

**EPISODE 603**

[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]

**[0:00:24.1] WS:** This is your daily Real Estate Syndication Show. I'm your host Whitney Sewell. Today, our guest is Ethan Lieber. Thanks for being on the show Ethan.

**[0:00:32.7] EL:** Thanks Whitney, happy to be here.

**[0:00:34.9] WS:** Ethan is a cofounder and CEO of Latchel. Backed by Y Combinator and Bain Capital Ventures, they're a tech company that combines expert maintenance coordinators and an easy to use web app to handle maintenance coordination needs for single family and multi-family residential portfolios. Currently providing maintenance coordination services to 60,000 homes and apartments across the USA for real estate businesses, managing a handful of single family homes, up to many thousands of apartment units.

Prior to starting Latchel, cofounded and then sold a private label mobile photography business, built on Amazon's FBA platform, grossed 1 million in revenue within three years of launch. Congratulations on that Ethan, and congratulations on Latchel as well. I'm looking forward to learning more about what that is and how that can help our listeners who are operating properties, and we're trying to become more efficient with all those things, you know, and create more income obviously. But give us a little more detail about yourself and let's dive into Latchel a little bit.

**[0:01:40.4] EL:** Yeah. I mentioned in that short bio that I had sent you that, even before starting Latchel, you know, I had recreated this global photography business built on FBA, which stands for Fulfilled By Amazon, which actually interesting enough, has a lot of operational parallels to real estate syndication in that you – we weren't sourcing deals per se. But what we were sourcing was product that had a gap on Amazon's market place. A lot of the same fundamentals actually went into place which is you're looking at cost, you're looking at okay, what can you bring in as like monthly income selling that product, based on volume on Amazon's marketplace.

And then of course, you know, once you actually source then you execute, you implement, you figure out month to month how do I need to manage that supply chain? Which is essentially the similar logistics problem to actually manage a property, if you're managing the property as the syndicator. Of course you can also be passing it to a property manager. Interesting parallels between I think fundamentally what it comes down to is you're building and business and you're an entrepreneur looking for passive income streams in any way shape or form. It all comes down to building play books that are repeatable. Play books become your process and then you refine, and you refine, and you refine, through this kind of continuous improvement mindset. We can get into some of that, but I think those parallels are pretty interesting but that got me eventually into Latchel.

Fortunately, I had like the strong passive income stream from that private label business, which let me put my full-time job as a software product manager. Otherwise I would have never been able to start Latchel and take all that risk. Latchel was created actually to help property managers, managing units, offload maintenance in a lot of the same way Amazon did for ecommerce, or Amazon fulfills on all the logistics in shipping and delivery. Latchel wants to be a fulfillment center for maintenance, for managers, real estate syndicates, anyone in the real estate business running these long-term rentals. Can be multi-family, large apartment complexes, could even be single family homes.

The whole concept here that is for a lot of property managers, 40% of your time is going to go in every day just to the maintenance side. If you could offload that to a different fulfillment center, Latchel, where would that time go? You could invest it in growth, you can invest it in deal sourcing, you can invest it in hundred other places. Fundamentally when you look at a platform like Latchel, it should accomplish three things for you.

The first is going to be, how do I actually create a high margin management business? Which is obviously good for investors in any syndicate, right? You want the highest margin management as possible. The second is, in that – like revenue as a partner, right? How do you consistently built revenue? The second piece of that is how do I actually reduce cost of the operation? There's 2 sides, Latchel actually help with both, so we can talk about that in a sec.

And then the third piece is actually how do you create strong reputation and a strong branding? Because that can actually be very powerful for the asset and you do that with very positive tenant reputation. We actually build more five star reviews and better online reputation management.

**[0:05:15.2] WS:** Wow, you said property management companies will typically spend like 40% of their time on managing maintenance?

