

115 TRG Transcript

Mike Stohler

What if you could be doing something smarter with your money that creates income. Now, if you're wanting to get ahead financially, and enjoy greater freedom of choice, if you want a comfortable retirement, and you know you'll have more choices, if you can do more with your money. Now, if you've wondered who else is creating ways to make their money work for them, and you want actionable ideas, with honest pros and cons, and no fluff. Welcome to the Richard geek podcast. Where you here helping people find creative ways to build wealth and financial freedom. I'm Mike Stohler, and in this podcast, you'll hear from others who are already doing these things, and learn how you can too.

All Right, everybody, welcome back to another episode of the richer geek. Today's guest is none other than Johnny Wolf. He's the founder, CEO of home room co living, which is elevating the home sharing concept to a new level. How're you doing, Johnny?

Johnny Wolff

Doing so good, Michael, really big fan of the show. And thank you so much for having me.

Mike Stohler

Absolutely. You know, this, when I saw this concept, it intrigued me because it's like, what I don't need is another, you know, fixer flipper. And I didn't, you know, need another, all that other stuff, you know, that we have on. But the two things interesting, you know, co living is one but then we're talking about the kind of the difference between the millennials Gen Z and some of the things you're seeing being a young person. And I think that the concept of what you guys are doing is pretty unique and pretty special. So a little bit about background in 2020. So much homeroom, your your company had a 99% on time rent payment for occupancy and over 100 units. You know, that's, that's impressive. So tell me about what got you involved in this? What got you started thinking about the CO living space instead of just doing regular rentals?

Johnny Wolff

Yeah, I think what's even more impressive, Michael, and I'm not to say that were impressive, but I think what I'm more impressed with in the kind of everyday surprises me is today, we have 656 units, right? So we had 120 20. And we've grown and more than 300% this year, or 2021. So pretty, pretty incredible stuff. I think, to your point, you know, there are a lot of people doing the same thing. Kind of reading the same books. And you know, I appreciate the hustle and the grind i But the one thing that I value, so much more is creativity applied with that, right and finding new ways of doing things that aren't just pure one for one kind of thing, things where if you do it in a

way that adds value enough value, you can scale it kind of like you've done with hotels, you know, with COVID, we have, we have investors can make 50% more return. Because when you rent by the room, you make more money. And then you have you know, on the other side rent tenants that can save 50% on rent. And so a lot of these Gen Z and millennials are thirsty for financial freedom, really hard to do when you have a ton of college debt and you're paying, you know, over \$1,000 to an apartment building that's burdening you with fees. So homeroom is kind of this I think perfect solution for both sides. And you know, on this changing dynamic for investors, and also this kind of tough environment for renters.

Mike Stohler

Now explain a little bit about in case our listeners don't know, what does homeroom do and exactly what is CO living what does, what is that concept.

Johnny Wolff

So co living is three or more unrelated adults living in the same place, roommate house, you know, show like friends kind of, you know, show that although most of those had two roommates, so we say it's three or more. So it's also pretty amenities rich. So the part of the matter is we get the renting where everything's digital, you have a 3d Matterport tour, you can book, you can sign a lease online, you can pay everything online, you get a digital key code to move in. So you never have to meet anyone and you can move it on the day you're moving, it activates. And then you know, we use machine learning to pair roommates so that the dynamic between the roommates is much much better. We also during kind of your stay, you can't we have customer success advocates that are working with you to improve that.

There's no other property manager in the planet that I've seen that has that approach where it's like we're actively making sure you're having a good time. Give me Give me Your feedback. And we have online community events, you know, trivia nights, we have in person events, although we've kind of put those on ice for a little bit, we used to have like, open mic nights and, and rock shows. So it's about online offline and engagement, but you also save money and kind of live in a community and make friends. But also for the investors that they buy a house, we furnish the common areas, and they pay for that. But then the rents go way up with multiple occupants. And also there's no \$0 months, there's no month where the the property is empty. So you're gonna make you know, 60% of rent even a bad month, which is a lot better than making 0% and then paying for a lease up. So yeah, so it's a it's a pretty good solution for both sides of our marketplace.

Mike Stohler

Now, are these single family residences, or the multifamily? What are you doing?

Johnny Wolff

We currently do single family homes exclusively.

