



Real Estate Farming:

How to Become the
Go-to Agent in Your
Neighborhood in 2020



Real estate farming is the strategy real estate agents use to position themselves as the go-to resource for a particular neighborhood. To successfully farm a neighborhood, first, you must learn all you can about the properties and the people living there. Then, create a message tailored to those particular people and deliver it regularly.

In this article we'll discuss why real estate farming is such an effective lead generation strategy, the homework you need to do before you can start nurturing these potential leads, and, of course, pro-tips on the messaging you use to accelerate yourself on the path to becoming the friendly neighborhood real estate agent.

Geographic Farming 101:

Why Are Real Estate Farms So Effective?

Geographic farming is a powerful approach to lead prospecting because it zeros in on your audience and forces you to laser focus your marketing message. Rather than trying to be all things to all buyers and sellers, a real estate agent who farms knows more about who they're targeting messages for.

This allows those messages to be more tailored to the needs and desires of your audience, and therefore more effective.

When you hear the word "farming," most of us think of agriculture, of growing things. You can think of your real estate farm much in the same way:



First, you plant the seeds of transactions by identifying homes in a particular area that would be excellent candidates for sale one day. Then, you nurture those seeds by establishing a relationship in the neighborhood with the owners of those homes through regular communication and community involvement.

Finally, when it comes time for those owners to sell their home, you're there to harvest the sales.

This long term approach to consistent customized messaging puts you top of mind or at least in the running for just about every seller in that neighborhood, as well as makes you an easy referral in the event that anybody connected to those homeowners is looking to buy or sell.

How Much Is My Real Estate Farm Going to Cost Me?

There's definitely an upfront cost to effective real estate farming, but the returns on your farm will pay for the investment many times over if you can stick with it.

Let's say that for your farm of **250 homes**, the turnover rate was right around **5%**. This would mean you could expect about **12 or 13 homes** to be sold from that neighborhood **every year**.

Let's all figure that the absorption rate is about **three months**, meaning that it is a seller's market and the demand for property in your neighborhood is outstripping the supply.

Finally, let's assume that the median sale price of homes in your neighborhood is **\$250,000**. If your farm is functioning moderately and you're capturing just **25%** of the sales in the neighborhood, you're closing **four properties a year**, or **\$30,000 in GCI** (assuming a 3% commission rate).

Also remember that your success will have a snowball effect. Every closed deal will mean another evangelist singing your praises and connecting you with referral clients. If you do this right, you may end up getting most or even all of your business from referrals in a few years.

Invest \$8,282 to make \$30,000? Yes please.

4 Important Things to Consider When Choosing a Real Estate Farm Area

Before you can begin establishing yourself as the go-to real estate agent in the area, you first have to choose and then understand a neighborhood. The best approach to your first real estate farm is to choose a place close to home, a place that you already know well. Why? There's a couple of reasons.



1. Start Your Real Estate Farm Somewhere You've Got Built-in Expertise

Choosing to farm for real estate leads close to home is easier because you already know the ins and outs of the neighborhood, literally and figuratively. The residents of a neighborhood need to trust you as an expert in where they live or want to move to, and if you live there too, they know that you can identify with the experience of calling that area home.

A great way to bolster your expertise in an area is to create a hyper-local online hub for the neighborhood like the ones provided by Parkbench. With a Parkbench website, you create a place where members of the neighborhood can go to get information about events, local news, neighborhood happenings, and of course, real estate, all brought to the members of your real estate farm by you.



2. Choose a Real Estate Farm Area Where You've Got Name Recognition

One of the challenges of real estate farming is just getting your message in the door. In a day and age where spam communication appears in our text messages and email inbox as well as mailboxes, consumers are much more wary of opening unsolicited communication from an unknown source.

However, if they already know your name because you're a neighbor and you've got a local address, you're more likely to reach more people with your message.

As we mentioned, sticking close to home for your first real estate farm area makes a lot of sense. But, just being close to home isn't the only factor you need to think about before choosing a farm area.



3. Your Real Estate Farm Should Have No More Than 500 Homes

Remember, the narrower your audience is, the more personalized (and therefore effective) your messaging can be.

Having a larger farm and buying in bulk might seem like it makes more sense economically, but since your messaging has to be more generic in order to make sense for a larger audience, your message is less effective. This is why a smaller farm is the way to go.

If you're considering your first real estate farm, 250 homes or less makes even more sense.

Even though the cost per piece of mail will be slightly higher, the lower overall number of homes keeps your overall costs down and allows your message to be laser-focused, two things you'll need to keep in mind as you are starting out.





4. Choose a Real Estate Farm With Homes That Sell

Spend some time researching on your local MLS and make sure the neighborhood you're considering for your real estate farm has homes that are likely to sell based on your local market conditions.

Yes, finding recent sales in your farm area at this stage in the game is a good thing, it means that there's at least some level of interest in the area you're considering. But, don't shut down a neighborhood just because it doesn't have any recent sales. It could be that the area is underserved by the local real estate community or that the homebuyers aren't yet aware of this up and coming neighborhood.

How exactly do you research your neighborhood so that you get all the knowledge that you need?

