

**Speaker 1:** Welcome to the REI Diamonds Show with Dan Breslin, your source for real estate investment, jewels of wisdom.

**Dan Breslin:** All right, Owen, welcome to the REI Diamond Show. How are you doing today?

**Owen Barret:** I'm doing great. Thanks for having me.

**Dan:** So to listeners know, I'm in Chicago here. Whereabouts are you calling Home base and recording in from today?

**Owen:** I'm calling home base right now, Mammoth Lakes, California, which is a little ski town, but I spend the rest of the year outside of the summer in San Diego.

**Dan:** Nice. All right. So for listeners who do not know who Owen Barrett is, or Raven, your company, do you want to give us the background and the business model as it sits today?

**Owen:** Yeah, I'd love to. I've spent about a decade of my life being in clean technology, so anything that saves energy and saves money. And what I've noticed over time is that commercial real estate as a whole across an industry is the furthest behind when it comes to implementing clean technology into their properties, which is saying a lot because a lot of industry is pretty far behind. Three, four years ago you didn't really need to get that creative to make money in commercial real estate. The market was going up, everything was going up, but now that's different. Now rents are more stagnant, rents are even falling in some markets. And so now energy conservation's an easy way, an easier way for property owners to make properties more valuable. So it's interesting timing for us because there's a lot of macroeconomic tailwinds or headwinds, I guess, that are happening that make our value add model a little bit more popular.

So we're in this interesting space of combining clean technology with real estate acquisitions, we couple the two. Raven is the newest business, the newest brand. And the idea behind Raven is to democratize the ability to invest in net zero real estate. So we pay investors 10% annual interest, the minimum investment is \$250 and we were really deliberate behind that because we wanted it to be an opportunity for everyone. I come from a past of regulation or 506D offerings, which is a lot of accredited investors, \$50,000 minimum investments. And with Raven we just wanted to make it more attainable for everyone. So we really decreased the minimum investment, tried to make it an opportunity for everybody.

**Dan:** Yeah, that's pretty interesting. This is the first time out of 223 guests I think that we've ever had that low of a minimum investment. So every single other syndicator is probably \$50,000 or \$100,000 and it's going to be an accredited investor type of offering only. The 10% annual interest, how is that paid, sorted out? Is that going to be like a flat interest rate paid at the end of the deal no matter how good or bad Raven does on the deal? Or is that calculated in some other methodology?

**Owen:** No, yeah, we've structured it as preferred debt. So it's a promissory note to Raven. We pool the capital, we buy and decarbonize buildings. It's paid quarterly right now. The goal is to move that to monthly. That'll probably happen in 2024. In investing there's no such thing as a

guaranteed return, so we don't guarantee 10%, but we do pay our regulation A investors before we pay ourselves. So they earn 10% before we make any money. So we tried to structure it in a way that it's not risk free, but it's as low risk as you can get within the real estate realm.

**Dan:** So when I'm going to borrow money on my deals so far I usually have a, it's a debt component and I guess if I died, maybe that lender's taken over that property. But for me it's like one accredited investor loans me \$350,000. I pay two points as an origination fee and usually that's going to be structured as a one year loan. I'm usually going to cash that amount much earlier than the year. And then 10%, which we do on a balloon, it's not going to be a quarterly payment, the quarterly payment's nice investors appreciate the check or the deposit that comes in. And that's how I like to do that because I have the asset Owen and then I go get the money. So I'm not paying 10% interest while I'm sitting on \$350,000 for nine months while I wait for an asset. So I'm guessing you have a little bit of a problem or a balancing act of collecting the money and there's a pool and are you having to pay out of the pool the 10% right now while you're waiting for an asset? How do you deal with that balance of capital allocation versus the payments in from the investors if that's even been a problem?

**Owen:** Yeah, it's not really a problem. We have our capital sitting in an interest-bearing account right now earning 5% as we wait for there to be enough funds to purchase our first property under Raven. And then we're targeting properties that have high enough yields that we can pay our regulation A investors all the interests that they've accrued. So we've thought through this from the very beginning. So there is a little bit of a delta between what our capital is earning now before it's deployed into the real asset. But we're targeting assets that make up for that on the backend.

**Dan:** Okay. Can we run through what this ideal first target asset will be for Raven?

**Owen:** Yeah, we actually have a property under contract. Raven will either be a partial investor or the only LP investor in the deal. It's a two-deal portfolio in Sioux Falls, South Dakota. I don't know if you know much about South Dakota, but it just exploded during COVID. It was one of the States that really didn't shut down. So a lot of population growth, a lot of job growth and we really like the deal because we're assuming debt at 2.62%. So fully amortizing loan, 35-year loan, there's no refinance risk. P&I payments every single month. So for a deal like that, it's really easy to predict cash cashflow. And we're really excited about the deal because it's all-electric too. So from a net zero conversion standpoint, it's as easy as it gets.

