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Planning for a Changing Market

July 2022 – Denver, CO

The housing market is changing again. What home buyers need to know

Another 2008 Housing Bubble?

Signs the housing market is turning more buyer-friendly

Rising interest rates are crushing the US housing market: Morning Brief

The Market Shift has Started…

As the US housing market starts to cool,

Inflation hits highest level in 40 years as housing market sputters

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Navigating the Waters

- Then and Now
- Assessing the Situation
- Getting Strategic
- Tracking your Numbers

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A Lot Can Happen In a Year

Overall home sales are DOWN

Mortgage Rates are UP

Median Sales Prices are UP

Inventory of less expensive houses/condos are DOWN

Inventory of more expensive houses are UP

All Cash Sales are UP

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Before Panicking

Look at the Full Picture

- This was expected
- 2020 and 2021 were Growth Outliers
- Interest Rates were at record lows before being raised
- Change is normal in the housing market
- There is a lot in your control

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Assessing the Situation

What you can do instead of panicking

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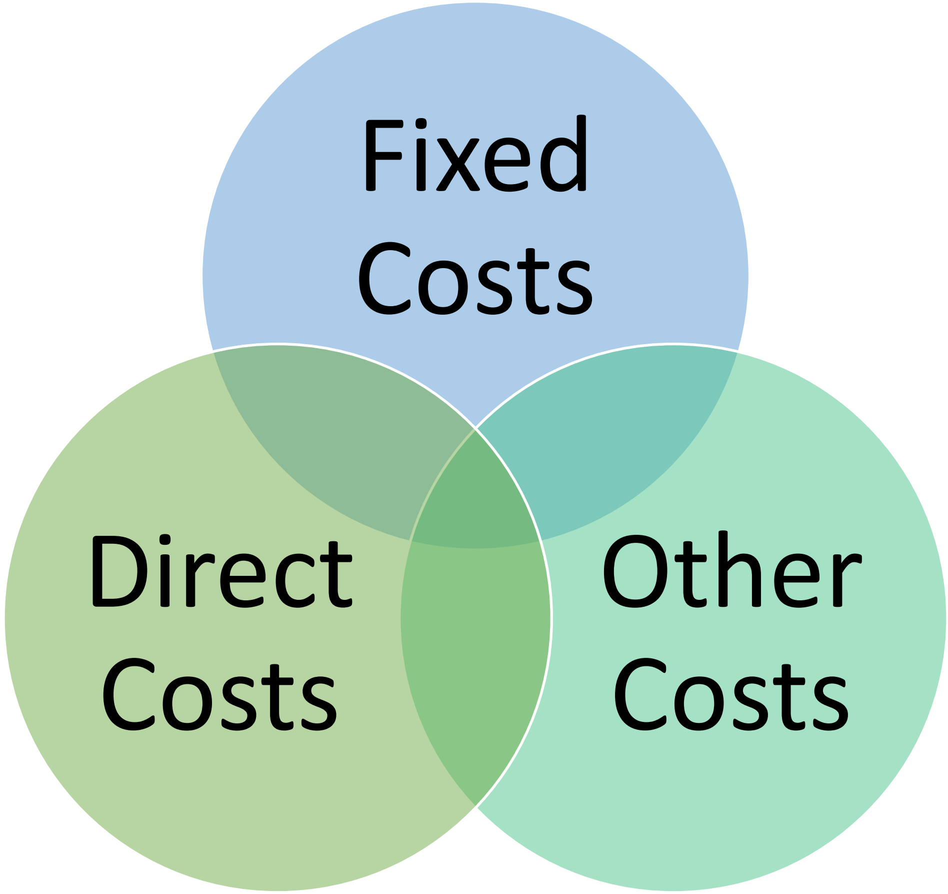
Break up your costs



- Fixed – Consistent costs not related to the volume of inspections
- Direct – Variable costs necessary to complete an inspection
- Other – Costs not fixed or directly created by completing an inspection

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Analyze Fixed and Direct Costs

Fixed Costs

- Salaried employees
- Debt & Loan costs
- Rent & Utilities
- Insurance
- Systems – Email, QuickBooks, Payroll, etc
- Other – memberships, taxes, service providers, etc

Direct Costs (averages are fine!)