The 4 Steps to Real Estate Farming Research

Once you've picked your real estate farm area, then the work of research and understanding everything you can about the neighborhood begins. There are four different categories of research you need to do in order to equip yourself to connect with the residents of that area.

Though this seems like a lot of work, this knowledge will be a vital part of engaging your audience, so set aside some time and get it done.

Geographic Research

Property Research

Inventory Research

Demographic Research





1. Defining Your Farm Area: Geographic Research

Are there geographic elements of your farm area that are going to affect its salability either as a whole or in part? For instance, are there homes in your neighborhood with private frontage on a body of water? Or maybe there's community beach access for the whole neighborhood? Is there a major highway nearby that you can hear from the backyard of particular homes? Is there a fantastic new grocery store on a block that everyone is talking about? *Forbes* has written about how just living near a Whole Foods can boost your home's value.

Understanding the geographic features in the farm area is certainly going to be able to help you speak with authority about the area when buying and selling conversations occur, but this research is also important in that it helps you speak with authority with the residents of the area who are still learning that they can trust you to be a source of knowledge and expertise.

Make a list of all the geographic features that will affect the sale of property either positively or negatively (or better yet, grab a map and note them right on it), and learn all you can about these items. These are things that the residents of your farm live with every day, if you want to be the neighborhood real estate agent, you've got to know about them too.



2. Defining Your Farm Area: Property Research

Once you've spent some time learning about the landscape of the neighborhood, it's time to learn about the properties themselves. In a high-density area with a lot of vertical construction, this is an easier task since units in a multi-unit building tend to have more similarities than an area of single-family homes.

But, even a neighborhood with all single-family residences can be parsed out easily if you know what to look for. Here are some starting points for the data to look at when doing this property research; your local MLS is going to be the go-to for all this data.

3. Defining Your Farm Area: Inventory Research

Now that you know more about the neighborhood and the homes in it, let's turn our attention to the market behavior of the neighborhood. You can't very well call yourself a real estate expert for a particular neighborhood if you don't know what's selling, how often, and for how much, but that isn't where your investigation stops.

Inventory can be a tricky metric to try and quantify, which is why if you are going to talk about and try to predict the future demand for homes in a particular area, as well as how you think the neighborhood will respond to that demand, you need to know about **absorption rate** and **turnover rate**.

Absorption Rate

Absorption rate helps you predict the number of months' worth of inventory exist in a particular place, a powerful statistic to have at your fingertips when discussing the real estate market.

How to calculate the absorption rate for your farm area:

$$\frac{\text{[Number of Active Listings Last Month]}}{\text{[Number of Listings Sold Last Month]}} = \text{Absorption Rate (Months of Inventory)}$$

Between four and six month's worth of inventory is considered a balanced market, less is considered a seller's market, more is considered a buyer's market.

So, for example, say your farm area had 20 homes actively for sale last month, and six closings.

$$\frac{20 \text{ Active Listings Last Month}}{6 \text{ Listings Sold Last Month}} = 3.33 \text{ (Months of Inventory)}$$

If no other properties were to hit the market, your farm area would run out of inventory in 3.33 months, making this a SELLER'S market.

If you don't have much data to work with, find neighborhoods similar to yours that have more listings and sales to calculate their inventory numbers and use them as an analogue to your own.

Turnover Rate

Just as the absorption rate helps you to understand the external market forces working on your farm area, the turnover rate helps you understand the internal forces.

The turnover rate measures the number of homes in your farm area that sell in a given time compared to the overall number of homes. For example, say you've got a farm area of 300 homes, and last year 20 of them sold.

$$\frac{20 \text{ Listings Sold Last Year}}{300 \text{ Total Listings}} = 6.6\% \text{ (Turnover Rate)}$$

A high turnover rate is great for real estate agents because it means that there will be more transactions to close. However, a low turnover rate isn't necessarily a red flag. Low turnover could just mean an underserved market, especially if the absorption rate for like neighborhoods is high, and would be a major opportunity for a real estate agent.

Generally speaking, a turnover rate of between five and 10% is considered average-performing for a neighborhood.

Combining the Absorption Rate and Turnover Rate

Using your turnover and absorption rate calculations, you can begin to estimate your potential income from a neighborhood farm. Using the example above, if a particular neighborhood has a turnover rate of about 20 homes a year, and the market shows no sign of slowing demand, then a high functioning farm that grabs 40% of the sales in that neighborhood would see eight transactions from it.

Plug your data about the median sale price into this formula and all of a sudden you have real numbers to be shooting for.

4. Defining Your Farm Area: Demographic Research

Last, but certainly not least, is the demographic research. It is now time to understand better the people who live in the neighborhood you want to farm.

Here are some examples of the demographic data you should be researching:

- Average age of the person living in your farm area
- Family status
- Education
- What are their preferred methods of communication?
- How do they consume news and information?
- Are they on social media?

(Please remember, this sort of demographic data is for the purposes of understanding the makeup of your existing farm area, not for the purposes of populating it. To consider a buyer a candidate for a property based on race, color, religion, gender, handicap, familial status, or national origin is a violation of the Civil Rights Act of 1968.)

