

129 TRG Transcript

Mike Stohler

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Everybody, welcome back to another episode of the richer geek Podcast. Today, we're going to change it up a little bit. It's been a while since we've given you an update on the hotels. I've brought my lovely wife, Nichole. She's going to interview me Give me a few questions. And we're going to spend the next half hour or so. Giving you an update on hotels. How're you doing, Nichole?

Nichole Stohler

Hey, great to be back on here. And looking forward to this conversation. Maybe we can start a little bit with for those who are new listeners, maybe you can give a background on your overall real estate experience. And the specific hotel we're going to talk about today. That was purchased in 2019.

Mike Stohler

Sure, yeah, way back when we got our start in real estate investing, I call it the PG days, the pre Google days. The Internet wasn't around was the late 90s. And, you know, we found out like everyone back then, you know, the seminars were easy. And then buying the the assets was easy. But then how do you become a landlord? There was no internet, there's no podcast, there was no YouTube, you just kind of had to figure it out yourself. And man failed miserably. So that was the beginning of it. Fast forward. To You know, we made the move from Indiana to Arizona. And I have owned or managed about 1400 units and made the switch in 2017. Two hotels. And the reason for that was the cap rates were getting very, very tight. And I didn't like it. So I made the switch from multifamily to hotels. Yeah, well, then, you know, 2017. But first of all, John, then, wow, you talking about timing, fall of 2019, we purchased a hotel here in Arizona. And what happened a few months after that in March of 2020 COVID hit

Nichole Stohler

thanks for giving that background to folks who are new to the story. So yes, the purchase timing ended up being challenging and difficult. So maybe you can share a little bit of some of the things that you've focused on during those first few months prior to COVID. Just from that November to March timeframe.

Mike Stohler

Yeah, great question. You know, there's two things you can do when you're an entrepreneur, when you have assets, you can either be progressive, and be proactive, or you can be reactionary. And wait till things happen. Wait till things, you know, see what happens. Well, we decided to be proactive and very aggressive. And I think, you know, right when they announced the cancellation, the NBA season, that's when I was like, Holy crap, okay, this thing is real. And we made the quick decisions to contact every vendor. And if that vendor didn't exist for the lifeblood to keep that hotel open, we canceled the contract or we delayed it or we suspended that we did whatever we did. We did whatever it took to get our expenses in line. I immediately called her bank said hey, look, you know, this is about ready to happen. They were you know, push back a lot. Because, you know, they're like, oh, you know, what's the flu? It's not, you know, come summer, it's all gonna burn out. You know, we're not going to do anything. But basically what I did was immediately hunkered down and said okay, A we need to focus on the survival, the hotels, and get rid of everything, all the distractions, all the other stuff that wasn't pertinent to the survival of the hotel.

Nichole Stohler

And you took those actions, you know, immediately on the cost cutting, but there are many, many other things that you did to navigate through COVID-19. If you can walk us through all of the different resources you tapped into, etc.

Mike Stohler

Yeah, it's a great question. You know, soon as we're starting to get down to the eight 10% occupancy rates, we're like, oh, my gosh, you know, what's going to happen by this time, you know, the banks did give us some deferrals. And I had our VA that we've had for several years we've had we had her contact, all the different businesses, the type of businesses that we're still traveling a lot are the trucking companies, traveling nurses and doctors, where the construction crews still going, you know, what, who, we had her find out who was still

