

EPISODE 948

[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.

It's that time of the week again when my business partner, Sam Rust, takes over the show and interview our guest. I hope you enjoy the show.

[INTERVIEW]

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Sam Rust: This is your daily real estate syndication show. I'm your host Sam Rust. With me today is Aundre Oldacre. Aundre started in real estate buying multifamily properties in Brooklyn. He's had some development opportunities, decided to move towards taking Cornell's commercial real estate and construction finance program through Columbia, as well. Aundre has moved towards modular construction, and as use them in several of his projects, and he's recently been named the vice chair of Off-site Construction Council for the National Institute of Building Sciences. Aundre, thanks for joining us today.

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Aundre Oldacre: Thank you for having me.

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SR: Yeah, for sure. So Aundre, I've been exposed to modular just a little bit I haven't worked on any projects firsthand but I have some friends who have been involved in that space. Modular has maybe a little bit of a negative connotation I think most people in real estate when they hear modular they think modular home, they may be think mobile home park. But I think what you're doing is a little bit different. How you got into modular what it is and what excites you about this asset class?

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AO: So what you're talking about a differentiation is, you know, manufacturer home is mobile homes that you see in a trailer park. Modular is just the, the ability to create housing or any building for that matter, inside of a factory inside of a controlled environment. So you bring many levels of efficiency when you build inside of factory. One year building on the first level and an air conditioned building without whether elements. You have access to equipment, electric. There's no need for scaffolding and in various other issues that you have one on site issues on site field. It's also a lot faster because you're doing the site works, you know, mainly the excavation foundation work, at the same time as you're building the modular in the factory, so you can get up to 50% faster because the two are going on simultaneously.

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SR: Makes sense. How did you get into modular and be connected with the off-site construction council I'm sure there's a good story there.

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AO: Sure, so I got into real , I bought my first home in Brooklyn with three family. Pretty much the birth strategy from bigger pockets and others. You know, over time, I saw a massive appreciation house tripled in value and took money out of that bought some others. But then I got, I hit the zoning lottery and they increase the buildable square footage on my block so I plan to knock my building down and buy a neighbor's house and go up eight stories. That didn't end up happening but within that I found my partner my partner who had 20 years construction experience and Robert Allen and, you know, a certified construction manager, and I brought along all the finance and property management experience, and we formed a or development.

He had already had experience with modular he had built over 200 homes, and the hurricane build the back Sandy program with build a back program. And I was already researching and learning a lot about modular. Then we connected with our architect, Jim garrison is probably one of the most well renowned architects for modular in New York City, and he was an architect, you know, in the planning we're planning 110 unit. Building three buildings, senior affordable project and Brooklyn here now. So we've learned a lot through him as well. And just continuing to study the subject and going to meetings and while the modular and various other things become sort of an expert in the field.

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SR: So, as I've been in real estate over the last five years or so I've heard modular quite a bit, and I'm

hearing it more and more, we're doing a couple of projects in Idaho and there's actually going to be three different modular factories located in Idaho by the end of this year.

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AO: Autovol's a huge, huge one with Rick Moriarty. He created one that's got some heavily advanced robotics in there he's uh he's cut the man hours down tremendously and I'm going to pick up the speed and lower the cost.

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SR: Yeah, we own a property that's less than a mile from the Autovol facility up there I've driven by it a couple of times. I'm trying to find him on LinkedIn so I can get a tour. I'd love to see behind the scenes I've heard it's a pretty impressive facility. And so, where are we at in the life cycle for modular? You know, for many years there's negative connotations and multifamily maybe the building quality was a little bit under what you could do if you're doing stick built.

It seems like the narrative is changing, especially as we're facing rising housing costs me lumber costs are higher, like you mentioned you can bring that skilled labor into a controlled environment, minimize waste. Where do you see adaption heading from here? Which inning are we in for the modular resurgence?

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AO: Although modular has been around since the 20s, you know, took off a little bit more in the 60s. We're still in the infancy stages we're still in, I would say, the third inning, right where we're, it's only 4% of the construction market right now. And, you know, it has the capability of being, you know, mainstream and, you know, you know above 20% of the market share. So, we're still in the very early stages.

You're hearing a lot of buzz about it because you know we've learned our lessons from past mistakes and you know there's been a lot of learning lessons and curves that we've had had to address, but from those lessons better factories have come out and better practices have come out, you know, and using them technology and in all sorts of other innovations in, you know, advanced robotics as we talked about with all of our and others were actually in the process of working on a modular factory as we're actually in the process of working on a modular factory as well. The hours would be steel based. Whereas, you know, a company like all of all is web based.

