Moderator: Welcome to the REI Diamonds Show with Dan Breslin, your source for real estate investment jewels of wisdom.

Dan Breslin: Welcome to the REI Diamond Show. I am your host Dan Breslin and this is episode 184 on buying vacation rental property with Avery Carl. If you're in the building wealth through real estate investing, congratulations, you are in the right place. My goal is to identify high caliber real estate investors and other industry service providers invite them on the show and then draw out the jewels of wisdom those tactics mindsets and methods used to create millions of dollars and more in the business of real estate.

Today we are joined by Avery Carl. Avery runs the Short Term Shop, a high-volume boutique real-estate firm focused on short-term vacation rentals. We cover exactly what's needed to get into and profitably operate a vacation rental. We also talked about a few of the hottest vacation rental markets in the US and why those markets tend to be a more stable investment over the long term and finally, we discussed a few reasons why adding a vacation rental or two or three is a perfect start or addition to any real estate investors portfolio. No matter where you're currently located. Let's begin. All right Avery Carl, welcome to the REI Diamond Show. How you doing today?

Avery Carl: Pretty good. How are you?

Dan: I am doing well. So we're just the beginning of February here for a timestamp. I am curious where you are recording from in the country and what the weather is like there currently?

Avery: I am recording in 30A, Florida so Panhandle of Florida and it is about 65 degrees.

Dan: Is that cold for you guys there?

Avery: Yeah.

Dan: Yeah. We're getting the polar vortex here in Chicago and we have the ice shelf forming out the window here and it's cold. It's making me want to jump in the car and drive to Florida and spend some time in a vacation rental, which the're all pretty much booked up in Florida right now. We checked but we all get to all that in a moment. So Avery, do you want to start out by telling us how you got started in real estate? And what does your primary business model look like today?

Avery: Absolutely. So I kind of ended up in real estate and real estate investing by mistake or not by mistake. I just kind of fell into it, my husband and I moved to Nashville, Tennessee in 2013 from New York City. And, obviously, we who can't afford to buy something in New York City when you're just starting out so we moved to Nashville so that we could buy a house and have some space. And, when we got there I didn't have my real estate license yet. I was working as a marketing manager in the music business and our real estate agent was trying to get us to buy in this really hip superfast depreciating area of Nashville, and we didn't really want to do that because we were just coming from Brooklyn really tired of neighbors.

So we bought out in the country but we thought oh, you know, maybe we should snag one of those houses because they're depreciating really fast, which was a terrible strategy. I didn't know that at the time.But, so, we did buy one and luckily that one ended up being a really good one. We still have it and it cash flows like two percent. So that's ridiculous and unheard of and luckily for us. It ended up being that way after that we thought okay. Well, this is something that we really want to scale and actually get a bunch of these things. So at that point, we started listening to podcasts and reading and actually educating ourselves on the thing that we had just spent a ton of money on. And, from there we had one down payment left like one single family down payment for the capital left. So we thought well, what can we do with this money? What can we buy to make the most amount of money possible so that we can go buy more properties quickly. And, we landed on short-term rentals. We didn't want to do that in Nashville because the regulations are just terrible in Nashville. They're constantly changing and it's just not a good place for that. So we thought where can we go that the regulations are friendly it's this is something that people have always done and always will do. And, so we found the Smoky Mountains which we had vacationed asked a lot because it's only about three hours east of Nashville there. It's what I call a mature vacation rental market, which is what I focus on in my short term rental investing now. So what I mean by that I, it's a place where people have vacationed in privately owned either single family homes or condos for decades and decades. So basically it was then Airbnb market before Airbnb or the internet even existed. And, so we bought a property there that did really well. We didn't really have anybody to any mentors or anything in that space. So we developed all of our systems for managing remotely ourselves. Long story short scaled one short term in the Smokies into five within about a year and a half. Then, used all that cash flow got about 20 long-term doors scaled into the Destin Panama City 30A market in Florida. We have two down here now and then we're actually also under contract on the 12-unit multifamily for long term.

So we like to keep a diverse portfolio, but our strategy was and is that the short-terms made us so much money to start it. It became a really good strategy to teach my clients. So somewhere along the way I got my real estate license and opened up the Short Term Shop which is an agency or brokered by eXp. And, what we do is we help clients identify and by the best short-term rentals in the best markets. So the Smoky Mountains, Panhandle of Florida, Gulf Shores, Alabama and Blue Ridge, Georgia. And basically, I became the agent that I wish I had when we started who nobody can answer the questions about remote self-management and price per night and what property should be able to make so I became that person and we teach people how to do the same thing that we did. So basically we help them get the property and then we teach them all of our systems to self managed remotely so that they don't have to pay a property manager 25 to 40 percent of their gross income and that way they can squeeze every dollar out of that short term rental and then use that to scale into more short-term rentals or long-term rentals or whatever it is that they want their portfolio to look like. So, that's what we do.