**Dan:** Okay. So we have an all-electric. What's the size of this deal in dollar amount units?

**Owen:** In dollar amount it's about... so it's two different properties, both 52 units. One's town homes, one is more standard apartments. It's about, I think about a \$25 million total acquisition price. And yeah, 104 units total between the two.

**Dan:** Okay. And it's stabilized, I guess. What type of entry cap rate is something like this trading for you? Imagine it's somewhat lower than the market since you had this very favorable debt position that you could step into.

**Owen:** Yeah, it's right around a five cap. So there's 250 basis points spread between going in cap and debt, which is great. And the other part of the question I was stabilized, it is stabilized in the concept of it's built and it's occupied, it's 100% occupied. But what's happened in South Dakota, it's happened in a lot of different States. The market has seen such historic rent growth over the last couple of years that there's a 15% to 20% loss lease. So we don't need to stabilize it in the aspect of leasing it up. But we do have to stabilize it in the aspect of burning off the loss to lease.

**Dan:** And a loss to lease is like, they're basically low rents?

**Owen:** Yeah. Below market.

**Dan:** Okay. All right. What's the vintage on this property?

**Owen:** One was built in 2008 and one was built in 2012.

**Dan:** So they're relatively new lower maintenance deals. They sound like great deals. So what is the Raven value add to electrify this building in a clean manner? Because I think that's the competitive edge you're bringing to the marketplace if I'm not mistaken.

**Owen:** Yeah, we do all the things that a regular real estate company does, so we'll close that loss to lease, that's pretty standard, we'll run it more efficiently from the operations standpoint, but that's also pretty standard within the real estate realm. Our differentiator is half of our team has been in the clean tech space for a decade. So we can install solar on a cost basis of about \$2 a watt whereas most people, if they get competitive bids from subcontractors, they'll probably get bids around \$3, \$3.50 a watt. And so for a property like this that's all-electric, we can effectively create our own energy via rooftop solar and introduce a new revenue line item. So we're growing our NOI by incorporating solar, which we can install for cheaper than any other real estate company because we do it in-house.

**Dan:** That's interesting. So \$2 a watt. I have no idea. What is the wattage of the install on this 104-unit package here?

**Owen:** It's going to be about 300 kilowatts, which is about 300,000 watts the average to put that into perspective for listeners, the average residential install in the US is about five kilowatts. So 30X a residential install per property. So it's about 60 residential installations across the two properties.

**Dan:** Is that \$600,000 in cost to you guys, roughly? Is that how...

**Owen:** Yeah, about...

**Dan:** So \$600,000 capital improvement. Do these solar panels fit on the roof? Do you guys have fields of solar panels lining the parking lot? What does this look like?

**Owen:** We are. We haven't done a parking lot installation yet. In certain markets like Phoenix covered parking is an additional value add. So that's an interesting concept because it's most

cost-effective to install solar on the rooftop. It's more expensive to install it in a parking lot, like covered parking. But if you can get that additional value of covered parking, it's actually more cost-effective to install in a parking lot. But in a market like Sioux Falls, South Dakota, there's not a big value on covered parking because it's not 120 degrees during the summer. So we're going to put it all on the roof and it'll pretty much max out the roof of both properties.

**Dan:** That's pretty cool. So what is the income stream then? Are you guys going to bill the tenants as if you're the utility or is it like a direct sale back to the local utility and just collect that check and keep it simple?

**Owen:** So it's one of two things. We don't sell back to the utility. We either do something called a CapEx recapture and this depends on the rules and regulations of the state and the utility. We'll either do a CapEx recapture where we're basically billing back tenants for the cost of the solar installation over time. Or we'll charge tenants based on how much electricity they individually use, like how much their apartment unit used. That wasn't possible until about a month ago, but we developed our own proprietary software system so that we could automate solar billing because that's a big thing holding up the multifamily industry to adopting solar. Because you can imagine if you have 100 unit apartment building, which means you have 100 small solar systems, if you have to manually bill 100 tenants every month for the amount of electricity that they used, it doesn't scale and it's a pain. So you have to be able to automate that and that's why we built the software.

**Dan:** Wow. So will the mechanics of this literally be like 104 separate solar systems here? Is it like one colossal?

**Owen:** It's one. From the air, it looks like one system. But there will be 104 interconnections, which I mean it is a little bit of a nightmare from an installation standpoint, but it's the only way to do it in the majority [inaudible] which does not have virtual net metering, which is a way to virtually aggregate electric accounts on a property. California has it, Austin has it, couple jurisdictions in New England have it, but the vast majority of America does not have virtual net metering. So you have to get really creative when you start installing solar on multifamily.

