

EPISODE 1122

[INTRODUCTION]

[0:00:01.6] **ANNOUNCER:** Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[0:00:24.3] WS: This is your Daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Bryan Marks. Bryan believes property ownership is key to the American dream. Along with discussing the building purchasing and renovating of real estate, we'll discuss how he and his team are on a mission to allow everyone to own real estate. And so today, Bryan really opens a different business model that I've heard before, I don't believe I've had anyone on the show talk about this specific business model. But ultimately, he's syndicating Airbnb homes. Actually, they built the software around this, but you're gonna learn a lot, and I think your eyes are gonna be open to some possibilities of investing in a liquid model as well, and some short-term rentals that you wouldn't typically have access to. I think it's a very neat model, I look forward to looking into it myself, but enjoy the show.

[0:01:32.4] WS: Bryan, welcome to the show. I know you believe property ownership is the key to the American Dream, I'm looking forward to getting into that and how you're helping almost anyone, or making a way for almost anyone that joins your mission where they can own a home, but let's jump right in. Tell the listeners more about your business model and kinda how you got there.

[0:01:32.4] BM: Awesome, well, great to be here, Whitney. So, I am the CEO of cloud Castles. We're a mobile application that allows you to buy a fractional or snackable shares, what it call them, short-term rentals like Airbnb, Vrbo, Booking.com. So, you can own a little piece of that real

estate. And what that entitles you to do is it entitles you to a portion of the Airbnb profit, to get paid out every month based on the Airbnb profit, entitles you to tax benefits, you get a K-1, so you can write that off on your taxes. It also entitles you to the appreciation in the home. So, one of our properties gained in over \$200,000 in value during the pandemic. We passed that right along to our users for the mobile app. And lastly, my favorite thing about vacation homes is actually just staying at the vacation homes. And so, you get a discount if you actually stay on a vacation home through our platform. And that's my favorite part of it, personally. So that's cloud castles, that's where I currently work right now.

[0:02:16.0] WS: That's interesting, I did not catch all that before the show, just being transparent, that's your model, but ultimately it sounds like you have a fund. You're syndicating almost like a maybe many Airbnb properties at the same time that you all own selling shares to those projects, Am I accurate?

[0:02:23.3] BM: It's on PMs, it's on LLC, and you buy a portion of each one individually, so... (Okay) and kind of bet on, does Tahoe gonna do better than Miami, Florida, or do I might be more favorable, do I like the government in one place or the other, or the weather or what have you, you kinda choose and pick which horse you wanna bet on, so to speak.

[0:02:48.0] WS: Okay, so I'm glad that you cleared that up 'cause it's two different models for sure, and different things to consider in our business as well, whether we're doing single asset syndication versus a multi-asset syndication or fund. It's interesting though Airbnb, I don't know if I know of anyone else who is doing that, so I just think that's really cool. Over 110 episodes, I don't think I've heard of that through this model. Dive into that a little bit though, like this person, they're gonna invest in this model, you said they can invest a small amount, but they're picking a specific property or these properties you've already closed on are the properties that you're gonna close on in the near future, tell us a little bit about how that process works.

[0:02:25.0] BM: It's kind of shifting 'cause we aren't a hyper-growth startup is the idea here, so initially we're just going on buying the property, so by one in Lake Tahoe, and Miami and Las Vegas, and then someone will come on the app. And really our mission is to lower the barrier of entry to real estate, 'cause it was so important to the American dream like you said before, to

[0:03:41.0] BM: passive income, to be able to afford it better, just lifestyles. We really believe that real estate is the route to do that for the majority of Americans. So, we wanna be able to lower the barrier to entry. You can come on the app, four clicks, own a portion of it, you buy each one individually, but how are we gonna scale this business is actually working with individual investors. So, we say, Hey, let's go for a 50-50 partnership, let's actually... We can even cover and be kind of an insurance policy on your short-term rental. If you miss a month, we might even pay for that, we'll help do the property management, which is a very big pain in the butt sometimes. But we'll do it for you. We'll also manage bookings or listings, anything's broken handyman, a network people will be behind you, enabling you to mentally be effective. So, that's our new program for scaling up for folks, we wanna work with them directly, and if they're interested, they can just absolutely reach out if they wanna get a short rental somewhere.

[0:04:24.1] WS: Now that is awesome. Could you speak to just the structure of that a little bit as far as... In our type of business and in larger deals, we may have a preferred return or certain splits up to a certain IRR or equity multiple, all those things, how does an investor earn, what do they are and typically. And how does that normally work?