Dan: Nice, I love it. So the business model. It's a very interesting business model that you have specifically I think that you guys have really evolved it quickly starting from 2013 to 2020. And, I have the luxury of having looked into the research midst of websites and following you actually for a couple months now, before we head on got you together on the show here today, so it's impressive and it's a very not really a turnkey process and that is totally hands off, but it is definitely a way to mitigate a bunch of mistakes that I think short term rental operators, owners, investors probably make and I'll share my experiences.

I have a three flat in Chicago and there's a lot of Airbnb Chicago product there. They were doing well for five years ago and people would come in the summertime. We have a lot of traffic in the summertime believe it or not. It's kind of a vacation destination for people around the world to come to the city of Chicago for whatever the reason is. The beaches, the culture, it's just a large, you know world-class city, I guess here in Chicago. But my three flat was not exactly in the right neighborhood. So, I bought it as a rental and then heard about short-term thought "oh, this is great". I put Furniture in and it will work out well and over 2 or 3-year period I would have done two to three times better by having just a standard rental. So, I just blindly went in there on this Airbnb, you know this popular culture and the listeners of the show probably remember a few years back me being cited on the show talking about my Airbnb and I would let my family and my business partners come and stay there. I've since put it up for a standard rental, especially the pandemic has kind of crunch Chicago's a lore around the world. And so does the neighborhood that this one is located in it doesn't really fit right so I didn't buy the right asset number one was my mistake which sounds like you helped with that mistake and the second piece of second mistake I made was I don't have the time to manage it. I don't have the time to be you know, texting back and forth with guests and arranging and worrying if people are there. I mean we did 283 houses that we bought and sold last year. So I'm like very busy with the main business and I didn't have the time to really dig in and maximize the cash flow that was coming through my unit. And if I did self-managed it would have gone a lot better because I think it was 30 or 40 percent. I don't remember the percentage but I remember getting my statement from my Airbnb manager and I'm like "This is not sustainable". I'm worse significantly worse off than ever to have this as a conventional rental property.

So Avery, those are two mistakes. I think you have already talked about how to avoid but are there any other mistakes that you would list for somebody who does not own a vacation rental but loves the idea of owning a place in the Smoky Mountains to maybe head out there in the offseason once or twice, you know throughout the year, but then for that thing to maybe pay for itself instead of sitting vacant. What would those mistakes look like? And how would you advise clients against making those?

Avery: So, there's a lot of limiting beliefs more than mistakes that people make thinking that they have to live near the property that they have to be able to get over there in case of an emergency. But I mean when you think about it, there's no situation that would require you to show up at the property. Like if the guest has a medical emergency. It's actually more of a liability than anything if you go insert yourself into that situation. And, that everything else like, you know, if a toilet breaks at the place I'm going to do the same thing that I would do if the toilet 10 feet from the in the bathroom downstairs breaks. I'm going to call somebody to come fix it. So it's really the same thing you're doing the exact same thing as if the property was across the street as far as maintenance is concerned. So just not getting started is a big mistake because you do not have to live in the market and not everybody can live in the market where they invest. I mean, I don't live in the market where any of my long terms are.

And then the biggest mistake that I see people make with these things especially in the markets that I'm in where you know, there's more vacation rentals in there are people who live here and it's always been that way. A lot of people get caught up in trying to make their place be just such a unique experience and they end up over improving the thing and spending more money than is necessary. Whereas, you know beach houses are going to rent yet mountain houses are cabins are going to rent. You don't have to like turn it into a spaceship for people to rent it. So, a hoover improvement is a big one that I see a lot.

Dan: Okay. Yeah, that makes sense. So, I got living near not necessarily and then and that is a big limiting belief. I mean I moved from Philadelphia to Chicago and then collected 10 rental houses in Philadelphia. I've never seen any of them, but I did live in the market and I was familiar with them first and then for whatever reason I still because I live in Chicago. I find myself evaluating those 10 units while the unit, you know, the multifamily deals the three the four flats that are in Chicago just feels familiar. I live here and there is that false sense of control, I think I have. Avery, I did like a hot water heater repair and I come from a construction background so I can do all that stuff. But I did one on the unit one time like, oh my God. This was not a good idea at all and ever since it's been the same thing that he said I picked the phone up and I call someone to go there anyway. So, what difference does it make if I'm for miles or 450 miles away from the rental property? In fact being farther might be a blessing because you're forced to learn how to do it at a distant and you're not tempted to go spend a weekend in their painting and doing a turnover or doing the cleaning jobs for the Airbnb. You're forced to pick the phone up and call somebody to do that service.