traveling, where were they going? And how can we tap into that market? I immediately started getting text in have set up text and email alerts on all the different federal, state and local programs. One great thing about hotels as opposed to multifamily is because we're a small business, we are eligible for the PPP, and eidl loans, and grants. We contacted the states, you know, on small business, reopening stay opening grants, what was very important with the the federal government and the state and local governments was to protect the employees, you know, try to keep everyone open. And they were, that was the biggest thing was, even if you had to shut down even if you had to reduce your hours, can you still pay your employees. And you know, one of the other things we did was, instead of becoming a four storey hotel, we shut down the top two stories, we turned off all the C's, all, you know, the electricity, all the breakers, and we've came, you know, half the size, so that we can save on energy costs. And we can concentrate on having the employees work, just in those limited rooms instead of the whole hotel. And it was, you know, because it was an unknown, there was also staffing challenges, you know, like people, do we come to work, do we want to come to work, especially in the hospitality industry, you know, we're going to be seeing strangers every day. So it's also keeping the morale going with the employees instituting policies, that the CDC and the state governments had, you know, the requirements, like with a mask and sanitizing and putting up shields and, and partitions and things like that. So that's just another thing that we did.

Nichole Stohler

The other thing, I think that you were able to take advantage of the timing of COVID. Were improvements to the hotel, if you want to share a little bit about that.

Mike Stohler

Yeah, you know, when you're low on occupancy, it's a great time to start doing improvements. So we contracted with a local provider, and we we got with the hotel franchises. And we were able to update the entire hotel to that next phase, the gin, four of that franchises improvements, with little to no impact at all. You know, when we bought the hotel, we had reserved set aside for that improvement. And it was perfect timing is you know, it's we didn't have to switch anything around. We started with those top two floors that were already closed, we're able to punch that out. And then we opened up the top two floors, shut down the bottom two floors and then worked on improvements on that. So it was good timing for that. And then once that was completed, it's like okay, what are some of the other things we can do to get people going? So late in 2020, and some of 2021 people were starting to switch to virtual offices. So corporations, everyone shut down. Everyone was working from home. Well, if you weren't set up the work from home, that was a very, very, very big challenge. If you had a stay at home spouse, if you had children, pets, it's

extremely hard if you don't have a home office Sit at the kitchen table and tried to get 68 hours of work in to do zoom calls. So we opened the hotel up to day use. And what that means is like, hey, if we need a quiet space, we have free coffee, we have a desk, we have internet, we have a bed if you need to take a nap showers. So we did the day use. And that really helped us out.

Nichole Stohler

So you really pulled a bunch of different levers that were possible made the best of the situation by taking advantage of the low occupancy to go through improvements, which you had to do anyway. But this was really great timing to do that. And then looked for ways to you know, basically increase occupancy, even if it was for day use, or also tapping into those other businesses. Any other levers or thing that you that you did during that time?

Mike Stohler

Well, you know, first I need to, you know, I'm very thankful that we're in a state where the hotel did not, you know, we were not forced to close. That's the big thing. If that were in what's what was considered than an open state. We contacted, you know, we had the opportunity to do some other things that which we we did not do. But we talked to a lot of the different. There's agencies and websites that do traveling nurses. Because at that point, what the CDC and the government was doing, they were sending these infectious disease experts around all these different cities, and they needed a place to stay. So we contracted with companies that did that we contracted with the trucking companies, instead of the trucking companies themselves. There are absolutely actual agencies that deal with truck driving. Companies that give them discounts. Some of the other things we did is we contacted the states that traveling teams that were in states that had to close down, for instance, in California, they weren't even allowed to play sports outside. Everything was shut down. So we contacted traveling teams, and said, Hey, come to Arizona, we're open, you can stay in our hotel. And they did that was probably the biggest thing that we had was It was crazy. We had two San Diego teams that were four miles apart, drove all the way out to Arizona stayed at our hotel to play a few games. And then they traveled back. So that was also a big, big opportunity.

Nichole Stohler

There's so many lessons learned coming out of COVID, and all those, all those dynamics, all those pieces you put into play. And I think that'll be interesting to look back. Even even now.

It's interesting, but in the future as well. Now, that when did you start to see bookings return to pre COVID level?

