

EPISODE 470

[INTRODUCTION]

[00:00:00] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[00:00:24] WS: This is your daily real estate syndication show. I'm your host, Whitney Sewell. Today, our guest is David Chesnosky. Thanks for being on the show, David.

[00:00:33] DC: Thanks, Whitney. I appreciate it.

[00:00:34] WS: Yeah. Thank you. You have a specialty. You've been in this field for a number of years and you have a specialty that each of us need to be more specialized in I'm sure or know somebody like yourself that knows the details of this part of the business is so important.

But before we get into it though, a little about David. He's based in San Francisco and specializes in acquisition marketing and leasing of multifamily investment properties with the primary focus on leasing. He started in leasing and property management of investment properties in 2004 and went on to run the leasing departments of two of the largest landlords in San Francisco. As a member of Compass Brokerage, he serves the requirement of his clients looking to lease a flat purchase or sell a property or helps them secure an individual or institutional investment.

David, before we get into the details of leasing and why that's so important, give the listeners a little more about who you are and your background.

[00:01:32] DC: Yeah, no problem. As you mentioned, I am an agent with Compass Brokerage but I do own my own leasing business within Compass. It's called RentingSF. I started in multifamily leasing and property management in 2004. I'm actually from the Bay Area. I'm from the town called Burlingame, which is about 20 minutes south of San Francisco.

My dad's from San Francisco, so I spent a lot of time as a kid in San Francisco. My dad was actually in construction. He was a blaster, so I spent a lot of time around homes and apartments and helping him on the weekends in the summers.

I just love real estate and I love the City of San Francisco. Like I said, I got into leasing and property management in 2004. I actually managed the 61-unit corporate apartment building in Nob Hill, San Francisco. I did everything. I managed the maid service. I handled the maintenance. I did leasing. I did accounting. That was kind of my first foray into multifamily real estate in San Francisco, and I learned a ton. Then from there, I went on to work with some of the biggest investment groups, running their leasing divisions. I've also leased obviously a ton of apartments myself.

[00:02:41] WS: Wow! Okay. A leasing business. If you're running a leasing business, what are you going to do for an operator?

[00:02:49] DC: We pretty much do everything. The way it's set up in San Francisco, which sure is different than other cities and even other major cities, I will go meet with an owner operator and I basically would say, "Look, I can handle all of your leasing for you, so I'm going to come in. I will help you with –" Actually, even taking a step further back. If they want some assistance or they want guidance on like, "How should I maybe – Should I make changes to the unit? Should I add something? Should I remodel it this way? What color should I paint it," stuff like that. I'll give them advice on that based on what renters want and what they're looking for.

After that, we do it all. We handle the photography, do all the marketing, build all the ads, put them up on all the different rental websites. I mean, there are 70 different rental websites now that we advertise on, including Craigslist. Which actually Craigslist, believe it or not, in San Francisco is still probably the best rental website to get leads from renters, and it's free. Zillow is probably number two.

After all the advertising, we do all the tours. Obviously, we're selling the neighborhood. We're selling the building, selling the unit. We handle running the applications. We send out the lease using the San Francisco Apartment Association lease. Then we even help with kind of a key exchange move-in handoff to the owner or the property manager.

[00:04:14] WS: Okay, and through that whole leasing process. Really, I mean, it's neat that just a niche of the management business that, I mean, you're focused on and to do it so well, it's great. I can see like that's in all the day-to-day grind that a management company is going through and operating an entire property. I mean, the leasing portion is so important. It's crucial. I can see where there could be real big value in hiring someone that's an expert and that can just focus on that.

But then also your market expertise, like you're talking about. This is something I think that a lot of people don't think about or take for granted is like having somebody like yourself on the team that understands the market well enough that you can say, "Well, this is what a lot of other units look like, and this is what we should have in this unit to get the most rent or this is what people are looking for, this type of countertops or this type of color or carpet or whatever." I can see the value there, having somebody with that expertise, especially long term with that unit.

I mean, 70 different rental sites and knowing where – I mean, how do you even make all of that happen? Back us up I guess a little bit, and let's walk through that a little bit as far as you're going to help us lease this unit. What are some things in the unit we need to be thinking about that we haven't talked about when we're thinking about renting to the most qualified applicant?

