

Short Term Rental Strategy with Danielle & Culin Tate Transcript

Dan Breslin: Culin and Danielle. Welcome to the Rei Diamond! Show. How are you doing today?

CTate: We're awesome. Thank you for having us.

Dan Breslin: Sweet. Yeah. So for listeners who don't know, we're on the video call. And you could see the host, Coach neon sign in the background. That is.

Dan Breslin: Danielle and Culin's Hosting Company. They have 10 short term rentals that they have operated at what is an above average performance rate compared to what most people probably get out of their short term rentals soon to be 11. They've been doing this since 2018, and have written the book, which I believe, is also called Host Coach as well.

Dan Breslin: Plug for the book. Cool. Welcome to the show. Do you guys want to share the backstory? How did you end up doing this, you know, starting in 2018, and maybe what's the business model look like.

CTate: Yeah, yeah, excellent question. I started real estate the way a lot of people do kind of by accident, meaning that in 2018 I've always been a serial entrepreneur. I've had many startups, and in 2018 I was part of a startup that would basically shut down shop

CTate: and just kind of looking at my life thinking.

CTate: You know, I've got a 8 year old, son, am I gonna really go?

CTate: You know, what's the what's the effort level look like starting another startup right? And and everybody that's done that knows, you know the grind involved, and we had one short term rental at the time.

CTate: and

CTate: it was, you know, a sideline kind of thing, but it was doing \$4,000 a month or so in in gross revenue.

CTate: and I thought. You know, I've always been kind of excited and interested in real estate. I could do easy math, and I can multiply 4 times 2 or 3, and start to see some scale there.

CTate: and then doing what we do best. We iterated and used all of our background from having various tech companies separately and together, and really started to dig into. How do you make this perform? How do you? Once we had a couple we accidentally bought 3 from different people simultaneously. So we had enough to test some theories and really start to manipulate

CTate: how we were presenting things and and work on the Airbnb Algorithm to be at 97% occupancy year round.

Dan Breslin: Nice.

Dan Breslin: 97% occupancy. So let's go back to the 1st one. How did how did you end up buying that one? Why did you buy that? And maybe where is that located.

CTate: Well, really, the very 1st was a condo we bought in Turks and Caicos, and that was just bought as a lifestyle investment. It's my happy place. The second property number 2 was also maybe a lifestyle investment. It was that 1st cabin.

CTate: When we got serious in 2018, we basically bought an MIs. Deal

CTate: talk to that owner who owned a second so bought an off-market deal

CTate: and was contacted by a wholesaler. This is kind of a fun story. A wholesaler had reached out to us attempting to buy our 1st cabin, which was Culin's fishing cabin.

CTate: and I kind of picked up from that. You know his vibe. This guy's a wholesaler. So I called him back and said, We're not selling, but we're we'd be open to be an investor, a buyer, and within a couple of weeks he had found a really ideal property for us. So there, in 2018, we did an MIs. And off market and a wholesale buy.

Dan Breslin: And where were these at.

CTate: So we operate primarily in the Blue Ridge Mountains, Shenandoah Valley Central.

CTate: Mountains of Virginia.

CTate: anywhere near and around Skyline Drive.

Dan Breslin: And that doesn't mean much to me. What is that? Why is that exciting? Why do people vacation there, Danielle?

CTate: It's a beautiful place. So Culin went for fly fishing. But there's the Luray caverns, which was one of the largest caverns that you can explore on the east coast there's the Shenandoah River. There's a series of national parks. There's this skyline drive. Is this drive that right about now anytime through fall is one of the most stunning ways to appreciate autumn colors in the area.

CTate: And that's just really because we're here in the DC area. So it's a getaway zone for the DC. Area. You're in Chicago. Your listeners are in other major metropolitan areas.

CTate: What we teach in our investment. Thesis is within 2 to 3 h driving distance from any major metropolitan area. There's places where people want to get away right? Maybe it's a national park. Maybe it's a Lake area.

CTate: a winery area, you know, skiing, you know.

CTate: those places exist, you know, in the outlying areas of every major metropolitan area. And that's where you should invest.

Dan Breslin: Okay, so

Dan Breslin: why is it important? Because you're driving out there and enjoying it yourself as a second home? Is it the fact that in case something happens, you're hopping in the car, like. What other reasons why the 2 to 3 h drive radius is part of the investment philosophy.

CTate: There's multiple prongs. 1st of all, if you find an area that you're passionate about, you're going to be a much better host because you're

CTate: almost a concierge I love. When guests are saying I'm planning to get engaged. Is there a place that's really pretty? I'm like, go to Kennedy's Peak, there's a perfect overlook. Here's a photographer. I love that component, and if if you're unfamiliar with the area, it's the impetus to go do a little traveling. The other thing is, we want maximum return on our investment. So we don't want to pay city prices

CTate: for real estate. So if you go out into rural communities. The price per square foot is usually dramatically lower.

CTate: but when you repurpose something that's been a getaway cabin into a high volume, short term rental.

CTate: You can have amazing cash flow out of it.

CTate: and guess they're looking for an experience they don't have in their own home in their own city, right. So they they're looking to get out and particularly post Covid. Right? So many people are

CTate: are working from home and realizing they don't have to work from their. You know their condo in downtown, and they can get out into nature and experience something different. Yeah, work your 9 to 5, and then hike and sit in the sauna or the hot tub. Afterwards.

Dan Breslin: Nice. What?

Dan Breslin: I have one in Florida. I bought it because I wanted a second home, and I only put it on Airbnb because I don't want to have to like pay someone to go by there, do the grass. I kind of like, yeah, someone's in there flushing the toilets, keeping the water on that kind of thing, so it's not really driven by the Roi so much. Luckily the hurricane went straight over the house, and I happened to buy in this neighborhood. That's like in the woods, sort of very close to the water. We have, like alligator fences around the neighborhood.

