

**EPISODE 1024**

[INTRODUCTION]

**[00:00:00] ANNOUNCER:** Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

0:00:01.6 **WS:** This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today our guest is Johnny Wolff, INSA CEO and founder of home room code living. So Johnny, he shares with us really a new model that he created around code living, and it's one of the fastest growing co-living companies in the United States, but he educates investors on current properties and redesigning them into lucrative co-living opportunities or our dreams. He calls it, but this platform may be something that you as an operator, I want to think about it could be a way for you to increase the NIF, your property income, so therefore you're increasing the value as well, or maybe you have a few units of the large project that you can devote to this or at least to test it, kinda like an Airbnb model or something like that, but it could be a way that a couple of people might pay more for say a room, if you have a couple...

**0:01:15.4 WS:** Two-room apartment, they may pay more per room as a total than they would if they were having to rent the whole project, and so this is a different model that not really heard much about, but it could be something that could drastically improve the income of your property and something you should definitely have just in your tool belt of options, I know you're gonna learn a lot from Johnny, enjoy the show. Welcome to the show. Johnny, pleasure to have you on a... You are an expert in the space, I believe it or not, after even a thousand shows, I don't think we've really talked to anybody that's expert in what you are doing, and so I'm looking forward to this and really exposing the listeners and myself to this, but give us a little of your background and getting into the real estate business, and then tell us about your focus right now on real estate,

and we'll dive in.

**0:01:59.1 JW:** Sure, I started my career in finance in Silicon Valley in 2007 and bought a property out of state in Midland, Texas, a country in 2008, that was my first rental... It was back in the day when you could do 10% down loans on forensic properties were saying, Goodness is all the money I had. And then I continued to work in the Silicon Valley, doing financial modeling, financial forecasting and finance strategy for some big technology companies in the Bay Area. In about 2015, I built in my real estate portfolio, and I'd always live with roommates in the Bay Area, but moved to Austin, Texas in 2015 after analyzing different markets, deciding off and have the best appreciation potential of any market in the United States. So I moved there to buy properties with primary residence loans once again, trying to stay capital efficient when I was in Austin, all of the properties I had there, I rented out by the room, and I enjoyed it. It was the way that I lived. I kinda was able to provide cool remained housing to a lot of people that are migraine in Austin, and also I was able to cash flow really high and properties in Austin, Texas, which I ended up doing well on appreciation basis over the last few years, and moved to Kansas City, 'cause I was looking to balance my real estate portfolio was something that's a bit more cash flow in 2018, and I had found about 50 roommates on Craigslist over that timeframe, and realized there had to be kind of a better way for Romans to live together, then go on Craigslist or Facebook.

**0:03:22.2 JW:** And so I decided to start a remain company of some kind, and it became what Huerta were in 23 cities throughout the United States, in the middle of Kansas City, Dallas in Austin, looking to expand in Mesa, Antonio shortly. We have 295 remains from a lot of core metrics, we've grown over 300% this year with goals of growing between four and 500% next year.

**0:03:45.9 WS:** Wow. Yeah, congratulations. Just on the idea and making it happen, and even just the growth that you've had through this, so give us some details of that. You talked about... You started writing things by the room, and then you started this business around that, what is the business to... How does that link people together, who is that tenant? That's looking for your services. Yeah.

**0:04:06.8 JW:** So the cohort of millennials is really the main focus. Obviously, there's some sins,

genes are starting to sneak in at the early stage... We were generally 21 to 35. What I personally saw is a lot of my friends between after college, 22 to 30s, they weren't getting married yet, and so while living alone is Toews something all of us could afford. It just wasn't something most of us really wanted, and then when I moved to Austin, I saw the exact same pattern with other monies, everyone living in in an expensive studio on 63rd. I actually did that for a year and I kind of hated it. I think everyone wants where you live to have community family of some kind, maybe not every... You've seen one in five folks want a little low, but that Plato community is pretty wide spread, and so that 22 to 35-year-olds is main focus... They're generally un-professionals. Our average credit score is typically above 700, the average age is 27, gender vectis, Pretty balanced, although we do have some houses that are call girls and senators that are all guys, but the average stands of being a bit over a year, so we do see the milia renter, they have more flexibility and we actually allow you to transfer from property to property at home room, but in terms of how long they stay with us, it's usually a year or two or three.