[00:05:32] DC: Absolutely. Okay. The two most important things about a renter or what a renter is looking for, and I got this actually from – I think it was truly a study that was done a while ago, but it definitely hasn't changed and definitely not in San Francisco. Number one, of course, is location of the unit. Number two is laundry, so laundry in unit. Then I'm sure probably not too far away, especially in San Francisco because in San Francisco they say that pets are the new kids, but allowing pets in units, so allowing dogs. That will definitely help your rent.

That's just from amenity standpoint, and then I guess with the pets. I mean, a lot of landlords sometimes don't want to allow pets, but it's totally fine, but there's value there. Then, yeah, I mean, in terms of like the unit, their open floor plans, open layouts, opening kitchens, light colors, neutral colors, stainless steel appliances, hardwood floors, of course, exposed brick. This is my office actually. I'm not in an apartment, but you can get an exposed brick wall really.

Once again, this is San Francisco. Make it urban. But people like in San Francisco for rentals, I personally think that a lot of people – Some people like brand new and shiny. They have that now. We're finally starting to build some inventory of buildings, but a lot of them like the older classic apartment buildings built in the '20s and '30s. But then when they walk in the unit, they want it remodeled. They want it modernized. They want it new. They want laundry in unit. They want that new appliances. They want a gas stove. They want hardwood floors.

[00:07:10] WS: What that location? We focus on location a lot, and obviously it matters a ton. I mean, you said that's the number one thing, like location of these units or of your property, where that is. But what about even like on a large apartment community? I was just thinking that even the location on that property, like close to parking or close to the Park or close to – I don't know. Anything there we should be thinking about or maybe we could charge more if they're closer to the parking lot as opposed to the, I don't know, the playground. I don't know.

[00:07:39] DC: Yeah. No. You're absolutely right. I mean, it kind of divided up, because you mentioned large apartment communities. We have a lot of those now. Neighborhoods like South of Market, Mission Bay, Dogpatch, Mid-Market is mainly in San Francisco where a lot of these large apartment buildings have been built.

Within there, there's some new apartments, non-rent control. So anything – Rent-controlled apartment buildings, if it's San Francisco rent control, if an apartment building was built before 1979, it's considered rent control. That's within the San Francisco rent control. There's new California State rent control now. If the building was built 15 years ago, so now 2005 or sooner, it falls under statewide California rent control, so they're different. But San Francisco rent control, what is more strict trumps the other one. But there's dates in there that you have to pay attention to.

I do a lot of leasing for a lot of the older apartment buildings in the neighborhoods, in different neighborhoods. In terms of like pricing a unit and how I price a unit, absolutely all those things you said. It can be it's on the top floor. It's obviously – This unit is a little bit bigger than the other one, so you really have to price these units when they hit the market by the unit. I always tell my clients, never comp or price units off to Zillow, like Zestimates. No offense, Zillow. I love working with Zillow. They send me a ton of leads. It's great. Or Craigslist because you're asking rents. Those aren't achieved actual rents.

You really have to look at even the season too. The busier season of leasing in San Francisco is March or April, all the way until kind of mid-October. So it's a little slower in the winter months. But, yeah, square footage, location of the unit. Does it have a view? Is it close to a park? In San Francisco, is it close to a shuttle stop? Is it close to like the Google shuttle stop or the Apple shuttle stop or the Facebook shuttle stop, because you have a lot of employees that work in Silicon valley, but they shuttle back and forth everyday between San Francisco. A lot of those larger tech companies, like I said, like at Facebook, Google, Apple, they have shuttle services that run from San Francisco to their campuses and then back at the end of the day. So it's close to a shuttle stop.

Of course, retail. Is it a block off of your main street that has a lot of cool restaurants, bars, cafés? There's a lot that goes into it in terms of coming up with a price and putting it on the market.

[00:10:01] WS: A lot of great things there to think about when we think about location. The number two thing you mentioned was laundry in the unit. That's the importance of things that are in the unit. You say that's – I mean, that's our number two thing. We need laundry in the unit.

[00:10:14] DC: Yeah. You'd be surprised how much the rent. A lot of the older buildings will have laundry in the building. But these days, yeah, if you could have a laundry unit inside the unit, it's kind of harder to do with older buildings. But if you can do that, yeah, you'd be surprised the increase in rent that you can achieve by having it in the units. It's just something that people really want.