CTate: Gosh!

Dan Breslin: Stuff when I got there. So I'm really happy that it's you know. I don't want to say hurricane proof, but this little like nook has wind protection, and then is far enough where the swells haven't flooded our house. So luckily for that, but that's

Dan Breslin: 20 h or so away from Chicago. It's not within driving distance, but we want to be able to go there during winter. I don't think that I just described the right reasons or the right way to look at the property. Is there a way for a

Dan Breslin: person considering a short-term rental

Dan Breslin: to start to kind of put the lens on? Is it? 2 to 3 h away? Here's where people vacation purchase price of this, or do I come up with my budget first, st or is this you know. How do I go about trying to like map out that 1st

Dan Breslin: short term rental.

CTate: Let me hop in with a quick what not to do. Please do not Google top Airbnb destinations, top Airbnb investment areas because all of them are saturated. Sure, you could buy a place there and probably do. Okay. But you're not going to be able to maximize revenue

CTate: in comparison to some place that is an emerging market, right? So we call it finding, or where, you know, it starts with a brainstorming. Where do people in my area like to go to get away for a weekend. Where would they, you know, take a long weekend a 3 day weekend, a romantic getaway. Where would they like to go, and then we can start to layer in some of the data. Right? So is that going to be a good, you know, Roi returning market. And there's a tool that we use that's available to everyone. It's called Air DNA.

CTate: It's free.

CTate: and you can plug in the name of that little town. That's you know, that little winery town or that

CTate: State Park town. And it's going to give you market data. It's going to give you a score on investability, which is that price per square foot compared to the average daily rate. It's going to give you occupancy rates. It's going to give you regulation information. Really, that is the place to start analyzing a market that you might be interested in. You might have 2 or 3 in mind, and you can go to air DNA and check that out and understand some of the start. Start building the numbers.

Dan Breslin: Yeah, because there's nuance. Right? I would have thought we have this 5 bedroom, 3 bath house in Florida now.

Dan Breslin: and we get the summertime vacationers from Central Florida, who want to come to the beach and do their week 3 days 5 days, whatever it is, they pay more rate because it's a large house with 5 bedrooms, but

Dan Breslin: it wasn't until I've owned that house for 2 years. I had the revelation of well, actually, a lot of Florida is much better for 2 or 3 bedroom houses that are even closer to the beach, because it's like an older couple with no kids who's coming down from Canada, and that's like the bulk of the winter season, like the kids are in school all winter long. So you're not going to get like the Snowbird

Dan Breslin: couple to the 5 bedroom house. It's not actually that great of a product. Can you speak to how important it is to match? Maybe the size to beds and baths and amenities of a property to the area, and how to identify that.

CTate: Absolutely. So. I'll talk about the size first, it's the really sweet spot for getting started right. If you, if you already have that 5 bedroom, you know. Great everything. Use what you got right. But 2 and 3 bedrooms is really a sweet spot. One bedroom. The problem with a 1 bedroom is, you're doing just as much work.

CTate: you know, overhead for

CTate: accepting that guest and maintaining, you know, communications with that guest, etc.

CTate: as you would be, you know, a larger party. So you know, mom, dad and 2 kids so you can actually charge per guest fees on Airbnb, so you can have a base rate, and then plus, say, \$20 a night for each additional guest.

CTate: And then the problem with the 4 and 5 bedrooms

CTate: is a couple just doesn't. As you said, a couple just doesn't rent a 4 bedroom. It's just kind of awkward, right? So 2 and 3 bedrooms you really get the couples. You get the friend groups and you get the the family.

Dan Breslin: Okay, how important is it to go for more than one bathroom? In your opinion.

CTate: Not very. So we have. Yeah, we have a number of places that have just one. The majority of our stays are 2 to 3 days right?

CTate: And most people are outside hiking. They are exploring, they're skiing. They're doing all these different things. So we have multiple places that only have one bathroom if I get to pick, I think 2 is better. But I'm also a woman.

CTate: and you asked about amenities. So we talk a lot about macro and micro amenities. So as you're evaluating properties, macro amenities are

CTate: really the big things that are aspirational, that people in apartments, people in homes, people downtown don't have things like a beautiful view.

CTate: Access to the water, whether it's the Beach, lake, river, whatever fireplaces are a big one. Saunas.

CTate: decks, wraparound decks, screen porches. So those are big macro amenities that people are looking for and want to have. And on the micro amenity sites. That's more stuff you can add on. Sometimes it conveys like a fire pit, big game area, that sort of a thing. Hanging basket chairs are a favorite. We actually have statistical data that if you have a hanging basket chair showing is one of your primary listing photos, you will have a higher conversion rate and pet friendly and being pet friendly.

Dan Breslin: Friendly.

CTate: Okay.

Dan Breslin: That is hilarious.

Dan Breslin: I have a manager who handles all mine. They did the entire outfitting, and we have the game room. We have the theater room.

Dan Breslin: We have a little slide in one of the bedrooms for little kids to come off of the 4 bunk beds that are built in the the kids suite, and we have the hanging, the hanging basket chair like.

CTate: Your manager knows what they're doing.

Dan Breslin: Like, is it that interesting like? It's? It's odd. And it's like one of the 1st pictures, too.

CTate: You just gotta stand out a little bit. You know, Airbnb, you know, if you put in whatever town you know is gonna have 500 listings, right? So what are you doing to stand out, you know, and jump off the page

CTate: for that guest? One little thing, and it can be as little as oh, look! They've got a slide on their bunk bed, or a hanging basket chair overlooking interlocking mountain ranges, like the view, plus the floating chair plus the fire table. All of

that. That's you want people to say I need to stay there. I don't care how much it is. It's an experience.