Mike Stohler

Okay. So for instance, you have a three bedroom, two bath, you could put three different people in there that don't know each other. They have a shared family room, dining room, kitchen. Yep. Correct. Very interesting. And you can pay your rent, everything's controlled with an app, I assume that's on the phone.

Johnny Wolff

Yep, everything's app based. And you can actually transfer it to another homeroom with a kind of a push of a button in our app.

Mike Stohler

Something was interesting on your site that you actually can provide maid service?

Johnny Wolff

Oh, yeah, I forgot to mention that we also provide maid service to the common areas. On a monthly basis, we, I lived with roommates for two decades in San Francisco, San Jose, Austin and Kansas City. And there's a few things that really cause roommate tension more than anything else, one of them is the cleanliness of the house, you have the really clean person that's maybe a bit more uptight, potentially, you know, then you have like the person that doesn't really care, because it's just gonna get dirty anyway. And who's right and that situation honestly, doesn't really matter. Our goal is to just release the tension. And so we send them a they clean monthly, things don't get terribly bad. We do inspections. Every time I rent moves out, we kind of walked the premises, make sure it's in great shape. So we're really trying to make it so if the roommates you know, dropped the ball just a little bit are kind of catching the ball and making sure that the house is enjoyable for everyone.

Mike Stohler

Now, how do the leases work? And something like that? Are they signing 12 month leases for one room? Or what are you doing?

Johnny Wolff

That's a member agreement. And it's typically, you know, the average person will sign for 12 months we do as short as three months. pricing changes based on length of stay. And but you can transition from one property to another in the homeroom ecosystem on the member agreement. So we've had people that have moved to Austin from Kansas City, they don't have to do much to make that happen.

Mike Stohler

So what kind of addendums? Do you have? You know, I'm thinking as, as landlord myself, tried to keep the peace? You know, what are some of the things that you can do? You know, all the different stuff, you can't just have a lease, because now you have three strangers coming in, and they're kind of cohabitating? How do you kind of protect them and protect yourself from all the stuff that could happen when you have three strangers living in the same house together?

Johnny Wolff

Yeah, I mean, our lease is definitely a custom, right, we have a lot of the basics in there. But the we have a release of liability clause as part of our lease, sort of like going rock climbing, you know, you're signing, like, no matter what happens, like, I can't see you. So I mean, you're living with strangers, but you meet them, you have the opportunity to meet them first, via video call or in person, you, you know, you they have in background in credit checked, we are working very actively to make sure the house is in great shape. So we're doing everything we can and you have a you know, a customer success team that you can text 24/7 And they'll kind of respond to you and kind of work through stuff.

So we're doing everything we can to help there. We also have a, you know, a, you know, a policy of insurance policy, that's \$2 million of every property, which, you know, so general liability policy, which pretty, pretty exciting in terms if you're an owner, that's not that the property managers don't typically have that between you and the tenant, but we do because we have a master lease with you and a sub lease with that. So we ended up creating basically a buffer between you and them. Today, we've had no tenants making any attempted legal action against an owner ever. And we've had over 1000 tenants. We've had no major harm come to anyone in one of our houses today. So I think you know by fine tuning how Do it. I think something sounds really difficult. But if you get it right, it works really well. And so I think with home, I'm we're getting very close to that.

Mike Stohler

Very interesting now during the pandemic. So you did well, during the pandemic, I was kind of curious if you have, like strangers coming together. And, you know, they don't know each other. But you're saying that you did pretty well.

Johnny Wolff

Yeah, we, we got lucky, we were sort of in a place where we had 100% occupancy, and the pandemic it and then no one moved in, no one moved out for like four months, that was a good time to have 100% occupancy, for sure. And then we built a COVID Excuse me, that's funny. COVID, for a cough, as I say, COVID, who's like, pretty, they build a COVID protocol. So that if, you know, we'd locked down a house, we, you know, isolate the roommate, and they knew what to do, they knew who to talk to. And so that I think, put a lot of our tenants mind at ease. And most of them that were with us, or COVID have stuck with us, right. So just just having the doing a good job, I think of that, and being kind of fortunate in our timing of where we're at as a company. But we see just as much demand now, as we saw before COVID, just as many people need affordable housing.

