



ScratchThat Podcast Episode 32: A New Lease on Life

Emily: Hey, I'm Emily Chenevert, advocacy nerd, Peloton enthusiast, wife, and mama to two and CEO of the Austin Board of REALTORS®. Every day, real estate is changing. So we're taking it to the experts to unpack major topics that you need to know about to be successful in this business. Scratch what you think you know about this business, and listen up for a fresh take on an old industry. Across the industry. We frequently talk about the MLS when it comes to residential properties, that's the obvious purpose of the system, but when it comes to rentals, there haven't been a lot of options for finding a complete and accurate database of rental listing's. That's where we enter rental beast. It's a company founded by Ishay Grinberg, who's worked in various facets of our industry before creating this company focused on perfecting its database to meet the needs of agents who want to generate more revenue from rentals. I want you to listen up to what's happening in the rental market. Now, if you have the right tools, it can make all the difference in perfecting your entry into the rental market. We started by talking a little bit about how COVID has impacted rentals and what's happening across the nation.

Ishay: Real estate is hyper-local and not all markets were created equal, but we have seen kind of a very big dip in April in demand when everybody was trying to figure out what's going on and what to do. And then may June, July, we kind of, May and June, specifically, we've seen a climb in demand and a lot of activity people were kind of moving around. I think in July, what the data shows, at least in the five markets we've tracked is that there is a little bit of a pause and depending on the market, that happens for different reasons. So, for example, Boston, where we're based, it's a heavy college town. So, a lot of the leases get signed for September 1st. A lot of the college students are, as it turns out, not going to be coming back to the city. And a lot of the students that can come back to the city, actually, we're seeing them taking a gap year just because they really want to experience college properly. So like to take it off. And I've heard that a lot. And that's impacting the rental market here, but kind of in the five markets we've looked at, I think it was Atlanta. And in Tampa, there is a little bit of a low, and we've kind of flattened out a little bit. And in July I do expect that to pick up though in the fall.

Emily: It's just interesting, you know, we think about COVID and in so many different facets in terms of the pandemics impact on housing, but to think now through, okay, what happens with the schools and how that impacts both rentals and residential and it's, you know, it's, it's the gift that keeps on giving in terms of, as we peel the layers back.

Ishay: You also have the financial stimulus with expiring a lot of talk, certainly in the media. And I don't know if that materialized in all the key rental markets about people into rent, the faults and the moratorium on evictions expiring. So I think people still now kind of want to see what is the government going to do? What does my job life look like? My professional life look like when the kids go back in school, do I need a three bedroom? Do I need a two bedroom? So, it kind of makes sense to me that they have been slower.

Emily: Interesting though, because that's the antithesis of what's happening in the resell market. The re-sell market is on fire to the extent that there is a capacity available of which, which is shrinking every day, but it is kind of, there's sort of a shift there where people are still willing to make those permanent investments, but they're just, there's an angst over maybe the rental market where there's more fluidity generally. Does that ring true for you?

Ishay: I think so. I think on the resale market, there's been just a lot of pent up demand. So if you're kind of dead set and you decided you're going to buy a place, you've been basically sitting and undecided for a little while. And, uh, and then once you go back into the market, there's so little supply in most markets, just not enough houses for sale, especially in that entry level. First time home buyer, uh, mid-market call it, I think there's a ton of an hour or a good month in the luxury side, but kind of everything else you're just competing and there a big bidding war. So, it doesn't surprise me that it's been pretty hot.

Emily: You have a background as an agent also as a working agent and broker side as well. Do you feel like agents miss the mark when it comes to the rental business? It seems like it's sort of an afterthought for so many of them, but there's a lot of money to be made and there's a lot of people to serve on that side of our business.

Ishay: Yeah, I honestly, I mean, first of all, I've always had rentals as part of my own personal portfolios and agent and as a managing broker. And I always felt that my job description, if there was one on the, on my signature on my business card would be, my job is to help people find a place to live. And if I am unable to help, 50, 60% of the population find a place to live, I'm really limiting my ability to expand my sphere. So, so that's always been my philosophy. I think it comes into an even bigger focus in the past few years and into the future because of all the demographic changes we're seeing on the sales side. So if you realize that the largest group of home buyers are these millennials and gen Z's, and they're going to be driving the sales business for the foreseeable future, you have to understand that same group of people represent 65% or so of the rental population. And that in general, the way they're made up is their, their propensity to rent is just significantly higher than any prior generation. So I think that everything from the MLS is to the brokerage to the individual agent level rentals are going to have to become an important pillar and part of the strategy. And it's really been my life's mission over the past 10 years or so to help agents take advantage of it. So I

don't know that I know if agents have missed the Mark. I just think that it's been very difficult for agents to take advantage and to properly help renters given the tools that existed or that exist in the world prior to, to kind of what we've we decided to do.