Dan Breslin: So I had. Scott Shatford. Do you guys know that name?

CTate: Yes, trying to place it

CTate: at least.

Dan Breslin: Scott came on the show on October 19, th 2018. Scott is, I believe he's the founder of Air DNA, if I'm not mistaken. So it was like kind of brand, new and everything. And if you go back and listen to that episode we were talking about back then, the amenities and these different packages like weren't all super important. He's like, Hey, the highest performing

Dan Breslin: properties are a lot more about location. And he's like you'd be amazed. They're like kind of dated houses, but they're whatever it was, Northwest Washington and all the hiking and all those kind of things he's like, but they're not like fully renovated. They just have the coffee maker, and this and this and this and things have dramatically changed since that point. Huh!

CTate: We're calling it the new era of Airbnb investing. You can no longer just set it and forget it. There's a much higher level of

CTate: customer demand for experience and excellence, and as long as you can lean into it and embrace it, you're going to do amazing. Yeah, so many hosts, you know, there's been such a boom in the usership, right? The travelers using

CTate: Airbnb. And it's no longer about getting a cheap place. It's about having a really amazing experience somewhere that you're you can't have at home. And so guests have become you know, rightfully so more discerning.

CTate: So you know, there isn't an amenities, armor, arms, race going on. And there's also a professional host. There's a lot of hosts. People probably listening to this heard in the media, you know, people are turning away from Airbnb. People are selling their properties that were short term rentals. There's a age of professionalism

CTate: that's making. It is elevating, you know the experience for the guest, but hosts need to kind of keep up with the times and elevate their game as well.

Unfortunately, there is a lot of technical integration that you can do to help with that. Yeah.

CTate: it's not all on your shoulders.

Dan Breslin: Yeah, it's interesting. The arms race that you described the age of professionalism. Just last night we were having a team dinner and the vice president of our organization here in Chicago.

Dan Breslin: Is showing me. He's excited. He's enthusiastic. He's stepping up to the plate to stay in this Orlando house that looks like it's brand new construction, and was

Dan Breslin: very likely built

Dan Breslin: with the full intention of being the short term rental from the beginning. So this thing's got to be like 6,000 square feet. I don't know. 5, 6, 7 tons of bedrooms.

Dan Breslin: It's got the Jurassic park themed. There's a jeep in there. The jeep is the bed, and it's a Jurassic park. Themed kids bedroom, you know. The gaming rooms are like. I feel so pathetic thinking about mine, and we spent a fortune building mine out. It was great. It still is great. But, man, it doesn't even compare to this like just like

Dan Breslin: extravagant place that he? He really stepped up to the plate. It's not cheap. This is probably the highest end, Airbnb, that I've seen that I know someone who's actually going to live there, you know. So it just speaks to that

Dan Breslin: progression of

Dan Breslin: hosts having to outdo each other for the experience and for the amenities. And I'm curious.

Dan Breslin: In your 2 to 3 h radius and your drive time. It's really hard to compete with a wraparound porch this time of year. We're recording it in late October, and the trees are, I'm sure, amazing. Out there.

Dan Breslin: In the woods in Virginia, and a lot of other places in the country. How much do you think that will become headwind and a challenge in your own portfolio versus? There's probably still a lot of runway, because it's more about

the hiking and the woods and kind of those things right where Orlando is like there's so much land they could just keep building. And it's like 100% we're at. I forget the theme park that's down there, is it?

CTate: Isn't he one of the business.

Dan Breslin: Disney, and there's 1 on universal studios, right? So you kind of have that theme you have, like an exorbitant amount of money going there where maybe the amenities are much more important in certain markets like that. And that race is going to be more of a risk factor for Airbnb investors versus maybe selecting that weekend getaway. We don't have to

Dan Breslin: set aside a hundred \$1,000 to build out this like

Dan Breslin: kind of over the top experience for the guests so like, how do you view that risk? Profile.

CTate: I think the nice thing is.

CTate: there isn't just one guest avatar like not everyone wants to stay in a Mega mansion. That's themed.

CTate: Lots of people do. I wouldn't. I would say I would. I would go with someone, because I think it would be fun. But

CTate: understanding where your location that you're investing. In. What kind of person is attracted to that can really help you

CTate: dial in on what would be important to that person. So for us obviously views. How many decks have we built at this point?

CTate: Many like 5 or 6 decks, they come with decks. We just keep building decks. We add in saunas and hot tubs that sort of a thing. But

CTate: That's what if you think about it? If you've been outside all day, if you've been hiking all day. What do you want to do? You want to relax? And if you're an outdoors person you want to relax outside in a sauna or a hot tub, and continue that experience.

CTate: And the property is just the 1st step, right where a lot of people, you know, short-term rent

CTate: rentals are really 3 things. It's the real estate

CTate: 2, it's hospitality.

CTate: and the 3rd arm is e-commerce. So you know, the real estate. Yes, we're gonna try to buy the best property we can, but that's only the really, the 1st step operationally is where most hosts start to go wrong.

CTate: And the way that the biggest piece of that is pricing right? So you know, we could sell anything at, you know, at the right price. Right?

CTate: So how do we? The trick becomes. How do we maximize that revenue? And how do we maximize occupancy? You know we only get paid when you know someone chooses to stay in our place. And there's a software called price Labs.

CTate: That is a 3rd party dynamic pricing software. It's an add on. They get their data directly from Airbnb's Api

CTate: in this software you set a base base rate, call it \$200 a night.

CTate: and it knows specifically the demand how many people are searching for, you know, next Friday night or next Tuesday night, or the Tuesday night, that the Taylor Swift concerts coming into town.

