

EPISODE 1504**[INTRODUCTION]**

Whitney Sewell (WS): This is your Daily Real Estate Syndication Show and I'm your host, Whitney Sewell. Today we packed a number of shows together to give you some highlights. I know you're gonna enjoy this show. Thank you for being with us today!

[INTERVIEW]

WS: Our guest is Alvin Cavalier. Thanks for being on the show, Alvin.

Alvin Cavalier (AC): Thank you, Whitney. Thanks for having me on.

WS: Alvin, also known as Coach Cav, is the owner of Your Space LLC. It manages your spaces, investor relationships, coaching program, and outreach as well as oversees its investor network. Alvin has been involved in real estate investing for over 10 years and has extensive experience in short-term rental, acquisition, property management, and traditional owner-financing deals. As a principal of Your Space LLC, Alvin continues to leverage his organizational leadership experience to create investments in deals for both new and experienced investors.

Alvin, welcome to the show. Grateful to have you on. One way that I know people are getting creative recently and in minimizing their vacancy and large multi-family is turning maybe a few units into short-term rentals. And so I'm looking forward to hearing more about that, because I think it could be useful not just depending on where that property is located. It could even be a way to increase your income as well if it's something that would work well in that area. First off, I want to thank you for your service. I don't know if the listeners probably don't know, but Alvin is active duty military and serving our country. So I just want to first off say thank you, Alvin, for your service. But get us started a little more about what you do, and let's jump into how maybe thinking through turning a couple of units into short-term rentals could help our large multi-family portfolio.

AC: Great. Thanks, Whitney. Thanks again for having me on and for your listeners. Happy November 3rd. Out of all days, I get the honor. But as introduced, I'm Alvin. I go by Coach Cav in the short-term rental industry. And my company, Your Space, we've been operating in short-term rentals for just over three years and we've amassed somewhere over 60 or so short-term rental and sharing economy investments across the country. And that's working between small apartments, large apartments as well as single-family homes in the portfolio.

One of the unique things that we do working with real estate investors, more particularly multi-family real estate investors, is helping reduce vacancies through creating what's called pop-up short-term rentals. And that's simply having the ability to leverage our services and processes, processes and services, and bring them to a multi-family property to help reduce vacancy rates. And what that simply looks like is being able to take a stored set of furniture and put it into an apartment, one to ten apartments in literally a day or two and have those places up and running on short-term rental platforms producing income — in no time.

WS: Nice. Okay. That's an interesting thought. Like, have this furniture available. So you just have a process, I assume. Okay. Well, immediately we can just say, "Okay, we're going to put this furniture in this unit," and all of a sudden we have a short-term rental that we can put on the market, in a different market, really, or in a different type of industry to some extent even though it's still real estate and rentals. It's a very different group of people, right? So instead of that typical renter that we'd be marketing to, all of a sudden we can market to somebody else in a different group of people.

And so help us think through that a little bit and some things we need to be able to have in place. Even thinking through the furniture and where to store it, the processes to make that happen, and maybe we could have that and we can get it in there. But then let's talk too about how to market that to that group of people and be successful in the short-term rental space and then having that pop-up availability like you're talking about.

AC: Great. And what we do is, one, we like to keep things simple. And that's simply dealing with things that we typically deal with as real estate investors that have properties across the country. And what that process looks like, it's simply having storage space in a given city, and hiring an interior designer to outfit what those places would look like. And then we keep that furniture stored in a location — that also becomes available, in most cases, to real estate agents for rental that is doing other real estate showings or pop-ups in a given area. So it becomes a sort of multi-purpose if you think about it having furniture available to leverage and turn into a short-term rental.

The second part of that becomes part of our build phase within our framework. And that simply revolves around being able to find and hire the right people and put them into the right process that we have. And then that taps us or enables us rather have ready teams available to take on the furniture. Get access to the space. Pop it up and then have it ready to rent.