[0:04:44.0] BM: So, I think it really depends on the house and the horse you bet on. But, (Sure.) data storage is just so valuable. Data, has just surpassed oil as the most valuable commodity. So, we use a ton of data and making these decisions. And Airbnb's been around for a long time. And there's a lot of prediction models you can build around the data, around our business score. Any month, any day is actually very different for an Airbnb. And you might have a wildly different revenue based on each day. But it doesn't matter. You buy a portion of it, you're entitled to the whole year essentially, or whatever you own for that year. And so how it works is we aim for 20% of return, and we're on track to hit that for all of our properties and even including the appreciation of the home just on Airbnb or short-term rental revenue. So, we aim for 20%.

[0:05:26.0] WS: Okay, and how long of a hold period or because you're playing to hold these long-term, is it like five years, 10 years, what do you expect until I'll say that an investor would receive their capital back?

[0:05:35.3] BM: Yeah, it's a great question. So we are a SaaS company or a software as a service company through and through. We don't wanna be a real estate company, but we're acting as a real estate company right now. It's worth 30% margins. But, where we can actually increase that as a business is where we're more of a marketplace. So, let's say, Whitney, you hopped on, you actually wanna buy a piece of Lake Tahoe, or you wanna buy a piece of Miami, you might actually buy from another user on the platform. And so, you buy someone else out of the pot, and then we're more of a marketplace at that point. And people can honestly liquidate as soon as they like, or they can even post, I'm ready to sell my shares at this price and get rid of it, and we'll alert everyone in the network, okay, this person is actually willing to sell... Here's the prices, anyone willing to buy. So, we really want to be like, we wanna hold on to the houses forever and just having them be a part of the platform, but if someone wants to liquidate, we wanna get their money as soon as possible, that's our business model. So, we're really about just adding a little bit liquidity to the real estate market in the long term.

[0:06:27.0] WS: That's incredible, there's a ton of value and the investment being more liquid... Right, and so there's different models we've looked at to try to help achieve that even in our model, because oftentimes investors, they don't want their money tied up for say, five to 10, especially 10 years. And so, there's different thoughts about that, for investors spending on their goals of investing and where they're at as far as retirement, all those things to consider. But it's just interesting, so this model, you've built the software that helps manage those transactions, sounds like. Is that right? So ultimately, you could have invested in the platform, purchased this Airbnb wherever, Lake Tahoe, and then you get on the platform and say, I'm ready to sell it, and then it notifies everyone and then I could get on there and buy from them, is that right?

[0:07:13.5] BM: Correct, and just not in the marketplace portion. You're really having the users kind of be in charge of their own experience. We recommend people to hold just because real state on average doubles every 10 years on the residential side. I have a great friend who's at a \$150 million fund, and he said, one piece of advice he gave me is, "I wish I bought more and never let it go." We encourage them to hold if they like to. But yeah, that's the idea. Exactly, it's a marketplace where you can buy it from other users and sell.

[0:07:38.5] WS: But, they're gonna own a small portion of that one property or they can own... I

mean, I guess it depends on how much is being sold, how many shares are being sold, is that accurate?

[0:07:45.5] BM: Yeah, so we put 10,000 shares initially, that could potentially, right now, they're all 10,000 shares, it could change based on if we do a refinance or pay off a significant portion of it. There's some debt associated with each of these properties. So right now, she's 10,000 shares so if you own 100 shares, you're entitled to 1% of the Airbnb profit. And so yeah, we aim for 20% return each year and you're gonna be paid monthly, which is nice, so I receive monthly, you get a little pay in your bank account and will endorse from right there. So, people really enjoy that. What will you see is our user base is they'll come on in and we encourage people do is to test it out, maybe they'll buy one share for \$16 or \$21 in Miami, but then after they see oh, I'm making some money like month per month, may I should just park some money here and just have that, pay me dividends on a monthly basis, and so we see people come back and they might turn around and do 500, 1000, 15,000, but we encourage people to just try it out and be able to try and see how it feels.

[0:08:36.7] WS: It's such a neat business model, I wanna learn a little more about it myself later, but that's incredible. I just think it's a neat model, it's neat that you all have created this platform that can handle that, and one thought on that, how do your investors say they wanna do some due diligence, how do they know this project or this property is something they wanna invest in 'cause it's liquid as it is too, there's other owners of this one property, how does that work as far as if, Hey, let's say there's expenses. Maybe this is a better question. The foundation falls apart, right? How does that work as far as the expense side, unexpected expenses for those owners?

[0:09:09.0] BM: Yeah, that's a great question. There are unexpected expenses. (Of course.), you get beat up a little bit, everyone's stayed at a hotel or something. They may have broken something at the Airbnb, it happens. And people are unpredictable, but we do take a little bit of a cushion of the top just as a rainy-day fund. And then also we do have lines of debt, if we ever need to use those that we just try to cover. Right now, we want our users to just have a great experience because ideally, we're not trying to make a ton of money on each property. At this point, we're trying to scale like hyperscale, so, we're trying to get to, right now we should get four properties for cloud Castles for the year. Next year, we wanna be at 40 and the year after you

wanna be at 400. So that's the kind of growth we wanna see over the next two or three years. So, we're covered for the most part, as long as people are having a good experience, that's kind of our northern star at the moment to follow.