Avery: Exactly.

Dan: So let's talk about asset price and down payment that would be expected to buy a vacation home in the markets that you're located. Can you give me maybe like an example of what people would expect and what kind of money they should be bringing to the table if they were considering this type of investment.

Avery: Yeah, absolutely. So you can get a one-bedroom to two-bedroom for 250 to 300 in pretty much all the markets that I meant. It's going to be super competitive like the Smoky Mountains are really really competitive right now. So it's going to end up getting bit up higher than that. But that's kind of the starting like barrier to entry and then if you're looking for, I prefer that, so the real return on investment comes at the four bedroom and up mark because you are over doubling your income, but the expenses are only about 10-15 percent more depending on a few factors. So for a four-bedroom in those markets in the at a beach market for bedrooms, you're looking at in Gulf Shores maybe 450 in Destin maybe 750 and in the Smokies somewhere in between that. So, just depends on the market, and then income is going to be dependent on a few factors. Like, you know, it's a 20-year old cabin in the Smokies. That's a cute nice place to say but nothing too fancy will gross around 75,000 but then like a brand new photographs really. Well, you know light and airy modern-looking cabin will grow closer to a hundred so it's definitely a range which can make the analysis of a short-term rental investment a little bit trickier than a long-term, but everything's a little bit of a range.

Dan: Yeah, and I'm glad you said that and that's probably another thing. I would assume that you're adding the value for your clients and being able to really understand kind of the nuance of what's expected because if I were to go into this market and look at say something on the lower end of the price point, it's a little more dated but I'm like, "Oh, yeah, Avery said hundred grand is what an Airbnb goes for here in the Smoky Mountains, but the reality is it's 75 like that's a hard one to recover from if I've already put my down payment in and you know, I'm committed to the deal already", versus you telling me the truth. I mean that's obviously your underwriting skill is something that is hard to put a price on that your clients would receive, right?

Avery: Yeah. Absolutely. And, I mean, I am going to be honest with I've lost clients before because I have one who I was showing her and we were in Florida and I was showing her like five to seven hundred thousand dollar properties that were two blocks off the beach that we're going to have the highest return on investment. And, she really wanted this 1.3 million dollar three-bedroom that was very far from the beach. And, did not like my opinion on that. I told her it was a terrible idea and she went used another agent bullshit just before you do. Yes. Oh, I mean, I'm sure she's not going to buy another one and that's kind of my business model to you is I want my clients to buy what they are going to be the most successful with in hopes that they will come back and buy more with me because a rising tide raises all the ships. So if they're successful, we're all successful.

Dan: Yeah, it makes sense. And so like, you know to kind of plug the down payment peace, let's talk financing. So, you know example, let's pretend I have one house. I come to the table we're going to buy that $450,000 and pull that you said "I'm having to put like 25% down and get commercial financing". Is there more favorable financing structures for me buying a second home here in a vacation market that you might be able to connect me with?

Avery: Indeed. I see where you're going with us. All the, usually all the conventional financing options are available. So, you know, 20-25% down conventional financing you can get commercial if that's what you want to do. If you're out of conventional loan after you get commercial if you're out of conventional loans, but one thing a kind of creative financing, but it's not that creative because it is a conventional loan that a lot of people use is the 10% down vacation home loan. And, there are a few stipulations in order to get that and this is not lending advice. So definitely ask your lender about the stipulations and regulations around it. But I give you kind of an overview so you have to have the intention of staying in the property for at least 14 days a year per Fannie Mae guidelines. It has to be 65 miles away from your primary at least and you can't put any sort of a contract on it that takes the control of the property away from you. So like a lease for example or a property management contract, but it doesn't say anything in the Fannie Mae guidelines as of now. That about being able to rent out your property when you're not there on Airbnb and VRBO. So a lot of people utilize that so their first one and then you can also get one of those per market so you can go get a second home loan for 10% down in the Smoky Mountains and then another one in Gulf Shores, Alabama and you know Big Bear California or wherever you might want to go. You can do that as long as your DTI supports it.

Dan: Interesting. And, I guess that the DTI is that to income and I'm assuming that the income that's generated from the vacation rental itself would at some point be counted. Does it have to show up on tax returns for a certain number of years before they can count it so you can kind of you know leveraged into four or five different markets like you said.

