

EPISODE 667

[INTRODUCTION]

[0:00:00.0] 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]

[0:00:24.4] WS: This is your daily Real Estate Syndication show. I'm your host Whitney Sewell. Today, our guest is Michael Sjogren, thanks for being on the show Michael.

[0:00:34.0] MS: Thanks for having me, I'm excited to be here.

[0:00:35.8] WS: I'm excited to have you on as well. I know we talked, we were trying to figure out how long ago it was, I don't know if it's a year or so ago, we connected somehow. I'm excited to have you on, it's been exciting to see where your business has gone and the things you've accomplished, it's been incredible. I just think you are a great story of growing a brand and a business and having great systems in place and being able to make things happen because you've done it and so I'm looking forward to getting into that. That can help any business owner, it doesn't matter what type of real estate or even what type of business you're in really, these are going to be some things that all of us need to master.

But at little about Michael, in case you haven't heard of him. Husband, father and short-term rental expert, he currently has a portfolio of eight short term rental properties across four states and recently acquired and launched a boutique ocean front hotel on Boston's north shore. He's a founder of the STR Secrets podcast and the STR Secrets Mastermind training program, teaching others how to fast track their financial freedom through short term rentals.

Michael, I'm looking forward to this conversation. I'd love to hear too about how short term rentals have done through this pandemic and how your portfolio has done and even, how you're training other people right now during some of this but I want to also get into just breaking down the business and building the systems and I know you've become an expert in that as well and done very well at that.

That's going to help us in a big way no matter what real estate business we're in. Give us an update just on who you are and what your focus is right now and let's talk about maybe how short term rentals have done during this pandemic and then let's move into the systems and things.

[0:02:10.1] MS: Yeah, absolutely. I think a lot of us that have been in short term rentals for a while, we were quite frankly spoiled for a long time, right? You find a good property in a good area, you'd furnish it, take some good pictures, you throw it up on a site like Airbnb and then poof, you're making a bunch of money and it was really easy and then when COVID hit, it really changed the game for a lot of folks and a lot of people just kind of threw their hands up and they're like, "Okay, this doesn't work anymore, I can't make any money, I'm going to get out of the game," but for the folks that you know, really understand business, what it really came down to is just adjusting your marketing and really trying to figure out, "Okay, this global pandemic is going on."

"Who can I still serve, who actually needs to go somewhere on a short term stay?" and one of the things that I talk about in a lot of my training is there's nine different reasons why people travel and a couple of them are obviously medical, life events, relocation, things like that. When you have a global pandemic going on, what we saw in our portfolio was there were a lot of people that lived in say, an urban market and they basically said, "All right, well, if I'm going to quarantine, I'm going to quarantine somewhere nice out in the suburbs or at a beach or wherever." We had a lot of people stay at our beach place in Florida or up in the mountains in New Hampshire or just in some of our suburban markets that we're in, they would stay with us for two, four, six, 12 weeks just to get out of the city.

Just lay low, and just hang out quite frankly. We just saw a shift in traveler profile and the duration of the stay. Prior to this, our average stay was three to four days and that shifted to 14

days which makes sense, obviously because people are quarantining. But beyond the folks that wanted to get out of the city, we also had a lot of nurses that relocated from out of state to help out at a lot of the hospitals.

You don't have to be near a huge hospital, but if you are in a market that has any decent sized hospital with inpatient facilities, you know, there's always going to be a demand for nurses, practitioners, in patient services, things like that. We had a lot of demand from that and then we had a lot of folks that quite frankly, they just had older parents that were living in one of our markets and they were out of state and they wanted to be able to take care of their parents but they needed to come to the state and then quarantine themselves for two weeks before they could actually go take care of their parents.

When we shifted our marketing and shifted our headlines and descriptions and adjusted to that, we were still able to generate bookings. I mean, granted, we were not making the kind of money that we were before but we were still profitable and we're still able to run our business day to day.