CTate: It has that demand data and automatically turns your price up or down to maximize your occupancy.

CTate: So, for example, we have a cabin. Actually, most of our cabins are on top of a mountain, but our largest, like 4 bedroom, is on top of a mountain, and there was a weekend

CTate: early bay

CTate: that I, instead of being a couple of \$100. It was like \$900 a night, and it booked. And we're like, what happened, where? What don't we know about? And there was a university graduation. We we didn't know the price labs, saw the demand for that weekend, and just cranked the rate to match the demand. And so it's a great way to maximize revenue while you're sleeping.

CTate: And you, you know, for your listeners. Take note of this, if you're you know, considering an Airbnb investment, or if you have one.

CTate: 95% of people aren't using

CTate: a dynamic pricing model.

CTate: And so what they're doing is they're picking that \$200 a night

CTate: and putting it across every night on their calendar, and all their weekends sell out real quick where they've now left money on the table.

CTate: and then their weekdays go mostly vacant, and that's why we see this like

CTate: market over market over market. You could pick, you know, a dozen markets, you know, out of a hat. And they all kind of running at about 50% occupancy on average, you know, across the market.

CTate: And so we

CTate: using tools like price labs.

CTate: if you can strive for 70, 80, 95% occupancy. That's where the real money is to be made.

CTate: Additionally, we have to think about

CTate: Airbnb as an algorithm. Right? If there's 500 listings.

CTate: how do they decide which listing to put on page one, there's only 18 spots on page one.

CTate: How do they make that decision. And their algorithm is working, you know.

CTate: for the benefit of the company. What does Airbnb as a company care about

CTate: got guest satisfaction right is if you delivered a 5 star experience

CTate: and revenue. So

CTate: Airbnb makes their revenue on a cut from paid by the host shared between the host and the guest as a service fee.

CTate: And so, if your property's vacant half the time versus a property that's

CTate: sells meets the market at the right price every day

CTate: you're going to be at the top of that list instead of the bottom of that list, which then helps you book more frequently this beautiful feedback loop that if you feed the algorithm, the algorithm keeps you at the top. People don't scroll past the 1st page. I mean, think about it when you're googling for information.

CTate: How often do you go to page 2, or even page 3 of results? So it's critical to be on that 1st page, one of those top 18 listings.

Dan Breslin: So along the lines of how we maximize revenue, which was something you just mentioned, we have

Dan Breslin: an awareness of Airbnb's algorithm, and one of the ways that we can drive the algorithm in our favor is occupancy. Another is 5 star reviews. Are there any others that you know of.

CTate: There's a hundred little ones, right, you know, but it really it breaks down to those 2,

CTate: those 2 categories, one guest satisfaction. So there's lots of things that go into guest satisfaction reviews, wish list additions, instant booking, instant booking. As a feature. Yeah, within the settings of you know, Airbnb, your cancellation policy all those little things. But if you just look at it through the lens of

CTate: all these decisions that you're making, if you what is going to be best for the guests that I can tolerate. Right like I mentioned pets, pets.

CTate: guests love to bring their pets, but not every place is suitable suitable for a pet right? But if you can, you know, and a lot of people are on the fence. But if you can look at it through that lens of what is the customer. You know the future potential guest is the official term looking for. They want to bring their pets. So if if you're just on the fence about it, and you look at it through that lens, you'll make the decision. Okay, I guess I should be pet friendly

CTate: because there's a deficit. There are more people who want to travel with their pets than there are pet friendly Airbnbs. So it's a demand issue. So by making something pet friendly all of a sudden you're appealing to a much larger audience.

Dan Breslin: It makes sense. So, aside from the algorithm, what else do we do to maximize revenue? Maybe we could touch on your philosophy when it comes to outsourced professional management versus

Dan Breslin: commitment to do it yourself, as the owner.

CTate: You know, there's this great client of mine. There's a Spanish expression, and this goes something like no one fattens the bull like its owner.

CTate: and it's applicable here.

CTate: I'm not a fan of using management companies. I mean it. It can be done. I would actually prefer to recommend people to use a co-host than than a big management company, because they just don't have the eye on the ball, you know. Think about your traditional

CTate: management company of like a beach, you know, rental, you know, 20 years ago

CTate: their metric is to come to you and say, Dan, it's April first, st and I got your place sold for the whole summer.

CTate: and and that was their vision of success. But that's not a revenue maximizing strategy, is it?

CTate: So? We teach

CTate: how you can

CTate: manage a short term rental property, you know. We just talked about pricing how you're going to automate that pricing piece. The other is a tool called hospitable, which automates your messaging. Actually, Airbnb has an automated messaging piece built in as well. And what I love about that is, you can customize

CTate: each of these messages. So it's not the robot. Hi Xyz, you can really tailor it. So it sounds like it's coming from you, the real person. And as you host, you have like standard messages, and then you start adding, in the one of my favorites is 24 h after guest check in. They receive a message from us automatically through hospitable, and it says, Hey, we hope you're having a great time. Let us know if you need anything. And this does 2 things, one guests feel like we really care about them, which we do

CTate: and the the like. We get a thank you for checking in more often than not, and this is also an opportunity, if something isn't perfect

CTate: for you to get ahead of it. So the guests can say, actually, you know, can't get the fireplace to work, and you can have someone fix that immediately for them during their stay, not after the stay in a review.

Dan Breslin: Yeah, it's

Dan Breslin: I see what I'm paying in the management. And it's expensive. And it's like, Wow, we could be doing so much better on that. We opt not to do that, and we kind of took the hands-on approach for us. And again, ours is not like this great, profitable kind of thing for us, either.

Dan Breslin: but I I don't necessarily see myself having the bandwidth in the time, because I'm kind of busy running the business, but it is still this.

