

**EPISODE 981**

[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]

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**Whitney Sewell:** This is your daily real estate syndication show. I'm your host, Whitney Sewell. Today our guest is Mike Kerper. Thanks for being on the show, Mike.

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**Mike Kerper:** Thanks so much for having me, Whitney.

**00:00:34.000**

**WS:** Mike leads real estate solutions for SOURCE Global, a BlackRock-backed startup that makes perfect drinking water from sunlight and air. Mike is a West Point grad, formerly served as a U.S. Army infantry officer and on the Starbucks Strategy Team for international licensing. He's passionate for finding outside the box ways that real estate firms can drive evaluation and attract stronger investment through sustainability

Mike, first off, thank you for your service. Appreciate that very much and then, you know, welcome to the show.

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**MK:** Well thanks again for having me Whitney, definitely appreciate your support.

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**WS:** Yeah, well, Mike, let's just jump right in. Tell us what you do for SOURCE Global and why that's important to us as real estate owners and investors.

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**MK:** Sure. At SOURCE Global, you know, I work on the North America team. I work specifically with folks in the real estate industry, in the hospitality industry to try to bring sustainability into their portfolios. Right, and we try to do that in a revenue positive way. So, you know, a lot of the examples I'm going to bring up today about how to drive value for sustainability, it's really trying to challenge some of the traditional perceptions that a lot of folks, whether you're a developer, whether you're syndicator that exists out there about water sustainability. Right, so you know, a lot of times we feel that sustainability is really just, you know, we're looking to save resources and cost, whether it's electricity or water. Or on the other hand, you may have a perception that sustainability is something where you pay premium prices for products or those building materials, furniture that you choose in your design. And, you know, whether through my work with SOURCE or through the other examples, I'm going to bring up it's really about turning that narrative around looking at what are ways that we can go on offense with sustainability and start generating NOI actively because no matter...everyone has an opinion about the environment but no matter what, I think a lot of these things are things that you should do to not leave money on the table. Whether your fiduciary responsibility is to a pool of investors through syndication or through yourself if you're faster.

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**WS:** Okay, let's jump into that a little bit. You mentioned like generating NOI through sustainability. What does that mean a little bit? How do most people do that? How do you all help people do that?

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**MK:** Sure. So I'll start off just with the example of what I do at SOURCE specifically, right and so in full disclosure, I work for this company but I think it is a good example, an illustration of how you can start actively generating revenue that produces NOI from sustainability and not just influencing the cost side of the equation. So, as you mentioned, in SOURCE we have a product called the hydropanel, which looks a lot like a solar panel, but instead of producing electricity from the sun, it generates perfect drinking water from sunlight and air. Right, so just it harnesses the natural water vapor that is found in the atmosphere. The technology we have, it adds

minerals to the water to give it the full flavor taste profile you would find in a premium bottle of water that you get from the Alps or, you know, small island in the Pacific. But it's generated locally, right it doesn't come from all the way around the world.

And so, while this tech is cool in and of itself, in my opinion - I'm kind of nerd out on thing, but what we try to do for whether it's a hospitality client or a real estate client is we turn this into a service and ancillary service that you can use to better serve your residents at your property. And so, we do this in a couple of ways. One, we, you know, a lot of times there's just not enough space on a property, we wouldn't want to put hydropanels, all over your building and completely ruin the design, so a lot of times what we'll do is we'll create a water farm in the same city. And, you know, it's on a cheaper piece of land, not far from your property. And from there we can either bottle the water and we can deliver it to your residence milkman style or watercooler style. Or we could use it to feed dispensers, you know ATM style where residents can go in the common areas and fill up a pitcher that's linked to your rent and utilities software. And they can get that same bottled water quality without having to go to Costco and haul it back. And we do this with a couple different operating models that really take your property staff out of the picture so it's very low impact on them. We have models that remove all of the capital expenditure from the equation, so that is really is fairly de-risk. So the price for the tenants is, you know, lower than what they would pay at the grocery store for bottled water but you get margin baked in there from day one. So that's one example of how you could start, you know, actively generating revenue and operating income with sustainability.