**[0:05:23.0] EL:** Just the maintenance side, yeah.

**[0:05:25.2] WS:** All right, let's dive into that a little bit, because I'd love for the listeners who are operating properties, whether they're single or multi-family right now, really understand. I was thinking even if they're not using Latchel, they're going to have some better understandings of maybe ways they can be more efficient. But then again they may want to use it. But let's jump into that a little bit, just creating the high margin, or how you all help reduce cost and what does that look like?

**[0:05:48.4] EL:** Yeah, traditionally, when we actually first started the company, it was a pretty typical product setup as you could probably imagine. We would come in to these property management businesses and they would essentially pay us a monthly subscription for each unit to run a maintenance on that unit. That helped with the cost side because Latchel actually is a lot more cost efficient than having all like the overhead and systems in place that you typically need to run maintenance on a property.

Our specialty is actually in troubleshooting. We actually use video to troubleshoot inside units, to fix things without having to dispatch maintenance technicians, or even if you have on site

maintenance teams, without having to put them on call and disturb them like night's, weekends, things like that.

A lot of it initially was about the cost reduction and when we looked at it, we realized there was actually a huge opportunity for revenue improvement. What we actually ended up doing – and this is our core service that we offer right now that our customers love – we actually package a concierge service to residents. We do this in single family and multi-family, and the resident actually pays a monthly fee for the concierge. Now, the operator or owner of these units, they no longer have to foot the bill for it. They no longer have to worry about staffing people or doing it themselves, taking those maintenance requests. They use Latchel as the concierge to the tenant, doing all of that coordination.

Now we're working with the maintenance techs, like you may already be working with, and that's because you're getting great rates from them, that's why you work with them.

**[0:07:30.6] WS:** You work with who? Who are the maintenance techs? I'm sorry.

**[0:07:33.5] EL:** These could be third party vendors that you're using, local maintenance companies that you love. It could be a lot of large management companies may actually have hired stuff they need. And work with them on our platform. The point here though is, you want to make sure that you have the highest net operating income possible.

That means reducing overhead, using the most cost effective maintenance labor and things like that.

**[0:08:04.3] WS:** Would you say that our maintenance teams, our management companies, I mean, that 40%, is that mostly just the – is so much of that time spent on taking their request, and making sure it got done, and finding the person that's going to fix that?

**[0:08:18.6] EL:** Yeah, exactly. It's all the administration. We're not necessarily talking about the time it takes maybe a third party plumber to go in and unclog toilet, we're literally talking how much time is involved in taking these requests, doing the troubleshooting that you have to do. You send it, you're calling out now for plumbers and maybe you already have one, you send it to

them but two days later you're actually not sure if that got fixed. You can't have your long term resident sitting there, looks like a toilet that doesn't work, so now you're calling back and forth. Or maybe the thing did get done but now you still don't have an invoice from that plumber that had been sent over. You need to get that invoice in order to actually be able to calculate your cost management. You don't want to get that invoice six months later and have it hit you out of nowhere.

That whole process can, you know, often take up to 40% of your time. Just in the management process, it's one of the primary legs. The other time will be spent on things like leasing, growth, new sourcing, but when you have 40% of the time just going through the administrative headache. That might not be your time specifically because you might have a team. You might have your assistance but when you just look at those man hours

**[0:09:39.0] WS:** We're still paying for that time though. They could be doing something else, for sure. What's that follow up process look like? Or, kind of, I guess walk us through that a little bit. If a tenant going to pull that app up on their phone and then they're going to type up an issue that they're having and then – how does that work and what happens after?

**[0:09:57.7] EL:** Yeah, great questions. You mentioned it right at the start, Latchel's a tech company. You can't actually get this done with just technology. Unfortunately, we're not living in the matrix where robots are smarter than people. You need the support of people, so we combine technology and expert maintenance coordinators. When a resident, in putting an issue, we actually go traditional barebones way. They have a phone number, they call that number, they can text that number for help with maintenance.