When you look at the options for a 26 year old, you know, they can live with their parents, but that's actually sort of dangerous for their parents, if they may get COVID if they're working outside the home. They could live alone, but they probably can't, maybe they can't afford it. That's why they're considering this. So it's still the best option to live with, like people have, you know, their 20s and 30s. If you need to save money and cannot be alone, also people that I know that lived in studio apartments during the pandemic, they were just so lonely. I think people that that right now are like, you know, people that lived I lived with in one of my other roommate houses, my ex girlfriend, and we had chicken wing Thursdays, we had people to play do puzzles with. So Columbian provides community as well. And that's one of the big things that you know, everyone's alone isolated, staring at their phones. They have less friends than ever before. It's like, and they're more debt. So it's like, well, what can we do to to solve all these at once? Well, we think that the CO living house is the solution or a part of the solution.

Mike Stohler

Yeah. So you think that's kind of the future of living? Because, you know, explain to me, me not being a Gen Z, of course, or millennial.

Johnny Wolff

This was one oh, maybe?

Mike Stohler

Yeah, maybe? Yeah. Turn out the lights. And so tell me about Gen z's. And, you know, the millennials, we know that they've delayed marriage a lot, they'd kind of delayed getting into more debt, you know, with home buying. How are you seeing that Gen Z is going to amplify the trends or keep it going? Are you seeing that? Are they kind of doing the same thing that they just don't?

Johnny Wolff

Yeah, they are. Yeah, they're behaving similarly, it's I mean, until honestly, it's a little bit hard to tell a Gen Z. Because, you know, they're only what 25

Mike Stohler

right now? 24? Yeah, just out of college. Yeah.

Johnny Wolff

Yeah. So we don't really even the oldest ones, we don't really we don't know. But they're definitely in the same amount of student debt. Definitely. They're definitely in more right. As a young man, and if you feel like your interest amounts of debt and can't support a family or give them a good life, like, most of those guys aren't going to settle down. I think, Gen Z, just like the millennials were spooked by the crazy divorce statistics. So it feels like, you know, his marriage a good bet that I should make? Or is it a bet that I should make way slower? Get to know myself? Really think about what I want to partner before jumping into this thing that it seems like is really making people's lives pretty miserable like 50% of the time. And so, you imagine and that's, yeah, imagine that.

So it just, it's the I know a number of Gen Zers. I'm a millennial myself. There's not much definitely stylistically different. They're definitely emotionally and communication ly different. But in terms of those core things that made the millennials super different and how they went through life. i There is no change that coming on the horizon. They may they may pull back and get married just a little bit early to be rebels, but it's still a risky bet, right? If you're not gonna get married, do you still have 30 Hey, do you want to live in a studio apartment for 17 years after college by yourself? That sounds awful. Right?

Mike Stohler

I have a dog. So yeah, get a dog. They don't talk too much. Yes, true. True. True. But yeah, you know, it's just so different from, you know, my age group where it's kind of like, Oh, hey, we had great time this week and you want to get married? And then you found love, Michael? Oh, no, no, no. Yeah. No. Hopefully Nicole won't listen to this. No, I'm talking about friends. I have no people that I've heard about. But yeah, it's very different. Because I mean, our national pastime was, seemed like it was to get a divorce. I mean, it meant nothing to people our age, you know, when we were younger, that's just kind of got married, got a divorce. It was like no big deal. And that, to me is stressful. So I kind of like what the millennials and Gen Z is like a Why rush?

Johnny Wolff

I like Yeah, I mean, like, you know, you I mean, you've got a generation of kids that every everyone I know, growing up, knew multiple people whose parents went through a divorce. And so it's, it's like, and you watch it as a, as a kid, it's I think it's even more dramatic. And so my, I'm very lucky. My parents are amazing. They stayed together as a beautiful, but even even winning marriages, I think, you know, it's not really this isn't a conversation about marriage, necessarily, but even winning marriages? Are they still vibrant? Is it still an amazing way to live? I think a lot of young folks are thinking about that pretty long and hard.

Mike Stohler

Yeah, yeah.

Johnny Wolff

That the three to three bedroom, two bath house isn't the perfect fit anymore for a whole two decade period of people's lives. So it's just like, okay, so what do we do now? We have a bunch of three bedroom, two bath houses that don't fit the this, this this makeup of this to these, this married couple with a baby and just a whole hole in our society of that, that group right now.

Mike Stohler

Interesting. Now, let's get back to your company. You know, how did you think about this? How did you get started? Get this thing, get off the ground? Assume you didn't have any money, no experience?