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**WS:** That's interesting, Mike. So you mentioned like a water farm close by, it's interesting, just to think about it like that, but you know, how much land do we need for something like that? How far away, you know, typically, is that happening, you know, or maybe we have enough land at the property already and what does that typically look like? You must have your examples. What do people do our operators do?

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**MK:** Sure. So for the population at a typical 300 unit apartment building let's say, you probably actually need less than a half an acre of space to be able to do that. But, you know, for instance, so in the Phoenix metro area, or companies based we have one of the spotter farms, it's so, you know, we build them on the fringes of the metropolitan area but usually it's one farm or two

farms that can serve multiple customers within that area. And so, you know, you're looking at, you know, trucking water to those locations from the farm to the clients, you know, anywhere from once a week to once a month.

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**WS:** Is it just drinking water or I mean is it, you know, water that they they're going to go get for drinking or is it something that can be, you know, plumbed? You know, through the entire property.

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**MK:** At this point I would definitely only recommend it for drinking. It's not going to be a cost effective way to take out all the water you need for showering and doing the dishes, etc. But you know maybe one day we'll get there but definitely for a lot of folks like to spend a lot of time in places like Tampa Bay and Dallas where it's just not, you know, you just do not drink the tap water, just does not taste good and you know becomes a weekly chore hauling that water back from the grocery store, and so this is a really great way to end that pain point for your residents in a way that also gives you some income.

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**WS:** So this design that was actually like pulling more sugar out of the air, I take it to man is powered by solar. And so it's all self contained there it's not like, you know, a truck comes in and dumps a bunch of water in this thing and it's purifying in some way or running it through some cultures, right?

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**MK:** Yeah, that's the really cool part. It's completely...like does not take any grid inputs whatsoever. Does not take a drop of water from the grid, does not take a single walk from the power. So when we do some of those solutions like where we bring a create a reservoir and the property, small reservoir to feed dispensers for instance, that is an independent water supply that would never be affected by things like boil water advisories or other natural events that we've unfortunately seen, you know, in places like Texas throughout this year. So it is have the added, you know, sense of security for folks that, you know, I never have to go fight for bottled water and the grocery store line in the event that something goes wrong.

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**WS:** You know it's interesting, so I grew up in a really small town in Kentucky and I've noticed that in this small town like we go back to visit, there's couple of these stations where people can get ice and filtered water, right. And I don't think these stations are as complex or as nice as what you're talking about, however, still people do come. I mean, like it's just this nonstop thing people are coming getting water and ice. Right, you know, from these stations, you know, they carry these big jugs, you know, so they can carry enough back for drinking water for the week or for a few days or something like that.

But I was thinking about this, could it even be like a separate business? I was thinking about, you know, if you bought a half acre of land somewhere say close to your property, is this something that...that other people can come use as kind of its standalone business so other people in community could use it also?

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**MK:** Definitely we are doing that in several communities just in the United States alone. We will partner with a local entrepreneur to create, you know, someone who is going to create local jobs for the bottling and the distribution and things like that. And it has the local networks to go sign up customers and we do actively especially in marginalized communities. We're really pursuing that model.

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**WS:** How long do we see a return on our investment on something like this?

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**MK:** So, the amazing part is that for certain deals that qualify, you can have positive ROI from day one, because we offer a particular model which mirrors what's done in the solar industry, where the customer only pays to off take electricity - in this case water, where you only pay to off take water at set rates. So we handle all the upfront investment and startup costs and you just pay the predetermined contracted water price and there should be enough. And we aim to get those projects scaled appropriately so that you can then, if you were an apartment operator, you can offer that to your clients at a price that's competitive with bottled water but there's enough margin in there already from day one. So the payback period is literally zero.

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**WS:** What's the biggest risk in this? What we're just going to mess up or what's the biggest trouble maybe some of the operators have had?

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**MK:** Yeah, I think the biggest fear that people have is, if you do go with that model, you are, you know, looking at buying a certain quantity of water every year and so we do a lot of work up front to do very deliberate tenant surveys and to introduce this concept to residents such that we have an accurate picture of demand beforehand because you don't want to be contracted for this water, and then, you know, demand doesn't materialize. So we take very great pains to properly sight a solution. So that we're, you know, getting the right number of panels, the right quantity of water for your property and then we have, you know, the ability to scale up if demand, you know, if your occupancy soars or all of a sudden folks really want this.