A lot of the times, they're used to calling a number that you've already provided, you can either record it, or just forward them but they end up hitting a Latchel support line for maintenance. This is live 24/7, 365. If they texted in or call in, they have someone on with them within 60 seconds. The first thing we have to do is really understand, what is the issue you're dealing with? Sometimes it might not even be maintenance, it might just be like help they need at home. Remember, we're a concierge, that means going beyond just typical maintenance work, it means helping them for anything that they need help with.

Most of the stuff will be maintenance, right? That's generally when you're going to be like, I need to call someone for help and like my toilet's clogged, whatever. Our first team understands what the issue is, and then we have a second team that takes that call. These are maintenance experts and they do a video trouble shooting with the tenant. The way that works is we text a tenant a link, they tap the link, and now they're in a video chat. No downloads. It's not like Zoom. When you're here, you don't have to download anything, you don't have to unlock permissions or anything, you literally click a link.

We're seeing now what you see. You're showing us your overflowing toilet, and now we're going to walk you through finding the shut off valve to stop that overflow, right? Now you're not going to have a problem where unit 2 is flooding. Now unit 1 is calling in because they have water dripping in from, you know, the ceiling. It's about mitigating that risk, stopping the problem immediately, and so will they have trouble shooting first.

Generally, we're actually able to fix or at least deescalate 40% of these issues on the phone.

**[0:12:17.5] WS:** That's a lot of time savings right there.

**[0:12:20.1] EL:** Yeah, I mean like, especially for any owner or operator of that unit. You don't have to do this yourself, and there's money savings too. Because if you're first instinct is there's an overflow, let me go get out of plumber and it's midnight, you're paying this premium cost for getting that person out. Whereas when you can get on video and have an expert fix something over the phone, you just saved a ton of money not having to send out the plumber immediately. Now, with Latchel, what we do is rather than send that back to you, our day time team, during business hours, will then take the thing that's no longer an emergency and coordinate it as normal.

We use a lot of technology to do that so we collect availability from tenants, we provide that to technicians, and pick a time that works for them. We collect upfront things like service charges to make sure we're getting good rates. We leverage budget limits to know what are the maximums we can go up to before getting approvals would be. So it is really like you can think of the technology almost as setting these guardrails around maintenance.

We talked about the playbook early on. A playbook in process is how you build a scalable fast growing any kind of company. This is what the platform does. It creates that playbook for you around maintenance and then our team executes on it. Ultimately, we bring these things to completion and our customers only get involved when either things go really wrong, like we find out a major renovation is required, or we find out we're going to be way over budget if we are going to go fix something otherwise.

**[0:13:59.8] WS:** So are those parameters set upfront? Like okay, this owner is willing to pay this much for these types of repairs? Or if it goes above that then you all will contact them?

**[0:14:11.7] EL:** That is exactly right, yeah. This actually can get as – not that you'd want to go this detailed, but it can get as detailed down to the unit level. So for some reason you have special requirements on one unit in the building but the others are different, you can even set that up. Everything is super customized and dynamic because like as you know, the real estate industry like every home is unique, every building is unique, every apartment is unique.

**[0:14:36.5] WS:** That's right, it sounds like it is calling the front desk of a hotel, you know? If you're in a hotel and you have a problem, that is what it seems like.

**[0:14:44.0] EL:** If that hotel can get on a video chat with you in an instant, it would be the exact same.

**[0:14:48.7] WS:** Yeah, like where is the closest place to eat? Or my sink is overflowing, right? Either one. So tell me though, how is that marketed to tenants? Because I think you said they pay for this type of service, is that right? So how is it marketed to them as oppose to them just having the mentality, well, you know they got to fix this stuff whether I pay for this or not. I am not going to pay for a service. So how is it marketed to them so they want to do this?