So, there's been a lot of lessons learned and it's really becoming, you know, over the past three or four years you've heard a lot of, you know, big names, pushing money towards, manufacturing, obviously, the reason is, construction is a skilled labor, construction shortage. Millennial are moving away from the hard gritty work that is this construction field. And, you know, they want they want to do something that's a little less.

You know, first of you as a construction worker your lifespan is, you know, you can't do this, you know, a full career you can only probably work till 50-55 right? It's hard strenuous work and what the you know the use of the robotics, we can take the heavy and tedious work away from the workers and have them do skilled labor, like plumbing and electrical engineering and robotics and, you know, things that will extend the workers life, and, you know, happiness, in the job so...

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SR: You've mentioned as one of the things that's being implemented as BIM technology. I'm not familiar with that term. Could you elaborate a little bit?

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AO: So it's Building Information Systems. It is basically a coordination between all facets of the construction world so what do you have a lot of waste in construction because, you know, disagreements or errors that go between the, the developer. The architect, the structural engineer, and the GC right you have all sorts of errors that are going on with technology it's all its online. It's a platform that everybody can see real first time and real time changes so if the architect makes a change, he can see that change, everybody is able to see that change and it's lessening the error rate and increasing efficiency.

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SR: That's really interesting. I mean, the world is more and more being governed by data. And, yeah, I can see Building Information Systems just a way to track and eliminate slippage eliminate waste and maintain timelines.

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AO: Yeah, Autodesk is a leader in that field and you know, there's some others as well but it's it's definitely improving the cost and efficiency and construction.

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SR: So you mentioned that right now. Modular building is about 4% of the marketplace. And you can see it moving towards 20%. What is maybe a couple of key factors that would make a project a really good candidate for modular for those folks that are looking into development?

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AO: So, it's about education really, you know, like you said modular has had a black eye for a long time, it's not a bad name it, you know, part of what we do at the off-site construction Council of the National Institute of building Sciences is we're working with, you know, the government agencies Freddie Mac Fannie Mae the big governmental agencies and creating a standard and best practices for both lending to understanding the draw schedules how to because it's very different from a traditional build right 09:17:23 and a traditional build, you may have, you know, 10% down and draw schedules. As you know, different portions of different milestones are reached in modular it's maybe 20% down, and then the factory takes on the risk, and then once the, the full completed modules are delivered and set the rest 80% is delivered is released.

So it's a different form of lending and, you know, you get into all sorts of issues of who's responsible, when it leaves the mark, when it leaves the factory. When it said like who takes on the insurances. So those are the. Those are the practices and standards that we're working to basically to have flushed out.

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SR: What sort of issues, if any, have you encountered or seen from a permitting standpoint, I would imagine that there's some smaller municipalities that just aren't familiar with the technology they've got antiquated building codes. I imagine there's a fair amount of missionary work there?

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AO: Sure, that's part of the education so if we get into the big governmental agencies and some, you know, they can then release it to the bigger banks, the bigger banks, and then it also will flow down to the local municipalities it's, you'll, you'll find one city or one municipality That's pro module and has experienced with it and they will find you know maybe the next town over that they have no experience and you'll find that you'll have, you know, serious delays because they have to get up to speed and understanding modular. So, you know it's you need you need to research your town or municipality that you're looking to build before you actually go ahead and say I'm going to do this module because all of

these efficiencies.

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AO: Yeah, it's a little bit of legwork resale value for these buildings once they're completed, is there any difference between a stick built in a modular? Once it's actually completed.

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AO: It's actually better quality because you're building a controlled environment. You don't have access to, you don't have war page and other sorts of issues from weather delay you know whether you have weather delays. So it's actually better construction. But you've seen similar values, you don't really see any, any difference in value. And just to be clear modular can look exactly like a stick built. You know, the finishes on that on the outside. Sometimes I've done in the field sometimes they've done in the factory but it can look exactly like a traditional single family home or multifamily building or hotel for that matter.

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SR: In the stick belt world we've seen a lumber price, I mean this is true modular as well the lumber prices all your commodity prices have jumped, you know, but there's risk in stick builds for storing materials that site slippage that way you know having substandard contractors etc, etc. What are some of the risks in modular that maybe just aren't thought of or aren't top of mind for somebody that's new to the space, what are some of the things that you try to control for?

