

**EPISODE 1565**

**Jake Pence (JP):** Whenever I'm underwriting a deal, the foremost question on my mind is, can I take what is here in Excel and apply it to real life? Is it actually executable? And that is a question that I feel when I look at deals, I think it's easy to lose sight of that. Because the thing is that I'm a finance guy, I'm a numbers guy. That's really my skill set. But not being so focused on what my spreadsheet tells me and losing sight of "Okay, can we actually go out and do this?" So that's been really important.

**Sam Rust (SR):** I want to pivot a little bit, Jake, and talk about your experience in the property management side of the business and dig more into operations. I'm curious about what you've learned about operating a traditional store with traditional real estate multifamily, you own \$20 million for the small multifamily. And then I do want to touch on State Music City, your short-term rental property management company, but currently, how do you manage your current portfolio of traditional multifamily?

**JP:** Yeah, so we have third-party management in place on all of those. That was intentional too. So when that first internship that I had was in property management. So again, like I was out, serving five days at C-class properties to tenants that were four months behind, like, you know, I was really in the weeds on this stuff. And we got to see what it takes to actually execute a business plan.

And that understanding of just how challenging it is to turn a property around how to actually get rents up to market rates and implement some of these different other income sources that people want to implement, understanding the challenge that presents itself has been carried over for me.

Because now whenever I'm underwriting a deal, the foremost question on my mind is, can I take what is here in Excel and apply it to real life? Is it actually executable? And that is a question that I feel when I look at deals, I think it's easy to lose sight of that. Because the thing is that I'm a finance guy, I'm a numbers guy. That's really my skill set. But not being so focused on what my spreadsheet tells me and losing sight of "Okay, can we actually go out and do this?" So that's been really important.

And then, how I guess relates to the STR piece and how we got into that kind of jumping ahead, we do self-manage the short-term rentals that we own because, at Kaski, we mostly buy multifamily, but we'll do some hospitality stuff, too. And when I was looking for management options for that first acquisition here in Nashville, I just didn't really find anything that I was particularly comfortable with, I knew I had enough property management experience, managing long-term rentals myself that I felt like I would just be able to figure it out, right, like, that's kind of been my approach to a lot of things, it's like, I'm just gonna figure it out.

And that's what we did. And then being able to layer a lot of tech on top of it to where a lot of that business, we're able to automate, you know, kind of the analogy I use is, it's like, we've created this machine with the STRs. And really, it's my job to manage that machine, and just make sure that things are operating the way they're supposed to be. And it's turned into a pretty good little business for us. And we're now starting to take on third-party clients here in Nashville which has been the change, but the STR, there are lots of stories that come from the STR management, I don't know how else to put it.

**SR:** Especially in Nashville, that tells me that you're getting some interesting crowds through there. As you've evaluated the business opportunity, and you're going in a third-party direction as well, how does that change the culture or the type of services that you're providing? How do you set up the business from a basic operational standpoint when you're introducing other owners into the picture?

**JP:** Yeah, so for me, I mean, I don't feel like it changes much honestly because I am an owner, I am an investor, like, I know how these people are approaching their properties. And you know, it's all about if we can set expectations up front and provide clear ongoing communication, then then we should be fine. That's where I think, and ultimately, why we wanted to start State Music City was, we just didn't particularly care for the options that were around. And we felt like a lot of them maybe lacked in some of those areas of setting appropriate expectations and providing clear communication. And that was something that we felt like we could do well.

And that's why we decided to start saving State Music City and then ultimately to start bringing on third-party clients too. I mean, with a business like that, it really does get easier to run as you scale because we're able to provide you know, we're able to hire more staff, in a lot of incidents, were able to pay our cleaners we're able to pay our quality control people our maintenance techs like we're able to pay them all more so then we can then attract better talent, retain that talent and then you know, run up a nice little business

**SR:** I noticed you hired a director of operations it looks like you recently got engaged to that personality backfilled that role or have you backfilled that role and how hands-on do you personally have to be within Stay Music City?