[0:09:52.9] WS: No, that's awesome, and it's just an incredible model, I'm just curious. So curious about it myself. Let's jump to some of the data. You mentioned you used a lot of data to make decisions, right, let's jump into that and tell us a little more about the data side of it, and how that helps you to make these decisions may be what properties or markets, those things.

[0:10:10.0] BM: So data is gonna be key to this solution here, I really encourage all of you, your listeners to do their duties on the data side, there is a ton of good resources out there, I'll call out to you just in a short-term rental area. One is Air DNA, and one is called Rabbu. And then both of them are basically a prediction, so you enter in the address, the number of rooms, and it'll give you a prediction even by month of how they'll perform. And you can really get a sense of what the ROI is on ... and they're very accurate, like 90% accurate. Because again, Airbnb has been around for a long time, it's been through recessions and dips and highs and lows, and so the data is fairly reliable at this point, even with our property in Lake Tahoe

[0:10:45.7] BM: we were actually affected really by the fires, but we still, even with those two months lost in revenue, we still really had a great year already just by following the data. So, that's gonna be one you're gonna call out. And what we do on our end is we actually go through the MLS listings and we'll programmatically grade each one based on the actual score, the prediction score there. So, that really helps us kind of flag the high potential ones, that'll give you some flags and you'll have some indicators. Once you've kind of gotten, kind of picked up maybe some time into the rough and you're kind of looking at them. The next step is be boost in the ground. Luckily, I do have a little bit of a construction background, I don't know if anyone... The listeners, I did a lot of the summer construction jobs, my dad was a contractor side of the time, grew up on a construction site, so it's good to come in and be able to do an inspection. What is this pool...? It's all green. What's gonna happen if there's a foundation issue, a four-point inspection is one thing I wanna call out, or it's gonna be electrical, roof, plumbing or a foundation that's a kind of a big headaches or anything besides that, it kinda checks the four points inspection and you can kinda say, Okay, this is good.

[0:11:42.0] BM: So, I always encourage people to get a really good first to-do inspect, it's really worth its waiting goal. Inspect the property. Now, once you found one and they have an inspection and the data kinda lines up, now you have to be competitive on your offer. So, how do you become competitive on your offer? The data shows that sellers are always willing to take an all-cash offer. Now, a lot of us, in fact, in putting our business isn't necessarily out cash to go to buy a house outright. But there's plenty of companies that will come in and act as a cash buyer on your behalf for a very little amount. So, most of our offers are cash offers, but we work with a partner to actually set up a cash offer and then pay them on the back end. And it ends up saving us money in the long run, because the seller almost always take a cash offer versus a conventional loan. If they see two on the table, they might even take a cash offer that's lower than the conventional loan offers. So, if you can come with an all-cash offer, then you're in a really good place to close on that diamond in the rough and as long you know your due diligence, they're on the day site, you'll kind of know exactly what you're in for, as for the property's renovations.

[0:12:39.0] WS: OK, let's jump to even some of the tech that's gonna help these owners as well, maybe some tech you are using. If you are managing these projects as well, somebody's buying a share, you are taking care of the day-to-day management. Is that right? (Yeah, both the software and the property, yeah.) So, tell us a little bit about that tech.

[0:12:58.0] BM: So, my background's in technology as well, and right now we have just an iOS app, if folks are interested, in fact, I'll give them a free share. If they give us a five star, you just give us a five star, we'll just send it to support, so happy to support folks that way. But basically, it's an IOS mobile app and the payments are all handled through it, so we have a payments provider there. We have a pretty straight forward, honestly, a technical product where people who kind of buy and enjoying that marketplace, I compare it to kind of like Robin Hood. If you've ever used that app, or heard of it, like Robin Hood for Real Estate is kinda what we're going for. So, pretty straight forward. Come in, four clicks, after we get your information and then you're ready to go. And then we'll send you a K-1 when it's tax season, so you can write off the benefits of a lease houses to depreciate with a lot of those renovations we talked about, so you can get that value. And then we automatically will change your share price based on the appreciation of the

home, which is right now in this market, been going up like crazy.

[0:13:43.7] WS: That's interesting. Yeah, it's just a unique model, I think so very intriguing. What about just where you see real estate going?