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AO: I mean you have the same risk right the commodities, it takes, and you're using the same materials to build so the same commodity increases are affecting not a module just like there with traditional stick built. The advantage is that it takes a lot shorter timeframe so you have less exposure to that commodity change right so we're in a factory in a single family home might take two to three weeks for a factory depending on how fast and efficient they are to build a single family home, you know, and traditional I actually don't even know how long it takes. Because, you know, the my whole career with modular, but I assume it's in a two month range. And you so much more real more exposure there, you know, some of the risks are yeah that's it's really the same risk though, you know, by the time you get your quote. And then the time you actually go to, you'll give them the green light to, you know, sign off that's your risk the timeframe for when you get your first quote to when you actually start building it.

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SR: Generally in the stick belt world you go out to a couple different GCS you get a couple different bids on your projects, it seems like there's more and more of these modular factories popping up is the contracting process very similar where you got to multiple parties and can get bids. What does that turnaround process, or how long does it take what does that look like?

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AO: So it's pretty similar you can usually you know the good modular factory they should be able to look at your construction plans and get you a solid bit of them within a week or two, you know, depending on how busy they are. So, you know, that's about the timeframe usually looking at.

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SR: Kind of at the beginning you mentioned that you'd bought a three family dwelling, and then you were fortunate to be part of a re-zone what and what ended up happening to that project what was your exit strategy there?

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AO: So I'm still here I'm here right now actually, still in the house. But, just left it as is eventually one day I'll get around to, you know, doing the project. The neighbors are kind of holding out but I'm going to renegotiate with them. Tobe honest the projects have gotten so much larger that it's really on the back burner it doesn't really even, you know, there's so many other projects to do so.

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SR: And you mentioned 110 units Senior Living what other modular projects have you done over the last couple of years?

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AO: So we're relatively new. Like I said, My partner and I, we formed our company in 2018 we're, we're finishing up for set for single family homes in South Plainfield, New Jersey. We're, we're building out on a 22 unit condo building in Harlem. We have a huge deal in Mount Vernon 1500 units that we're working on, you know, getting equity capital for so we've got a wide range of projects that we're, we have in the pipeline.

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SR: I like to ask folks pretty consistently, where do you see real estate headed? You know it's been a really interesting last 18 months, no matter which niche you're focused on. As you look forward over the next 12 to 18 months where do you see the most opportunity and where do you see the most risk?

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AO: So, you know, we're in, we're in the New York market so we're very focused on the boroughs, and in, you know, surrounding areas. Obviously, we've seen a lot of struggle with the hotel and hospitality industry the office industry. But those are starting to come back a little bit. We mainly focus on multifamily and mixed use. We're seeing some very good deals in Brooklyn, and you know in Westchester that's those are two main focuses and some parts of Jersey and, like I mentioned one in Harlem that we're about to work on.

So, you know, New York market is very stable market. You know, people were down on the city for a while with Cove it but the price values that really didn't see a hit. Rents took a hit, but the value is actually stayed pretty stable, and we only see, you know, we see the market going up from here because you know people are starting to come back and, you know, people love the city right it's you know it's a very, very stable city. And it's always, it's very been very resilient through the times even the crash of 2008, you know, we only saw a decrease in like 5% of value whereas parts of like Vegas in Miami saw a 50%, you know, decrease and values, right. So, you know, in New York has been very, very stable and will continue to rise, we see.

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SR: Awesome. What's the number one thing that's contributed to your success Aundre?

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AO: Just always, you know, reading, watching podcast like this, and listening, you know, talking going to events, you know, studying and understanding what's going on in the industry and you know I'm part of a bunch of associations and just always you know 24/7 seven talking about construction and modular.

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SR: That's awesome, you have any book recommendations for our audience anything you particularly enjoyed or found helpful in your journey?

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AO: Um, yes, I mean, the usual is right. I just got recommended when actually hearing wills. See, this one I just got recommended, David Halberstam, The Reckoning, Nissan versus Florida. That's one of just recommended to me. Obviously, I read Rich Dad Poor Dad and all the rest of the books from Robert Kawasaki and, you know, various others. But yeah, I'm more of a podcast and, you know, articles, sort of that. Yeah. D

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SR: If someone wanted to learn more about modular Aundre, what would be some good resources to point them towards?

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AO: The modular building Institute, NIBS, like we talked about the National Institute of Building Sciences. And just Google, like Google is your friend right? There's so much information out there, elsewhere as well.

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SR: That's fantastic. Well, thank you so much for joining us today Aundre, really appreciate you taking the time and educating us and our audience a little bit on modular thanks again.

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AO: All right, thank you.

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