**Dan:** Yeah, I went to school of Villanova for like two years for engineering and this feels like the problems we would start to work on when I decided that wasn't going to be my career path.

**Owen:** But that's the entrepreneurial competitive edge, right? If you can identify a huge problem for an industry and you know how to solve it, all of a sudden we're the only real estate company in the world that knows how to put solar on our own properties and bill for it, which gives us this huge competitive advantage as the whole ESG push from institutional investors is really taking off. So we think we're really positioning ourselves to be more in demand in the future.

**Dan:** Well, what does the income to the bottom line look like? Let's say it is the 100 systems and you're billing the tenants based under use because you have this software 104 units. Are we talking \$100 per tenant per month there? What's the...

**Owen:** It's probably about that maybe \$75 per month per tenant.

**Dan:** Okay, so 100 would've been \$10,000, so like \$7,000, \$8,000 a month give or take?

**Owen:** Yeah.

**Dan:** In essentially...

**Owen:** In a lot.

**Dan:** Correct. Okay. At like 80...

**Owen:** So you have a \$600,000 cost on the installation thanks to the Inflation Reduction Act. Now we have a 30% tax credit. So what's that? \$180,000, which before the Inflation Reduction Act, we had to monetize ourselves, which as real estate investors is hard because we have depreciation, so we don't pay federal taxes. So federal tax credit is not valuable. Now, post Inflation Reduction Act, that tax credit is transferable. So we can sell it. So we can take our \$180,000 in tax credits, we can sell it for \$0.90 to \$0.95 on the dollar, which decreases the installation cost. And now we're generating \$7,000 to \$8,000 a month in NOI. And you can see that the value added to the property when you apply a cap rate to it is substantially more than what it costs us to install.

**Dan:** Yeah, and I imagine that the loan for that would be a pain in the ass for most investors, but with your regulation A, suddenly you have also another competitive advantage that you guys can pay for it out of pooled money. Is that part of the edge here?

**Owen:** Yeah, it depends how we are... where our debt is coming from on the property. For these two deals in South Dakota, we're assuming a HUD loan, so we can't factor the cost of the solar into the capital stack any other place other than equity. But sometimes when we're getting new debt, we'll use part of the debt to pay for solar in states that have property-assessed clean energy financing, pace financing, we can use that. So we can get really creative around how we pay for solar. For these studios in South Dakota, it's going to get paid out of equity.

**Dan:** Okay. What does this do to the actual roof and the roof maintenance? It sounds a little bit complicated now that I have all these panels up there.

**Owen:** It's actually easier. Well, I guess it depends. It preserves the life of the roof, right? Because the asphalt shingles are no longer getting the UV energy, now it's going to the panels. It depends because generally, we will not install solar on a property that has roofs if there's like five years or less lifetime remaining on them. But these properties were built about 10 years ago and roofs generally last about 30 years. So there's plenty of lifetime on the roof left. So I guess it depends. What's interesting though is if you have to replace your roof in order to install solar, that 30% tax credit applies to the cost of the roof replacement as well.

**Dan:** That's interesting.

**Owen:** So the tax credits around solar, they're really built in a way to incentivize people to install

solar regardless of the condition of the roofs.

**Dan:** What will be the exit? Let's just keep running with our Sioux Falls deal because we're on it. So just internally from your business model, are you guys like a buy, stabilize flip the asset? Or is this more of a forever-hold a model for you guys?

**Owen:** So we personally as owners are forever holders and that's just in my opinion that's the best way to build generational wealth. For our regulation A investors, we're targeting a five-year hold, and so we're going to accomplish that a couple of different ways. One thing that we're really excited about is tokenization because that can offer liquidity to our regulation investors. So effectively we can set up a marketplace where people can buy and sell tokens of our investment if they want liquidity sooner than five years. That tech is not quite there, but it will be in about a year. And then the other option that we could do that we've seen other companies do is they put together a second regulation A offering to offer liquidity to investors that want to get out sooner. So it's a little hard to say exactly how it's going to happen, but we have a couple of options that we can pursue just depending on which works the best for our model. But we plan on holding the property forever.

**Dan:** Okay. So in theory, maybe if there were a refinance liquidity event from your side, you could pay out the Reg A investors in year three, let's say, and that's your choice, and then now there's no more investor burden on the assets there.

**Owen:** Yeah, we can, and it's a fund-based approach too. So we could sell one asset to pay off some or all of the investors depending on liquidity preferences.

**Dan:** Okay. Regarding tokenization, Owen, is there concern or conversation around your office with securities and Exchange Commission and Coinbase and the law changes there?