Once we enter into this build phase, what's going to happen is we are going to either virtually build out the furniture package inside of the space, or have professional photos taken. So we'll always have a running profile for that property or the properties on a number of short-term rental sites available. So if we know, for instance, we've got a vacancy coming on 1 October

2020 and we are three months out and nothing's coming in, we can turn a profile on at the drop of a dime and start to pan out at least maybe a month or two. Open the calendar for maybe just a month or two and start taking reservations against that.

And that becomes powerful, because in most cases if we're looking out a month or two, all we're going to look at is where our profit margins need to be for that particular unit. And then we're going to price competitively just to hit our targeted profit margins, which means we may not be competing against the entire market because our margins for that one or two units may be significantly lower. And that becomes one of the game changers because we're taking on income at a lower rate in most cases, because larger properties have lower profit margin thresholds, especially for one or two properties. And it allows us to take that on in most cases significantly earlier in the rental cycle. And once we hit those targeted occupancy rates that drive us to our targeted profit margins, it becomes a win-win for everybody.

WS: Nice. I like the thought of like planning ahead and being able to turn something like this on. So we could look at our rent roll essentially and say, "Okay. Well, unfortunately, we're going to have 25 units vacant between November and December or January." Maybe that's the worst time of year to have some turnover. But to fill that gap so we can have them available, say, in March or April. We can look back in, say, September and say, "Okay. Well, we can go ahead and be planning for this and turn that on so we can start filling up some of those 25 units to short-term rentals for maybe the holidays or through Thanksgiving, December," if that's when that vacancy was. So maybe we could have more units filled. Is that kind of how you would plan that?

AC: Exactly. And I'll let you into one of our bigger secrets here at Your Space and what we do well across most markets even with traditional single-family homes. We aggregate our properties. And all that means is if I've got five homes in one geographical area, I will build a listing to accommodate all five of those homes. We do the same thing in the multifamily space, and that's simply taking the concept of you've got a basketball team coming into town and that hotel doesn't have 40 rooms to accommodate the entire team.

We look at it in the same light, and all that simply leads us to do is provide that same accommodation for larger groups across that one geographical area. And obviously, in an apartment complex, it becomes a better deal because they're all within one complex. But what that allows us to do, Whitney is it allows us to create unique value in the market. And when that happens, when you create unique value in the market, you're not competing against every home in the market against every traveler demographic. And then we get out of the discussion about nightly rates and then we start talking broadly about our profit margins because in these cases, then we can set prices for weekdays and we can set prices for weeknights and we don't

have to move them because we've got value in a market that doesn't exist and we're not competing with everybody else for.

[INTERVIEW 2]

WS: Christina, welcome to the show. I'm honored to have you on and you have such a vast array of experience in real estate – owning two brokerages right now. There are different things I know we're going to discuss during the show today that are going to help many of our listeners who are on a business or entrepreneurship journey. There're so many roadblocks that happen, that you have to navigate as an entrepreneur. You have done just that on numerous occasions. So, give the listeners a little more about your background in real estate, and let's jump into where you're at now as well.

Christina VanDergrift (CV): Sure. And thank you so much for having me. So, I have been selling real estate since literally my 20th birthday, which unfortunately is almost 17 years ago. And it was so neat because it exposed me to all different lifestyles and just people and backgrounds that I had never been exposed to prior to that., I realized early on that I wanted to start investing in real estate as early as I could, just because you see people who either didn't invest or the ones who regretted not doing it when they had the opportunity. Bought my first house when I was 22. Then I was so hungry and probably a little cocky and a novice, but I wanted to be the number one realtor in our area. Then fate would have it that my mom decided to sell a brokerage, and I decided to buy it from her, and it's just been a whole roller coaster ride of events. But now, like I said earlier, we have two real estate brokerages, one is just commercial residential land sales, and then the other one is vacation rental property management also.

WS: Yeah, interesting to hear different people talk about that. Go into a little more detail there about why short-term rentals now. Why that's more lucrative? And why you've focused so much more energy on that asset class?