A mentor of mine told me a long time ago, 'he who is most flexible always wins.' You got to be flexible, you got to be able to adjust and pivot and keep a positive mindset.

[0:04:57.9] WS: I love that quote, 'he who is most flexible always wins,' and I think it's a great example of okay, pandemic happens, instead of just panicking, it's almost like he who doesn't panic wins, right? Can still think and those times. I love how your question then was okay, who can reserve, how can we squeeze lemons, right? Make lemonade out of this, right? You did that and you were still profitable and so through the pandemic, what's been kind of the overall, just short term rentals and what's happening now, what's been some changes that happened because that's usually when millionaires are made, right?

You know, during a time like this, what's changed in your business other than just thinking who we can serve, who we're marketing to, what else have you learned during this process and your specific business?

[0:05:40.0] MS: We took the opportunity to again, tighten up a bunch of our systems and then really dive deep and learn how else can we market our properties? Organically through different social media profiles and influencer shot out's, things like that. Getting back to business fundamentals, how can I go out and promote my product to my ideal customer?

Really start to think that through and again, we've updated a lot of things internally, tightened up some systems, we've onboarded a couple of new staff. Just really tried to leverage the time because normally, during the day to day, it can be more challenging to take that step back and go to that 30,000 foot view and say all right, how is our game of chess going, where do I need more pieces, things like that, but when it slows down for a month or two, it gives you more time to take that step back and figure out what can I tweak, how can I maximize my profitability and my efficiencies?

That's what we did internally and then, as far as where stand now from a guest perspective, what we found is once June hit, people had been cooped up in their homes for two to three months at that point and they were just so ready to get out of the house, certain states have certain restrictions still and it varies by state, depending where we are but we had people like, blatantly trying to lie to us to say that they were going there for work or whatever and just to get away.

We just had to be like, "Listen, I know you want to get out but we can't do that right now." That was back in April and May but now in June, we've had some of our best months yet between June and July, if you look at the statistics, you know, site AirDNA, they pull all the statistics from Airbnb and HomeAway, bookings are up 127% year over year because people just want to get out and they want to travel and they want to do things.

Now, the way that people want to get out is a little bit different. Most people are not going to get on an airplane for probably a little while unless they have to. What we've seen is a shift where normally we may get some international travelers or some folks from across the country, all 99% of our guests are within a two to six hour driving radius. They're willing to pack up the car and drive and go away for a weekend or a few days, avoid the planes but it still gets them out, gets them some fresh air and gets them out of the house. That's what we're seeing right now.

[0:07:56.1] WS: You're staying in short term rentals, you still see that there's going to be success in short term rentals that hadn't just collapsed completely, right?

[0:08:03.3] MS: No, there's certain advantages, right? We are in the hotel game now too and we can talk about that but there will always be some distinct advantages with short term rentals over hotels. The first being it's just economically more efficient, especially when you get into a two, three, four bedroom home, you can fit a family, two, or three families all in one home as opposed to having to rent three or four hotel rooms, it's always just going to be more economically sound to do that depending on where you're traveling.

And then the second thing is, when you have a global pandemic and people are worried about a virus spreading rapidly, you're going to feel more secure when you're in a single home instead of going into a hotel with common areas and lobbies and a row of doors all over the place. A single family home style vacation rental, short term rental will always be more attractive from that standpoint, especially during a pandemic.

[0:08:56.8] WS: No doubt. I mean, as a family, we would rather stay in a home than in a hotel but I would imagine it's a good time to buy a hotel, can you speak to that?

[0:09:06.0] MS: Yeah, for sure. We actually got the property, we purchased it and closed on February 10th and then you know, three weeks later or so, the whole COVID thing hit and again, a lot of people panicked and we just said, "Listen, we were planning on renovating this thing anyway, it's going to take us three, four months to renovate it." We moved forward, finished the renovations, the second week of June, just as the states were opening back up and that property, it's done unbelievable.