**Owen:** Yeah, 100%. We had to jump through a lot of legal hoops to get our Regulation A offering qualified by the SEC. So this is not like Owen just comes up with this idea to raise money on Instagram for his real estate deals. This is really eight to 12 months of pretty expensive, pretty time-consuming legal work to get our, what's called an offering circular qualified by the SEC. So anything we do in the future, whether it's more offerings, whether it's tokenization, all of that will also be qualified by the SEC because that's just how we have to run our business.

**Dan:** Yeah, it makes sense. What are some of the challenges if it was an investor listening who liked the business model and was like, Hey, I think I'm going to try what Owen is doing. Maybe not with the solar panels, maybe with the solar panels, but more from the aspect of the Regulation A offering and being able to take public money from ordinary investors who are not in credited in really small amounts.

**Owen:** Yeah. To be totally honest, it's a nightmare. The whole getting a Regulation A offering off the ground is a nightmare. It came out of the 2012 Jobs Act. And I'm not saying that to dissuade anyone from doing it. I think everyone should pursue it if they want to, but I think you need to know what goes into getting one of these offerings off the ground. Because the biggest

reason that these things fail is that a company will get qualified, but it's not capitalized enough to keep the momentum, the marketing momentum going to raise the amount of money that you're trying to. So we had to raise a fairly substantial amount of money to pay for legal, pay for accounting, pay for marketing, pay for everything really. And it's all about building up enough of a financial base so that you can start this machine where for every dollar we're putting into marketing, we're raising \$10 to \$20, and outta that \$10 to \$20, we may put two to three back into marketing.

And so through that model, you're exponentially growing your investment, but if you don't have enough money raised to get that machine in motion, your Regulation A offering is going to flop. And that's the biggest risk to any offering. So you just need to think through capitalizing your idea so that you give yourself a chance. The other thing is, I would really advocate to do something that stands out. So there's a lot of real estate Regulation A offerings. Grant Cardone does Regulation A, Crowds Streete does Regulation A, Realty Immobile does Regulation A, and they're all just pretty boring real estate deals. We chose the net zero approach because nobody else is doing it. Whether it's net zero, whether it's affordable housing, I think you need to do something that stands out. Just a regular real estate Regulation A offering is going to have a hard time standing out from these big guys.

**Dan:** Yeah, if I'm doing the math on my end, we talked about a pool of capital, what is the size of the Reg A total?

**Owen:** We're trying to raise \$75 million [crosstalk]

**Dan:** Do they limit that? Will they say, hey, this is it, this is the cutoff, you can only do \$75.

**Owen:** That's all you can do within a single offering. But we can do a second offering on the back, assuming the first one is successful, then we can raise another something left.

**Dan:** And could you stop at \$10 million, let's say, if you got there... so it's your choice when to turn the speed.

**Owen:** Yeah.

**Dan:** But I'm doing the math and we talked about, you raised \$5, \$10 million, whatever, now you're paying 10% interest. So we have cost, so we offset that cost with the income of the 5% that you have your cash in a money market account. Right now, luckily interest rates are high and it's beneficial for where you're at. Double-Edged sword because the financing out there is very expensive on some of the assets that you might acquire, but it's working out in your favor as we speak. But then the other cost that is also substantial was another 5% it sounds like on the advertising and marketing. Does that also include staff and accountants and things of that nature to do the reporting for this?

**Owen:** Yeah, so it does include some of it. Most of our team is on the GP side. So we're all getting paid in sweat equity. If this works, we're going to make a lot of money. If it doesn't work, we're not going to make any money. But we don't have salaries or ongoing overhead for this

particular project. And then the legal, the accounting, the marketing, that's all paid for out of the money that we raised to capitalize our company until this marketing machine really gains momentum. So it's a little bit of a two-step process.

**Dan:** Yeah. One of the things, I remember I had this big light bulb. So Dan Kennedy is one of the mentors of mine. Do you know Dan Kennedy by any chance?

**Owen:** I don't, no.

**Dan:** So Dan Kennedy wrote a bunch of books, the No BS series, and it's been pivotal in my career over the long haul. And basically the light bulb was, there's this compounding money machine that you can build through advertising. So it doesn't matter if you're selling widgets on Facebook, it's like if you spend a dollar on a Facebook ad and you can bring back \$4 in gross profit. So if you're selling this \$20 product and there's \$16 in cost for the product and it's delivery you're making the \$4 and you're hoping to spend a dollar to sell each one. So that was the compounding money machine that occurred and my own business in Diamond Equity, we do a lot of direct mail, we do a lot of television advertising and pay-per-click advertising, Facebook advertising. We've done tons and tons of advertising, but the foundation of our scaling our company to where we've gotten to today is that same method that you're describing.