Johnny Wolff

Yeah, those are both those are both accurate. It's been 2015. I was working in San Francisco. Because of some medical issues. I was essentially penniless. And I realized I had a good job. And I was like, Okay, I'm not gonna be penniless. But I'm not gonna really ever be able to live a good life in San Francisco with this decent salary, I guess, San Francisco wise. So I moved. I had been doing real estate investing since 2008, remotely. And so I moved to Austin, and after analyzing every market United States and picked Austin's the best real estate market, I said, I'm gonna move there, I'm going to do a bunch of house hacks. And I'm going to so I did that I bought over a million in real estate in Austin 2015.

I then turned every one of those properties into roommate houses. I Yeah. And so I was running basically three roommate houses simultaneously with a full time job in Austin, which was a lot. And I'd kind of used up all my loans that I was eligible for. So I moved to Kansas City in 2018 to basically the same strategy again, my awesome property is returned over 500% annually based on how much I put into them. So it was a really nice it was good move. I liquid it about six months in

in Kansas City. I was looking for roommates again for the new roommate house, I signed up and I was like, I'm really tired of going on Craigslist talking to weird people having these waste of time conversations. And so why is not why someone not saw this before I looked at it realize roommate matching apps were not where it's at. There's not money in that transaction forever to work. And I thought, well, what if I do what I just did in Austin, but I just do it 10,000 times. So then Homer was born I emptied my retirement account. Don't do that. Anyone listening? It's bad idea. I sold one of my favorite investment property 13 one central park court in Austin beautiful home. And I started homeroom and I burned through that \$200,000 that I had in about three months, and I had to layoff everyone. And so then for the next year and a half I ran the company essentially by myself. hardest time ever I lived in a basement in Kansas City. My sweet ex girlfriend just stuck it out with me. We had no money. We had no I had no time. And I just worked my ass off just I least I did ops I did everything a property manager does. And I started to integrate different technologies To make the business work,

Mike Stohler

how did you get that many homes from now? From where your were there? So now? Did you do it on your own? Do you have investors? What? How do you have that many houses now?

Johnny Wolff

We're at about 140. Today, we started at the beginning of 2020, to help investors buy the homes. And it took about a year to really, you know, make the, the offering, you know, smooth and fluid. And then it took us about three months, we're out of market. And so about, about 10 months ago, Mike, my co founder now started a Facebook campaign. And we went from adding three or four homes a month to in November, we added 17, with a goal of trying to add 100 By the end of next year. So it's really just, you know, it's kind of like you just keep running around stumbling in the darkness over and over again, just, you know, breaking your your shin and you just freaking keep going. And hopefully you're smart enough to like, solve some stuff along the way. And maybe maybe you don't solve the easy stuff, because you don't see it. But you just just keep freaking going, man.

Mike Stohler

Yeah, I hear you. So yeah, you know, we've all done that, you know, but you learn from those mistakes, you learn from all that. And hopefully, you come out a lot better. And it looks like you are so let's talk about, you know, everyone, the website is live homeroom.com. And there's a click on there's a button on the top says investment property. What's that all about? How can people if I clicked on that, what, what does that take me? What is what happens? And how can people invest with you?

Johnny Wolff

Yeah, so if you, you know, our process for investors are really focused on out of state investors, or remote investors is, you come to us, you can have no real estate knowledge you need, you know, 50 to \$100,000. And just kind of learn the process. So we'll give you a you can schedule a call with us on that site. One of our real estate trained investment guys will talk you through co living, they'll talk you through our process, very simple. And then they'll talk you through the returns, that will do a second call and go through the numbers. We have a lot of, you know, Silicon Valley, data analysts that are buying with us, and they want to see how the numbers work. So we're pretty, we're very open book about how that works. And then from there, you get pre approved for a loan, and then buy a house and you pay us to sign up for Colerain and let it perform. So very simple, very turnkey. Not a lot of moving pieces for you as the investor.

Mike Stohler

Okay, so let me understand, because I think I understand the concept. If I came to you, I'm going to be an ending up purchasing the house. Correct. In my market or your market? Have you? Have you found me the house or do I have to find the house?

