers truly ready and motivated, they might not be motivated, you know, initially, but warming them up takes a process of follow up. And those people that have those pieces in place are doing great right now.

Speaker1: [00:21:22.78] Right. Well, you see many sectors and applications inside the real estate space. If you had to take one to be at the, you know, the best opportunity for investors to pursue today, what do you put at the top of the list?

Speaker2: [00:21:32.92] Well, it depends on their strategy and it depends on their capital. So there are people that may not have the capital and. You know, like if we go back to Warren Buffett, Warren Buffett, his definition of real estate investing is you you have cash. People that have money, they are finding a physical asset that happens to be real estate. They're getting leverage, right, by borrowing other people's money. And then they're holding that asset and they're taking all the advantages. I think there are a lot of people that are not truly real estate investors, their real estate business operators. So they need to run it as a business. And are they going to focus on single family? Are they going to focus on retail or are they going to focus on development? Every one of those is a different strategy. It's truly a different business. So you have to figure out, are you in the single family game? Are you in the multifamily game? Are you in the land development? Those people that try to do a mall? How many people do we know are CEOs of full time CEOs of multiple different types of businesses? You know, chase too many rabbits, catch none. So I like the single family market because it is hot. There's a lot of money to be made for people that don't have a massive amount of capital reserves. I still think that's a great play. So that's that's where I'm at. I know that market really well. I've been in the apartment game. I actually rather lend money. So my I like single family and I like lending, but that's what I would say. I'm an expert in the single family more than anything else. I know it. It's a physical asset. It's easy to value. I know what the demand is. I like to stay in that median home value area as opposed to going after luxury homes and things like that, though being very specific on your niche.

Speaker1: [00:23:21.09] Very well. In the last few minutes that we have here, what else should we cover that we haven't?

Speaker2: [00:23:24.78] Yeah, you know, I think this is a we're preparing for what I think is going to be one of the biggest real estate opportunities in our lifetime. I think those people that are recognizing that and preparing for that are going to do really well. I think that for anybody that's out there trying to find off market deals, I will tell you those people that are doing direct mail and they've got a good follow up system in place to be able to follow up with those sellers, primarily with a really good phone team, are doing incredibly well. And and if anybody needs any help on that, we've got gosh, we've got a lot of free tools, free information that real estate investor dotcom. And we're always there to help direct people any way we can. Our our business is really our I've got about one hundred people that work for us and we're super focused on helping people that are trying to crack the code. If you haven't cracked the code, real estate investor Dotcom is definitely here as a potential solution. And anything we can do for you, we'd love to help.

Speaker1: [00:24:34.71] Great. But how best for listeners to get back in touch with you?

Speaker2: [00:24:38.04] Yeah. Real estate investor Dotcom is probably the primary place. I have a podcast that we're active on. It's been a three or four year podcast called Real Estate Investor Huddle. And typically we're releasing new videos, new podcast a couple of times a week. And if anybody needs any help, I'm on Instagram and you can hit us up on Facebook. We've got a large Facebook community, a real estate investor, dotcom. And like I said, I I'm probably most passionate. I've I've seen everything and I've made a lot of mistakes. And I'm super passionate about helping people avoid those same mistakes that I have and getting them to the, you know, the end result, which is typically financial freedom and lifestyle freedom. And we're I think we're I think we've done a really good job at that.

Speaker1: [00:25:26.61] Right. We appreciate your taking time to share that with us today and hope to have you back for a follow up soon.

Speaker2: [00:25:31.86] Yeah, it was a pleasure. And I appreciate everybody and look forward to chat with you again.

Speaker3: [00:25:39.21] Investor Connect helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at

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