

EPISODE 793

[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 Alvin Cavalier. Thanks for being on the show, Alvin.

[00:00:32] AC: Thank you, Whitney. Thanks for having me on.

[00:00:35] WS: Alvin, also known as Coach Cav, is the owner of Your Space LLC. It manages your spaces, investor relationships, coaching program, outreach as well as oversees its investor network. Alvin has been involved in real estate investing for over 10 years and has extensive experience in short-term rental, acquisition, property management and traditional owner financing deals. As a principal of Your Space LLC, Alvin continues to leverage his organizational leadership experience to create investments in deals for both new and experienced investors.

Alvin, welcome to the show. Grateful to have you on. One way that I know people are getting creative recently and in minimizing their vacancy and large multi-family is turning maybe a few units into short-term rentals. And so I'm looking forward to hearing more about that, because I think it could be useful not just depending on where that property is located. It could even be a way to increase your income as well if it's something that would work well in that area. First off, I want to thank you for your service. I don't know if the listeners probably don't know, but Alvin is active duty military and serving our country. So I just want to first off say thank you, Alvin, for

your service. But get us started a little more about what you do, and let's jump into how maybe thinking through turning a couple units into short-term rentals could help our large multi-family portfolio.

[00:01:59] AC: Great. Thanks, Whitney. Thanks again for having me on and for your listeners. Happy November 3rd. Out of all days, I get the honor. But as introduced, I'm Alvin. I go by Coach Cav in the short-term rental industry. And my company, Your Space, we've been operating in short-term rentals for just over three years and we've amassed somewhere over 60 or so short-term rental and sharing economy investments across the country. And that's working between small apartments, large apartments as well as single-family homes in the portfolio.

One of the unique things that we do working with real estate investors, more particularly multi-family real estate investors, is helping reduce vacancies through creating what's called pop-up short-term rentals. And that's simply having the ability to leverage our services and processes, processes and services, and bring them to a multi-family property to help reduce vacancy rates. And what that simply looks like is being able to take a stored set of furniture and put it into an apartment, one to ten apartments in literally a day or two and have those places up and running on short-term rental platforms producing income — in no time.

[00:03:27] WS: Nice. Okay. That's interesting thought. Like have this furniture available. So you just have a process, I assume. Okay. Well, immediately we can just say, "Okay, we're going to put this furniture in this unit," and all of a sudden we have a short-term rental that we can put on the market, in a different market, really, or in a different type of industry to some extent even though it's still real estate and rentals. It's a very different group of people, right? So instead of that typical renter that we'd be marketing to, all of a sudden we can market to somebody else in a different group of people.

And so help us think through that a little bit and some things we need to be able to have in place. Even thinking through the furniture and where to store it, the processes to make that happen, and maybe we could have that and we can get it in there. But then let's talk too about how to market that to that group of people and be successful in the short term rental space and then having that pop-up availability like you're talking about.

[00:04:22] AC: Great. And what we do is, one, we like to keep things simple. And that's simply dealing with things that we typically deal with as real estate investors that have properties across the country. And what that process looks like, it's simply having storage space in a given city, and hiring an interior designer to outfit what those places would look like. And then we keep that furniture stored in a location — that also becomes available, in most cases, to real estate agents for rental that are doing other real estate showings or pop-ups in a given area. So it becomes sort of multi-purpose if you think about it having furniture available to leverage and turn into a short-term rental.

The second part of that becomes part of our build phase within our framework. And that simply revolves around being able to find and hire the right people and put them into the right process that we have. And then that taps us or enables us rather to have ready teams available to take on the furniture. Get access to the space. Pop it up and then have it ready to rent.

Once we enter into this build phase, what's going to happen is we are going to either virtually build out the furniture package inside of the space, have professional photos taken. So we'll always have a running profile for that property or the properties on a number of short-term rental sites and available. So if we know, for instance, we've got a vacancy coming on 1 October, 2020 and we are three months out and nothing's coming in, we can turn a profile on on the drop of a dime and start to pan out at least maybe a month or two. Open the calendar for maybe just a month or two and start taking reservations against that.

And that becomes powerful, because in most cases if we're looking out a month or two, all we're going to look at is where our profit margins need to be for that particular unit. And then we're going to price competitively just to hit our targeted and profit margins, which means we may not be competing against the entire market because our margins for that one or two units may be significantly lower. And that becomes one of the game changers, because we're taking on income at a lower rate in most cases, because larger properties have lower profit margin thresholds especially for one or two properties. And it allows us to take that on in most cases significantly earlier in the rental cycle. And once we hit those targeted occupancy rates that drive us to our targeted profit margins, it becomes a win-win for everybody.