I was telling you offline, you know, we're basically double what our proforma underwritings were on that property, just out the gate. It's done very well and we leveraged a lot of the systems and the SOP's that we use in our short-term rental business for this hotel. Our plan going into it was to make this what we call a smart hotel. It's all self-check in, there's no front desk, self-service, we have extra linens, towels, toiletries and all that stuff, strategically placed throughout the property so that guest have access to access to extras when they need it, but the whole thought process was we wanted to make this hotel as efficient and smart enabled as possible.

One, it reduces our overhead but two, it also makes it more efficient and easier for guests so they're not having to find a staff member and request certain things so it's definitely an interesting model and it parlayed in perfectly for what was going on because people don't want to have contact with anyone right now. They love the whole self-check in thing and how that's all working right now. That's worked out very well for us.

[0:10:35.0] WS: let's jump into setting up systems and breaking down a business and creating teams and things like that and how you've been successful on that because I know that's something I've struggled with and I know many of the listeners are either working on that now or thinking about how they can hand some of this stuff to other people or what can we hand off, what does that look like, but maybe you can start us there a little bit and some systems you've put in place that have helped you to be successful and really gain back your time as well?

[0:11:02.5] MS: Yeah, for sure. Now, the first thing that I would highly suggest and I guarantee, 95% of you will not do it but I highly encourage you to do it. Do a two week time study, all right? Just literally, you can make it in a Google sheet but print it out. Just carry it with you and every 15 to 30 minutes, write down what you're doing.

And then next to that, you can make some notations as to, is this giving me energy, is this taking my energy, do I like doing it, do I not like doing it? And the second question is, can this be delegated? Can somebody else do this besides me and at least an 80% effective rate at a lower cost, right? Because if you value your time, I should not be out there cutting the lawn and doing all those different things. My highest and best use is again, creating efficiencies in the business and going out and finding more deals. That's my highest and best use.

Do the two week time study and you'll be amazed, one of how much time you're wasting on random crap like social media and different things and two, it will really highlight how much time you're focused in your business instead of on your business. I highly encourage you to do that, it's not the most fun but I guarantee you by like day three, you're going to be like, why did I just take a 22 minute shower? I should have been in and out here in 10 minutes. It's just going to force you to create efficiencies. I'm telling you, it's unbelievable, it becomes a game.

[0:12:23.1] WS: Yes. Just for the listener as well, could you give just a quick example of in the business versus on the business. Maybe there's a task you can just help us to think through that quickly?

[0:12:34.3] MS: Yeah, for sure. When I'm thinking of something in the business, I'm thinking of in the hospitality, it could be processing a reservation, it could be answering a guest question, it could be answering the phone, coordinating maintenance, making sure the cleaners are setting up, inspecting the rooms, things like in the business operational work.

When I'm talking about on the business, I'm thinking about okay, what processes, what is working, what are my KPI's look like. Who is doing what? Who is on my team with the right skillset? I have certain members of my team that are amazing with customers but they're not the most detail oriented.

If I try to put them in a systems operational type of role, they're going to hate it and I'm going to hate managing them because it's just not their highest and best use. I've strategically put people in place on my team and our operations that support them in their gifts. Think about who is on your team, what are their natural strengths and the more that you can align people with what their natural strengths are, the easier your job is going to be and the happier they're going to be in their role quite frankly.

That's thinking like on the business and then figuring out okay, kind of like reviewing the piano, all right, where are some of my inefficiencies, why did our electric bill go up, didn't we have these units on smart timers, things like that. Whatever, more strategic thinking. Now, when I look at a business, regardless of what business you're in, whether it's multi-families, hospitality, fix and flips, whatever, I like to look at it from the 30,000 foot view and think of what are the different components or buckets that I can break this business into?

For us, it's okay, assuming you already have a property, the first piece is customer acquisition, how do I attract guest to my property, okay? It's how to create listings, what do the photos need to look like? How do we furnish the property, how do we automate our pricing? All those types of things that attract people to us and then the next piece around like, okay, now we've got guest, now, how do we operate the property?

