

Joseph Edgar of TenantCloud

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode. Interested in learning more about investing in startups, launching a new startup need to raise funding to start funding espresso as a daily podcast and a short, concise format delivered to your inbox every day Monday through Friday, the time it takes to drink an espresso and to learn about startup funding to subscribe to and put your email into the Pop-Up Box.

Speaker2: [00:00:44] Well, hello, this is Hall Martin with the Investor Connect them here. Joe Edgar, founder of TenantCloud. TenantCloud is a cloud based property management system which allows you to manage up to 75 units for free, accept and manage rental applications, store accounting, collect and track rent, manage visual maintenance requests, get a personal listing website and much more. Joe, thank you for joining us.

Speaker3: [00:01:05] My pleasure. Thanks for having me.

Speaker2: [00:01:07] So what was your background before founding Tenet Cloud?

Speaker3: [00:01:10] Oh, I mean, I did have a bit of a real estate background. I bought my first investment property. I was about 14, grew up in southern Oregon on a little reservation. And so, you know, my father swung a hammer and my mother was a janitor and they had 13 kids. So we were the labor force. So I definitely got my hands dirty in the real estate space. Everything from, you know, fixing toilets to building foundations, the electrical roofing to, you know, mopping floors and, you know, have you around the state. So I definitely did that and went to school and really came into it from the venture capital. So as I went to school, I ended up at Texas with Governor Perry. And at the time, I'm sure you remember the Texas Technology Fund. So that was manager of the governor's office. And so I and then solely with the mission to kill that fund, which ended up running a few funds out of the governor's office before he put that thing to bed. And then around that time, the President Obama had created another program where we didn't have any rules. And so that allowed me kind of a white paper, if you will, to create something very new. And that was in the venture capital space. And so just doing that and being

part of venture capital and trying to manage a lot while I had rentals, you know, I stumbled upon this this problem that exists in the marketplace.

Speaker2: [00:02:34] So what led you to start work on this particular problem?

Speaker3: [00:02:38] I was really doing my MBA in New York and I had properties at that time, mostly in Oregon, but here in Texas and some in southern Utah and Arizona area. And in just trying to balance all of them. I mean, it's really hard to travel and see all these properties. And to you know, I as I moved around, I left Oregon. I moved all my properties to a property management company. So that's pretty normal to have a property manager. You know, they'll charge you 50 percent when they place a tenant or a hundred percent of first month's rent and they place a tenant and then anywhere between 30 to 50 percent of gross rents. And then they'll mark up any maintenance they do, you know, 10 to 20 percent. So it's pretty standard. It's everywhere out there. So in cities that I couldn't be, then that's what I'd use. I'd use a property manager, but I was in school. I got snagged in a couple of problems where we had that kind of fire, the property managers. And doing that, I had to find a way to manage them while still going to school and doing a lot of other things. And so just having that issue, I'm like, man, I can't be the only one that has this. And so as I looked into the problem, I was very aware with the top property management software solutions that were there available for property management companies, but nothing really for me that's kind of like a DIY into thinking myself was, you know, just a pariah or an outlier. I didn't think too much of it until I dug in and I found out there are 15 million people just like me. And it's one of the largest SMEs in the country, not to mention the world. They managed 23 million rentals and they have 63 million tenants. And so that's really what ultimately said I got I got to dig more into this because I'm not the only one with this problem.

Speaker2: [00:04:29] Right. So what's your advice for people investing in this space? What do you tell them to do before they write that first check?

Speaker3: [00:04:35] I mean, what's nice about this space is everybody in one way or another touches real estate. So it is one where, you know, after 2008, there is sort of a slap in the face whiplash where nobody wanted to even hear the word real estate. Nonetheless, write a check to a startup that was trying to do tech for real estate. But everybody had touched real estate.

And so what's nice among all the other technologies that are out there, this is one that a lot of people do, a lot of people relate to. So especially on on this now that it's hot and out there. But I do just tell any investors who are looking, you know, definitely venture out, learn, learn what the company is doing, and you'll find really fast how you can do it and, you know, get in there and support them by even if you're only going to write a small check, definitely get involved in the early phases.

Speaker2: [00:05:26] Well, let's talk about the state of the sector itself, how is the industry evolving post covid where is it going from here?

Speaker3: [00:05:33] Yeah, I'm covered. Really helped the industry as a whole for real estate tech. And mostly it's because, you know, a lot of people, like I said, they were avoiding it for a long time. And then when your entire platform is to design, to help landlords be remote, when Kovel happen, they have to be remote and all sudden you're there to solve that problem. So, you know, a lot of people went online that would have taken many years and real estate was one of the slowest to adapt technology. And so that really moved them into kind of a technology platform. And so it's been really good on on that front. And you're going to see it move more and more. I mean, like I said, back in twenty eighteen, it got hit really hard. So there was no such thing as real estate tech when we started. And so that was the early part of 2015. We kind of came up with the idea and we didn't really launched it at 16. And, you know, in those times, if you were doing anything in real estate, you were really just, you know, out there without industry specific, you had to really kind of explain it to every investor. And then, you know, 2018, you start to see a couple of groups come out looking for things.

Speaker3: [00:06:49] A lot of those were from you already real Page and Zillow acquisitions where there was some interest started to spark them by twenty, nineteen and twenty is really when these funds just start popping up. And so you had this real estate tech term and property tech, you know, realized. And so that's really helped the industry, if you will, as a whole, just because now there are investors, there are people who focus just on it and they are realizing just how big it is. Real estate touches everything. There's different types. You know, you have commercial, industrial, residential, you have apartment, condo related retail. Those are just the different segments. And then you break those into and you have, you know, smart devices. You have materials that you're going to buy. You have supply chains, you have contractor issues.