Avery: Yes, so it being a conventional loan. Your DTI does have to support it. So, there are like one lender I work with only requires one tax return were so one year of income to show but most of them are going to require to. So definitely, you know, everybody who's listening to a real estate investing show. I'm sure knows to call more than one bank. So definitely do that.

Dan: Yeah makes sense. That's a huge thing. I want to underline that you have this contact for the specific lenders. So a lot of my real estate investing I start with the financing options. I host this real estate investing show and I get a lot of ideas from great guests like yourself who bring to the table that's brand new news to me that you could have several vacation homes in several markets. I think that's fantastic. One of the things when I'm approaching my real estate investment system mistakes. I made that were in the buy and hold sector at those houses and Philadelphia were very low price. And, it had more to do with my comfort zone because I grew up like with not a lot of money and I kind of had like a completely broke to being okay in life experiences part of my story and it made me, you know fearful about higher price points. And, when I bought one of my rentals $450,000 building, I think it was knows numbers man. It took a leap of faith for me to want to sign those mortgage documents, but after it was done and I look back a year compared to my $65,000 rentals. I like the idea of a higher price point. So if I'm personally going to look at you know, a one or two bad at 250, 300 thousand or I was going to look at the four-bed. Especially as you're telling me that there's this higher ROI and there's potentially more income from the larger property. I also like that higher dollar price point. So I'd rather have 450, 500, 600 thousand because I'm able to get further leverage on my down payment if it's a $500,000 property and I put $100,000 down. I have this mortgage at fixed interest for you know fixed for 30 years at today's low rates are outrageous. So, now I have this vacation rental paying off a $400,000 debt that 30 years in the future. It's at least worth the same 500,000 that I paid and I paid all that mortgage down versus the lower price point property to your point about having the same kind of expense load. I still have to run a one or a two-bedroom property. And, even though it only cost me 250. Maybe I only have to risk 200,000 on the mortgage. The return is kind of like it's half. The mortgage pay down only is 200,000 that I'm getting for the same amount of work and effort of writing the property out week after week after week end after you know paying the insurance all the things that go along with it. So I love personally the idea of looking at assets with a price point that's high not value not I'm overpaying for the property but the price point of the asset itself is high. And, then my mortgage balance is are high and I'd rather be borrowing as much money as I can to get that long-term leverage on my return to make sense.

Avery: Totally.

Dan: Yeah. Cool. So, let's do another example here. How would you advise a client who is making let's say a 100,000 a year for the last 4 or 5 years tax returns aren't going to be an issue. And, they have $500,000 of investable cash. It's saved up. It sitting in the bank. They can use this for down payments. What would your advice be lets say whether it was a client or a good family friend of yours, right? I want the same advice you'd give to the family friend on diversification if any between vacation rentals and long-term rentals. And what percentage maybe of that half-million-dollar down payment firepower would you allocate to each bucket?

Avery: That is a really great question. So there are a few ways you can go about it. I would recommend you really kind of need about 3 vacation rentals to really kick out let you know to really start snowballing quickly to be able to go buy more long-term squiggly. So with that 500 there and there's that you can even zoom in a little bit further. So within those three vacation rentals, you could get three and three different markets or there's also merit in you know, having your systems in one market and just adding to that system. I would recommend though, whatever percentage you allocate for short-term rentals, whatever your set amount of capital that you're going to spend on short-term rentals is. I would spend it on a fewer number of larger properties meaning four bedrooms and up rather than a bunch of one and two bedrooms because it's the same amount of work on your end to manage a one-bedroom as it is a six-bedroom six letters gonna make a lot more money and then you also when you add in a bunch of little tiny properties you now have like five roof to leak you have five eight fax to go out you have five sets of guests to manage. So it's just not as efficient in addition to not having as high of a return to have a bunch of small ones rather than one or two bigger ones. So I would definitely want that person to weigh those options as well and there's you know, there's also the all the eggs in one basket approach as well. So, you know, if you have one four-bedroom rather than to two bedrooms then somebody canceled. Well, that's a hundred percent of your income for that weekend rather than half. So there's a few ways to do it but I recommend a smaller number of larger properties than a larger number of smaller ones. And, I would say maybe 25% short-term rentals and 75% long term.

Dan: Yeah, it sounds about right. I have no experience on what the right number is. That sounds about right? So you'd mentioned the 12 unit that I think you're looking at or you were buying I assume that you have some kind of balance here. Would you speak to that may be in your own experience to just to add additional context?