Dan Breslin: It's a great service for me to pay for the manager, because when the hurricane came, somebody was over there putting in all the furniture someone was driving. The roads were closed for 4 days, and they managed to like, get somebody over there to put eyes on the property and make sure that it was still there and standing. And then another hurricane came a week later and hit.

Dan Breslin: I shouldn't laugh because a lot of people had major destruction. We didn't, so we were able to kind of chuckle it off. But the peace of mind to have the management company who's on on the ground. I don't really know much about Florida. I don't have the contacts there. I don't have the, you know, the workers, the cleaners, the maintenance people, any of that kind of thing. Where for me, that was a service that's worth paying for for somebody on the other side of the coin, where this is a portfolio.

Dan Breslin: Maybe this is a chance for us to touch on. What a small portfolio, right? Because in real estate,

Dan Breslin: the regular path to real estate is probably somewhere around 30 to 100 houses in the Portfolio gives you some level of financial freedom. That's a lot of work. That's a lot of tax bills. That's a lot of insurance negotiations. I'm going to go out on a limb from my limited experience and say, maybe there's a portfolio of short term rentals in the 6 to 12 property range that could provide a level of

Dan Breslin: financial freedom. Is that accurate.

CTate: You know, is obviously different for everybody else. But I felt when we hit 3. We were netting

CTate: maybe \$1012,000 a month.

CTate: and that really was our core expenses. Right? That's not every expense. That's not our private school tuition, that's not vacations, you know. That was just kind of core groceries mortgage, you know, basics. So that was the 1st place that I felt some sense of financial freedom through short term rentals, you know, as as few as 3. We're scaled to 10 and 11. Danielle wasn't always

CTate: fully in the business. You didn't really kind of. No, I exited a software company and we jumped in and started doing 2. You started, you know, kind of jumping in and taking. We manage a portfolio. It will be of 11 starting Monday, and with all of the technical integrations. While it's some work, I think it's probably an hour of my day. Yeah, we spend more time, you know, thinking about the next place or the next renovation on podcasts, coaching people, all the fun stuff.

Dan Breslin: Yeah, I had to chuckle when you said 3, because I was doing the math on like the average house thing. It's like, maybe that's \$900 if nothing goes wrong per month. And you're talking about \$10,000 plus. Obviously, this is with self-management. So we're not getting a 20%, you know, cut right off the top, and

Dan Breslin: a much skinnier bull to go around if the professional management's in place.

Dan Breslin: so how did you go about? Are all of your 1011 rentals? Are they all in that same kind of reach? Can you drive to all of them in an hour radius, or do you guys now have them like 2 h, 3 h in each direction from your home?

CTate: So the we have one in Turks and Caicos, so I can't drive there.

Dan Breslin: Yeah.

CTate: But the majority of them are in the same county, which is about a 2 h drive from where we live. And then we did spread into a different county, because I just fell in love with this wine area. I planned a girlfriend's 40th birthday, went to a

winery and felt like we were in California was just beautiful. And I was like, we need to invest here. It's an emerging market. And so we have our second coming online there. Monday.

Dan Breslin: Is that also in Virginia that.

CTate: Yes.

Dan Breslin: That outlier of yours

Dan Breslin: very cool. Yeah, I have a couple questions there, but I do want to touch on kind of a sidebar, I think, from the friends of mine, who are very heavily into Airbnb. Short term rentals like you, I noticed they love to travel, my friends are.

Dan Breslin: you know, it's probably 50% about the financial freedom. And it's probably 50%, at least about oh, we get to go to our short term rentals. We love it out here. We're going to block off 5 days. We're flying from Florida to North Carolina.

Dan Breslin: I mean the friend that I'm thinking of. He's traveling like

Dan Breslin: 150 plus days a year to one of his short term rentals, and he's got like a lot of them dozens and dozens, and maybe hundreds under management. He actually helped me get mine. That's how I know him. He was a friend first, and then he kind of kind of picked that one off.

Dan Breslin: So would you think that that is smart? Does the person who's getting into this?

Dan Breslin: Should they be a little bit oriented toward travel and enjoy that, so that they're having that passion for delivering that experience. Or if someone's like, Hey, it's just dollars and cents, and it's just all about the money like, do you feel like you're going to get the same satisfaction if you don't have the travel itch at some level to like care about this as sort of a hobby or a fun thing to do.

CTate: I think Daniel touched on it, you know, a little earlier, which is.

CTate: look, there's different strokes for different folks, right? If you are that person that just wants to have, you know, be bicoastal, and you know you've got

a kid at college, or you like to ski. Then you can kind of spread out like that, if that's really what scratches the itch for you.

CTate: But you know, if we're just starting and systematically building a portfolio, I would start with, you know, something close to home that has a market that pencils out with good numbers, and there are some economies of scale to be had, we are able to share a handyman across 5 or 6 properties. A couple of cleaners are shared across a couple of properties, and you know you mentioned. You don't have that plumber to call.

CTate: you know. We do, sort of. And knowing a market, you know, do have those resources that team in place, and going back to your question about traveling.

CTate: We have clients who, you know, they're selling a house. They need to move money, and they just wanted to buy something that will cash flow. It has nothing to do with them, like, we're advising a cabin. Yeah, they're like, we don't like cabins. We're like, that doesn't really matter

CTate: if you're trying to make money in this market that they're looking at it, does. They're like, Oh, look at this house like no one will rent that house. I mean they will, but not for top dollar on the Flip side.

CTate: People like us

CTate: like we love to travel. We I mean talking about financial freedom and traveling. We were able to move our family to Athens, Greece for a year, so we could do a family study abroad, so we were able to manage our portfolio remotely and learn a new language, meet amazing people, fly to Egypt for Thanksgiving, and let our kid understand what it's like to live in a totally different place, with totally different governance, and be a world citizen in 5th grade.