**0:05:20.6 WS:** So is this something that other landlords can use... They can use your software or how are you all... How does that work?

**0:05:28.2 JW:** Yeah, so you can partner with them and we're working on expanding that nationwide as we speak, the way to do that would be two-fold, one is if you're open to working in a market that we're in, you can either buy a property with us or we can teach you how to do it yourself. So sort of like setting up an Airbnb, you have a property, it's in the right area, or it has the right size, matches and specifications we recommend for Colombia, you can add it to our platform and then you'll be able to get up to 50% more rent by renting by the room, so it really... What we find is that with larger homes, especially investor tenants, they are willing to pay the same amount, even if the house has five or six bedrooms, and so that's when you can start to make quite a bit more as a landlord and I as an investor.

**0:06:11.2 WS:** Do you see this working and say multi-family properties as well, whether it's a four-unit or a 2004 unit with this work in a property like that.

**0:06:19.3 JW:** Yeah, there's a number of Colvin companies on the coast, Star cities based on a San Francisco, they have a co-livin model, and then comment out of New York, they're both

thriving venture capital, vacuuming companies, I think there's a development out of Denver, which is actually one of the cost ones in the United States, and you're... We're seeing a ton of this is the saturation level of colonias pretty massive, and it's mostly in the multi-family space, so I think the US one can follow Europe a lot in terms of fashion and all that stuff, or following Europe here in the cabin space, and I think we'll see large multi-family Colvin buildings throughout the United States over the next two to three years.

**0:06:58.6 WS:** So you mentioned like a land lord currently, and Lord can partner with you all or use your services to help use this co-living model and some units or in their house at our rental house. Things like that, you mentioned getting 50% more parent too, is that because of the flexibility to that the tenants have, they can go to other properties or... Can you explain that a little bit? I can imagine like somebody listening right now that's in real estate business, or think it lit a minute so he can just move any time, How do I count on rent, what kind of lease do we have... What happens when this person moves out, Does my rent go... Dan, how does some of that work? And

**0:07:31.5 JW:** So there's a few pieces that drive up the rent revenue in a Colvin property, one is you're increasing rent per square foot, and that's generally by subdividing into more room, so we'll typically add a bedroom or two into an extra face... I'll have to eloquently fit into the property, let's say there's a Dean or someone used space, so that'll rent, but sometimes properties without any changes with five or six bedrooms will actually make substantially more through color, man. So we have an example property that was renting, I think for 1700 in Kansas City, and then when we added, we got it up to six bedrooms and it ended up renting out for 2500 total. So just that kind of increase... What we find is that the demand for remain housing is so high that if someone transfers, they're required to give a notice and we can backfill that room and a turn on a bedroom is only a day, so we can actually have someone in there two days like there, so that sort of creates some backstop for investors, and obviously our occupancy has to be very high to sustain that ecosystem, and typically it's in the upper 90s on...

**0:08:38.2 WS:** Well, how much say does that tenant have about who's moving in with him? That's

**0:08:42.5 JW:** A good question, and we are looking into that more as we speak... One of the

challenges, we actually have always had a very high touch, high involvement model with our tenant base, they actually... We do a video interview with every time I kind of like the same call right now in a background credit check of action history, just like standard property manager, and then we set up a video call with the current roommates, and the roommates and the current remains in the new ermita gonna say, No, that's not a good fit. It usually has to be based on something like I don't feel safe with them, I feel uncomfortable, things like that, it can be like they didn't like the sports I like, or something like that. It has to be something more substantial. We're looking at that and trying to see if that slows things down too much, that may be something we change over time and switch to more text-based approval method, but we do think it's important to have the current tenants have the ability to weigh in. You don't really want people just throw it into your house...

**0:09:33.4 WS:** Yeah, personally, I would be very picky about who's moving in with me... Right, I'm gonna have a lot of questions. I would hope that I would have some say in that, so it's neat that you all are looking into that, I can just completely understand why somebody would wanna know what about... Just through the pandemic, through this last year, all that, how has this type of model fared through all that

**0:09:52.9 JW:** Stan... Interesting. And scary, especially at the beginning. One of the advantages that Colvin has is that what the average age of being 27 and the way the pandemic shaped up, it was not something that was a life-threatening thing in most cases, we did have a couple of cases at home, room of it at three three different cases, only one time did it passed to another roommate, we had a process in place where we kind of quarantine the person generally, it wasn't as... After the first couple of months where everyone was, I think regardless of where you were were pretty terrified, everyone calmed down, and we actually were able to continue our leasing, we had a medical doctor even the device about how to make it work, but it was... Okay, we still kept our occupancy above 98%. There were some companies that are a bit more extended that they were trying to go way faster than we were at the time, and so they got hit pretty hard, we were at 97% occupancy and we just kinda helped... No one really moved for the first three months of the pandemic in or out, so it's...