It's advertising to bring dollars in a door. And it's interesting to hear you say that that's part of the process because I guess it is. I could call family offices and maybe I can get one to write me a check for \$5 or \$10 million and there's no advertising costs there. But if I'm going to get you know, 600, 800, 1,000, 10,000 people to each put \$250 in and one guy puts \$500 and the other guy puts \$700 in, you're going to have to get in front of all those people in order to do that, that costs money. So it's a unique mindset brought to the capital raising arena that you have to be willing to figure that out. Have you guys started to get traction with that so far?

**Owen:** We have, yeah. And I think it's important. This is funny, we've almost gone backwards in a sense. We had a lot of success raising money from family offices and private equity. We were getting \$5, \$10 million checks written. The problem for me is that generally in... I'll consider those groups institutional, they don't care about impact. All they want to do is make as much money as humanly possible, which I get. But for us, we're a mission-driven company. We're trying to buy real estate to help solve climate change. And you can't do that if you're only focused on maximizing profits. We make a lot of money. We also have a ton of environmental impact. You can do both or it's an end and so we made the deliberate decision to pivot away from institutional investors towards the retail investor because we have a hunch that this idea of making money in a net positive way, whether that's a net positive on the environment, net positive socially, that idea is strong within retail investors. And so we didn't have to, but we chose to pivot away from institutional investors in order to accomplish our mission. So it is way more complicated. It's probably more expensive, but ultimately it's only way for us to do what we want to do as a company.

**Dan:** Yeah. I think it gives you more flexibility than you're going to find taking money from institutional investors. They get to control the paperwork.



**Owen:** Yeah. They're not always the easiest to work with. I definitely agree with that.

**Dan:** So let's go back to the investment philosophy stuff. So we touched on Sioux Falls. Owen, what are the other markets, maybe where solar works or maybe where you're interested in accumulating more assets, and maybe why you're interested in accumulating those assets in those locations?

**Owen:** Yeah, we're a real estate company first, so every deal we buy has to make sense, like foundationally as a real estate investment. And then it has to be a good decarbonization opportunity. And I say that because we're only interested in cash flow markets. That's it. Appreciation is great if it happens, but I don't want to have to bank on appreciation to happen in order to hit my multiple or my IRR, whatever it is that I'm tracking. So we really invest from South Dakota to Texas, although Texas to me is becoming a problematic market because of property taxes and insurance and I know there's a ton of growth going on there, but when you have property taxes doubling every year or insurance going up by 50%, it doesn't really matter if you can increase rents 5% to 10%, it's not going to offset those expenses.

So we're staying away from Texas right now. There's a lot of great opportunities from South Dakota to Oklahoma tends to be where we look at it the most. And then from a solar perspective, we look at four deals in utility jurisdictions that have a concept called net metering. Which is the ability for us to export electricity onto the grid in exchange for getting a credit on our bill. So in the northern hemisphere, solar produces more energy in the summer than in the winter. So generally, a house or an apartment will produce more energy than it uses in the summer and it will generate that credit. And then in the winter when you're using more energy than you're producing, you'll start to chip away at that credit. And so through that mechanism, we can net out the bill to zero throughout the year. So that's our lens that we look at markets from the solar perspective.

**Dan:** Okay. Are there areas that don't have that, and you were severely disappointed when you discovered that fact?

**Owen:** Yeah, South Dakota doesn't have it, but we're still buying there because there's a... probably partners are going to get mad for blowing up Rapid City, but Rapid City is this tiny little market in western South Dakota Southwest. And it has this unbelievable DOD project with the new self-bombers. And so it's a town of the MSA is maybe 150,000 people and it has a multi-billion dollar DOD tailwind for the next 15 years. The institutional guys and gals are all interested in the same markets. Dallas, Phoenix, Tampa, Atlanta, they're all interested in the top 25 markets. But there's so many, I would consider better opportunities in more secondary tertiary markets because we're buying at higher cap rates, newer vintage properties with way less risks compared to the older lower cap rate properties you're buying in the primary markets. I don't think it's worth the risk.

**Dan:** So your investment philosophy, I'm hearing it right, is to find these smaller secondary markets with dramatic yet unnoticed tailwinds similar to the bomber contract that's currently in Rapid City, was it?

**Owen:** Rapid City, yeah. I think that's perfectly stated. And then I think to go a step further, maybe two or three years ago, we were buying really heavy value add deals which have their pros and cons, but we flipped to a model where we're buying properties straight from developers. And so the upside is a little bit less than heavy value add, but we're buying properties that were built in... like last year we closed on two properties in Rapid City. One was built in 2018 and one was built in 2020. Those things are brand new. There's no repairs and maintenance compared to a value add deal built in the 70s. You're going to have things pop up that you didn't anticipate. And so I would rather take a little bit less return for way fewer headaches as it relates to repairs and maintenance that you're not going to be able to predict are coming.