Emily: So for you, you're saying it's an issue of access. Have they been able to properly access that, that side of the market and do it so with tools that enable them to be successful? And so how, how has Rental Beast helping them be successful on that front?

Ishay: Well, in the most basic level, when you try and find somebody, a place to live, you have to figure out what's actually available for them, you know, just like on the sales side, right? Yeah.

Emily: In theory, that's a good way to start, but

Ishay: Yea it's a good way to start and that's the function of an MLS. So on the MLS, you have access to almost everything that's available to be purchased, but most MLS either don't cover rentals or have relatively a very small portion of the rental market available through them. So with rental beast has done over the past decade is build the rental MLS. So our goal is everywhere we exist, we try and gain access to a hundred percent of all the available rental inventory. And it's a monumental task.

Emily: Tedious I would think.

New Speaker: It's just very, very difficult to find all these small mom and pop landlords. I was just on the phone with a very big group in New York. And just even though it's a big city and it's a vertical market, you still have a ton of small owners that own a condo here and apartment there. And certainly in a market like Austin, a huge rental market a ton of smaller landlords, almost 80% of the inventories are in the hands of smaller property managers and owners. So finding all that inventory and then even harder than finding all those inventories, actually maintaining it. The big difference between for sale and for rent is that the for sale market properties tend to stay on the market for at least a day or two or week or month, um, on the rental market, sometimes it's counted in hours. So, uh, so it took us a while to figure out how to do that. And we've aggregated now nearly nine million of these properties and, uh, and on track to have 13 to 14 million properties by the end of this year. So that's, that's at the core of everything we do is finding access to the inventory and giving that access to agents.

Emily: So, what does it look like when you partner with MLSs to help allow access to the tools for agents in those markets? What, what, what is your inbred partnership like?

Ishay: I'll speak then specifically on MLS in general. So, when somebody wants to sell a home in Austin, for example, they don't sit there and think, should I, or shouldn't I put my property into the MLS. It's like a given, right? Like your property has to find its way into the MLS if you want it to be sold. And when we partner with an MLS, we, we effectively try and create the same ecosystem on the rental side. So if any rental inventory that exists out there, we want that to find that into the MLS. So how do you do that? So there's two distinct or three distinct integration points. Number one is how does listing,

how did listings, how does information flow into the MLS? I know that, um, the data dictionary on the sales side is something that's been talked a lot about over the past few years. The data dictionary on rentals is very different. So for example, on every rental property, you need to have a moving date because if you're working with a tenant that needs to move on September 1st, you only want to see properties that are available on the date. On the sales side, there's no concept of a moving date. Pets. If you buy a property, nobody cares. What that's you have if you're renting out every property in the country has very specific pet policy. We in the data report, you just mentioned, there are insane movements on rental concessions, almost daily. So landlords are offering everything from one to three free months, rent to perspective tenants, more important than all of that is the compensation that's being offered to agents on rentals. So when we integrate with the MLS this property, every time somebody wants to put in the listing, we capture the proper data dictionary from the get-go.

Ishay: And then the second part of the integration is the ability to search for these listings property. Again, search by that pet policy, search, by date availability, search by concession, search by amenities that they're special, the rentals of parking, parking terms and so on and so forth. And then the second thing that has to be unique in order to ingest all this data is you've got to have a value proposition to the community. That makes sense for them. You can't just say, Hey, you come put your stuff into the MLS. Why, why should I, right? So we've built an outgoing syndication engines. We're providing the community with tools like the ability to screen tenants, which is kind of how we started with embrace this. How do we make it easier for agents to actually close rental transactions? If they're already in that business quickly? I know there's a very sexy word now virtually without having to push paper around and produce a credit report. Background check eviction is three and make sure that the right information moves between the landlord agent and the tenant or tenants seamlessly while everybody stays compliant with the fair credit reporting act. Signing the lease online, conducting virtual tourings online.