CTate: So I get so much joy out of that. So I think there's so many different people, and there's so many different ways to invest and be happy. You can be happy because you got your dollars and cents. You can be happy because you got your dollars and cents and the freedom you can sort of mix and match it the way you would like to, and that's rare in a lot of other industries.

Dan Breslin: Yeah. And both of you seem to have that passion for the travel. That's why, you know, I kind of wanted to touch on it. So did this other person.

Who's doing the 1031 exchange? Are they going to self-manage, and did they already close on that property? If so, how's that going for them.

CTate: They're under contract at the moment.

Dan Breslin: Okay.

CTate: They ended up finding something that was a cabin, but basically in a neighborhood that had some more

CTate: you know, amenities. So there was a community pool, a community gym.

CTate: a golf course, right? So they were able to find sort of a hybrid where they didn't. You know, they're like, we don't like bugs in the woods, you know. So they found a community that that is secluded, but is in a neighborhood with some sort of

CTate: higher end amenities like the swimming pool and the golf course. Yeah, we have. We have clients that

CTate: I would say 99% of our coaching clients self manage, because that's how you make the most money. But again.

CTate: people have different goals. If you just want to buy an amazing beach house and have it cover its mortgage. You can do that. So whatever setting your goal for what you want, what your achievement, what your level of satisfaction, is at the beginning can then drive all of the decisions around what kind of short term rental you invest in.

Dan Breslin: And will that client end up using that sometimes themselves? Is that some of the motivation for them to get that one? Or was it a cash flow, driven kind of thing.

CTate: Yeah, I think it's cash flow. Yeah, 1031 and cash flow. You know, the real estate agents. And they just you know, they found a place that they are comfortable with, so they'll do a little setup. This is the least amount of work we have ever done in our entire life lives to make the most amount of money, and that's incredibly attractive to people. That's how we never set out to be coaches. But friends were like, wait a second. What are you doing? How are you doing all this? Can you help me? Can you help my friend, my friend of a friend? And

CTate: it. It's a replicable model.

CTate: nationally and internationally, we have clients in New Zealand all over the place. So it's a really exciting way to impact people's lives.

Dan Breslin: Yeah. And and

Dan Breslin: I have 2 tan, 2 different directions here. First, st I want to highlight

Dan Breslin: the power of the concentration. So, having I don't know what you figure. 6, 7 properties in one county gives you the resources that then

Dan Breslin: you feel confident to buy property number 2, because you have the handyman, the plumber, and a cleaning person, of course, 3, 4, and 5 make sense. If you want to go to 25. Now, you're probably going to need another handyman, and 2 more cleaners, etc. Etc. But it

Dan Breslin: and you're comfortable with the market. You understand how the seasons go, you know, when it's going to be dead. You kind of know what you're getting into versus a mountain house and a beach house are going to operate completely different with their own set of nuances. So I love the concentration strategy in the one county. I want to highlight that.

CTate: And really you hit on the second part is the really powerful part. So you know, I teach people underwriting, you know, underwriting a deal, and we'll look it up. Numbers and people ask me, Well, how do you?

CTate: I kind of don't have to underwrite, you know, down to the penny. I don't actually just being completely honest, because I know I own 6 houses, you know, in this county, 3 in the same or 4 in the same neighborhood.

CTate: I can look at it and tell you what it's gonna make per month

CTate: right? Because I know that market like you, said the ins, the outs, the highs, the lows. You know what amenities people are looking for. I know that Danielle does a great job with design. I know that I've got a kick ass photographer, you know. And we know that operationally, we're gonna excel. So I don't have to actually

CTate: pencil each deal. I can just say, Okay, that is a good buy. It's got the amenities that we need. It's got a view. It's got a couple of unique factors to it.

We can build the rest, and it's going to do 6, \$7,000 a month in gross. It's something else I wanted to highlight occasionally Airbnb gets a bad rap for like, Oh, Airbnb is coming into our town. I grew up in a rural community in Pennsylvania.

CTate: where jobs were were pretty scarce. You could work in the factory. You could drive a truck, or you had a farm

CTate: and

CTate: Airbnbs bring in a huge influx of jobs. So I'm personally friends with some of our housekeepers, and you know they're like, this is amazing. I can be a stay at home, mom. I work. You know. The turnovers are between 11 and 3. I can still pick my kids up from school, and it's making a massive difference in our family's ability to do things save for school, etc. Same with our handy people like it's

CTate: it's wonderful to go into a community being respectful and then be able to employ multiple multiple people and sort of change, the economic setting of opportunity.

Dan Breslin: Yeah, it's interesting. I mean, you're probably getting 2 to 3 cleanings per property.

Dan Breslin: And this person may get what 2 or 3 properties worth of cleaning. So we're talking like.

CTate: Oh, we turned 12 a month.

Dan Breslin: Okay?

Dan Breslin: Oh, 12 per property. Yeah. Oh, so they're like almost a full-time person. Then.

CTate: That little time period, though

CTate: between 11 and 3.

Dan Breslin: Yeah, yeah. So they have a nice little tight part time window. And they're making better, much better than part-time money that way. Yeah, yeah.

Dan Breslin: income growth. So since 2018, have you guys noticed fluctuations through that last 6 year period? Maybe it went down a little bit during Covid. But

are you seeing? I don't know 2 or 3% gross rental income growth as time goes on, like normal rents.

CTate: Yeah, I'd say, from like 2018 to 2020. So the pre this cause of that pre covid era

CTate: there was, you know, solid growth. They call it 20% a year.

CTate: just because people are discovering the Airbnb platform right?

CTate: Probably half of our guests are 1st time users, right? So there is plenty plenty of runway, you know.