I lived in all these old rent control buildings and I love it. Then I moved to a unit that had laundry in unit. It's very nice to have. Then once you have it, it's like kind of hard to go back. But, yeah, like I said, it's an amenity, it's a value-add, and it's valuable, especially in San Francisco. A lot of the newer buildings, I'm pretty sure that almost all of them are probably adding laundry in unit, whether it's a nice stackable or if it's maybe under the counter.

That's the other thing too is that I've seen the value in – When I talk about a laundry unit, it depends on the size of the unit but it doesn't have to be like a side-by-side large washer or dryer, because you're talking about – In San Francisco, a lot of the apartments units that I rent, studios, one bedrooms, two bedrooms, they're 300 to 1,000 ft.², so there's not a ton of space, so even if it's a nice little combo washer-dryer that you can put under the counter in the kitchen. Those combo washer-dryers, they wash pretty well but don't dry very well from what I've heard. But still, just at least.

My wife hang-dry all of our clothes, and we have a stackable washer-dryer. We could probably do a combo because we'd take everything out and just hang-dry it. But even that will create some nice value.

[00:11:48] WS: Is that expected per class of unit? I would say like there are certain markets where like, okay, class C units are known to – They'll have a laundry facility on site, but probably won't have any laundry or washer and dryers in the units. That's kind of expected, let's say, in a class C property where if we put it in there or it's known that class B is usually going to have it inside, is that typical as well?

[00:12:14] DC: No. That's a really good question. Let's see. From an apartment community standpoint in San Francisco now, rents have gone up so much. It's pretty hard to find a class C or even a class B area of San Francisco, so I'm like, "It's pretty incredible." There's so many. I'll get people that will ask me all the time. Like I said, people that want to invest in apartment buildings in San Francisco, and they'll ask me like, "What's the best neighborhood in San Francisco." I'm like, "God, there's like 15 now."

It's kind of hard to say it really depends on what somebody is looking for, obviously, and where are they working. So in terms of a class, these days, honestly, I don't know if there'd be

anywhere where you can go wrong by not putting in. Of course, there's cost to it. You want to make sure that it pencils out. You need to make sure – Depending on the type of washer you're putting in, you have to have the right power. In these old buildings, sometimes there's not enough power.

There's things that go into it obviously that you have to make sure you're crunching the numbers on. But, I mean, a lot of even in the smaller studios in the downtown area of San Francisco, it's making sense now at least to put in those. A lot of – Some owners are doing it, where they're adding just at least the under the counter in the kitchen, single combo washer-dryer.

[00:13:25] WS: Okay. The third thing was allowing pets. I know it's like – I mean, it's growing like mad as far as the people who want pets as opposed to – Many years ago, it just wasn't as popular to have a pet in the home. But now, like you said, it's like they're one of the children in a lot of homes. I can see why it's so important that we change our way of thinking somewhat about not allowing pets in our units, because we're going to turn away a lot of very qualified tenants.

What are some things we need to be thinking about when we're offering units for people with pets as opposed to if we're strongly against it?

[00:14:02] DC: Yeah, I know. There's the – I am a little bit biased because I am a pet owner myself or a dog dad. I rescued my 12-year-old basset hound from the SPCA. He was four when I rescued him, so I've had him for eight years and I don't have any kids. I just have my dog. My wife and I just have our dog, so I'm a little biased. Whenever I meet with owners, I'm always trying to encourage them to accept pets.

I took a CCRM class, which stands for California Certified Resident Manager training, because I've managed apartment buildings also. The instructor had mentioned that there's no such thing as bad pets, only bad pet owners, which I thought was a good line. If you're screening people correctly and you're getting some references for the dog and you can even meet the dog. If you have a good management, good building manager or property management company that can make sure that they're explaining all the rules for dogs and making sure like –

I always make sure that the buildings that I live in, that the dogs are always on a leash. Keep them on a short leash. If you have to take them out, make sure you take them out. Try and take them – I live across the street from a park now, so it's perfect. It's great. We can walk our dog across the street to a park. But you're making sure like, "Hey! There are certain –" You just have rules for the pets.

Make sure that people abide by those rules. If they're not abiding by the rules, well then it might be a little bit more management. But like I said, on the value of the rent, it's worth it. It's worth it, because, yeah, like I said, there's a lot of people, especially in urban areas, that have pets. They have cats or dogs, and so it makes a lot of sense.