Johnny Wolff

Both great questions. Sorry, I skipped over those. We were in six markets today. Indianapolis, Kansas City, Dallas and Antonio Austin, and we're just expand to Pittsburgh. We'll be in Tampa pretty soon as well. So those are the markets that homeroom offers investors properties on. Okay, our goal would be to be an average city of over the next five years. The second piece, we actually source the property, it's on market, but we're basically scouring the MLS, looking at each property. Does this work for Columbia? Does this work for coliving? Well, it works for Columbia is something with a good amount of parking. It's not an HOA neighborhood. HOAs are not fun to deal with if you have roommates, or ever, to be honest, doesn't have enough shared shower space. These are the big ones, right? And is the layout of the house that at which we can maximize the returns. And so we are looking at all those things and we'll send you a ProFormance says, Hey, we found this house returns are within our threshold and we're trying to get above 20% ROI. And here's what you know. Here's what you need to do to pull the trigger on this and make and so then we'll help you make an offer.

Mike Stohler

We'll call our houses urban downtown stuff. What kind of neighborhoods are you? Are you in?

Johnny Wolff

We are in we are not in urban downtown neighborhoods typically, although it depends. We generally are looking for properties that have still have, I'd say B class rental grade, not core city inner part of the city. We'll also make sure that they know the crime score needs to be pretty good. We're not going to do gunshot neighborhoods. If you hear a gunshot More than once a week will probably won't be there. But yeah, it's it ends up being highly affordable. But it's an elegant home, right in a place that probably I would in a place that I would live essentially, or most people that are young professionals would want to live.

Mike Stohler

So really sounds like it's truly passive, except you know that you'd have to have enough credit to buy the house. But you have the property management, you find the house for us. Do you have like a one time fee? After we do it? Is it a monthly property management fee? So after I buy the house, what is the ongoing expenses? To homeroom?

Johnny Wolff

Yeah, so the at the beginning, when you purchase the property, that would just be normal purchase transaction, and really never hold the property, we're not really involved there. But we do customize the property, make it perfect or color, perfect for color, I mean, furnish common areas, smart home technology, will, will convert spaces to bedrooms as well, they'll still have egress, they'll still be conforming. And so you will pay us for that. And we do have a markup on that, obviously, so we can like run your business. And you know, from there, we charge 15% of rents, there's no lease up fees. So when you average it out, it actually ends up being about the same price as a typical property manager. The difference is that we increase rents by 75%. So you actually net more than if you ran it, manage it yourself. And so that's kind of our goal is like, we create more value. And so when you pay us, it actually is out of the extra we've created. And that's kind of company value for sure.

Mike Stohler

Yeah, it makes sense. You know, instead of \$1,000 a month that you rent it to a family, if you do 500 A month times three roommates, that's retarded that

Johnny Wolff

quite a bit better. And so then maybe, and we charge 15% of that. We're still making quite a bit more than the 1000. Even after what you pay us.

Mike Stohler

Yeah. Very cool. Johnny, I appreciate you coming on. How else can people find you? I mentioned live homeroom.com. How else can people find you?

Johnny Wolff

Yeah, I mean, that's that's the primary Spot Live homeroom.com. Or obviously on all the social media, LinkedIn, I post there fairly regularly Instagram. We don't do Twitter too much. I have my own website, Johnny wolf that live at Johnny wolf.com. Where I post some like things that I read and entrepreneurs journey type blogs. So you guys are welcome to check those out. But you can email me at Johnny and lipoma.com. And anytime. If you're house hacking, looking to invest, happy to talk to you, and answer any questions you might have.

Mike Stohler

Well, I appreciate you coming on, Johnny, this is the very unique and I think very, could be very popular. You know, I'm doing numbers in my head. You know, it's it's something that I think works and you're proving that it works. And I think it's something that's going to stick around for years and years to come. So I appreciate you coming on again. Everyone, live homeroom.com It is Johnny Wolf. Thank you, sir, for coming on today.

Johnny Wolff

Michael, thank you so much for having me. I really enjoyed it.

Mike Stohler

Thanks for tuning in to the richer geek podcast, where we're helping others find creative ways to build wealth, and financial freedom. For today's show notes, including all the links and resources from our show, and more information about our guests, visit us at www.therichergeek.com/podcast. And don't forget to jump over to Apple podcasts, Google Play Stitcher, or wherever you get your podcasts and hit the subscribe button. Share with others who can benefit from listening and leave a rating and review to get the podcast in front of your eyes. I appreciate you and thanks for listening.