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**WS:** Nice. So there's a way to start smaller and then increase the size of the system somehow?

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**MK:** Absolutely. It's very plug and play. I mean, as your occupancy and demand assumptions change, we can scale with that.

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**WS:** Nice. Okay. What about...I was just thinking through like in the community how this would be viewed. It'd be hard to keep other people from coming and using it, I would imagine as well, you know, if they wanted to, and I don't I don't really know what the problem with that would be unless it's a traffic issue or, you know, other things like that depending on the location. And I was just thinking through it till you mentioned like an accurate picture of demand. What are a couple things that could tell you this or are there ways to see people like pull their tenants, you know, to ask about things like this? Or what are a couple things that would say "You know what? That may be a good option for our property."

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**MK:** Sure. So, you know, in a closed community like an apartment building, so we do the surveys in advance and so our brand team will develop whether it's a direct email introduction to

the resident or if it's a postcard at their door, you know, with a QR code that they can go to a special curated website that introduces the concept to them. We can track enrollments through those types of tools and then when it actually comes to the service, you're either, you know, if you're doing the delivery method, then the tenants are signing up for, you know, say three of the five gallon water jugs per month. That's a set, you know, that's a known quantity. Or when we do have dispensers, so let's say we put dispensers on each floor of an apartment building, what a lot of customers want is a special RFID chip water container that they can use and it's, you know, you're only metered for what you take, you know, that meter is linked to your rent that you pay every month, so you need one of those jugs. You need to be enrolled in order to use it.

In other properties we do do...we are looking at doing some work in RV parks in places where it's really hard to get good tasting water and ice. And, you know, part of the appeal to the property owner is that there are a lot of people that would pass by the site on their way to work every day and want to fill up an ice and water. And so you want to invite them in. But in those cases we have to look at, you know, we have to look at traffic patterns on Google, we have to look at other sales you're doing at the property like propane for instance that might be a good proxy to tell us, you know, what outside traffic looks like to the site. And so, and then we take a conservative approach again so we're not overburdening you with capacity from the beginning if we find out that, "Hey, you got a (inaudible) here, so let's re-scale it."

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**WS:** So you mentioned, I thought I have not heard of that before about the tanks or containers that are, I guess they have some kind of device on them where the system knows how much water they're supposed to get per month, right? That's so interesting. And so if it's somebody new coming up to the system, how do they get signed up for something like that? Or do they have to connect to the leasing office? And how do they get their own container and all those things?

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**MK:** Sure, yeah. So a lot of times next to the silver doing the dispenser, like you mentioned, will have some signage, you know, next to or above the dispenser that explains it, and with a link that the resident can go to sign up for the service. So we try to take as much friction out of it for, for both your property staff and your tenants as possible because we don't want this to be distracting for anybody.

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**WS:** That was going to be my next question is about the burden. How much burden does this place on the leasing office, right? Or your manager or, you know, staff, you know anything really other than tenants it's probably coming to them first to complain, you know, if there's an issue of some kind, you know. Any other burdens or issues that the places on the staff?

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**MK:** There's not. And whether we're doing the delivery method, so in that method either our own company directly or our third party partner is handling the actual delivery to the unit. So, you know, your employees never have to haul water around the property. If we're doing the dispensing method, you know, that's truly automatic. And there is of course a little bit of construction up front which we include in the project price of the water. And a lot of times this construction is actually very, you know, it's a lot lower impact than you think, because we're not having to tap into any existing pipes. You know, if anything, we'll put a small reservoir in a maintenance doc, a maintenance closet, the roof outside the building something that's an untouched, or marginally used space. And, you know, we'll connect that with our own quarter inch flexible piping which, you know, integrates. It's a very quick install that our staff handles. You know, it shouldn't ever be something that, you know, we're using plumbers to direct your piping, to do huge aesthetic changes to your property or anything like that.

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**WS:** Whether we're doing the dispensing or delivery methods, you know, as the unit itself gonna be the same?

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**MK:** The actual water is the exact same.

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**WS:** Has been the unit they were purchasing to put on our, you know, in the land, you know, is that going to be the same? Could we do either method or both?