CTate: of people, you know, defaulting to traveling with Airbnb. Then Covid hit and the market exploded

CTate: right. It didn't fall down. It went through the roof. It probably went up 50, 60%,

CTate: because people now are working from home, and they're wanting to get. You remember, all the social distancing stuff, and we couldn't.

Dan Breslin: Oh, yeah.

CTate: We couldn't go anywhere. It's a great place to social distance. Yeah, you're not going to take that Disney cruise that you'd saved up, for you know you're not going to fly to that all inclusive. A lot of that

CTate: change. Well, you know, on a short term basis changed. You know, people's spending habits and the money just flooded into for those 2 years into Airbnb type properties.

CTate: A lot of people got in.

CTate: A lot of people never acquired the commercial. I'm sorry the professional hosting skills.

CTate: And so when demand started to normalize, a lot of those people are, you know, kind of feeling the pinch, and they're just breaking even.

CTate: But it's still growing. We're back to a normal rate of, you know, 15-20% revenue, you know. Growth. But it's it's just not that crazy, crazy numbers that you know. It's kind of like the stock market, right? You know. It was a huge, huge

boom. And now, things are sort of normalizing back to that. Like, you know, S. And P. You know, 15% per year.

Dan Breslin: 15% per year for anyone in the stock market would be, you know, 2 to 3 x. If there's a business out there growing revenue at 15%. I mean, it's like Nvidia.

CTate: I talk to people a lot about Airbnb investing, especially people who are curious and wondering, and I'd like to describe it as an investment that I can wrap my brain and hands around. I understand the stock market, but not to the degree that I'm going to manage our portfolio. That's I pay someone to do that. However, I do understand

CTate: buying a place, making it amazing, providing great guest customer service, satisfaction, and I get joy out of the the messages back, saying this was the best experience. We didn't want to leave. Our son refused to do any of the activities because he didn't want to leave the teepee and the treehouse, and all that sort of thing, and so

CTate: having an investment that you can see and touch and tangibly

CTate: make better, and that makes so much money is a really comfortable thing for me. It's not an abstract investment.

Dan Breslin: So

Dan Breslin: a lot of people were doing the arbitrage model. And for anyone that doesn't know what that is. You go rent a property from a landlord, you pay to outfit the property, and then you run it as a short term rental. We have arbitrage versus ownership, and each comes with their own risk. Now the ownership side comes with risk also, because if you select the wrong property, you'll have a hard time breaking, even if you try to just simply resell it, and probably in most markets where it's penciling out

Dan Breslin: a hard time to cash flow as an ordinary rental. And you certainly aren't going to get the kind of returns you're going to get from a successful

Dan Breslin: short term rental. So what is your advice to clients? If somebody were to bring the arbitrage versus ownership question to you.

CTate: So

CTate: arbitrage

CTate: is really becoming a property management company, right? And it doesn't. I don't know of many examples of it. Working, you know

CTate: at small scale, right? One or 2. If you want to get into it and say we're going to be a, you know, corporate relocation business, you know our property management type, business

CTate: arbitrage can work at scale.

CTate: but you know it. It requires that scale. So I would tell somebody thinking about arbitrage to maybe more think about co-hosting, and so co-hosting is where you

CTate: and Airbnb has just made this more prevalent on their platform.

CTate: where you know Dan, like you said

CTate: you. You don't have time to do it yourself. But maybe you, re realizing my property Management company isn't keeping up with the things. You know the market. Right? They're not.

CTate: you know. They're leaving money on the table. They're, you know. Maybe not. You know. I'm getting complaints from guests that it's not as clean as it could be, or they didn't treat my guests the way I would wanted to treat them.

CTate: You know, there's sort of the hybrid here is to find a co-host. And that's somebody who has these skills managing specifically short term rental properties

CTate: and have them co-host with you. And as a co-host you can make 10 to 20%

CTate: of the bottom line, which is not a small amount of money, especially because you could do multiple. So you're basically getting paid to become an expert and then use that money to fund your 1st purchase. It's the expertise that's missing.

Dan Breslin: Without the risk of the ownership.

Dan Breslin: Then on the flip side, though I mean the positives around the ownership side of the cycle, I mean, I know, just from being in real estate for the 18 years or so that I've been in

Dan Breslin: the 2 to 3% inflation growth alone

Dan Breslin: turns your mortgage payment into. I don't know if it's laughably small, but so much

Dan Breslin: less significant than it is in year one year 2 and year 3,

Dan Breslin: and that's with rental growth rates of 2 to 3%. So if we're looking at rental growth rates of 10 to 15%, which

Dan Breslin: maybe that continues for a period here for another, you know, 5 to 10 years. Who knows? That should make that mortgage payment look

Dan Breslin: laughably insignificant over the the time period of ownership? Right.

CTate: And as Danielle was saying, you know, being in and out of our properties.

CTate: we're always making so unlike a long term rental. Right? You get a lease, you lock in a price. Someone's there for 12 months, and then they leave, and you got to go and clean up. You've got those deferred maintenance. Right? So it's this is always, you know, up and downs

CTate: with our places. We are making them showroom perfect every 3 days.

CTate: Right? So they're just getting better and polished and better and polished and adding small things and making small improvements. So we're really forcing that appreciation

CTate: significantly. And we're customer funding major appreciation. When we add decks, saunas, that sort of thing, into the properties.

Dan Breslin: Very cool before we get to our wrap up round of questions here. Is there anything I just didn't have the foresight to ask that you feel like might be valuable to the listeners. Knowing what we talked about today.

Dan Breslin: Yeah.

CTate: I guess, just understanding

CTate: that

CTate: where you place

CTate: on an Airbnb search

CTate: really matters right views are the precursor to bookings.