How do I streamline my communication, how do I streamline my turnovers, how do I streamline my quality control to make sure that everything looks perfect and they get a consistent experience every single time? How do I coordinate maintenance? All of those different components and on the back end, okay, how do I ensure that my books are up to date? Who is preparing them? Who is reviewing them? Who is doing the owner reports? Things like that. So when you chunk it into different buckets that way, you can start to bring yourself out of the business and look down on the different buckets and then drill into different components.

[0:15:15.2] WS: And you're going to see a lot of those if you do that time study that you are talking about right? Are you doing these things and what are they? Is this something someone else could do? All right, so now we've done the time study. Was there something else or was it a list? I couldn't remember.

[0:15:28.1] MS: Yes, so just do the two week time study and then when you are done take a look at that and figure out if you're solo right now, okay what are the tasks on there that you could outsource even to I know we leverage virtual assistants in our business, they're amazing like they're incredible, highly educated, super hard working. They love to contribute to the team and it is significantly more cost effective to leverage some of those task to overseas virtual assistants than it is to hire somebody in the US.

We have a blend of both. We do have onsite personnel for the hotel and a couple of folks that we use but for a lot of the repetitive or the guest communication or the administrative things, we leverage virtual assistants for that. So start to figure out, "Okay, I know my numbers. I know my profitability, could I swing 350 to \$400 a month for a part time virtual assistant to take these items off of my plate?" So then with that time that you're gaining back, you can go out and prospect for more deals.

You can build more relationships with lenders, build your investor database, things like that but it is all about maximizing your time. Your highest and best to move your business forward instead of getting caught up in the weeds.

[0:16:43.7] WS: So where do you find your VA's?

[0:16:46.2] MS: So we use a site called Virtual Staff Finder. One tip to think about the better you can write your job description and the more that you can really understand who you are actually looking for, so this is an example, I got a tip from a buddy of mine because I have gone through maybe four or five VA's over a two year period and you know they do okay for a while and then didn't work out and he goes, "Well, why don't you just require that they used to work in Airbnb's call center?"

"They are already used to doing this kind of work, save yourself the time from teaching them the entire business." So once I did that, you know we ended up hiring a gentleman who helped build Airbnb's call center in the Philippines to 5,000 agents. He is a total stud and a rock star on our team and he knows all of the ins and outs of short terms rentals and Airbnb's policies and everything like that. So figured that out and then we also use for everybody.

This is local and for our VA's, I like to use an assessment called Five Voices. It is similar to Myers-Briggs but I find that it just dials it in a little bit more. So as an example, I am a creative pioneer. So I am very vision based, future thinking, like to get things done, move the needle forward but I lack in certain things around structure, order, a lot of those like detailed work. I can do it but it sucks my energy. So I am looking for somebody to complement those skills.

So when you know who you need on your team and you know the personally types that you need it is a lot easier to hone in your search for the right candidate.

[0:18:17.1] WS: Tell us a little bit about how you thought about systems though? I know we want to use VA's. We are going to do the time study so we can think, "Okay, these are things that we can hand off to somebody else and then I can focus on the highest and best use" like you talked about but I feel like you know what I found also personally have used tons of virtual assistants like you are talking about and have had great success with many of them.

I couldn't do it without them and it is a great option but just putting a system in place and thinking about okay, delegating these tasks to this individual or these tasks to this individual and how they work together and how did you create a system to really make all of it function and complement one another.

[0:18:54.6] MS: Yeah for sure. So again, you go back to the time study and you figure out where is most of my time going and for me, early on in my business it was – our check-out time is 11 AM. So between 11 and 12:30 I needed to make sure that the cleaners were showing up at all of our properties so I can see that easily based on the Wi-Fi locks that we use. They have their own codes so I can see that and then we have cameras on the outside of the property.

So I could check that. So that was taken up a decent amount of my time because in constantly checking back and forth to see if they're doing that. Okay, that's a very simple task that a virtual assistant can take over and then it was okay, a lot of the guests, we have all of these automated messages that we've built out that go out and they give them check-in instructions and all of those types of things and they all get their own unique access code but a lot of folks just don't read their email.