Avery: Yeah. So the twelve, you know, I'm looking at will be a long-term. It's in the midwest also. So, I don't have like a set. I don't look at my portfolio really and say, "Okay, I, it's time to add another short-term or it's time to add another long-term". I just kind of look at where the deals are. Like, for example, I have been investing in single-family and duplexes in Chattanooga for the past two or three years and it's been California located. Like all the Californians have come in and spending their cash and now there's no deals anymore even wholesale deals. There's no deals in Chattanooga anymore.

So we said that our focus for single families to kind of right around here. So we're living on the Panhandle of Florida now mostly and then sometimes in the Smoky Mountains, so we're kind of keeping our long-term select the South Alabama region for the single families and small multis, but then we're in the Midwest for our bigger multi. So we just kind of like adapt and pivot based on where the deal seemed to be falling into place the easiest for us, but since I'm in the short-term market, you know digging through a short term properties all the time. If I see one that looks great, I will get it. So, I know that's not really the answer you're looking for. It's not really a quantifiable answer but I am very much an opportunist when it comes to deals. It doesn't matter what asset class it is if it is a good one and it comes across my desk then we're going to look at it pretty hard.

Dan: Nice. And so you are in the Florida Market, Smoky Mountains, Tennessee. And what was the other market?

Avery: So Smoky Mountains in Tennessee, Panhandle of Florida, so that's everywhere from Destin, Florida all the way over to like Alligator Point called The Emerald Coast and the Forgotten Coast and then Gulf Shores, Alabama and also Blue Ridge, Georgia which is a mountain Market.

Dan: Nice, so I asked that specific question as a lead-in to. I noticed that my own ability to spot opportunities and spot trends because I operate in the Atlanta region two, three hours we've done deals in Blue Ridge. We do 70 deals a year, maybe in the Atlanta Market will probably do a hundred this year. Philadelphia is where I grew up so I do business there and we'll probably do the same number there and then Chicago we will probably do the similar numbers and I live here.

Now so I've had the opportunity. I've been in and out of a couple different markets. We failed out of Colorado as an example. I was in Florida. I kind of kind of pulled out a Florida or business model didn't seem to really gain traction there. Too competitive whatever the case was. But where I'm going with this is by looking at several different markets and having to spot Trends the way the cities were may be developed or built or if I noticed something that was happening in Atlanta and I was able to kind of say, oh, wow. Look it's starting to happen here in Philadelphia. My ability to underwrite deals has gone to a level. I probably never would have needed to go to had I stayed in one market exclusively. Have you noticed any Superior underwriting skill development of your own in being a multitude of markets?

Avery: Yeah. Yeah, because you know, the seasonality is different in beach markets versus mountain markets. The insurance is different. It's the maintenance is actually more on a log cabin that it is, you know on a beach house. So there's all these different little factors that you have to learn in the different markets. Although the markets themselves, all things considered, are very similar markets. It's just a different natural resource that people are coming to visit and maybe a different property type that rents the best. But yeah, it's definitely, I've had to become a much let a very specific expert and underwriting short-term rental deals.

Dan: Yeah, it's pretty cool. Yeah, I would assume that was the case and I'm happy to hear it was so a few months ago. This is 2020 now, April 2020 were on a friend of mine Reed Goossens podcast and you made a few predictions about how COVID shutdown had just occurred. So it was within a few weeks of the middle of March when things froze and everybody didn't know what was going on and the uncertainty. I have to link to the episode in the show notes because it's a very interesting time capsule. Your conversation with Reed about the general feeling in psychology of how COVID and real estate investment in the uncertainty was during that period of time. But, you made a prediction that COVID would cause the vacation rental market and the general real estate market to boom. So has that occurred in the markets that you're operating right now?

Avery: Yes, it most definitely has even more than I ever thought. It was.

Dan: Yes, it's very interesting. So have bookings kind of gone through the roof. What about days on market? Do you have a general feel for like the quantifiable heat in each market of the Florida, Panhandle, the Smoky Mountains to Gulf Shores, Alabama and the Blue Ridge. I mean our properties disappearing in 7 to 10 days. Is it 2 to 3 days? Is it like 14 to 21 days? What's, how fast do you and the client have to move when you see the opportunity?