**0:10:50.2 JW:** You were... You kind of frozen time for three months, so if you have 20, 10% new

units, that would be a tough time for anyone in Covina.

**0:10:57.8 WS:** I appreciate just the clarity over the past year, no doubt in the very beginning gets scary for everyone, just... Such unexpected, right times and nobody knew what was the next six months to a year held. And so, I guess in moving forward a little bit through this model, I put you out to create the tech, right. To move to fully remote leasing, and so it's just a neat model to be able to be fully remote, a leasing, not to have to be in person. And could you just elaborate on that a little bit? And what all that entails. We've heard other people talk about this a little bit, but not in depth, and I think that's just kind of the way of the future, I think it... It's going to be so much remotely, so much no contact with this individual, however, you still gotta vet them, you know quite a bit about this person, especially if you're the co-living model, so how have you all created the tech... What tech are using to be able to be fully removed when leasing... Yeah.

**0:11:52.2 JW:** So we started the company in 20, we started... We did the standard Lacy model, we do it in-person tours, showings all that, and we quickly realized that one of the challenges with us is we had many locations, we had least in agents running all over the place. It just didn't make sense. So we transitioned in early 2019 to do any other video or matter porters of the property, and then we did a virtual call with the tenant, we did online background credit eviction check, and then we transitioned to a virtual call, the current roommates. And so we found that and we kind of integrated that inside of our homeroom Colin app, and I think most of what we're doing is none of those pieces can be pretty much anyone else Canute that process. I think a superficial which you can learn to be a video leasing agent, and we have a couple, and they've been in leasing forever 10 years. For one of them, she was a leasing agent at a class apartment buildings, and so she actually likes it, we've actually been on to attract even better talent because leasing agents historically have to be stuck in an office all the time, but when you do promote saying, Now you're at least in aging gets to travel around and we can still close a lot of leases at a high velocity, and then they can also work after 50 PM, they can also work on the weekends.

**0:13:05.7 JW:** So you trade a little bit, you trade a little off and maybe it wouldn't work for a true a-class apartment where the person's expects to see that smiling face and get that in person to our... But I think especially for more affordable locations, B-class type properties where people are... Are relocating. I think it's a bonus. We've seen a ton of people that are just thrilled that they

don't have to drive out to the house, and so we're closing 70% of our leases without people even seeing the property, and we have highly customized rooms, every room is different. And with apartments, multi-family properties, you have rooms that are all very much the same, so I feel like in a multi-family building it should be five times easier or... Leasing agent's biggest challenges that we have a new house launches, they don't know exactly what the remarks like until they have the Mater port tour. So I think with the multi-family, you could switch to that 100% long term, and I think you really closing... It would actually be higher. Nice.

**0:14:00.4 WS:** So could you just refill, walk through that process a little bit, like somebody comes on the website, I guess, or looking for a place to stay, they're considering the co-living model, maybe because it's cheaper individually, they're kind of partnering with somebody else and renting a unit may be in a place entirely desirable, but may be more expensive than they can afford on their own, and so do they find you through the website and then what happens for the tenant through that process to actually renting a unit or a room...

**0:14:26.0 JW:** That's a good point. So just kind of to focus on the one that you said, why folks choose colonias affordability, it's 30% cheaper than a studio, and so this can translate in us, we use single-family homes at homeroom, but this could be the same we're using... For someone that's co-living in a multi-family requirement, if you have with Colvin, maybe a four-unit or something like that, or a four bedroom within a multi-family space, the other piece is that it's very convenient, we typically do furnish the common areas provide Kitchen Essentials so if someone's moving from out of-state, you don't have to bring all your stuff, you can also watch TV on the first day move in without unpacking all that stuff, so those are the main pieces of affordability and simplicity. And then as we talked about a little earlier, the community aspect is very cool, moving into a new city and having to go out to drinks with your new races, I think priceless in terms of the specifics of how the exact process works, we actually have them come through our website, we actually do all of our screening via text message, so we use a text message-based platform in which we have lead track in for text, and we will occasionally jump on the call if they request it, we'll let them through our free screening questions kind of credit background, eviction history, also share a little bit more about what a homeroom.