Mike Stohler

Well, you know, that's a tough question. Because there are some there's different types of travelers. One of the great things is, Arizona is a state that is very heavy for tourism. It's warm, you know. So in the last winter, we started seeing the pickup, because people were just tired of being still locked down. In some of the, you know, Midwest and Northeast, they were still shut down, they're still locked down. And they're like going, Hey, we can drive even if it takes us to drive for days. We can drive to Arizona and stay in the sun. So that really helped us out. So our there was a very big buildup of tension. And people were like going, you know, I don't care about COVID i We need to get out of the house, we need to get out of the snow. So that type of traveler came back pretty strong shortly thereafter, the corporate is still not back to the pre COVID time period because I think people got used to working from home. They're trying to push back you know and not wanting to travel. So we're still seeing that the corporate travel hasn't returned quite as much. And I think some of that has to do with the economy the you know the price of airlines. The price of gas and it is just it's easier to remain On zoom. But you know, those are kind of the two ones that we've the two that we have most. And but as far as the families, we're back to normal.

Nichole Stohler

Thanks for sharing that. I'm gonna throw another question out, just as you talked about the different types of travelers, and then as traffic has come back, and more people have stayed at a hotel. What? Now? If you were looking to buy a hotel, your criteria? What would it be coming out of COVID? Versus was it before?

Mike Stohler

Yeah, you know, that's the million dollar question. It's COVID has really, really changed our thinking on the type of hotels that we're going to either build or buy three COVID. If it looked good, why not, you know, we we buy him in, in any of the states near universities near it didn't matter. Now, what we've learned is Never before did I ever say, You know what, I want to make sure that the state that I'm going to have a hotel in isn't going to force me to shut down and make me go out of business. That was kind of the biggest realization. Second, we found out that we looked at analyzed, who was still working, and what was the lifeblood of the survival of the United States. And that was, you know, the hospitals, the truck drivers, you know, those, God bless him, you know, they were working overtime, throughout all

this. So, the way it changed is, truck driver parking is the central off of the major highways. But just outside of major cities. During COVID, nobody wanted to go into the large cities where there's 10s of millions of people all packed in there. Even if they were visiting in that city, they stayed 20 to 30 minutes outside with that. Major City. So we look at that. Smaller mid markets. The hotels that survived COVID Were the extended stays. In you know, more, a lot of them did survive, but the ones who did the best were extended stays, and limited service. And what I mean by limited service is what do the truck drivers need? What did the visiting nurses need, they need a place to sleep a good breakfast in the morning, free internet, and then they're off. No conference rooms, no restaurants, no bars, just a one, a simple Hotel. That really changed. And then lastly, we need more drivers. And what I mean by drivers and what drives someone to stay at a hotel. That is one of the biggest things. It used to be free COVID. Man, if you had a university hotel, you're killing it. Well, that is until people didn't go to school. And those those hotels collapse, because that was the only thing driving people to that hotel. So now we look at the minimum of three drivers. Why are they coming? It could be tourism, it could be truck driver parking, you know, it's near a major highway, it could be a event space. So we want more than one reason for people to go to the hotel in case one or two of those drivers shuts down.

Nichole Stohler

Thank you, thanks for going through all that. So a lot has happened with the hotel even then we're talking about kind of what happened through COVID. And then the next upcoming episode where we talk about the hotel update, talk about your decision and the process changing hotel brands, which we won't get into today. But maybe you can talk a little bit about the upcoming workshop in spring of 2023.

Mike Stohler

Yeah, what we've decided to do, I've had a lot of interaction with a lot of people throughout the United States. About how do you get into hotels, you know, my experience of having all this multifamily and then making the switch from multifamily into the hotels, what is the difference? Not just with the hotels but within the commercials and then owning a business and the difference now you know, you can get SBA loans just all the different types of stuff getting into syndications and funds. So what we're going to do is do a workshop here in Scottsdale or Phoenix Phoenix, in May. And it's going to be a couple of days. And I'm going to teach everyone and have a little mini get together. About how you do that. What did I learn? You so that you guys don't have to go through all the heartache that I did. We're gonna go from step one to step, however many on the transition to hotel ownership.

Nichole Stohler

Wonderful. Well, thanks for having me on to interview you about the hotel update and let everyone know what was happening during COVID.

Mike Stohler

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