**Dan:** Yeah, that's interesting. All the apartment units I own are like 1920-something builds and they're constantly nickeling and dimeing.

**Owen:** There's always something, right? There's always a plumbing leak, there's always something.

**Dan:** Yeah. How many units are the Rapid City roughly?

**Owen:** It's a 42-unit. That was a two-deal portfolio as well. So 42 unit and a 81 unit.

**Dan:** Yeah, it's interesting because like I mentioned, I'm in Atlanta, Chicago, Philadelphia, the MSAs are probably, I don't know, \$8 million or something like that, larger in Chicago and \$6 or \$7 million in the Atlanta depending on how far we go out. And probably the same \$7, \$8 or \$9 million depending on if we're including the entire state of New Jersey, maybe even more than that in Philadelphia. So my whole business and it's been always these, I need this really large population and it has been easier for us to continue to grow and do this like microscopic amount of deals compared to the number of transactions that are occurring. But if I'm going to do the math in Rapid City, you got 123 units, 150,000 people. It's not like you have to get 25,000 tenants to make the investment successful. You're literally trying to do this microscopic number of deals presenting this product. So it's much safer than I might normally think of having been raised in such a large metro to begin with all my life. If that makes sense.

**Owen:** Yeah, I think it depends on the hold strategy too. I think if you're, I don't want to say conventional multi-family investor, but I think the average velocity of a multi-family property is like three to four years. So if we were going to sell all of our properties in three years, I might get a little worried about a smaller MSA if we're going to hold forever and I know what's driving employment and population growth in that MSA and I know it's a government-funded contract for 15 to 20, 25 years. I'm all in it now. Although now a lot of people are learning about it too. So it's getting harder to find deals there.

**Dan:** Yeah, that seems to be... is always been the story with all of my guests on all of the podcasts. It's always been hard to find deals and somehow we managed to keep stumbling over the next one.

**Owen:** Yeah. Or you just need the market to reset and then you have 10 more years of opportunity.

**Dan:** Yeah. We mentioned earlier in the episode we touched on a little bit, I think on the Inflation Reduction Act. Is there anything more we should unpack on that topic?

**Owen:** Yeah, there's a ton to unpack. So the Inflation Reduction Act is really made up of two things. One is tax credits and one is rebates. The tax credits are available now, today. The rebates will probably be available within the next 12 months, but they're going to roll out through state energy offices. So my hunch is that they roll out through the more liberal states, first conservative states will follow. And then it's really important to understand what upgrades or renovations they cover. So the point of the Inflation Reduction Act is to incentivize electrification and decarbonization. So the tax credits cover solar and storage batteries. And that's the decarbonization angle. The rebates cover electrification, mainly electrification. So for instance, if you are buying a house with an old gas stove and maybe a dryer hookup, they'll pay you \$900 a point of sale rebate for an electric range.

So then you have to electrify the circuit to that range and they'll give you a rebate to do that electrification work as well. And if you need to upgrade the electric panel, because you're increasing the load of the house, there's a \$4,000 rebate for that work as well. So there's about \$14,000 per house in rebates and tax credits. And the reason that it's really interesting is if you're buying single-family homes and you're already going to renovate them, if you can just understand the parameters around the upgrades that the Inflation Reduction Act is covering, you can just get \$14,000 towards the renovation costs that you are going to do anyway. So that's \$14,000 less than you have to spend on your renovation. So I think it's really interesting. I think it's easier for single-family homeowners to implement than multifamily. It's a little bit confusing with multifamily mainly because as you electrify a building, you have to upgrade the electrical infrastructure and sometimes the utility owns that. That gets a little costly and time-consuming. But for the single-family people, it's an incredible opportunity.

**Dan:** So would that be a \$14,000 credit? If I'm thinking from fix and flip house investor terms if I'm gutting out the boiler and removing all of the radiators throughout the house, let's say it's a cold climate, we're talking Philadelphia and it gets down to five or 10 degrees, would that look like putting in a heat pump?

**Owen:** Yeah, exactly. I'll pull up some numbers for you. So the heat pumps, they'll pay you a point of sale rebate of \$9,750 for a heat pump.

**Dan:** Wow.

**Owen:** So you compare that to what it would cost to just put in a new gas furnace, it's probably going to be cheaper to put in an electric heat pump. So it actually makes your... not only are you electrifying and potentially decarbonizing, it also makes your flip more profitable.