**0:15:38.6 JW:** We have a quick video that will us in the launch, and then we have them set up a

time to talk to one of our lease and agents, and they can self-schedule that on the call, they'll be... They'll be able to do a 3D virtual tour the property with the Asian cool screen, share that virtual tour, and then they'll get sent that information after the call, so they can look around the property themselves, and then from there, they do do the application, and then after that they would do the video call of the Romans, and so that are... A lot of the front-end screening is done by our team in Venezuela, and a lot of the application, credit check and scheduling of the remain call is done by our team in the Philippines, so we have a lot of overseas help that kinda gets the logistics handled as well, helping the technology.

**0:16:22.9 WS:** No, that's awesome. We also use lots of people in virtual assistance and they're so skilled and so... So loyal, he recommend that also, there's just need tier, the process, it sounds like there are still numerous points of contact, right, where if you're actually, you're leasing agents seeing this person talking to them in person, you're learning a lot... They're learning a lot about that person just through those conversations and what not, but they're not having to go meet at that property, it saves your agent so much time, like you said, just going all over the place, so much time wasted... Right, windshield time, just between properties going all over the place, so it makes so much statewide virtually kinda like we're doing almost everything now... Right. And so, Johnny, what's your opinion, I guess? Is now still a good time to invest in real estate? Any predictions that you have, say over the next six to 12 months, what are your thoughts about just the real estate market right now?

**0:17:12.5 JW:** That is such a big question. I think we're focused on the single family space, so I'd say that's where I have the most educated thoughts, so I'll stick to that. We've seen some of the most impressive price increases on the single-family space ever. I mentioned, I have some properties in Austin, I looked down on my fun one day and is the price of the property had increased 19% 30 days though there was something on Zillow, it was also a little alarming 'cause you're like... This feels very uneasy, like This is not how real estate should behave, it's a 3% a year kind of thing. Maybe in Austin, a 5% a year. So we dug into it because we talk to investors every day, is it a good time? And that question comes up a lot. A few of the key things that we've seen is that we've been under building single-family owns for a decade, so the amount of properties that are available to buy continue to decrease, we've also seen a big entrance into the space of big institutional groups that have been buying properties and creating portfolios, so they're



basically squeezing the...

**0:18:09.5 JW:** And then we've seen an increase in investor activity, so the demand for folks to buy their own homes as continues to get squeezed and that demand is starting to rise as monies get to the age where they're transitioning from co-living into their family life stage. So what I think we'll see is a pretty aggressive decrease in a property appreciation, I don't know when that will be, but it can't be very far into the future, I think it'll be the next six months, definitely the next three months probably... I don't think we'll see a price a to see appreciation, it'll level out to a... We've seen historically, inflation is something that we super forecast internally from about 2% to an over 3%, so that's an interesting piece to the puzzle as well, how that will affect multi-family is that rents will go up, so then you're in... I will go up and then your value of your Alam properties will go up.

**0:19:02.7 WS:** I appreciate the level of detail that you're provided there, just our depth, numerous aspects here that you're taking into consideration as you're thinking about the next three to six months, definitely some things all of us should be thinking about, and we know you don't have the crystal ball but we expect you to still have the answers, you know, I'm just giving... No, grateful for that. Johnny, what about some daily habits that you are disciplined about that have helped you achieve success?

**0:19:24.8 JW:** Yeah, so Daily habits... My girlfriend helps out. This is waking up in the morning. I do kind of a morning routine, coffee, work out, go outside, I find because it's a start-up environment, they work very hard, and so if I don't force myself to those things... First thing that I don't do them. So that's very helpful. I think working with some strategic advisors in core areas of the business that I'm in have been super valuable, and I generally try to give parts of business or money to those people because over time, every time you talk to a strategic advise, you may not get something great, but if one and four times they give you something you never would have stumbled into or I would have taken you a year to get to, it's a massive law Roach point. So those are things that have really, I think catapulted us, I can see huge moments were an advisor said, Hey, let's do ice, try it, and this actually happened on six weeks ago, we started to do Facebook marketing with a new growth advisor we have... We started to have 40 meetings with investors per week, we had a HighRise, and it was kind of like all...