[00:07:09] WS: Nice. I like the thought of like planning ahead and being able to turn something like this on. So we could look at our rent roll essentially and say, “Okay. Well, unfortunately, we're going to have 25 units vacant between November and December or January.” Maybe that's the worst time of year to have some turnover. But to fill that gap so we can have them available, say, in March or April. We can look back in, say, September and say, “Okay. Well, we can go ahead and be planning for this and turn that on so we can start filling up some of those 25 units to short-term rentals for maybe the holidays or through Thanksgiving, December,” if that's when that vacancy was. So maybe we could have more units filled. Is that kind of how you would plan that?

[00:07:56] AC: Exactly. And I'll let you into one of our bigger secrets here at Your Space and what we do well across most markets even with traditional single-family homes. We will aggregate our properties. And all that means is if I've got five homes in one geographical area, I will build a listing to accommodate all five of those homes. We do the same thing in the multi-family space, and that's simply taking the concept of you've got a basketball team coming into town and that hotel doesn't have 40 rooms to accommodate the entire team.

We look at it in the same light, and all that simply leads us to do is provide that same accommodation for larger groups across that one geographical area. And obviously in an apartment complex it becomes a better deal because they're all within one complex. But what that allows us to do, Whitney, is it allows us to create unique value in the market. And when that happens, when you create unique value in the market, you're not competing against every home in the market against every traveler demographic. And then we get out of the discussion about nightly rates and then we start talking broadly about our profit margins, because in these cases, then we can set prices for weekdays and we can set prices for weeknights and we don't have to move them because we've got value in a market that doesn't exist and we're not competing with with everybody else for.

[00:09:39] WS: Nice. Well, help us to think about – What about, other than, say, the furniture and maybe our team that knows how to stage the unit and we got our photos ready? What other software? What are the things do we need to have? Where do we need to be connected to be able to like turn that on to start taking reservations?

[00:09:59] AC: So it all starts with the platforms that you're part of. And in our case, we use a channel manager, and there's several out there. We go with a channel manager called IGMS. And what channel managers do is they connect your teams that service your property to your guest. And then what happens is that becomes a way for you to automate your communications, automate your cleaning schedule and communicate between – allows constant communication between both from one platform. It also enables in some cases for you to price, right from that one management tool.

The other thing I'm big on our security features for homes. And what we do with each of our places that I ask you to think about, we have a corporate contract with Vivint.

[00:10:55] WS: With who?

[00:10:55] WS: Vivint Smart Home Security. And what we do, we outfit each home with a smart security package that also doubles as an automation, a smart automations package for short-term rentals. So we've got smart thermostats, smart door locks, doorbell cam, outdoor cam all linked to a Google or Amazon device for connectivity. And we've got constant access for properties from anywhere in the world. And we're able to give guests access right from our smartphones. So that becomes a game changer especially when you're scaling and you're not having to work between four or five different apps to do the same job. You get it all done in one package there. So that becomes huge with the automation.

The other side of that in the center of gravity and all of this becomes the housekeepers — because they have the most access to your place especially if you're doing remote operations. You've got to ensure you get that right. And then part of getting that right is building redundancy in your housekeeping team. So if life happens, you've always got a backup on call to help service your property. So as we call it in our build phase, we are hiring the right people, bringing them into the right process. And in our managed phase, we are getting those same people into the right technology so we can automate our processes from anywhere across the country. And with those two in place, it usually sets us up to do this well and then we can focus on working on the business instead of working in the business once we've got those things set up.

[00:12:37] WS: Speak to some of the like crucial team members. I know you mentioned – I talked about a little bit like having a ready team. I assume that's who's going to be bringing all that stuff into the unit. Or, “Okay, at this point, it's going to be a short-term rental because we've already scheduled it,” right? So we know, “Okay, in the next few days, it has to be turned over.” So this team is ready to bring that furniture in and get it staged, set up. Anyone else that's like crucial as far as through this process? I know you mentioned like the cleaning team, which I know is so important as well like you said. Anything you want to highlight there or other team members that help make this successful?

[00:13:11] AC: It starts and ends with the cleaning team, right? Because they see the property the most. So you want to turn your cleaner into, essentially, a property manager without hiring them to be a property manager. So, the effort you put into building a detailed checklist for your cleaners becomes how well you do with this. And what we do is we schedule most maintenance calls, or in some cases for single family homes landscaping, pool services, we schedule those around the times that the housekeepers are there. So they become our eyes and ears for all of our vendor services.

And in most cases, before we hire them, they have to agree to take on supply runs and also other administrative calls as needed. So that allows us to have them work outward with other vendors and also have some interface with their customers as needed. Now with apartment complex, complexes, normally there's a management team on site. So in this case we never go and hire outside of what's at resources that are already available. So those maintenance teams that are already on site and tap to do work just become part of the process here.