**Dan:** Yeah, they're like subsidizing a pretty significant line item there for the cold climates. Would they put in some electric auxiliary heat? Our thing in Philadelphia is with the boiler heat has always been the heat pump won't work if it gets too cold.

**Owen:** That's a really common misconception with older heat pumps. New heat pumps work in really any climate in the US, does heating and cooling, they're often better than the gas counterparts and now they're being incentivized. Same misconception is around with electric ranges. The gas industry is doing everything they can to tell people that electric stoves suck, that the cooking experience sucks. As soon as you use an electric stove, it's like the second you drive an electric car, you're never going back to gas. It's not going to happen. It's so much better. The user experience is so much better, especially with like induction cooktops.

**Dan:** The induction is like...

**Owen:** It's unreal. And so I was just looking at Home Depot how much an electric earned induction stove costs. I think it costs \$1,100, which is not that much more expensive than a gas stove. And once these rebates come out, they're going to pay you \$840. So you're going to get an induction stove for like \$300.

**Dan:** Wow.

**Owen:** Which is unreal.

**Dan:** We moved into a condo building here in Chicago. It's all-electric, so we have no gas. And at first we were disappointed. Oh, cooking is so much better on the gas. So we redid the kitchen and we got a wolf induction stove and man, that thing boils water...

**Owen:** It's amazing.

**Dan:** Almost instantaneously the water's boiling. And then you can touch the top. It's not even hot.

**Owen:** It's not hot. Yeah. It's amazing. That's the thing, the marketing efforts of the gas industry has done such a good job telling you that EV cars suck and electric stoves suck. You're going to hate it. And then you get one, you're like, man, this is way better than the gas option. So it's a dying industry, whether you're talking about internal combustion engines or gas stoves. Not to mention gas stoves are not good to be in your house. There's negative health effects of having that in there. And so I'm all for all-electric, but it takes... you have to experience it and then you understand there's really no trade-off and it's cheaper, so you'll make more money on your flip or you'll make more money on your long-term hold, whatever it is. It's just better on every category.

**Dan:** So right now, just so that people listening get a clear picture, we're still waiting for a lot of these rebates to be rolled out into the marketplace. So it's not like if I have a flip going now, I can really go in, read the act and make it all. But a year from now, sometime give or take, we might start to see this stuff trickle through.

**Owen:** Yeah, probably about a year on the rebates. On the tax credits, those are available now. So tax credits for solar, tax credits for storage are available now. Rebates, which is more the appliances, the electrification, the installation, that's about a year out. And it will happen state by state. It's not going to be all at once.

**Dan:** Okay. Separate topic and I know your solar is good for that. What is the reality like with Texas shutting down by accident the grid? If we all go to heat pumps instantaneously, are we overwhelming the grid from an engineer's perspective? Or is it...

**Owen:** No, it's a great question, I think. So you have to look at things holistically, and it's not like a black or white. It's not, you're flipping a switch all of a sudden. But the thing that Texas incentivizes, and a lot of people don't know this, is they incentivize storage. So there's a couple of utilities in Texas that have virtual power plant programs. So a virtual power plant, VPP is going to be a buzzword people start hearing basically electric demand in the US has not increased really noticeably since the late 80s when we started air conditioning everything, when we decided we wanted to put air conditioning on every building, every house, everything, demand obviously skyrocketed. And the only way for utilities to keep up with that demand was to build gas peaker plants.

Gas peaker plants are really expensive to build. So that translated to higher rates for customers and they're super dirty. When you build a gas peaker plant, and it's the last one to come online to fulfill the last demand, it pollutes the most of any power source. So now we're electrifying everything, buildings, and cars demand is going to go up. So the option that utilities have is more gas peaker plants, which obviously in the face of climate change is not going to fly. There's going to be a ton of pushback against them, and they're expensive and people don't want their rates to go up. So the alternative is something called a VPP where instead of a utility saying we need more energy now because everyone's coming home and running their ACs, it sends a signal to houses and buildings of batteries and says, stop pulling energy from the grid and start pulling it from your battery.

And so instead of building more supply, you're curtailing demand and you have the same effect. There's no additional load on the grid. And so places like Texas are really incentivizing VPPs because their grid sucks. They deliberately isolated their grid. People that don't believe in climate change like to say it's because they're solar and wind, that's absolutely not true. The reality is they're isolated and they're dealing with an isolated system and an antiquated system. And so now they're getting really creative with how they're going to deal with increased demand. And a big way that people are going to do that is through VPPs, which again is where why the IRA incentivizes them through this 30% tax credit.

**Dan:**

So is that like a battery in my own garage and I have a tax credit and now I don't know, I'm buying off-peak electric or something at a lower rate?