**0:20:26.8 JW:** Because he said, Hey, you're missing a big opportunity here, the price and the conversion makes sense. So those are two keys. Morning routine, making sure your the right advisors involved in your business.

**0:20:38.0 WS:** Great points there. I appreciate you bringing up the advisor point as well, is so crucial to... Why re-invent the wheel, right? There's people that can help you, and yes, sometimes you do have to pay them and it's so worth it, maybe not always, but more times than not, these people have been there and can save you so much time and headache and look what I did for you. By having advisors, having these people, 'cause one of my questions were gonna be, what is your best source for meeting new investors right now, it's

**0:21:03.7 JW:** Really a number one is... And you kind of went on that advisory thing, I think screen advisors is super important, because I think there are a lot of people out there and people offer to be our advisor a lot, like we get up for a lot... The more success you have, the more people wanna advise you because they know you have a bit more money and maybe your companies were something... I find that the folks that are offering to you a lot are not always the ones that you necessarily wanna go to, you wanna go... The ones that are too busy maybe to offer... Maybe the ones you want. So I think that's something to keep in mind. Especially if someone's gonna say, I want 2% of your company, or I want a very large amount of money, so just screen those advisors, but if it's one of the most high leverage points, if you screen and you get great... It's invaluable. And then in terms of the way we're on investors, our Facebook marketing campaign is huge for us right now, we spend, I think 5000 and we get 10 mentions a day, just people just schedule a self-schedule.

**0:21:59.9 JW:** So that's working really well for us, I think for the long time I was against paid marketing, I was all about gorilla marketing, and I was all about the chief and free stuff and that advisor, so say, Hey, let's invest in... Or the reason people spend here 'cause it works

**0:22:15.8 WS:** Nice. No, that's incredible, I appreciate you sharing that. Just even your mindset shift from not wanting to do paid to now it's like, Wow, that's really working... You tried it, right? And so if you had to pick one thing, the number one thing is contributed to your success, what

would that be?

**0:22:30.0 JW:** I think, I think realness, I think those two things is sort of like an iterative wheels, if you're involved, you do things probably before you're ready to do them, and then inevitably you get in a spot where you're not ready to do that because you just did something they weren't quite ready to do, and then it takes a lot of grit to hang in there and fight through that, but by doing that too early, you get further way faster than you possibly could have, but then have to have like the intensity and commitment to fighting to the next level to actually execute and let you put yourself into... So that's sort of been what it's been for homeroom, is just us continue to do that over and over again.

**0:23:07.9 WS:** And how do you like to give back...

**0:23:09.5 JW:** Oh, well, I do some advising to early stage startups, that's one of the things I enjoy doing is that very early stage... I used to do Big Brothers Big Sisters, but I haven't had the time to do that.

**0:23:23.0 WS:** But yes, it's mostly start-up advisory stuff, we have other folks that are just maybe a year behind us, and it's really helpful to have someone else that's been it, kinda sharing advice to get in, getting out of being stuck in different situations as an entrepreneur, and that's awesome, appreciate you sharing that and being willing to give back in that way, we've been involved in Big Brothers Big Sisters a little bit years ago, and it's just a great program, it's just great to get connected with young folks that you can help in a big way, Well, Jenny, it's been a pleasure to meet you and just learn from your steps a success and what you have done in real estate, and even this co-living model that potentially multi-family operators that are listening and investor should be considering where I should be thinking through is this a good model? Is this a way I could increase my NOI? Is this something I should consider? Maybe I should reach out to Johnny or do more research around this, so thank you again for all the information in the way you've given to our listeners and myself, how can they get in touch with you or more about you?

**0:24:21.3 JW:** You can reach me at live homeroom dot com, that's our website. Or you can reach me at johnny a liver dot com. You can email any time. I think living as a Service flexibility kind of

movement and Colin is really our specialty. And stuff that we love to talk about with folks are exploring it too, and so you reach out to me and have questions if you're gonna try that or any other kind of... Rental housing. Very happy to kind of share thoughts are way.

**0:24:41.7 ANNOUNCER:** Thank you for listening to The Real Estate Syndication Show, brought to you by Lifebridge Capital. Lifebridge 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. Lifebridge 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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