Emily: You're really just modernizing the rental transaction from end to end. And that, to your point, you know, this has been possible before, but people haven't built out the tools to make it flow in that way in such a way that it's been accessible as that makes sense, the compliance issues on the, on the background checks and the, you know, managing tenant interactions too, has really grown complex. So I can imagine that managing a tool like yours requires a lot of oversight on that front as well. And some of that is market specific, is it not.

Ishay: Yeah, sometimes it's within markets. So Emirate happens to be in a state where in Cook County, which has only one County in the universe that they service there is different rules than the rest of that varies. So yeah, absolutely. It's very market space.

Emily: What do you think we're going to see on the investment front in the rental market? You know, I think as I'm thinking about people having watched their other investments just evolved so drastically through the recession, in reaction market's reaction to the pandemic, of course. Do you think that they're looking at housing as a different type of investment now, is it, do you think that we'll see a higher level of investment in rental housing?

Ishay: You're asking from an institutional investor level, or the mom and pop?

Emily: Uh, both give me both and tell me the differences between them.

Ishay: So the institutional investors have a lot of money on the sidelines and they're being very aggressive. So the only thing stopping somebody like, um, I don't know, Invitation Homes or Progressive, or, you know, all these big portfolios and Hearst is not the lack of capital. They have a lot of capital and they're ready to acquire there. They're probably suffering from the same thing. That's relational buyer is suffering from, which is, there's not a lot of supply, but they have all kinds of algorithms and computers and machine learning, looking and sifting through MLS and everything else that they can get their hands on to figure out is this property a house I can buy and make a good return on it, turn it and convert it into a rental single family rental. So they are very active and they will remain very active, I think because the demand curve, we still need, I think, 30 million new rental units by 2030, just to keep up with demand.

Emily: Yeah. The demand curve on both rental and rental is just insane. And that is the thing that keeps our markets chugging along. The scary thing too. When we look at the amount of capacity we have to serve it, you know, we're going to have to make bigger investments in providing for more capacity at some point. So let me ask you this question. You've been invested in rentals for a long time. What do you think are people's biggest misconceptions about being more involved in that aspect of the market?

Ishay: It's a pain. It takes a long time and you don't make a lot of money. All of these things are true unless you have the right tools. So it's true. If you don't have the inventory and you don't have tools to close these transactions or to generate leads or to vet leads, you're going to be spending a ton of money for very little return. However, if you do have access to all the right inventory and you can generate leads pretty easily and you can close transactions online, there is about \$12 billion in leasing commissions available annually to agents. You know, I know that our system was geared towards allowing an agent to literally sit at home, especially now during COVID and without even leaving their couch, be able to generate leads and close transactions and get paid commissions to me. If I had that tool, when I was starting out. That would've been a big deal. And the second thing I think agents need to realize if they don't already is that a lot of them think renters are renting because they can't afford, or they're not qualified to buy. And that hasn't been the case in a really long time. So the affluency of the rental population has grown tremendously over the past 10 years. And there is a study that I cite that some be a joint center for housing studies at Harvard 10 years study 20 to 2020. And we they've tracked about 160% increase in rental households making more than 150K, 26% increase in renters that are married, and almost a 40% increase in renters that they're over, over 30. And it goes through the, to the point of millennials are choosing to rent. It's not a default because they can't afford to buy. They're just making that choice. And a lot of them are on the fence and a lot of them are interested in buying about five of eight millennials. They're going to be buying in the next 36 months. So you need to tap into that in order to dove your network, you don't have to build your sphere of influence. And these are highly qualified buyers instead of buying them when you're competing against thousands of agents, when they're ready to buy, build the

relationship with them when they're renting and get paid a rental commission. I mean, that's, that's what we're trying to facilitate.

Emily: Yeah, I do. I think you're speaking to the agent as an advisor and an advisor that sticks with that consumer over the lifetime of their other needs, which is, is it appropriate space for agents to be in. And I think when they think of themselves that way, they think of themselves as finding the house in whatever shape or form it comes in, the there'll be served well in terms of the business that, that generates for them. Well, thank you so much for hanging out with me today. It's fun to hear what Rental Beast is doing. Your tool is very impressive. I know that it's going to help enable access to the rental market for agents that use it properly. So thanks for hanging out and for doing what you're doing.

Ishay: Thank you. Thank you.

Emily: Thanks for tuning in. Like what you hear, let's continue this conversation. Give us some love by leaving us a review on iTunes and let your friends know about this show by sharing this episode on social media. You can also follow along and tag me @EmChenevert. That's E M Chenevert. Until next time.