[00:14:32] WS: Can you speak a little bit to just how you're able to manage all this while also full-time active duty?

[00:14:39] AC: No. That's a great question, and I get it always. And what happens is I – In particular, I look at the framework of everything we do here and bringing properties in. And then once properties come in to the fold, I've got a dedicated site lead that will show up on site and go through all the administrative efforts, finding and hiring the team, getting the logistical process in place, setting up all the technology and the automations. And then once that's done, that's handed over to what we call a partner host. Those partner hosts in some cases manage

these homes from day to day and then some of the smaller administrative tasks are passed off to the virtual assistants that we have siphoned out for 10 properties.

[00:15:26] WS: So what's a partner host? And is that something anybody can use or is that a service?

[00:15:31] AC: So normally you'll hear the term co-host with short-term rentals. We tend to think of things in a partnership, right? We create partnerships, and it's simply saying that the co-hosts help you manage. They just come to do their job. Partners help you grow a business, because they're vested into what you're doing. So we want to create partnerships with each of our vendors. Have them fully vested in and what we're doing and help them understand even from the financial aspect — it's a silly conversation, but where our targeted profit margins? And what does that mean for you as a vendor that's helping us service the property? So we want everybody all-in on the efforts, because probably better than me, the more people are invested in and what you're doing or believing what you're doing, the more effort they're going to give you when they feel like they're part of it.

[00:16:26] WS: All right. Unfortunately we're running low on time, but we have a few final questions that we'll just go through kind of quickly. But, Alvin, how do you prepare for a potential downturn in this type of business?

[00:16:36] AC: Another great question. We survived COVID, obviously, which was the biggest downturn that I've certainly experienced in a short three years. But this gets back to when I talked about building unique value or having unique value in the market. And the frontend of our process simply involves us looking at markets. Understanding where market gaps exist. And then we build out each unit to meet market gaps and market demands. So by the time we stand up a unit, we can go through Airbnb in some capacity through a number of filters, number of amenities offered and be one of only a few in the market that exists. So that uniqueness leads us to, one, not competing with everybody, but then, two, in downturns, helps us survive through market downturns and particularly with COVID.

[00:17:29] WS: What do you predict to happen in the real estate market or specifically in your niche over the next six to 12 months?

[00:17:37] AC: Well, I think Airbnb going public is huge. And what we've seen is a professional shift that I predicted back in April that COVID only sped up you. Because if you pay attention to the short term rentals and what Airbnb is doing in their timeline to go public, that shift towards building a more professional platform to be more accountable to their future investors, we knew it was coming and we've seen a massive swath of changes in the last three months to be exact. So looking ahead, I think we're just going to move to a more professional platform. And then for those hosts that are here to grow a business and build a professional business, then they'll ultimately win out here in the end.

[00:18:21] WS: What's the number one thing that's contributed to your success?

[00:18:25] AC: Team, teamwork, building partners and outward relationships and being able to – Or not being afraid to share some of our successes and what we're doing in markets to share with other hosts, because we look at any market and we aim to increase the value of host around us. And we know if we do that, we're going to buy proxy. It's going to come back by bringing better clientele into that market space.

[00:18:51] WS: And how do you like to give back?

[00:18:54] AC: Educational. It's all educational for me, whether it's coming on to a podcast or taking two to three 15-minute ask me anything Zoom calls per day to help host out. Like any industry, you've got folks at either end of the spectrum, and we look to service them all.

[00:19:13] WS: Nice. Well, Alvin, I'm grateful to have had you on the show. Again, thank you for your service, and I think it's incredible when somebody can serve but then also grow a business on the side and be successful like you have. Congratulations to you on that. But thank you for just going through just the short-term rental process a little bit. Helping us as multi-family owners think about how we can better utilize those vacancies and have a have a different even market or potential customer that we can market to, potentially even increase our income and ways we can think ahead. I like that. If we're going to have some vacancies, "Hey, maybe we should consider having that furniture on hand so we can do that for a few months". So grateful for that. Tell the listeners how they can get in touch with you and learn more about you.

[00:19:55] AC: Great. So I've got a website at www.yourspacetr.com where you can find a number of our products and services. I also host a number of different services through Fiverr under the username CavSpace. All of the services that are offered on a website are also offered through gigs on Fiverr, which I absolutely love. I'll share some links for some free meet-ups and other resources that are there as well as my online course that's available through Teachable.

[00:20:32] WS: Awesome. That's a wrap, Alvin. Thank you very much.

[00:20:35] AC: Awesome. Thanks, Whitney.

[END OF INTERVIEW]

[00:20:36] 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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