**[0:15:13.0] EL:** Yeah that is an awesome question. We get this all the time. So this is packaged as a concierge service. It is an amenity, so all of our customers bill it as an amenity. The tenant is getting more than just maintenance coordination. This is how we built it as a concierge package. I mean of course being able to call someone and within 60 seconds get them on the phone 24/7 on its own is a great concierge-like service.

They get more than that though, and all the more than that that they get is beneficial to the owner of that property or the operator of that property. One of the things tenants love the most is we give them damage reimbursements. So every tenant expects at some point, I am going to probably do something dumb to clog the toilet, or break the garbage disposal, or I am going to lock myself out. One of the benefits of the concierge is we reimburse them \$50 for all of these damages that they might cause.

There is some side benefit there for the owner, because it means that if you are having difficulty charging back the tenant for these things, well at least you are getting the 50 bucks back from Latchel. The other thing that – tenants love this but actually the owners and operators love this even more than our customers. We do proactive maintenance with the tenant. So we actually get in touch with them before lease end. They tell us all the things that they broke in the house that need to get fixed. We proactively work with them to get those things fixed, billing the tenant, because it is their responsibility.

The tenants love it because they just want to make sure they are getting as much of their deposit back. What is great for the owner/operators of the property, is you're getting all of this maintenance fixed before the move out, which means your returns are much faster. You lease the unit faster, and you are getting rent faster. So that is a big benefit.

There are a few other things we do just to make the tenants life easy like we handle cancellations of appointments really well. If you have never worked with a third party maintenance tech, generally if you are going to cancel that appointment within like X amount of time, they are charging a trip charge. That could be really hard to charge back to the tenant because, I cancelled the appointment, I am not going to pay for that.

And as the owner-operator you are stuck paying this maintenance tech a trip charge. Latchel reimburses for those things as well. Part of the reason we are able to do that is our system just works so well, we are really good at preventing techs from going out to places where tenants have said they are not going to be available, or cancelled the appointment. Now for the large multi-family communities, that is a little bit less an issue, because you might have someone on



site to help them in. But even then you need permission to enter, which can cause problems. So our systems does a good job.

**[0:17:57.7] WS:** How do you all work with the management team on site? You know, say we have three full-time employees that are managing this large complex, and then they start to advertise to the tenants that they have this service available or something like that. Maybe some of the tenants do it and some don't. I just wonder how, you know – I guess in the management company still has to do it the way they've been doing it for the tenants that don't sign up, right?

**[0:18:23.3] EL:** Well, actually it is even better than that. So what Latchel does – so for new leases and lease renewals, it's actually, we give all the materials to make it really easy to just bake in Latchel into the lease. So like the concierge on new leases and renewals, you know just like a mandatory part of the leasing that unit. But on all of the existing units there, that hasn't been a part of their lease, and what we work with the manager to do, whether it is a big community or even like a 100 single family homes, is we implement it for everybody.

Then Latchel provides a complimentary fee waiver to all the existing tenants. No questions asked. If a tenant say is financially struggling or just doesn't want the concierge, they fill out this fee waiver, and we don't bill that tenant, we don't bill the property manager. They lose some of the concierge benefits but we still actually provide the maintenance coordination because the thing that could kill a scalable business if you're fast growing is if you have to run multiple processes.

We make sure you only run one process, it's one playbook, maintenance done through Latchel. Basically we kind of foot the bill, complimentary for that unit. On our side at Latchel, we know that hey, once that lease renews, once a new lease is signed, at that point the tenant is paying for this service again. So it is really a partnership we're making with owners and operators.

**[0:19:49.8] WS:** Is it usually the owner that is contacting you all, and putting you in touch with the property management company they're using? Or is it usually the management companies who are reaching out?

**[0:19:58.0] EL:** It can be both. Most often we find it's either owner-operator. So they own and operate, that is most of the time. It is also property managers that do fee management. So if you are renting a syndicate lease, a third party manager, they might reach out directly. We do actually the owners, investors in the property, referring us to their managers. You know on their side often times it's about, I want my tenants to retain.