**JP:** Yeah, Maddie, my fiancée, she is, I guess that's one other thing about entrepreneurship like you definitely need the right people in your corner to really make it happen. And Maddie is no longer with State Music City not because of you know, anything like issues like that, but more so just where she was wanting to take her career.

And I learned a lot about hiring and firing in the last year or two, like we, one of the ways I use that weapon that is my LinkedIn was to find a new director of operations and the higher

you know, some different folks for State Music City. And ultimately, it didn't go as well as I had hoped initially. But now, I've been able to sign up to fire my first employee and do some of those things, which is always a learning experience. But now we've been able to kind of backfill with a new kind of crop more conventional property manager type of role and some cleaners and a maintenance tech and in some of those things.

But in one of the reasons why I didn't want to bring the long term property management in-house was one of the lessons that I learned at the first real estate private equity company I was working for was A, it's harder to enter new markets if you self manage because you really need a certain level of scale to be able to do it well. So you have to acquire a portfolio of some size and most instances, if you want to be able to have a regional on-site staff, some of those things. But then second, when you run a company that large, like the first one I was at the boss, who I would say is was my first, one of my first real mentors in the business, the founder, he was very much in the people business rather than the real estate business, if that makes sense. Like he spent so much time just dealing with the issues that come from running an organization of that size, that it was very eye-opening to me.

And, I didn't want to have to deal with some of the same issues that he was having to deal with that early on in my career. Maybe that's something we'll pivot to down the road. But at least right now, you know, that just wasn't something that that we felt making the most sense. Lots of hiring and firing and keeping employees and all that it's very, very challenging, something that kind of, when I first got into the business, I was probably naive to just how challenging it ultimately is.

**SR:** We started in 2022, our own property management companies who were vertically integrated over about 1500 units. And our CEO who had a lot of experience in the property management space says often real estate is a people business, not a property business, at least on the property management side, it is so much property management is all about people management.

And when you get the right scale, and you get the right people, that can be fantastic. But getting to that point, you end up either turning gray or losing a lot of hair, it definitely doesn't happen overnight, takes a lot of intentionalities, and really a willingness to get in and spend a lot of time on the people's side, which necessarily is going to take time away from other activities like broadening your capital base or searching for that next deal.

**JP:** Yeah, because there's no other way to put it other than it's really, really hard to do it well like to grow a management business like that. And I would consider myself to be a people person, right? But like you mentioned, if I'm spending my time doing that it's taking away from other uses of my time, such as broadening the capital base or trying to, you know, grow the portfolio or do some of those things. So just have to get comfortable with the trade-offs and ultimately decide what makes the most sense.

**SR:** I think we have a number of listeners who have dabbled in short-term rentals, maybe only one or two themselves. If you were out in the marketplace looking for somebody to manage your Airbnb, VRBO listing, what would be a question or two that you would ask that would help you to kind of separate the good ones from the bad ones in the management space?

**JP:** That's a great question. I mean, whenever you're looking for a property management company, I think it's important that you talk to multiple and what I would do is, and it's hard for me to speak on markets outside of Nashville, because that's the only STR market that I truly know. But you know, at least in a place like this, I think it makes the most sense to talk to multiple, get pro formas from multiple and then really try to dig into what they're actually projecting for you because that's where we see a lot of the discrepancy is, you know, that revenue number is ultimately the most important part of of your STR and what you can hit.

It's important to dig into how are they coming up with that number? Is it based off of air DNA, which you know, is probably as effective as rentometer is for multifamily rents like it's a good baseline, but it's not something that is really all that reliable at times. Are they you know, using these projections based on other properties in their portfolio that they think are comparable? How are they actually getting to the numbers, I think is important. And then figuring out what fees they charge. That's the biggest sticking point.

I think for a lot of people is some of these, the STR management companies, they, they sneak in fees and lots of different places. And it's important to get really clear about what you're paying for as an owner. And then ultimately, what you will be responsible for as an owner to just like setting those initial expectations on who is doing what and what are you paying for is the best way to get off to a good start.

