

IDENTIFYING YOUR SWEET SPOT

HOW TO MAKE THE MOST OUT OF EVERY
INVESTING DOLLAR YOU SPEND



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FINDING YOUR SWEET SPOT

If you ask a group of seasoned investors, “What is the number one way that you will increase your profits in the next calendar year?” almost all of them would have the same response...

“Increase the number of deals I do.”

This is, most certainly, an effective way to increase your profits, but there is another way that keeps your level of effort the same, while increasing your profits. That way is focusing on finding and doing deals in your sweet spot.

WHAT IS YOUR SWEET SPOT?

Your sweet spot is the set of deal criteria which lead to the highest profit per deal for the least amount of effort. The Sweet Spot concept is based on Pareto’s Principle.

Pareto’s Principle, also known as the 80/20 rule or the law of the vital few, states that 80% of your results will be generated from 20% of your activities or actions. In real estate investing, this means that 80% of your revenue is going to come from 20% of your deals.

Focusing your efforts on finding the 20% of deals that will produce 80% of your business’ profits will significantly save time and precious marketing dollars, while generating the same or higher profits.

If you’re not focused on finding these types of deals already, then it’s time for your business to make that simple shift. If you’re just getting started, then you should be looking for these types of deals right from the start.



FINDING YOUR SWEET SPOT

These properties share a unique set of criteria that continues to yield the highest profits with minimal effort over time. All you need is to know what to look for.

Once you identify these properties and their unique profile, you can begin to target them more specifically in your marketing efforts. You can also use them as a guide when evaluating seller leads to determine if they are worth your time and investment.

You will find plenty of leads that are not in your sweet spot. This does not mean that you should throw those leads away. They may need a little extra evaluation to determine if they are worth pursuing. If you find that there is still a potentially profitable deal, you may choose to take the project on or get it under contract and wholesale the contract to another investor.

Tip: The two things that should always be on your mind when evaluating potential deals are **velocity** at which you can turn over your money and **opportunity cost**. The sweet spot is designed to assist you in identifying the opportunities that will help you maximize your valuable investment dollars. If a deal comes along that is outside of your sweet spot profit range and you only have enough funds to fund that one deal, it might be more beneficial to wholesale that contract and wait for another deal that is in your sweet spot, which could yield a much higher profit. That way you are always looking to get the best bang for your investment dollar.

Next we'll talk about how you can find these properties and how to identify the unique profile that makes up your sweet spot.





HOW DID YOU FIND IT?

Finding your sweet spot may require a little bit of searching, but there are plenty of resources out there to help you with this exercise.

If you are a seasoned investor and you're not sure what your sweet spot is, you may be able to go through your existing records to figure it out. That's where having a CRM software, like Leadflow, that tracks all the details of your deals electronically, comes in handy. If you're a newer investor, you may have to do a bit of research online, and some networking with local agents and investors, to collect the rest.

Regardless of where you find yourself in this business, here are some great resources to help you along the way.

SOFTWARE

[Leadflow.com](https://leadflow.com) - For finding nationwide off-market and active listed properties, pulling comparables and analyzing potential deals.

BENEFICIAL LINKS

- <https://www.nar.realtor/research-and-statistics> - For finding United States nationwide market trends.
- <http://creastats.crea.ca/natl/index.html> - For finding Canada nationwide market trends.
- <http://www.zillow.com/home-values/> - For finding local median prices, market temperature, trends.
- https://www.trulia.com/home_prices/ - For finding local median prices, school ratings, heat maps.

GOOGLE SEARCHES

- "Fastest growing cities in (your local market)" or "fastest growing counties in (your local market)"
- "(your local market) realtor association housing reports/statistics"
- "Best school systems in (your local market)"
- "Lowest crime in (your local market)"

NETWORKING

Realtors - Visit open houses in your target area or call/email them to pick their brains about what's selling, what's not, what's currently in the local housing inventory, what attributes sell well there, etc.

Investors - Visit local REIA's, drive around looking for active construction, call investors, go to Zillow > Rentals to find landlords, search for cash buyer volume in the last 6 months in Leadflow.