And they don't read their messages and so then they end up reaching out. So our check-in is at four. So from two to four, our VA's can make sure that the guest have confirmed that they have received all of their information and if they haven't, the VA can reach out to them and say, "Hey don't forget, here is all your check-in information. Here is where the codes are," and then again around six to eight at night when folks are getting to the property or they are home from work and they're inquiring for more properties or to book a property.

Then the VA can focus their time on guest communication between those hours. So again, if you're on a tight budget like we were initially and I have four hours a day I always have my VA work from 12:30 to 4:30 and that was doing well and I said, "All right, I need you to work from 12:30 to 2:30 and then I need you from 4:30 to 6:30. So you get a break in the middle of the day," a lot of them when you are working part time, they may have multiple clients.

So it is fine as long as they can designate the time to you. So just figuring out where are those bottle necks are that are sucking your time and your business and then as you grow, you have more revenue to hire more full time staff to hand over more and more things.

[0:20:55.8] WS: All right Mike, just a few more questions before we run out of time. In the short term rental business, I ask a lot of guest this that are operators and that are real estate

professionals like yourself, you know how do you prepare for a downturn like this or maybe what changed about the way you are preparing for down turns in the future?

[0:21:13.1] MS: So for us, honestly my business strategy in hindsight worked out extremely well during COVID because we always said that we weren't going to operate in any major city like a downtown Boston or New York or Jersey or San Francisco, wherever. Any major city, we just didn't operate in there because there were most susceptible to regulatory changes and most of them have a lack of housing to begin with. So when we come in and gobble up a bunch of units for short term rentals.

You know the city makes tax revenue but they're like, "I don't really care. We need more housing." It is not really a win-win for us and the city. So we just said, "Okay, we'll go 30 to 45 minutes outside of any major city and look for a lot of those same characteristics in the suburban towns and that model worked very well during COVID because everybody wanted to get out of the city and the same thing would happen if another round, another wave of this came back.

We would still be attracting the same customers that we did in March through May. So for us, we've been there. We've done that, okay cool. Now we know all right, some things that we did, reaching out to guest proactively leading up to their reservation, "Hey, I hope you are doing well. I know things are crazy right now, I just want to let you know here is the CDC cleaning protocols that we follow which we've done since the beginning anyway –"

"– to make sure that the property is completely sanitized and ready for you during your stay. Here's the restaurants that are available for delivery service. Here is the grocery stores that are open and if you stay for at least seven days we will give you a \$100 Instacart gift cards. You can have groceries delivered to the property so you don't even have to leave." Those little things that if you put yourself in the mind of the traveler during a pandemic they are worried about leaving a property.

So how do you make it as easy and as comfortable for them to just camp out and enjoy their time at your property and create a good experience for them.

[0:23:09.6] WS: So what is a way that we haven't talked about that you have recently improved your business that we could apply to ours?

[0:23:15.9] MS: For me it is honestly when most people have been contracting over the last couple of months I have been expanding. So I have added two new staff. We purchased that hotel we're currently underwriting three more hotels again in select markets that are going to make sense for the long term and by leveraging and hiring more staff it has freed me up. I am basically grooming an operations manager to oversee all of my short term rentals and then we have an onsite manager at the hotel that I've been grooming.

So I have just been spending time training those two folks so that I am completely elevated out of the business again because you will find as you continue to grow, you have to get back in there, create systems, improve everything and then elevate yourself back out. So it is kind of this constant wave as you continue to go up and up.

[0:24:10.1] WS: Will that offsite manager be somebody that's virtual in another country?

[0:24:14.2] MS: For the short term rentals, yes.

[0:24:16.5] WS: Okay, awesome.