We are providing a great concierge service and, you might already know this, but maintenance is usually one of the top three reasons tenants will leave a community. We reverse that trend. You see more tenant retention, which obviously helps increase the NOI of that property.

**[0:20:47.8] WS:** Wow okay. Well, Ethan, you've got my attention. I will definitely going to look into it myself. I hope the listeners will as well. Either way, I just think it helps us to think about how to be more efficient with our maintenance requests and things like that, even using our smart phones to show what the request is, so maybe we don't have to make it trip all the way out there, to send somebody out there as well. But yeah, increasing our NOI anyway we can do that and become more efficient is our business, right?

I mean most businesses – but just a few final questions though, what is a way that you've increased or improved, I would say improved, your business that we could apply to ours.

**[0:21:24.7] EL:** Yeah, good question. So I do want to say like if you are interested in learning about Latchel's culture principles, that's how we have built the company and this is how we operate.

**[0:21:32.9] WS:** I think we should do another show, just talking about how you all built that culture and to feel the growth and some of that. Maybe we will have you back to talk about that.

**[0:21:41.7] EL:** Absolutely. I would be happy to do that. A lot of these were actually pulled from Amazon. The co-founder is an Amazonian, and a lot of our senior staff here have decades of experience from Amazon. Let me talk about building a scalable business like, just look to Amazon for the tips there. But continuous improvement is a really important one to us.

What that means is you're building your playbooks across all aspects, and you are measuring every week, how am I doing? And what we do at Latchel is we run experiments. We'll tweak something, look at the metrics and see how that impacts the playbook. So the most recent thing that we actually did was move from phone-based troubleshooting to video-based troubleshooting, and it was created for a couple of reasons. Believe it or not, video-based troubleshooting per minute is actually cheaper, which is great for Latchel's margin. It is surprising, but video calls are actually cheaper than calling over cell network.

The second piece was actually discovering that when you could see what the tenant is talking about, you're going to be a more effective troubleshooter, and you're going to increase that ratio of troubleshooting. So that is the most recent thing we did and it is all just things that you can test and measure. You look week-to-week, hey when we launched video did we see troubleshooting rates go up? And we did, and now it's become like a core part of the way we operate.

**[0:23:02.6] WS:** What's the number one thing that's contributed to your success that we haven't talked about?

**[0:23:06.6] EL:** I would probably just say grit and persistence, which I think any entrepreneur, anyone running a business, like, it's a required component. It is also required in order to have the discipline to continuously experiment, monitor, and then improve. You will be able to get far if you just stick it out and have the grit to keep going, especially when you're seeing results. You might see them slowly at first but the longer you do it, you have a compounding effect.

**[0:23:38.7] WS:** Wow, how do you like to give back?

**[0:23:40.5] EL:** That is a great question, I actually unfortunately I don't give much time but I give donations to the CF Foundation, which is Cystic Fibrosis Foundation. I would love to be able to spend more time. Maybe it is just an excuse to say that I am too busy to do it and I just got to make time. We all have 24 hours in a day but yeah, I mostly donate to the CF Foundation.

**[0:24:04.9] WS:** Nice, well, I appreciate you giving back in your time with the listeners and myself and telling us about Latchel. Helping us to just think more efficiently as well, with our

maintenance. When you think about 40%, I mean that is a ton of time that's spent, and so if we can reduce that even just a little bit, I mean we are doing a lot. So grateful for your time Ethan. Tell the listeners how they can get in touch with you and learn more about you.

**[0:24:27.5] EL:** Yeah, feel free to visit our website at [latchel.com](http://latchel.com), like satchel but with an L. You can also find me on Twitter @emlieber. Also feel free to email me, I am pretty responsive to everyone and my email is public. It's just [ethan@latchel.com](mailto:ethan@latchel.com).

[END OF INTERVIEW]

**[0:24:49.9] 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.

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[OUTRO]

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