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**MK:** Oh, gotcha. You can do either. If you're doing delivery then we don't have to put a reservoir on site. If you are doing the dispensing method, then we will have to put a reservoir of some



kind of we have a variety of options of sizes to get the appropriate one both for the space you have.

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**WS:** Okay. Mike anything else you want to leave us with as far as SOURCE Global? Or you know, being able to do this on our properties before we move to a few final questions.

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**MK:** Yeah, I guess this the last thought I would leave you with is that we really do try to de-risk this and make it as low impact as possible. And so you know, we always find that people are oftentimes pleasantly surprised once we have those initial conversations with them about this is like "trust me, this is easier than you think." And we're going to go through great pains to make sure we have the right size solution for your property.

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**WS:** And I mean to ask you, how many are being used in the US right now?

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**MK:** I'd have to get back on the exact installed amount, but we are in 49 countries. I think we just crossed mark, last month we close the a huge deal to help bring our panels to 500 homes and the Navajo Nation. This is the Native American reservation in New Mexico and Arizona where you have almost 100,000, people who are not drinking, who do not have safe regular access to drinking water and a lot of them are tricking, you know, poisoned well water from uranium so...

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**WS:** Wow.

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**MK:** That's going to be a huge impact that we're able to have a population. And hopefully that's just the beginning of our work there.

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**WS:** You know, I guess if you're doing this in 49 countries, you all have installed a few of these.

It's pretty incredible to be that big or to put that money, and just incredible to be able to provide that kind of water to those kind of people that don't have it, right? Don't have access to clean water, and we're obviously needed sense of big service there, so grateful for that.

Well, Mike, do you have any daily habits that you are disciplined about that have helped you achieve success?

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**MK:** This is a stereotype that comes to the military and there's a very famous Admiral who led the raid who is famous about saying this business, "The first thing you should do in the morning is make your bed, because if nothing else, you've achieved something, right?" You fail at everything else, you've achieved at least one thing and it's the first thing you do in your day. Well I do take that literally. I also take that in a bit of a metaphorical sense of, you know, I tried to knock out, you know, my high priority tasks in the morning when I have the most focus and brainpower. And so that, you know, if I knock out those big rocks earlier on the morning then, even if the rest of the day, you know, gets all off track then, at least I've accomplished the most meaningful things that I had to accomplish that day.

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**WS:** I've seen him, his speech where he's talking about that. I think that's really neat. Even if you wreck your entire day, guess what? You get to get back into a bed that's been made, right? Something like that.

What about the number one thing that's contributed to your success?

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**MK:** I'd say, you know, finding teams to join where you enjoy doing, you know, hard work with focused, inspiring people - whether that's in the military or we're here at SOURCE and that's kind of the aspiration that I've always had and so I feel the most fulfillment, out of whatever I'm doing.

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**WS:** And how do you like to give back?

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**MK:** I like to give back, you know, the work that we do is meaningful, because not only do we get to work with luxury developers, but as I said, you know, we do some work and some very, very challenged communities, you know, a lot of times folks that were left behind. And that should never happen anywhere, should never happen in America. And so it gives me a lot of sense of pride, to be able to, you know, change a meaningful part of people's lives through some of the work we do here.

**00:18:14.000**

**WS:** Nice. Well, Mike, I'm grateful for your time. And I think just as entrepreneurs, it's just something else maybe we can be thinking about, you know, you talked about generating NOI through sustainability, but you know, you mentioned at one point he said it's not just about lowering expenses, you know, there's actually some income generating from this as well and potentially, maybe even a separate business or that could help the local community and different things like that so it's something just as entrepreneurs I feel like we're most of us are just always thinking about, right? You know other business opportunities and, and this could be something that helps our current properties or portfolio and other people in the community also.

Mike, how can listeners get in touch with you and learn more about you?

**00:18:52.000**

**MK:** Sure, so I'm on LinkedIn and, you know, you can always feel free to email me directly at [mikekerper@source.ceo](mailto:mikekerper@source.ceo).

[END OF INTERVIEW]

[OUTRO]

**0:19:03.0 ANNOUNCER:** Thank you for listening to the Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at [www.LifeBridgeCapital.com](http://www.LifeBridgeCapital.com) for free material and videos to further your success.

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Transcript

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