

EPISODE 1360

[INTRODUCTION]

Kyle Finney (KF):

Really, I've taken a liking and a focus on different operators, syndication teams and trying to help them realize the value of adding smart tech to their properties. I've really been getting into the weeds with different business plans. I've talked to different banks and whatnot, seeing how smart tech plays into being able to get loans and things like that.

WS:

In commercial real estate, our income is so important, right? That's how we value the property. Oftentimes, we can increase that by being more efficient. And many times we're providing better value to our tenants. So they're willing to pay more, right, it's worth more for them to stay at our property, because of the improvements that we've made. Oftentimes, there's things that we don't think about. And there's so many new technologies now that are called smart, right, technologies, smart thermostats, locks. And our guest today is going to help you to think about these technologies that are available. And maybe in some ways that you've not thought of before. His name is Carl Finney, he's helped commercial real estate professionals adopt new technologies aimed at increasing business operations and staying ahead of the curve. He currently works with multifamily owners and operators to educate and assist them in leveraging smart technology for the benefit of their properties and residents. I know you're gonna learn some things about technology today that possibly not even thought about implementing at your property from Kyle.

WS:

Kyle, welcome to the show. I know you have some knowledge around, especially tech that's going to help us as operators today, in thinking through, you know, what kind of tech is out there? What do we

need to be thinking about using in our properties? And does it make sense for our type of property, do the numbers add up to something that we should be thinking about? Give us a little more about yourself, Kyle, and welcome to the show.

WS:

Well, I appreciate that intro. Yeah, so I worked with Arize in the Business Development Manager, really. I've taken a liking and a focus on different operators, syndication teams and trying to help them realize the value of adding smart tech to their properties. I've really been getting into the weeds with different business plans. I mean, I talked to different banks and whatnot, seeing how smart tech plays into being able to get loans and things like that. Um, yeah, I'm excited to talk with you and hopefully provide some value to listeners.

WS:

Sure, no doubt. Well, I know a lot of our listeners are they love learning about tech. But ultimately, we want to be as efficient as possible. Our properties are valued by the income, and any way that we can make things more efficient typically means, you know, it either costs us less in the long term, or we make more because we're efficient, you know, right. And it's even more beneficial for our tenants, right, in so many ways when we can add tech or add efficiencies that they love, right? They are our customers, you know, in that regard. And so give us some tech, some of the benefits and things. So let's dive into that, you know, the syndicator, the operator that's listening, and what are some things that they should be thinking about in the tech world that maybe they haven't applied yet or even thought of?

KF:

So, I love that. So really, what I've seen a lot lately is, as you said, if we can save on operation costs and lower expenses anyways, and yeah, you're going to increase your income. So thermostats are a great way to do that.

WS:

What is it?

KF:

Smart thermostats?

WS:

Okay, go ahead.

KF:

Depending on what city are in this doesn't apply to all but power companies will give rebates for certain smart thermostat, you can do a simple Google search. Type in the power company that you're looking into and type smart thermostat rebate on, you can see what you qualify for. Some thermostats will qualify for a one time rebate per device, it can be anywhere from 50 bucks to \$200 per thermostat. And then you also can qualify for an annual credit. So sometimes it'll be like 30 bucks for thermostat. And that's per unit annual so added as a build credit for you, you know, you're saving big time on energy costs. There's, you know, over the course of a year and a half, two years, those thermostats will pay for themselves. And you'll just get an ongoing build credit for each year that you have those. So, it's one great way to save on cost there. And it's a great introductory into getting into smart tech realm.

WS:

So stick to it just that technology alone. What does that do for the tenant? What does that do for the landlord? How is that helpful for it to be, quote, smart thermostat, what does that mean?

KF:

So, some of the benefits there on the tenant side, they'll be able to control the thermostat from their phone and some thermostats, they have geo-fencing, and geolocation capabilities for your devices within, say, you know, five miles of your apartment. It'll trigger an automation to lower that temperature or raise the temperature to whatever you set it to. You can set schedules and then on operator side for property managers, say you have five vacant units, and it's middle of summer, and it's 100 degrees outside. And you know, you don't want the AC blasting in those units at 60 degrees. So you can match those with the click of a button to run out like 80 degrees. And then you're going to have a tour

coming by, and you need that unit to cool a little bit. You can just pop in and click a button to set the temperature to what you want, as opposed to sending someone out there and taking time from maintenance to go and do that for you.