Avery: So in the Emerald Coast area and in the Smokies, those are the two hottest because they even before COVID they've been on all the list for best places to invest in short-term rentals for several years. But I mean, it's almost negative days on market. So when I get a listing I if it is gone before I even get it to the MLS because we make our, we make our pocket listings available to our clients only before we list it and it's they never make it to the market. I think I've sold like 60 off-market properties in the past three or four months just because of that in the Smokies and same thing in the Emerald Coast. It's just it's within a day things are multiple offers and I tell people when they're new clients of mine, if you're not comfortable having to be really really aggressive and offer immediately and ask questions later, you know, do your due diligence on numbers and HOAs and all that after you're under contract and then just use the inspection contingency to get you out of there something weird, then like just don't it's not going to happen because clients will get really irritated when they're like, "oh, can you ask a listing agent this list of questions", and then before they even answer us the property's gone and they get really frustrated by that. So it is those two markets are ridiculous right now, but they're the numbers still work. You just have to be able to move fast.

Dan: Yeah, that makes sense, and like to underscore your point there. So like a real estate investor will succeed or will fail based on their comfort and ability to underwrite a deal first, but to actually make the offer and what you said, you have the inspection contingency in there. These are pocket listings. I mean, this is like a no-brainer, no-risk scenario. You just have to say, "okay put the offer in at 450 thousand". Is that what you're suggesting, "Avery, fine 450, let's get the inspection started process". So yeah, it's frustrating and that tire kicking kind of thing. Like that does not fly in a hot market and it's probably not going to fly any time in 2021 in almost all of the markets across the country and like one of the things I made an intentional effort toward years and years ago was that I was going to make an offer in at every time. It didn't matter if I didn't quite like the property for me. I'm flipping houses, right? Yeah, it's a busy street. I don't like it I have to offer less. It's a one-bedroom house. It's going to be impossible to sell. I don't care. There's probably a buyer and probably a number significantly lower the ones that are asking that works for them and works for me to take the risk and like any house. Even the ugly duckling almost within reason. There's probably one or two if like a meth lab in there, I would pass on I'm making an offer every time I make the offer and some of my offers I don't have the clause for inspection when I'm buying as is my offer has to be competitive in a different environment. Has to be cash, it has to be as is and there is not going to be backing out. I'm going to lose earnest money, but I've gotten comfortable with you know, I'm going to make an offer and I'll risk earnest money in some instances. Where as I get it with a 450k vacation home. You may not have to do that. But it sounds like some of the benefits of being your client like I hear this pocket listing thing and I'm thinking oh, this is great because I can buy a vacation home from the pocket listing scenario at the price that you're suggesting and it's probably high because we're riding trends up in these market. And, these markets are going to continue to be desirable probably forever and worth more money, you know next year than they are this year. But you know, I hear the pocket listing thing I think wow. This is great because if I did buy it today at the pocket listing price and the market is as hot as you're telling me it is if it were to go on the open market. It's probably going to sell for more money than what I'm having to pay as a result of me having to connection to the pocket listing. Right?

Avery: Right, just by way of not as many people having access to it that if you were to turn around and lifted it would get bit up in most cases. Yeah.

Dan: So, how do you find inventory? I mean, how do you even have product to sell people who would pick the phone up and call you right now?

Avery: So, you know all the traditional way of but I just I sell so much real estate that I have a lot of past buyers that I can just reach out to that unstuff now that you know over the course of my career. I mean like last year, we sold 350 vacation rentals. And-

Dan: Nice.

Avery: So that yeah, so we have a big, big, big network of owners and investors that we can pull from and say hey it. And a lot of people are 1031 exchanging right now. Lot of people were worried about the political climate, which I'm not particularly but a lot of people are worried they're going to lose their ability to 1031 exchange. So I've got a lot of been able to pull a lot of inventory out of that, out of half past buyers that want a 1031 exchange what they have now, so that's been my strategy right now. It's have fires.

Dan: Nice. Yeah, that makes sense. And so I'm going to go out on a limb and make an assumption that you can confirm or deny but 2013 through 2021. We're talking seven eight years. You have past clients who bought at certain price and they're selling now. I assume they're not breaking even and there's profit involved in that sale if the 1031 is part of the conversation here.

Avery: Oh, yes quite a bit, quite a bit.

Dan: What's the average appreciation bin over those 10 years. I mean if you're just throwing a dart.

Avery: Oh my God, I mean in the past two years in the Smokies. It's, I mean all over, it's almost double.

Dan: Yeah, that's remarkable. I have a friend, a couple of my friends do the vacation rental thing and like I said, I'm just like so busy with running the business that I couldn't imagine having to do even a couple text messages. I'm going to have to find a way to you know, figure out how to get it done. But a friend of mine bought a property was on the beach was like 450,000 something like that and I'm like man that thing is outrageous. I'm just putting it on Facebook and it's going to do this and renovate it and make a vacation rental and he did all that. And, you know, no one could have seen what was coming down the pike with COVID a drastic drop in interest rates and a sudden Primal urge to go to these vacation destinations and by second houses when covid hit but it was interesting. I mean he sold her for I think 650,000 and he got a lot that he was able to peel off the side. He posted on the Facebook. Wow, that worked out well, and it sounds like it's working out well for a lot of clients. Do you expect that trend to continue or are there any troubling trends or troubling risk factors that a client would want to be aware of to go into this with both eyes open? You know that might stop somebody.