Like I said, I'm a big supporter of the SPCA, so I was – My last building I lived at, there was actually three different people in my building that went and adopted dogs from the SPCA. I was pretty happy about that.

[00:15:45] WS: I hadn't thought about – You talked about meeting the animal. I'm not sure what questions we should ask. I'm just kidding. But it could tell you a lot though, right? If they're coming in a leasing office, and it's a very large dog, we'll say, and he's like lunging at everybody, well, that tells you something right there, right?

[00:16:01] DC: Yeah.

[00:16:01] WS: But that's going to tell you a lot about the training of the animal and things like that as well. But, yes, I mean, it's a must now to allow pets. No doubt about it. Do you – Should we charge extra for that or is it just like, "This is what we accept?"

[00:16:11] DC: I suggest to my owner clients to – They take a little higher deposit but not on that. There are some landlords that would charge pet rent but, yeah, usually. I mean, the way that my units are our priced for my clients when they come to market is I know that we're getting market rent, so just trying to squeeze another whatever it is. 50 bucks a month to me is not really worth it. Just take a little higher deposit.

[00:16:36] WS: Sure. What are some things as far as marketing our units that we should be considering if we don't have somebody like you on the team to market it the best to get the most exposure and obviously keep units rented or get them rented as fast as possible?

[00:16:49] DC: Yeah. The best professional photography that you can take or that you can – I got photographers that will shoot apartments for me for about 150 to 200 dollars. I never do it myself. I hire somebody. I hired an expert who understands how to shoot real estate or apartments or an ISO rent condos and single- family homes. But like I said, my main focus is apartment rentals.

So professional photography and then let's see what else. Marketing. I had closed my ad on Craigslist. I use a syndication site. A lot of these rental websites now, you can put your ad onto one or two of these sites, and they syndicate it out to other websites. So you don't have to – Those 70 websites I mentioned, I don't go on every single one and post my ad on every single one of the. It'd take days for me to – I can put it into a couple sites, and it syndicates out to a bunch of different websites.

Find a good marketing syndication site, photography. Personally, I don't like long essays of descriptions. I like bullet points. It's neighborhood, property building, and unit, and then how to get a hold of me. What I've taught my leasing agents in the past, what I teach my leasing agents now that work with me is always you want to get – Those leads are extremely valuable, so you never – You want to answer the phone right away or answer your email right away and you want to schedule that appointment as soon as possible, because someone is out looking. They're looking. There's a really good chance that they're looking to rent something in the near term, and they're looking.

So if you don't get in touch with them right away, explain your value, explain how you can help them, and try and get that appointment, there's a good chance they're going to go somewhere else.

[00:18:40] WS: What about reviews on all these websites? How do we get better reviews?

[00:18:45] DC: Better reviews in terms of like the leasing agents or like leasing brokerages in terms of like getting reviews from people like –

[00:18:56] WS: Yeah. I guess I was just thinking about through the leasing process, you want potential tenants to read good reviews. You want lots of good reviews on there. I know we got to perform, right? We have to perform as far as management and things like that and our quality of unit and things at the property. But any ways that we can be proactive and getting good reviews, so it makes the leasing process a little easier.

[00:19:19] DC: Absolutely. Absolutely. The last investment group that I worked at when I managed the entire leasing team in San Francisco, which is a tough city to be a landlord, but on the leasing side we had four stars out of five on Yelp. Now, with my leasing company that I started where I've got five stars, the thing that I always have told my agents and then I always remember myself is that leasing is a service business. It's not a sales business. It's a service business, so you're there.

People are – Moving and trying to find a new place to live in is stressful, so you want to be there to obviously help them. I'm an expert in San Francisco. I'm very confident I can find you a place to live. I always keep that mindset. It's a service business. I'm taking care – I have my owner clients that I'm working with, but my clients are also tenants and renters and potential renters. So I want to make sure that they're happy.

Yeah, you just – I can't tell you how many times you'd be surprised that people will email me or call me. Then when I meet them and I show them a place, they're like, "I called like four different places, and you're the only one that answered the phone. You're the only one that got back to me."

Just staying in contact, and I always try and be as upfront as possible with people and up front about the area, up front about the building. I don't like somebody to get to a point where they have a lease in front of them, and they're looking at the lease. Or God forbid, they move in after the fact. I'm like, "You didn't tell me about this. I didn't know about this."