WS:

So, you mean on my app or the computer I could go into, you know, their manager could go ahead and turn that down or set it to say, you know, cool off at 1 pm knowing that we have some showings at two or something like that. I've not heard of the geofencing thing or where it's like, okay, it could know when I'm within so many miles. And so, therefore, it has time to cool off, you know, or change it, you know, just when I'm close. That's interesting. I've not heard of that before. What's some other tech? That's gonna, or actually on that note, though, how much can I monitor? Or is it even legal? I don't know. You know, as far as like, how my tenants are using this smart thermostat? Can I see what they're setting it to all the time? Or how much you know, the units are running or things like that per unit? Is that possible.

KF:

So, you'll be able to see, like, the usage from the power company. So if you ever want to get those bills, I'm not sure I know that it does vary by city, what you're legally allowed to do. But as far as capabilities that I know, for sure, you can set thresholds. So if you know that you don't want residents bumping the temperature down below 60 degrees, you can set that threshold, if you don't want them going over 80 degrees, you can set that threshold to kind of monitor things that way, kind of a check and balance to make sure they're not gonna break your compressor or something like that.

WS:

Okay, what's some other tech that the listener operator needs to know about, that's gonna help them be more efficient?

KF:

So really, what I see going into a lot of deals, especially value add deals, smart locks are a big one. It's something that can get you operational savings. It just depends on the property everyone's gonna

have different use cases. Do you have a lot of tenants that, for some reason or another, lose their keys, or they just get locked out, or whatever it is. If you have a Smart Lock, they'll just be able to pop in their phone type of code in, if they want to change their code, they forgot it, they can do that from their phone, you know. From the landlord side of things, you know, if you're wanting to do like self-guided tours, or something like that, you can do that. If you have high turnover, for some reason, which I hope nobody does, you're not having to rekey those doors and change locks out; you can just change the master code for that unit. So, that's one. Another one that I see is water leak detectors. A lot of these will be in-unit. It won't be like Smart Water metering that'll measure the flow in and out of the building. But in-units, say you have units that, you know, these things are the original piping from 1985. And a lot of them are starting to leak. You don't want tenants just shoving towels in there. You want to get notified that there's a leak and where it's at, and what time it was at. And with the smart water leak detector, it'll allow you that capability. It's about the tenant will get a notification and your onsite staff will as well. So you can triage it right away.

WS:

Nice. Alright, so walk through a little bit, the property that we should be thinking about these things for, you know, is this a fit for any landlord, any property or whose best case or worst case?

KF:

So, I'd say the best case, anyone in the class B Class A space, it's becoming more and more competitive. As you look at different comps, you'll find more and more smart tech on properties around especially from some of the bigger developers, and merchant builders. They're doing that. In the class C space, I think thermostats are a great one. And it doesn't matter where you're at just because those rebates are in place. Even if you're not able to bump the rents because you're in California or something like that, it'll pay for itself over a given period. And that ROI is easy to calculate. So I'd say those are great ways. If you know that your property is just hemorrhaging water, and you want to get ahead of it and not pay back continue paying, you know, 20, 30 grand a year in water damage costs, it's a great way to implement it at a relatively low cost.

WS:

How do we know, say, something like the thermostats is paying for themselves and things like that Class A, Class C property you mentioned that maybe it's worthwhile thinking about thermostats for them? How do we know like when they paid for themselves in that regard?

KF:

So, really, that's on the operator side, because let's say it costs, I don't know, \$100,000, outfitted the 150 units, and you know, your initial rebate is going to be \$100 per thermostat. And each thermostat cost I don't know what that is off the top of my head, but let's say the thermostat conflict 120 bucks. Well, if your rebate per thermostat is \$100 already, and then your annual bill credit that you'd be getting let's say \$30, you can work that knocked out to see, okay, after X amount of months, based on, you know, the CAPEX that I put in, and the rebates that I'm getting back, I'll break even at this point, and then continue to kind of lower my expenses by or x percentage year over year based on that \$30 per device and credit.

WS:

Okay, any other tech that we should be thinking about other than thermostats locks, leak detectors? Anything else that maybe we haven't heard of yet? Or just that maybe it's not used much?