CV: The first one that I managed myself was called the Sky High Chalet. It was a property near our home. It had 10 acres and it was like a chalet-style house with beautiful views. We wanted it because it was close to our home. I want to get as many properties around us as we can. I didn't think it would be as big as it would be if we were to buy it and rent it out as a traditional family rental. It would have been \$1400 a month for our gross rent plus taxes, mortgage insurance, and all of that stuff. We launched as a vacation rental, and it grosses \$80-90 grand a year. In the summertime, we literally gross \$8,000 a month. Had the same upkeep and wear and tear and everything else. It was such an eye-opener that I'm like, I need to do this for other people also. I also help educate people on how they can do it also because, you know, I was the 20-year-old girl who didn't have any exposure and experience but figured it out sometimes

the hard way. I wanted to help streamline it for other people so that they could have that abundance also.

WS: Wow, that's incredible. Just thinking through that, you said \$1400 a month versus what?

CV: 8 grand!

WS: \$8,000 a month. Yeah, it's incredible. Even in multifamily properties too, I know that more people are considering turning a few units into short-term rentals because of what you just said. Maybe they have a few vacancies anyway, so it's like, why not try? So, when you're thinking about whether it's a couple of units in a multifamily property or whether we find a single-family home in the city that we want to visit sometimes, what are some things we should be thinking about as far as having a successful short-term rental?

CV: So first off, I highly suggest this, and I talk about it in my book and my course, make sure the zoning allows it. You don't want to go down that path of investing money and time and effort into it to find out you're not allowed to. So, that would be my biggest thing. Make sure you're legally allowed to do it.

WS: But how would we know that?

CV: You want to check with the local municipality. So, whether it's the town or city or township, depending on where you live, definitely go to the authorities to look up the zoning regulations. It's interesting because since Covid, the vacation rental industry has just exploded and it's only going to continue to (do so). And there's a lot of areas across the entire country that don't have zoning on it because it's so new to them still, so you definitely want to make sure. Even locally, we have some towns that allow them and others that don't. Don't ever assume because you know what that does.

WS: Even if other people have short-term rentals there, you still need to check, right?

CV: Exactly. Things change all the time.

WS: Okay. So, be sure zoning allows for it. What else?

CV: I would definitely always want to make sure the space is clean, great quality. I know it's intimidating thinking about having to furnish your space. It doesn't have to be, you don't have to spend \$50,000 to furnish your space. But it has to be nice and quality materials because it's going to get a lot of wear and tear.

The other thing is, I feel like your audience probably knows a lot of these things just from the real estate market, but you want to have it staged in professional pictures. There's so much technology out there to help you market it, but I think it's those small things that really make the biggest difference.

WS: Staged pictures you mentioned are just professionally done right inside. Like personally, I wouldn't have a clue. And the things that I would probably go find to stage, probably would not be very cosmetically appealing to most if I was doing that myself. How would we find somebody to help us do that to ensure that that is done well?

CV: Actually, on my website, I have Vacation Academy Course. I actually have a free download with my furnishing list. And there's a free training video that breaks it down, how I do it from top to bottom, how I furnish it, the list of all the things. So, I would definitely suggest people check out christina-vandergrift dot com. They can find that on there. And then my book also breaks it down and explains it, and you can purchase that through my website also.

WS: Give us a couple of details, a couple of tips here on how to do it though.

CV: Sure. The biggest thing is you are showing people a good time. It's all about the experience from the time they walk in. They want to feel like they're at home. They don't want it to be cold, and especially not dirty. They want to feel comfortable. You have a lot of solo travelers, families, you want to make sure that you can accommodate as many people as you sleep a night for chairs and table setting and just everything. And I think there's a lot of little things that people might not think of like that if you say you can sleep eight people, you better have enough towels and plates for eight people or more.