It's so much better. I mean, I'm not perfect but rarely have situations where people, like I said, they have a lease in front of them and they have all these different – They have questions, so they're surprised. Or after they moved in, they're surprised about, because I've always thought that you want to just make sure that you're upfront about everything ahead of time. You don't run into problems down the road, and then everybody is happy because it's not – I don't want to put somebody into an apartment where they're not going to be happy or they're going to be upset.

[00:21:18] WS: No surprises.

[00:21:19] DC: Yeah. I'm always in that. It's service-based. Return the people's calls. Return their texts, even if it's bad news like, "Hey!" You didn't get the apartment. You went to somebody else or you're declined for this. Just get back to people and explain. Answer their calls and answer their questions, and like I said, look at it as a service-based business and not as a, "If I rent this, I'm going to make a commission on it."

[00:21:41] WS: All right, David. A few more questions before we run out of time. What's a way you've recently improved your business that we could apply to ours?

[00:21:48] DC: Yes. Now that I've gone out on my own and started my own business, I've had to become more disciplined and get into a routine. I've actually hired a real estate business coach who I meet with once a week for 30 minutes, and we go over strategic planning. He holds me accountable, and so that has helped me out a lot. Yeah, just doing that and then just stick into that routine of making sure I'm making my calls and working my plan and also obviously trying not to work too much.

I really love what I do, and when you're leasing apartments and homes and condos, you tend to work on the weekends quite a bit. So making sure I'd take a little bit of time for myself and my wife and my dog and a little bit of relaxing time.

[00:22:37] WS: What's the number one thing that's contributed to your success?

[00:22:40] DC: I'm a very fortunate and lucky to have grown up very close to San Francisco. I love the City of San Francisco, I love the people, I love the culture, I love the buildings, and I love the real estate. I love the architecture. I'm passionate about what I do and I'm excited to go to work every day. That's helped me immensely. People can see that. I think some, if people were to talk about me, I'm sure they would say I'm passionate about what I do and enthusiastic and positive.

When you're working with people and, like I said, providing the service to get them, you want them to understand that, that they're working with somebody who really enjoys what they do and who's happy and there to help them.

[00:23:27] WS: Wow! Now, that's awesome. It's great to be excited about what you're doing every day. But tell us how you like to give back.

[00:23:34] DC: Two things. I support the SPCA, so I donate and volunteer. Both my wife and I do. They're an incredible organization. I got my dog from there eight years ago. The nicest people, so I would do whatever I can to support the SPCA.

The other thing I'm doing now is I actually have sponsored one individual who wanted to get into real estate. There was a volunteer program that I helped out at, but it was really more – I'll try to make this a quick story. It was really more geared towards engineers being in San Francisco. Kids that maybe weren't able to go to college that wanted to learn how to code and then become an engineer.

I'm a realtor here and I came in. Nobody chose me to be their mentor, except for one. One young gentleman came up and asked me about what I do. He said, "I really would love to get into real estate," so I sponsored him, and he is almost done with his real estate class. He's going to take his test in probably about three weeks. Then once he's licensed in the State of California, he'll come and work in my office and be on his way. He is the first, and I hope to sponsor and help others like that to get them into real estate.

Like I said, whether they come and work with me and they do leasing and lease apartments and condos and homes for the next 10 years, maybe they come and do it for a year and then they

realize they want to get into sales and they want to do loans or they wanted to get into property management, it doesn't really matter to me. I just want to help people get their foot in the door and create an opportunity.

[00:25:01] WS: Thanks for sharing that, David, and giving back in that way. Tell the listeners how they can get in touch with you and learn more about you.

[00:25:07] DC: Yes. Follow me on Instagram, @rentingsf, so R-E-N-T-I-N-G-S-F, or my website, which is rentingsfonline.com. That's got my email and my phone number on it.

[END OF INTERVIEW]

[00:25:22] WS: Don't go yet. Thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there.

You can also go to the Real Estate Syndication Show on Facebook, so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show. Subscribe too, so you can get the latest episodes. Lastly, I want to keep you updated. So head over to lifebridgecapital.com and sign up for the newsletter. If you're interested in partnering with me, sign up on the contact us page, so you can talk to me directly. Have a blessed day, and I will talk to you tomorrow.

[OUTRO]

[00:25:22] ANNOUNCER: Thank you for listening to The Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at www.LifeBridgeCapital.com for free material and videos to further your success.

[END]