- Inspector commission
- Mileage
- Other costs – CRM, Lab fees, Repair Pricer

Analyze the "Other Costs"

Do they answer these questions?

- Is this making you more productive?
- Is this saving you time?
- Is this generating revenue?
- Is this saving costs in other areas?

If YES – treat like a fixed cost

If NO – try to reduce or eliminate

Calculate your Fixed Cost Coverage

- Calculate the Income per Inspection (Revenue minus Direct Costs).
- Divide the total fixed costs by the Income per Inspection.

THIS IS THE NUMBER OF INSPECTIONS YOU NEED TO COVER YOUR FIXED COSTS.

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The Math

- Fixed Costs:
  - Salaries – 5,500
  - Insurance – 1,200
  - Rent & Utilities – 1,800
  - Systems – 300
  - Website & Digital marketing – 800
  - Memberships – 700
  - Other Expenses – 1,500
- **Total: 11,800**
- Direct cost per Inspection: (Avg ticket $500)
  - Inspector Commission – 200
  - Mileage – 30
  - CRM & Other – 30
- Income per Inspection: 500-200-30-30 = **240**
- Cost Coverage – 11,800 / 240 =
  - **49.16 Inspections per month**

Making Sense out of that Number

- Is this number achievable?
- Can you reduce the costs?
  - Fixed
  - Direct Costs
- Can you increase the revenue?
  - Ticket price
  - Number of inspections – Watch the CAC!

Every Situation is Different

- Current inspection coverage deficit or surplus
- Local market trends
- Amount of cash in the bank
- Access to other funds

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Getting Strategic

Adapting to the current environment

Making the Most of your Money

- Look at resource (Time and People) allocation
  - What is the cost of labor going into various activities?
  - Are the right people working on the right tasks?
  - Can more time (or cheaper time) be allocated to revenue generating activities?
  - Are people doing jobs that could be done with a software?
- Less cost is not always better
  - Will it be creating a larger cost down the road?
  - What is the opportunity cost?
  - It takes money to make money (Marketing!)

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Invest (WISELY) in Marketing

- Review and value your current spend
- Watch your whole funnel
  - Lead Cost
  - Acquisition Cost
  - Return Customers
- Think sniper, not birdshot
- Quality over quantity

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Look for Market Opportunities

- What does the market need NOW?
- Get information from as many sources as possible
- Review service offerings
- Be nimble & ready to shift gears
- Beware of large investments into temporary changes