CTate: and placement is the precursor to views. So anybody out there that's got a place listed on. Airbnb.

CTate: Go into incognito mode search, you know. Search from a bit some available dates and find out where you are and create a baseline from that. And now use that lens of

CTate: what does the customer want? How do I create better customer satisfaction the other lens of how do I make more money for the algorithm and start trying to move yourself up that list? Right? So and if you get way into it, there's a software called Rank Breeze, that tracks that as well.

Dan Breslin: Love it so.

CTate: Understanding. The e-commerce piece is where you know.

CTate: 95% of hosts go wrong.

Dan Breslin: Forgive my silence. I love taking notes during these episodes.

Dan Breslin: Cool!

Dan Breslin: Oh, you too nice! I love it!

Dan Breslin: I love it so. What? What would be one or 2 books that you found, maybe inspirational in your professional career. Maybe it has to do with real estate, maybe short term rentals. Maybe not, but like what would one or 2 book recommendations look like.

CTate: I love richest man of Babylon.

CTate: That's a super short book. If you don't like to read, it's like a teeny, tiny book. My brother even read it.

Dan Breslin: I read it years ago, and I don't recall a whole lot out of it. And it was man. It must have been 15 years ago, when my mentor advised me to read that book.

CTate: Okay, yeah, go back to it. You know, it's a fable. And it's about

CTate: it's it's sort of about life and finances, finances.

Dan Breslin: Dude.

CTate: This is not 100% life related, and it's not. It can be applied to short-term rentals. I love a book called Fascinate.

CTate: It's by Sally Hogshead.

CTate: and

CTate: it's about understanding what makes you or your company, or you could even I guess you could push it to grp. What makes you fascinating? What makes your business fascinating? And once you understand that

CTate: and can communicate it.

CTate: other people are fascinated and want to engage with you or with your product or with your company. And I just loved that book.

Dan Breslin: I love it. It's on my bookshelf, I remember. I think I saw her speak.

Dan Breslin: She's funny 15 years ago, or something like that. It's been a while great recommendations there. So if we could have the Crown jewel of wisdom meaning, you know everything, you know. Now, in 2024, let's go back to

Dan Breslin: 2018, and you're just starting back in the you know this space. What would you share with yourself

Dan Breslin: then? From everything you know? Now.

CTate: I mean, I think a lot of real estate investors are going to give the exact same answer, which is, I'd have gone harder, faster, you know, bought more. Then we experimented. We had long-term rentals that never

CTate: perform the way we hope they did. We had commercial. Culin had a commercial building, and so I would have told us then to

CTate: put it all into short term rentals, and Culin said, had he known what he knows. Now, we're actually just having this conversation a couple of days ago. He's like, I don't think I would ever have bought a house. I just would have put all the money into short term rentals, and we could have just rented a nice place. Right? Let your assets pay for your lifestyle.

Dan Breslin: Yeah. So does that mean you're gonna go from 11 to 20 very quickly. Then.

CTate: No, because what we did do right? Right? So our son at the time was like.

CTate: you know, a couple of years old. And so we had a lot more time freedom. So

CTate: you know, in hindsight, you know

CTate: there was more time there, and I probably could have bought a few more aggressively. But I think we've actually managed it really well over the years we were kind of at a pace where we were doing 2 a year, and then, you know our family commitments. It was more comfortable. My son plays every sport under the sun, and is a Boy Scout, and so our weekends are gone. So then I became more comfortable to do one a year

CTate: and then we ended up taking a year off because it was his freshman year in high school, right? So you know.

CTate: that's the part that we did. Well, we sort of managed our family

CTate: needs and desires and marriage and parenting with the desire to grow the portfolio. You know the portfolio was doing well, and we just didn't need to trade more dollars, for you know

CTate: trade more time for more precious. Yeah. Precious time. Right? Yeah. He's an only child, so he'll be gone in a couple of years.

Dan Breslin: Yeah, yeah. And then.

CTate: And then we're just good to go

CTate: watch out, world.

Dan Breslin: That's great. So before I ask my final question, do you have some contact information or website, you'd like listeners to go to.

CTate: Absolutely. You can come. See us at Hostcoachco. You can check out our podcast the host coach show every Tuesday. They're under 20 min. Because that's my attention span and they're aimed at anybody who's short term rental curious in the middle of it. It's usually pretty fun and exciting. Just drop us an email and everything host coach is how you find us.

Dan Breslin: All right. Great. So you guys can answer this together or individually. But what is the kindest thing anyone has ever done for you.

CTate: I thought about this because I appreciated having the the forethought

CTate: The very 1st party I was ever invited to, someone I had just met was my 1st 1st week of sales training for selling copiers out of college and this girl, Megan, was like you should come to my party, and I went to her party, and it was a luau, and

CTate: she's like, Hey, there's somebody I think you should meet. And, long story short, I met this guy in a grass skirt, blue polo shirt, dry ice in his drink is just billowing smoke, and like he looks like a lot of fun. And 20 plus years later he still is. So. I think the kindest thing that someone's ever done for me was Megan Hirsch, introducing us, and then, incidentally, I introduced her to my cousin at our wedding, and so she's married, and has my former maiden name.

Dan Breslin: Oh, sweet! So she's like family now.

CTate: She is, she is a hundred percent favorite. Now.

CTate: why don't you.

Dan Breslin: Owen.

CTate: I can't top that story.

Dan Breslin: One huh!

CTate: Obviously the same event.

CTate: You did send her flowers

CTate: for introducing us. That was very sweet.

Dan Breslin: Cool, cool. Well, hey? Couple pages, 3 pages of notes. Here I had a blast. Learned a lot, and I appreciate you both coming on the show.

CTate: Our pleasure, our pleasure.