Avery: So the the risk with vacation tourism-dependent markets is that you're not going to be able to convert it to a long-term. If everybody who owned a vacation home in these markets how to convert to long term. It would not happen because there's not enough primary residence in these markets. However, we did just have a really nice case study with COVID because that would is I mean that's a worst-case absolute worst-case scenario and it actually ended up being a good thing for owning in these markets. So nobody I mean, I'm sure there were a few people who freaked out and tried to convert to long term, but for the most part in the markets and I men and the and the investors that I know nobody did that nobody had to it was a month of being set down you should have enough cash reserves that that's not going to kill you and then it was back to business as usual actually better than business as usual, but I think as all the big metro markets continue to have these clashes with short-term rentals and not wanting them around those investors are going to you know, they're used to short-term rental money and they're going to go find a place where they can buy a short-term rental, which is these tourism heavy market where the regulations are friendly. So I think those factors alone aside from the fact that people, you know, just mountain property and beach property is desirable in general. I think that's going to keep it on an upward trend. I don't know that this break-neck appreciation is going to continue forever. But I do think that it will continue to appreciate it, for sure.

Dan: Yeah, that makes sense. So let's just talk for a moment. You know if we had someone who was in there listening to the show right now. We put ourselves in their shoes. I think back to like when I had assigned the mortgage documents on that 400k mortgage, I shared earlier or I think about like the first time I ever bought stocks and I wired off a couple thousand bucks to like TD Ameritrade and I'm like, man am I ever gonna get this money back? Right? Like what am I doing it wrong things this even like real and if years later and investments go up and you don't have that fear any longer when you bought your first vacation rental and you guys set out for that. Can you talk about the emotions that you had to go through in those couple weeks from maybe when you made the offer maybe before sediment like am I doing the right thing here? And then what it feels like to be on the other side of that now that what you guys hoped for has worked out.

Avery: Yes, so when we bought our first one we didn't have any mentorship. We had no, didn't know anybody who was doing the same thing. We had no direction. We just had an idea and some systems that we had kind of put together and that was it. So it was terrifying because at the time that was like the last dollar that we had and we close and then we had like a we stay there for a long weekend because we needed to replace them stuff and work on it. And, we stayed up until like three o'clock in the morning with anxiety for those three nights before we got it up on Airbnb and got our first booking, thinking, "Oh my god. Did we make a mistake? Is this going to work?". And, we just spent all our money on something that's not going to make us money. And, if you know, the anxiety started when we were under contract and then it only got worse until we got our first booking and then we we got our first booking within like five seconds of lifting it on Airbnb, and then we were like, okay. All right. This looks like this is going to work and then we calm down. So, it's terrifying to buy your first home, especially if you don't just have a lot of play money laying around, it's definitely very scary. So I have to remind myself about that experience now because we do so much. You know, so many deals that it just becomes kind of automatic for us and I have to think back to how I felt when I was on the other side of it for the first time and it is it's scary for sure.

Dan: Yeah, I think it, they don't spot on the head right with it's really, it's like the anxiety about making an investment at all. And I think that part of what you went through, what I went through we had to take this step of faith whether you're in whatever you're investing in it's obviously going to be easier if you had guys meant guides mentors experts you have all the knowledge and everything, but they're still comes a moment when you have to wire the money you have to sign the contract and the tricky thing to do is like to get to a place of having an abundant amount of money where the investments are nowhere near as scary. You still have to take the first step and make it. And usually, when we're making that step it's like you, it's like me, we didn't have a lot of money. Like if this didn't work out what I bought that property if those tenants all three of them went bad, it would have put me in a really really tough situation. But you know, I was able to get through that and so it's like you have to go through that anxiety-ridden moment until I get to the point where you're able to kind of gain at volume and keep moving on.

So, Avery, are there any books that you would recommend to clients? Maybe that have to do with overcoming the anxiety around investment that we talked about in general maybe about real estate may be about business. I don't know, maybe about life in general. Maybe one or two books that you'd recommend to friends our clients.