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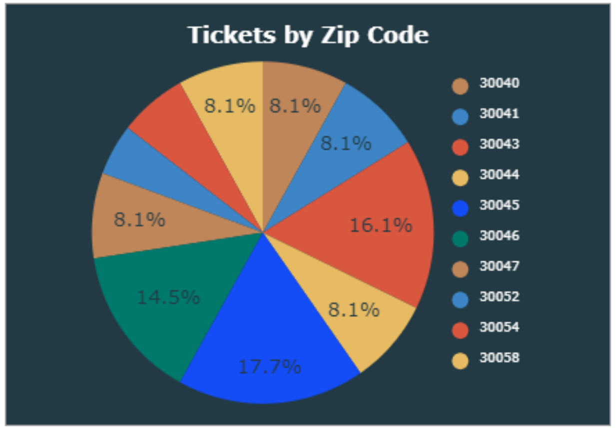
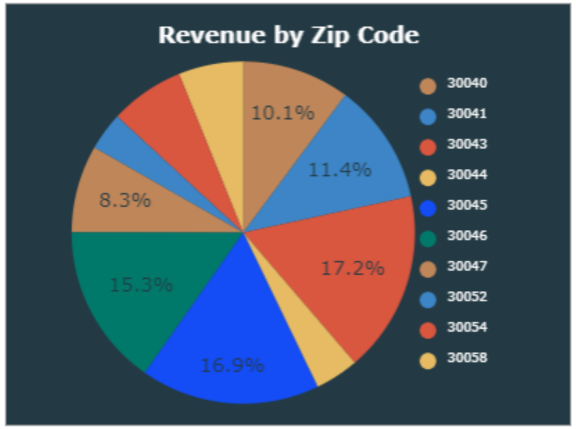
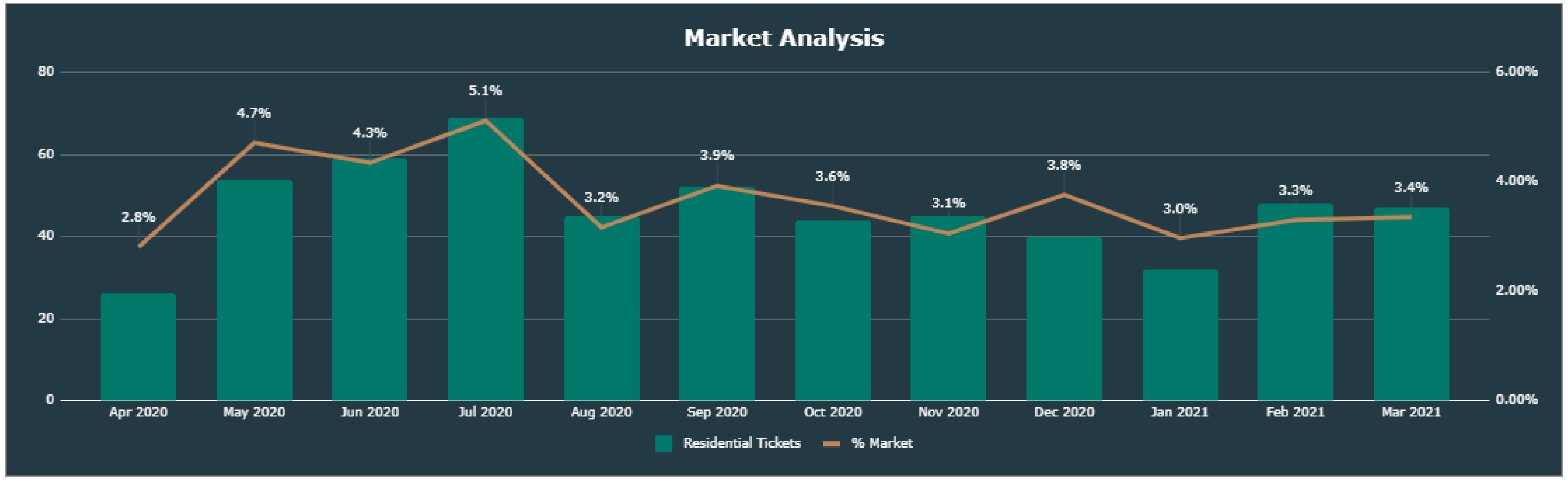
Dig Into the Details

- Not all zip codes are changing the same way
  - Total Sales
  - Market share
  - Ticket price
  - Inspection type







Watching Your Numbers

Keep up with the changes

Bring out the Calculator

- Watch your ROI and adjust as necessary
  - Get the stats
- Keep an eye on your percentages
  - Changes in Revenue can affect the department allocations

Revenue	100,000		85,000	
Marketing	12,000	12%	12,000	14%
Admin	20,000	20%	20,000	24%
Services	52,000	52%	45,000	53%
Other	4,000	4%	4,000	5%
Net Income	12,000	12%	4,000	5%

More Numbers to Crunch

- Bring out your checklist
- Get your hands on some market data
  - Get some historical info
  - Look for areas of opportunities
- Look short term and long term
  - Don't give up your goals
  - Set short-terms goals and evaluate often
  - Update your cash forecasts – don't enter Winter unprepared
  - Talk to the experts – HR specialists, accountants, tax planners, etc

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Questions?

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