**Owen:** Yeah. So there's two benefits for you. Well, one resiliency. So if the grid goes down, potentially could back up your whole house, you can definitely back up lights your wifi router, your refrigerator, like the critical load it's called. The other thing is you can get that arbitrage. So you can charge your battery at night when electricity's cheaper and then discharge it during the day when electricity is more expensive. And then the third thing is the utility will actually pay you to do this. So in jurisdictions with virtual power plant programs, they will pay you to discharge your battery at certain times because that's how they're going to avoid building peaker

plants. So rather than put the money into peaker plants, they're giving it back into the rate payer's pockets, which is really cool.

**Dan:** Yeah. And it's not like I'm going down and flipping a switch and they're calling me. This is all going to be like software.

**Owen:** No, it's all off. No, you don't have to do anything. All right, go turn it off.

**Dan:** There we go, man. Come on.

**Owen:** No, no. It's all automated. And in the future, what's going to ha... so the average battery in a garage, I think is about 20-kilowatt hours and there's 20 units. The average battery in electric car is 80 units, 80 kilowatt hours. So four X what's in a right now, like a standalone battery in a garage. So in the next couple of years, we're going to see energy go two ways from cars. So you won't even need a storage system, you'll just pull it off your car. And again, it's all going to be automated. It's all going to be really smart, intelligent software that knows when you drive, when the grid needs it. And it's going to be really cool to see how this all plays out.

**Dan:** Interesting, man. I feel like I go on for another hour. A ton of questions. What to do something again in the future. Before we hit the little wrap-up questions here and we ask for the contact info and that kind of thing, what else do you feel like I did not think to ask that was important about Raven, the business strategy or anything else we might have touched on too lightly?

**Owen:** No, I think you did a great job. The question that we get all the time when we explain our business model and why we're doing it is, this makes so much sense, why aren't other real estate companies doing this? I think they will. But it as you can tell by our conversation, it's complicated. You need to really understand the nuances of where does it make the most sense to install? Where are the rebates? Where are the tax credits? It takes a team of experts to really dissect where it's most cost-effective to do this stuff. So I think what we're going to see over the next five to 10 years is real estate companies really figuring out how to decarbonize and save money or increase or introduce new revenue line items by building out their energy teams.

**Dan:** Nice. If you could share the crown jewel of wisdom with yourself when you were first starting out maybe founding your own first business, what would that be knowing everything you know now?

**Owen:** Start internet marketing earlier. It took this Gary V, you know who Gary V is?

**Dan:** Yeah.

**Owen:** So I had to listen to a lot of Gary V before I really bought into the power of social media marketing, or just social media in general. I think it can be a huge useless time drain if you're just constantly scrolling and not really using it strategically. But if you're a business owner, or whatever, you want to become an influencer, whatever it is. The internet is so powerful and in my perception of it being a time drain has no impact on anything. So I had an adverse perception

of marketing online because of how I felt towards social media. And had I started earlier, I just would have had so much more success. So I think people just need to understand the power and just figure it out sooner. I wish I could've.

**Dan:** Interesting. Cool. Where should listeners go to get more info about you or the company?

**Owen:** For me, probably the best place is LinkedIn, Owen Barrett or maybe Owen Mattson Barrett. The company is [joinrayven.com](http://joinrayven.com). That's Raven with a Y. So [joinrayven](http://joinrayven.com). And then all of our social media is [@joinrayven](https://twitter.com/joinrayven).

**Dan:** All right, cool. My final question is, what is the kindest thing that anyone has ever done for you?

**Owen:** I think just offer help from cold outreach. Starting off as an entrepreneur, not having a clue how to do anything, I reached out to a lot of strangers online, and quite a few of them gave me 30 minutes, had lunch, and just offered advice based on what had worked for them in the past. So I think that's a really cool often overlooked benefit of social media is just you can reach out to anybody and a lot of people are probably going to give back because they've reached out earlier in their career.

**Dan:** That's cool. What would be one of the pieces of advice that somebody in that context shared with you that comes to mind now?

**Owen:** Well, so one guy was an angel investor and I was pitching him on an earlier business idea, and he said, I don't invest in part-time entrepreneurs. And he said that because at the time I had a full-time W2 job. I was trying to do like a side hustle and get investment for it. And his advice ultimately was the reason I quit my W2 job and went all in into entrepreneurship. And he still didn't invest in me or into my company, but he was the reason that I took the leap of faith and went all in. So I still got to give him credit.

**Dan:** Nice. Pretty cool. Owen, I got a couple of pages of notes. It was a blast here. I appreciate you giving me your time and coming on the show.

**Owen:** Yeah, thanks for having me.

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