WS: And they're gonna be calling you, right? They're gonna be calling you. Tell me a little bit about underwriting for a short-term rental versus buying a single-family home for monthly rental. I would hope that we could still buy and work it as a monthly rental if we had to, but is that something you consider? Or is it like, if we can make eight grand a month versus 1400, now we can pay a lot more. I would hate to think about it like that, but is that the case?

CV: As far as the underwriting goes, you want to make sure, and I teach you this on my course also, when you are approaching the bank about it, that you are very conservative with your numbers. And like you said, worst-case scenario, you can just rent it out as a traditional rental. There are different banks, depending on the area it is, that is very familiar with financing short-term rentals while there're others that aren't. You just want to make sure that you are very conservative from start to finish. You don't want to assume anything. But yeah, it's been very interesting because again, it's so new. So, there are a lot of banks that are like, "Well, that sounds risky, we won't finance it." So, you want to make sure you do your research, find the

right lender, and be upfront with them. Don't try and say, "Oh, I'm buying it for a second home, and then decide after the fact to do that because I'm (unintelligible) also."

WS: What would happen there in that instance? Do you know? Obviously, you want to be very upfront, like you said, it's good advice. It's your lender. Let's say it wasn't going to be a second home and then you convert it into a short-term rental, do you see a problem there with your lender possibly?

CV: So with my real estate broker hat on, it just doesn't sit well in my gut.

WS: Yeah, I agree.

CV: They have a reason to re-inspect it or go back through your paperwork or if you default on your mortgage, then they can change your terms. I'm sure that it happens all the time. Or they're people that buy it as a second home and then eventually convert it. They don't normally come back and check those things as long as you're in good standing, but it's just the moral side of it.

WS: I want to be completely upfront with them, no doubt about it. No doubt. I've heard of the same things happening. What about location? How do we find the right location and find some competitive property?

CV: So, you want to make sure that you – location is everything – you want to be easily close to all the attractions. You want to have easy access for people to get in and out of. And that all determine how much you can charge ultimately also. You want to definitely think, if it's in an area where you're not familiar with, you want to find out, what do people like to do? What did they like to have? When we bought ours in Florida, my realtor said it's okay to have a pool but you really want to be on a canal also. And me from Pennsylvania, I wouldn't have known that. So, just doing that due diligence to ask questions and find out what you don't know already is huge. The locals may know of things that people want to see and do. So, you want to make sure that you have all those things also if you can. And if not, you want to make sure it's staged nicely and marketed properly, but it affects your price also.

WS: Yeah, so the local things you would know. Like you said, talk to the realtor, and talk to other locals that are going to tell you what they want. It's so important. What about managing from a distance? You mentioned that you're in Pennsylvania. Some of these properties are in Florida, how do you do that? It seems like it would even be more of a headache because you're so far away. Even more turnover may be a daily turnover or a weekend, every weekend or every few days, or something different. Talk through managing that process.

CV: Yeah. So, ours in Florida and Tennessee both have property managers that are a whole different company than what I own. From the get-go, I knew I was going to have somebody manage it. You definitely want to do your homework. They all charge different percentages, and you just want to make sure of their reviews and everything. In Florida, we had a bad go of it with our first one, with hardly any bookings, and not promoted very well. So, you want to make sure you do your research with that. But for me, even the ones I have now locally, I have them go through my management company. Because I'm only one person, I have multiple jobs and hats, I'm a mom, and I'm a wife. I'm all these things so my time is limited and my time is valuable also. So, I highly suggest if you don't have the time to dedicate to it, to get a property manager. You're looking at somewhere between 10 to 40% off the top if you have one. But, you just get to get your check every month and you're pretty hands-off. They do everything. You just have to make sure utilities are on and if there are issues, that you're paid to prepare the problems too.

[END OF INTERVIEW]

[OUTRO]

Whitney Sewell: Thank you for being with us again today. I hope that you have learned a lot from the show. Don't forget to like and subscribe. I hope you're telling your friends about Real Estate Syndication Show and how they can also build wealth in real estate. You can also go to LifeBridgeCapital.com and start investing today.

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