Tip: When searching for this information online always make sure to use the most up-to-date information available. Even though a city may have had the best school system four years ago, it may not be the case now. One way to make sure you are getting the most up-to-date information through your Google searches is to filter the results from the past year. To do this, once you complete your search, click on the 'Tools' button beneath the search bar and then click on the 'Anytime' filter and you can set it to show only results from the 'Past year.'

Once you start finding the information that you're searching for, you are looking for the characteristics that make up the most profitable deals.

These characteristics generally fall into three different categories:

- **Your ideal market**
- **Your ideal property profile**
- **Your ideal client**

We'll go through each of these categories in detail and what to look for below. Take a little time to fill out the attached worksheet as you go through the exercise, then print it out and tack it up in a place where it will be convenient for you to refer to as needed.





SWEET SPOT WORKSHEET INSTRUCTIONS

1. IDEAL MARKETS

A) Which neighborhoods should you focus on? Which neighborhoods or cities have people moving into them, and not out of them? Which neighborhoods or cities would the majority of people, if asked, want to live in?

Tip: Look for neighborhoods that have a growing population, good schools, active buyers, and low crime. Another consideration might be proximity/driving distance to your home.

2. IDEAL PROPERTY PROFILE

A) RESALE PRICE POINTS:

- What is the average home price that the average person or family is buying? What price ranges have you made the most profit on?

Tip: Look at the Active and Recently Sold Properties to see which are/aren't moving based on the days on market. Talk to Realtors at Open Houses or REIA events.

B) SQUARE FOOTAGE

- What size home is the average person or family buying in your area?

Tip: Look for the neighborhoods where homes are selling quickly and look at the average square footage. You can use Zillow recently sold information or FlipComp for on-market property listing data.

C) AGE OF THE PROPERTY

- What is the average year built of the housing stock in your area?

Tip: Depending on the market, you may want stay away from homes that are less than 10 years old.

D) AVERAGE REPAIR COSTS

- What are the average repair costs of the homes that you are targeting? Does your market require full renovation and updating or just a quick cosmetic touch-up?

Tip: Check active and recently sold listings to view photos and/or talk to local agents at open houses to get a feel for how much work a property might need to sell in that market.

E) PROXIMITY

- What is the distance from home that you are willing to travel to the property? If you aren't working in your home market, how far are you willing to travel to work the deal?

Tip: If you are working a full time job and investing on the side, you may want to consider limiting your travel distance so you aren't spending all your time driving to and from the property.

F) STYLE OF PROPERTY

- What style of home is selling quickly in your area?

Tip: Look at the number of days on market for different properties in the area. Talk to Realtors at Open Houses.

3. IDEAL PROPERTY PROFILE

- A) What are the ideal client characteristics from your most profitable deals?

Tip: If you are a newer investor, network with local investors and ask them this question. It could be things regarding their financial situation, marital situation, legal situation, etc.



SWEET SPOT WORKSHEET

Primary Strategy: (circle one) Wholesale Fix and Flip Buy and Hold Lease Option Seller Finance Short Sale

Secondary Strategy: (circle one) Wholesale Fix and Flip Buy and Hold Lease Option Seller Finance Short Sale

1) Ideal Markets (i.e. cities, neighborhoods, zip codes, etc...)

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2) Ideal Property Profile

- a. Resale Price Point (i.e. \$100K to \$300K) _____ TO _____
- b. Square Footage (i.e. 1,000 - 3,000 sqft.) _____ TO _____
- c. Age of Property (i.e. 10 to 60 years) _____ TO _____
- d. Average Repair Price (i.e. \$10K to \$30K) _____ TO _____
- e. Proximity to Home (i.e. Within 20 min/mi.) _____ TO _____
- f. Style of Property (i.e. Ranch, colonial, single family, duplex, two-story, luxury, starter home, etc...)

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

3) Ideal Client Profile (i.e. Financially distressed, in probate, above average iq, etc...)

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

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