KF:

Yeah, I mean, there are quite a few that aren't used as much be quite frank. I mean, you have motion sensors, entry sensors, if you have an older demographic, those can be good just because security tends to be a little more important for that type of demographic. So the entry sensors go on the door, you know, you deal with a child and something goes in and out. Motion sensor, obviously, if someone walks by, they're not supposed to be there. See those go in common areas, in the case of not being able to have a cameras facing a pool because it catches resident doors in the background that can be a privacy issue. So, I see operators use the motion sensors in place if someone's, you know, hops, the pool gate, and they're not supposed to be in there, you know, on-site staff or whoever will get a notification that somebody's there that they're not supposed to be, so.

WS:

I hadn't thought about that. Like, you know, maybe we can't have a camera in a position where it's videoing someone's door, something possibly a privacy issue, but you can have a motion sensor if it's like something specific around the pool, so you could know, hey, if something's happening there, maybe we need to go check it out. Yeah,

KF:

I mean, I see like, especially with perimeter gates, you can get away with some decent like floodlight cameras that will cover a pretty good field of view. But in some cases, like I said, yeah, if it's facing a resident, or I've seen that go south. Yeah, other smart tech things when you have smart light switches, light switch dimmers, video doorbells, you know, you name it, it's all there, it's just gonna be really a conversation about what's best for this property because it will vary.

WS:

Okay, it is going to be very property-specific, I'm sure, right. But if you don't even know these things are available, you're not gonna have a clue to even think about it, right? Anything else around like making the dollars make sense for the tech or anything else we should be considering as far as knowing that, hey, this is a good investment for our property.

KF:

Yeah, it's whoever you're talking with in the smart tech space, just ask him to give you numbers. So, you can underwrite it into a deal, because I've seen it all too many times where, especially with salespeople, they want to hold off on the numbers, and they want to prove the value and whatnot. But you know, when it comes down to it, you got a business to run, and the dollars are important. So if you can get a holistic figure around not only device costs but installation costs and ongoing SAS costs that'll let you or give you the most realistic view of if the numbers are going to work with your business model.

WS:

Awesome. Alright, got a few final questions for you. I want to get to, you know, I wonder what's a way that you've recently improved your business that we could apply to ours?

KF:

I've been doing a lot of reflective journaling, you know, just journaling things that went well during the day things that I could improve on, and you know, each day and try and work on those things that I can improve on. So that's been a really big success factor for me.

WS:

When do you do that?

KF:

I do it morning and night. It used to be just at night. So I could reflect on the day previous. But now I'll wake up and sometimes I'll have thoughts occur to me in the morning that I didn't think about the night before.

WS:

That's cool. What are some of the most important metrics that you track?

KF:

Really, relationships are a huge metric for me. I mean, you know, if I can impact somebody else's business in a positive way, then for me that's achieving a level of success.

WS:

What about habits that you're disciplined about that have produced the highest returns other than journaling?

KF:

Routine, the morning routines, nighttime routines, I've been meal prepping a lot that's allowed me to really stay on schedule with a lot of things.

WS:

And number one thing that's contributed to your success?

WS:

How do you like to give back?

WS:

Asking questions, not being afraid to ask the questions about things you don't know about, you know, you can't be the smartest person in the room. So I like to take that student mentality approach. Anytime I'm learning something.

KF:

Just provide value to people in any way that I can, you know, it doesn't matter what we're talking about, if I can enhance your life, that's going to be fulfilling for me.

WS:

Awesome, Kyle, it's been an honor to have you on the show and really to open our eyes and I think many listeners to the smart technology that's out there. I know you mentioned a few things too, that maybe the listeners have not thought of before or thought about a way to use something or the thermostats, lock, leak detector, even the motion sensors versus a camera in places, how you can still maybe accomplish some of the same thing, but maybe not go against some kind of privacy issue. If there is you know, I probably, I don't know if it's state-specific or what but you know, thinking through what property also is the best fit for that's helpful A and B versus C projects. It can be very different, right? Depending on the tenants that you are serving. So grateful for your time. How can the listeners get in touch with you and learn more about you?

KF:

Hit me up on LinkedIn, it's Kyle Finney. You can search Arize after that. Always happy to chat on LinkedIn and how to get connected.

Whitney Sewell:

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