Though the market is going to tell the tale when it comes to the number of homes that will move in a particular neighborhood every year, understanding your audience will better allow you to craft a message that will resonate with them, and allow you to capture more of those sales as your own.

How to Create Your Real Estate Farm Marketing Strategy

Now that you know all the important information about your neighborhood farm, it is time to start planning out your message strategy and actually releasing this communication into the wild. But, before we do that, let's review the four most important things you have to remember when communicating with your farm area.

1. Every Message Must Provide Value

First and foremost, every message you send must provide some sort of value to the people who are reading it. It doesn't have to be the same value each time (in fact, it should be varied!), but there should be something that your receiver walks away from your message better for reading it. The WIIFM (What's In It For Me?) factor needs to be considered with every message you send.

2. Every Message Must Have A Call To Action

Almost as important as value is a call to action. Every message you send to your farm recipients must contain a directive, some push down the funnel, even if that push is incredibly small and discrete. For instance, not every message has to end with "Call today to list your home with me." Something more subtle like, "Sign up to receive a regular market report about your neighborhood" is also a significant funnel mover.

3. Statistics Are Powerful Tools, But They Get Dry Fast

Numbers are your allies when it comes to putting together powerful farming messages, but they can get boring very quickly, so use them properly.

Remember, homeowners aren't just living in a house they bought, they're living in an INVESTMENT they made. Owners want to hear about how their investment is doing, so tailor your message toward the performance of their investment. However, don't overload with statistics, keep these messages to once a quarter at the most.

4. Your Messaging Must Be Consistent

Real estate farming is a long game. While you may get compliments on your messaging right out of the gate, you shouldn't expect an immediate turnaround of clients from your farm after week one.

In order to harvest from your farm, you have to nurture your leads consistently, which means delivering them regular, quality content for at least a year. Most real estate agents start seeing a positive ROI from their farming efforts after about 12 months of work. Using a CRM will allow you to nurture your leads in an organized manner, with 360 views of every lead, as well as tracking for your emails, calls, and meetings. As a bonus, Smartzip.com offers email templates to save you time and keep you in constant contact with your leads.

Preplanned Real Estate Farming Postcards — (Monthly)

The backbone of your snail mail campaign for real estate farming is the postcard. Though this is a staple that's been done before by countless real estate agents, it's still a great way to convey information, statistics, and authority to your farm area.

Use these postcards to deliver a quarterly snapshot of the market in the neighborhood, to deliver recipes or sports schedules, whatever is going to provide value to your recipients.

Smartzip.com provides a wide range of postcard templates for all sorts of different messages, upload your recipient lists and have Smartzip.com drop them in the mail for you too.

On-demand Real Estate Farming Postcards — Property Updates

Postcards are a great way to get a quick word out to people in the farm about property. You might be saying, "If quick is what we're going for, why not use the website or the Facebook Group?"

Well, two answers to that question: First, you SHOULD use those channels to announce things like New Listings, Open Houses, Sold Property, or Price Reductions, but this shouldn't be the ONLY way you do it.

Secondly, the life of an electronic message is notoriously short, and you want your recipient to remember what you have to say, and a postcard is a great way to do that.

Send out postcards to at least the 25 or 50 properties closest to a:

- New Listing
- Listing with an Open House
- Price Reduced Listing
- Sold Property

With Smartzip.com you can customize templates so all you have to do is upload a picture, an address, and your recipient list.

Smartzip.com did a deep dive into postcard best practices and featured some the best templates for postcards like these.

Real Estate Farming Letters (Quarterly)

Since you're hitting your farm with quick messages every month, up that ante once a quarter with a letter instead of a postcard.

With more space for in-depth thoughts and analysis, the real estate letter is a great place to do market deep dives, talk about what's going on in your business, shout out good works in the community, or any other message you want to communicate to your farm that shows you are the expert in not just the act of buying and selling homes in their neighborhood, but also LIVING in this community.

Letters are a great way to prospect non-farm areas too. We've pulled together 11 real estate prospecting letter templates as a helpful resource to these prospecting ventures, check it out and start upping your prospecting game too. Farming a high-end neighborhood? Consider handwriting those letters. Yes, it is going to be time-consuming, but the personal touch provided will pay off in spades with discerning sellers.

Real Estate Farming Door Knocking (Annually)

As any sales professional will tell you, the best way to move a prospect through the funnel is to shake their hand and look them in the eye. Sure, you risk rejection and some awkward moments here and there, but remember, these people have been hearing from you, they know who you are, you know who they are.

Make a plan to head out into the neighborhood once a year, knock on doors, shake hands, introduce yourself, hand out a business card and reassure people that when they are ready to sell, you are the person to help them.

Just like your other prospecting message, make sure you are offering them something of value with your visit, as well as a call to action. Offer a free CMA, invite them out to coffee, let them know about your next open house, leave them better than before you arrived.

Bringing It All Together

Real Estate Farming is an effective means of developing a consistent source of seller and buyer leads, and the best part about farming is that your rate of return on your investment improves over time as your messaging gets sharper, as more people recognize you, and as your sales stats in the neighborhood improve.



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