**SR:** But short-term spaces seems like kind of a wild, wild west. I mean, there's so many different platforms that you can be on direct booking Airbnb, VRBO. And then in the management side, I mean, the cleaning fees that everybody who stayed in Airbnb kind of rails on, with all the other fees can certainly add up.

On your site at Kaski, when you're kind of talking about your strategy, your go to market strategy, you have multifamily, hospitality, and then business investing. And right now you have a State Music City, your own STR property management company is the kind of the flag holder on the business side. What else are you excited about or exploring in that space?

**JP:** So right now, I and hopefully, by the time this comes out, I'll finalized a, an opportunity with a short-term rental maintenance company here in town as well. There's a lot of synergies between that, my property management business.

The hardest part about short term rental property management, especially in a place like Nashville, where it's a lot of Bachelorette, and bachelor parties is maintenance and keeping up with it. I mean, these places get beat up like point blank, and it's hard to keep up with these things. And it's especially hard to find reliable, consistent maintenance techs that do good work at a price that is reasonable.

And I've been fortunate to come into, I've had the same two maintenance techs that have worked on my portfolio here for past year, so and we're now, they also do the maintenance for several hundred other homes here in town. And they need a little bit of help on the back end, frankly, and how they actually can set it up to operate more like a business rather than just two people that go fix things and kind of are very unorganized on the back end.

So that's an area that I really like and think is interesting. And then I think I'll probably just keep building on it in a similar approach to that, you know, we've explored a cleaning company in the past ran into some issues there. We've, you know, I think at some point, it might make sense to get into the lawn care business. Like as we continue to grow these, this management portfolio, I've got to cut the grass everywhere. So why not find a way to bring that in-house, maybe partner with an operator or something. But right now at least it's the maintenance business that I'm particularly excited about.

**SR:** Well, Jake we spent quite a bit of time diving into some nuts and bolts on your story – how you got started and covering property management and operations. What's in the future for you? What are some goals that you're aspiring to whether it's 2023, or five years or 10 years and beyond?

**JP:** I'm glad you brought up goals because that I guess that's another lesson that I learned early on to was you know, I've always considered myself to be a very goal driven person, like, you know, wanted to set these big goals, all this. But the reality is that you're gonna make this plan and then life is gonna punch in the mouth, and you can throw that plan out the window, and you got to figure stuff out.

So I gotten away at times from setting these super long term goals. Just because like too much changes, I think, you know, I've got a general idea of what we're what we're working towards, but at least in the immediate future, I'd love to do more in the hospitality space. You know, I think there's a lot of unique opportunities. And in that world, whether it's maybe redeveloping rundown motels or what I'll call like permanent and glamping type of structures, I think there's a lot of deals that make sense, as you know, more experiential based tourism continues to continues to grow and become more commonplace.

And then in multifamily, it's just, you know, we've got a pretty good foothold in central Illinois right now. And I'd love to get into some more deals down here in the southeast. It's just you

know, as it's challenging to find stuff that makes sense at this point. So just staying the course really on the multifamily front and then looking to broaden our horizons a little bit on the hospitality side of things.

**SR:** Can you share a habit that you believe is contributed to your success can be a daily thing, a weekly thing, quarterly thing.

**JP:** I guess, on a more daily basis, I like to go on a walk each day just to like, clear my head and think about stuff. You know, it doesn't always have to be a long walk, but just taking some time to again tried to think very practically about things because there are plenty of times or maybe I lose sight of that. And I just need a minute or several minutes to just kind of clear my head and try to think through the situation and determine what would be best.

**SR:** Jake, I really appreciate you joining us today. If folks want to learn more about what you're doing, how can they get in touch with you?

**JP:** Yeah, I mean, I think the best way to get in touch me would just be to go to our website [www.investkaski.com](http://www.investkaski.com). You know, there's some options on there to get a hold of us.

**SR:** Fantastic. Well, thank you, Jake. Thank you to our listeners for joining us on another episode of The Real Estate Syndication Show. I'm your host Sam Rust signing off.

**[END OF INTERVIEW]**

**[OUTRO]**

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