[0:24:17.6] MS: This works for long term and short term rentals. You do not need to do this in your backyard. You don't and I know it is a comfort zone thing but our first property was in New Hampshire, which is three hours away from where I lived. So I was forced to create processes and teams and systems because I physically could not get there in time to do anything if something went wrong. So I had to dial in all of these systems and then again, we did it in Florida.

In North Carolina, we were in Texas for a little while until that property got sold. So you could do it anywhere. You don't need to be in your backyard. So I always ask people think about where would you want to go. Start there as your business, build a business that you're actually going to enjoy. So design it that way.

[0:25:02.6] WS: What's been the number one thing that's contributed to your success?

[0:25:05.3] MS: Personal development, not even a question. I mean I invest heavily in personal development and masterminds. Your level of success will never outpace your level of personal development and your self-image. So if you don't believe that you are worth X or that you can do X, your self-image, that internal thermostat will always cool you off and you will not get to that next level and having mentors that see the potential in you and believe in you and push you past that comfort zone it's invaluable.

I can teach anybody the nuts and bolts of how to build the short term rental business but if you don't believe in it and you don't have a strong enough why you are not going to do anything with it.

[0:25:45.7] WS: What is a way that you spent money towards your personal growth that the listener could do today?

[0:25:51.1] MS: I mean it depends on what your budget is quite frankly. I mean I'm in masterminds that cost tens of thousands and if you're starting at ground zero and say you just lost your job and you are really trying to get things going, the best investment that you can make is honestly in books. Somebody took the time to compact all of their life lessons into a book that you could read in three to four hours. You would be insane not to read that book, right?

So *Rich Dad Poor Dad*, when I read that when I was like 25 I was an accounting major and I was like, "Nobody ever told me about money like this" it just blew my mind and it just led me down a path. So any books around your mindset, any books around real estate, I mean listening to Whitney's podcast, you know going into BiggerPockets, doing your research if you are into short term rentals we just launched our podcast and YouTube channel.

There's so much free information out there and obviously there is paid programs as well that if you want to go deep and you're serious, well that is how you fast track it but if you don't have the budget for that don't use that as an excuse. Keep moving the needle forward every day just 1% a day and you'll be amazed within a year looking back at where you are.

[0:26:58.8] WS: How do you like to give back?

[0:27:01.3] MS: For me, I give back to an organization called Operation Underground Railroad, which rescues kids from sex trafficking and I met them at a conference a couple of years ago and just some of the stories, you know I was blowing my eyes out. So I like to give to them and then obviously through education, helping people create additional income streams to free themselves up from their nine to five's that's what I am super passionate about.

[0:27:23.5] WS: I am just grateful for how you have given back that way and for sharing that. I have heard of that organization a few times and that is just some incredible stories there and things that they are doing to help those individuals. I appreciate you giving back to us today and just helping us think through systems and I mean it is just something that when you are a new business owner and you think, "Well I am going to go start a business," you just have no idea what you are fixing to embark upon, right?

I mean just take over this type of mindset shift and ending stuff off like that, thinking about virtual assistants and hiring people and it is a whole new level of things you have to learn right? And so just grateful for how you shared with us today. Thinking through some of that even just that the time study thing, I agree it's something so valuable to think about how you're spending your time and so how you can things you can hand off to somebody else that you can gain that time back.

It's been great to know you a little better. Tell the listeners how they can get in touch with you and learn more about you.

[0:28:15.1] MS: Yeah, for sure. So you can find me on social media, Facebook, Instagram, LinkedIn, you can find me @theairbnbGuy. You can check out my website, strsecrets.com. If you are in the short term rentals it's got some free training on there. You can check out our podcast, STR Secrets, which just launched about a month ago. We got about 10 episodes out there and we're adding to that every single week. Yeah, just send me a DM. I love talking shop and one last quick book recommendation for systems.

I am sure you've read it Whitney is The E-Myth by Michael Gerber. That book will walk you through the thought process of how to create systems in your business.

[0:28:51.2] WS: Awesome. That's a wrap Mike, thank you so much.

[END OF INTERVIEW]

[0:28:54.3] 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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