Avery: Yes so, Traction by Gino Wickman is a great one, especially for I mean, it's not about self-managing short-term rentals, but it's about managing a business. That's my favorite obviously. Everybody that's listening to this is already read, Kiyosaki. There is another one called Clockwork, that, by Mike Michalowicz kind of the same along the same lines as Traction, but those two are my favorite right now.

Dan: Nice. So, we may have made well, I guess we didn't cover it. But this is the REI Diamond show and we talked about the crown jewel of wisdom as we cap each episode and we'll set the stage. Let's say the bank accounts like kind of at zero you have no deals on the board. You're not the real estate agent with momentum that you have right now and you are restarting your career in real estate right now in 2021. I mean, how would you get started knowing everything that you know now but without the momentum behind you?

Avery: I would, I mean, you really just have to pull the trigger and learn as you go. You can analyze yourself into and out of deals a hundred thousand times and I have never thought to myself. I wish I would not have bought that piece of real estate, but I think to myself all the time. Oh, I wish I would have bought that one thing that I looked at and decided not to buy. So you really just have to pull the trigger at some point.

Dan: Yeah, you're right about that. I mean, we're in a good spot in real estate. So it's easy to make the observation now and everything is kind of up in the tide is where it is. And there were moments. I was in real estate since 2006, you know on and we went through a moment when the tide went out, very hard and very quickly and left people kind of high and dry. However, even the people who were left high and dry in a lot of the cases just I'm sure there's a handful of situations that have not quite cured with time, but even the deals that were bought in 2005 and

2006 at top of the market prices, you know over time the market catches up and sort of even corrects maybe the mistakes that we made and that was like a drastic one and we've seen stuff, you know from 04, 05, 06 so for significantly more money in a lot of markets around the country these the ones that I'm in, in the recent times, so it's like even if you do accidentally overpay a little bit as long as the numbers are going to make sense and you can carry the property with cash flow that generates from the property, you know given enough time and like the bad deal becomes okay. Like, I've had some bad deals that became okay over time. That you know, that make it a lot easier for me to pull the trigger and just move forward and make the offer. So, Avery, as we close the episode here, do you want to kind of mention the markets just one final time and maybe direct listeners where they can get more Avery Carl or information about you, your service, vacation rentals in general.

Avery: Yes, so you can find me on my website, www.theshorttermshop.com, or on Instagram at the Short Term Shop.

Dan: Nice. All right, cool. Well, hey, I had a blast. I had a lot of pages of notes ton of wisdom here. I thank you Avery for coming on the show.

Avery: Thank you very much for having me.

Dan: Low-cost capital is the fuel of any volume real estate investment business as a real estate investor. I am sure you're well aware these two facts. First, your business is driven by access to capital or starved from a lack thereof. And, two, you make more money when you reduce the cost of said capital. Whether you're looking for hard money loans to fix and flip houses, rental portfolio loans, or even a line of credit. Lending homes offers the most competitive rates in the market. Currently, as low as 6.49%, which is good for fixing flip single-family loans. I pay 10% myself at fundrehabdeals.com to my private investors. So at 6.49%, if you like that interest rate go to reilineofcredit.com, even if you're not currently in the market for a loan at this very minute. I encourage you to still go through that one minute sign up process right now. So you can get on the email list that way once you're ready and you have a deal or a few. Their name is top of mine. Plus as a bonus for signing up through reilineofcredit.com, you'll receive a free iPad when you close your first loan. That's reilineofcredit.com.

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So my main business is buying and selling houses through Diamond Equity Investments. The company I founded in 2006 today this year in 2021. We have bought and sold thirty nine houses, and we currently have another 117 in our inventory either under construction or under agreement and awaiting closing. That said, here's how we can do business. Number one, are you interested in having access to the best real estate deals in your market? In other words, access to deals that you can buy at low enough prices to actually profit and resell. If so, go now to www.accessrealstatedeals.com. Number two, if you are an accredited investor who enjoys double-digit returns and you'd like to potentially invest passively in my real estate deals go to fundrehabdeals.com and sign up to receive my private mortgage investment opportunity emails. And number three, finally, I am always buying houses that I can flip and occupied apartment buildings with below-market wrench if you have a deal that fits that description in either Atlanta, Chicago, or the Philadelphia region, please send me an email with the details. We are at the conclusion.

So next up, we have Kent Clothier joining us to discuss reverse wholesaling. And the upcoming trends in residential real estate investing. What to expect later this year is as we get through into 2022 getting ahead of those trends will position you to profit. I'll catch you and that topic on the next one my friend.

Moderator: Thank you for listening to this episode of the REI Diamonds Show with Dan Breslin. To receive email notifications of new weekly episodes sign up at www.reidiamonds.com.

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