[0:13:50.0] BM: So, we do have a little bit of housing market crunch right now, everyone's trying to get in, why is it so expensive or hard to find a home? I think there's a lot of factors. And it's interesting, I think as far as a construction side, lumber, super crazy expensive, right? So, I think the future of home production is gonna be here. Construction is gonna be really a lot of 3D printing, and that's honestly where we'd like to transition the business in the next 5 to 10 years more towards the 3D printing of homes. We think that's where the industry is gonna go and really automate the process. The future is automation. So, that's really what things going on, but I think also the government has to step in, and I don't know if you guys are familiar with local housing permits or using Coster, but it's incredibly difficult nowadays too, there's a lot of overhead that goes in just to go get those permits approved, to get that process approved, and it needs to really be streamlined, so we think that the best thing the government can do in the situation is really create a streamlined potentially federal building permits for a lot of stuff. And so that's one thing we think is gonna be, hopefully some litigation or legislation as a class passed the next few years is how we can streamline these permits, so it's really a lot easier to buy a property.

[0:14:53.0] WS: Wow. No, that's incredible. Just a few final questions, Bryan, tell us what's the way you've recently improved your business that we can apply to ours?

[0:15:01.0] BM: That's a good call-out. Every day it's a little thing, if they're on the technology sector, I probably won't call out too many things on the technology side of what we've done into the hood, to make things work smoother and faster and have less error, in the Lake. I'd say one thing that's been great, is just working with these investors, working with other folks in the network, and again, just to call out this program, we're doing all the Apple podcasts with cloud Castles, it basically allows us to partner with folks, and that's really ever seen the growth. It's just partnering with folks who maybe they're not even a super experienced investor. Maybe they're kind of mildly experienced, but they really wanna learn more. We can partner with them and help them get out of the door. And so, I think leaning on other people, network with similar passions as

another person or similar interest, and obviously creating a safe framework, legal framework to work together, so everything's fair is hyper important, but really just leveraging folks in your network to help grow together because it is super expensive to buy these properties. It's one of the most expensive perhaps, you're gonna make in your life time is buying and owning real estate. And so if you can work together with another investor who has the same end goal as you I think you have a huge leg up and you can really even move faster together.

[0:16:01.0] WS: What about some daily habits that you are disciplined about that I've helped you achieve success?

[0:16:10.0] BM: Okay, for programming side, I would compare it to like body building, which is kind of not what you normally think, but programming is a grind. It's not that fun. And also looking houses is a grind, too. If you're trying to think to scrape the data and or you're trying to look at all these properties, it's really a workout and it's nothing fun. It's kind of very repetitive motions. So what I like to do for both physical training and for coding is to really build day-by day what I'm gonna do throughout the week, maybe until the month, I'm always on track, and it's kind of like brushing your teeth. You just come in and you do the job, and you're gonna get results. Nothing's gonna come super quick, so it's all about consistency day in and day out. When it comes to programming trying to find a new property to own that's gonna come your way. Or really anything in life is really that consistent.

[0:16:58.6] WS: It is that consistency, the consistent daily actions are. There's some all things we do every day and they add faster than you think, but you have to get started it and be purposeful about it. That's for sure. How do you like to give back?

[0:17:07.0] BM: Jimmy can actually speak to this, he's my co-founder for the project, we actually would like to open this up and I can really focus on a few things, one of which is once we get enough inventory in the houses is actually offer free stays to potentially communities that might not be able to afford housing for that particular moment. Let's talk about homelessness, potentially going for a job offer like a night before we actually might give them a free night stay at the cloud Castle if our users approved of it, or if someone's coming out of a tough relationship type of thing, we might actually offer them a free stay. So, that's what we can do in the real estate

space is potentially provide really discounted or free stays at the communities that may really need it at a certain portion in time. So that's one thing we really like to call out and something we've been working on to get going sooner, once we have a little bit of funding in the door actually.

[0:17:50.2] WS: Now that's incredible, that's a neat thought, helping those people like it's neat too, like... Okay, right. Before they go for a job interview or something like that. That is really neat thought. Well, Bryan, I'm grateful to have met you and really to have learned about this business model, your software business, but then just as cloud castles and just how that works a little bit, it's a way to syndicate these Airbnb model sounds like... So I just look forward to learning more about this business model to the listeners, how they can learn more about you and what you're up to.

[0:18:17.0] BM: Thanks so much, Whitney, it's been awesome meeting you as well and being on the show, so cloud Castle is just available on the App Store, if you go to the app store and just check it out again, we'll give you free share, give us a good review there, and then we do have Android coming soon, I know I have Android friends that are upset 'cause they can't jump in the market, so if you join at our website that's cloudcastles.io and just check up the Android link there, you can have the waitlist and as soon as we get that Android app up in the next two months or three months, you gonna get first access to it. So, I just wanna call that out.

[0:18:44.0] 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 for free material and videos to further your success.

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