Then you have all the money that goes in and out of all those transactions. So you have transactions. And then any time there's real estate, there's contracts everywhere. So you got legal platforms processing and then you just have a lot of people. So then you have these management tools. So those are all just different segments that are in and around, you know, the industry and real estate.

Speaker2: [00:07:55] And so how is it growing? Coming out of committee appears to be doing quite well. But do you have any numbers?

Speaker3: [00:08:01] Yeah, I don't know what what numbers I can give you. I can really give you just specific about 10 cards by the closest thing we can do. We had in twenty eighteen we brought on a great partner, Keller Williams. Really it was led by Gary Keller, the founder of Keller Williams know he was both an investor and we worked with him to kind of build some software. And so that was great. And during the startup covid, we kind of had ended our direct relationship as we finished the software we were doing for them and we handed that over. So that was for us. Our first time to go stand out all on our own without a big partner contract or anything like that. And, you know, so in twenty eighteen we did about million in revenue. 2019, we did just under three million. And then last year we closed at over six million. And then, you know, we've just been going from that to this year. We're probably going to push around the twelve million mark. And so it is definitely help educate those. What's been fortunate, very fortunate about our company is we really haven't raised that much money. A lot of that is because, you know, we've been savvy, but it's cost savings is directly related to our marketing. We don't do much marketing. We've been very fortunate and how that grows. And so, you know, as an industry, as a whole, to kind of get to that point where there's a name that exists out there that's that's growing fast enough is a lot in regards to, you know, eyeballs looking for it. It's it's always good to be a product where people are looking for it because it saves you on marketing costs.

Speaker2: [00:09:39] So where are the challenges in the space today?

Speaker3: [00:09:43] You know that that's still a challenge. Even to say we have a lot of users coming in. There's still the challenge of the catch, you know, the cost of acquiring a customer. It's very fragmented market for 15 million of them, less than a million right now use a software

solution. And so that's definitely one still getting out there. You know, you want to be a visible above all your competitors. But as a market, we really want to just, you know, knock out of the park. And there are still some challenges there to get in front of the users. There's also the challenge. Our space is fairly new as a fintech, you know, industry, if you will. And when I say that, I mean, you know this you know, our competitive space, we are specifically focused on this. Single family rentals, assistance all of our competitors, that's really our sweet spot. And so when you say property management software, there's those that are after the multifamily, which is already real page, hopefully a building. And then there are those who are just after the single family rentals. And we're a much smaller group just because it is a fragmented DIY space and payments. And a lot of the stuff is just so brandnew, we've had to invent that entire market. And so, you know, in doing that kind of payment, you can see a company like ours, it doesn't take long to be doing over a billion dollars in payments.

Speaker3: [00:11:01] And so when you move that kind of money in those large transactions versus an e-commerce site that maybe sells 20, 30 dollars a user, you know, our average is twelve hundred dollars because it's rent. And so we deal with the tremendous amount of fraud. And you really have to build those tools in because there aren't other companies out there able to help you. And so I know we've even talked about this and you put together a conference or we talked about this in the back in the past, which just about the fraud that exists in this and that we've really had to be our entire space as far as our competitors, we actually all got together. And I think you were I remember how you were part of that. So we tried to get it together at one time to even see if we could leverage a platform. And that didn't end up working out. But we did get together to kind of share on best practices and fraudulent bad actors and just ways that we could address, you know, fraud. Just leading an industry that's definitely another hurdle is its cost to acquire customer and then just being able to lead in and, you know, manage the amount of fraud that's in this industry.

Speaker2: [00:12:10] So so how does a cloud fit into the overall landscape? You talked about some of the other competitors, but can you describe it in more detail about where you fit in the landscape and what exactly you do that's different?

Speaker3: [00:12:21] Yeah, sure. So do you have a little sense of the landscape that is out there? There aren't. There aren't many of us left. It has been a wild ride on the deeper financing side

over the last 12 months. But, you know, we had a competitor on the West Coast that raised 20 million Kotsay there really just do background checks and they help you list property. So if you are looking for a tenant, then it's great. You can put your property on the site listed and that would, you know, send it out to lots of syndicating partners like Zillow or Realtor dot com or apartness and get it out there and then help you find a tenant. And then when the tenants and application get church background check. So that is our service that's out there that was really cozy. They raised 20. Then you come in and you have a tenant. They've raised about 10 million. And they were they do basically the same thing. They just you know, we're a little slower to put some of it together, but they've now raised some funds to kind of put that together. And then you go in a little farther into Salt Lake, you had Rentschler and Rentschler was doing the same exact thing they just had on top of it that they would list the properties on their own site as well. So they had their own listing service. And then you go into Chicago and they would do that and then also have some basic payments and they can go on top there and some lease agreements. And then you go down to us and Texas and what we were is a full end solution.

Speaker3: [00:13:49] And so not only do we do everything I just talked about by our competitors, but we have a tenant, a service professional and owner. If it's a property manager and then a property manager or a landlord portal's, each one's unique and different. There's a native app for both iOS and Android. And not only do we allow them to sign their lease agreement to look for rentals, to find each other, to communicate, to send maintenance requests with a picture and a video, you know, but then by networking them all together, we make the accounting automated by automating accounting. It means if you're a DIY landlord, you may get something from your tenant you hit, oh, find a pro and you can find lots of service professionals. Scheduling the tenant in the service professional are now going to talk to each other. You can have access to all the communication, but they're not going to bother you. They're going to figure out the best time. They're going to fix it and send you an invoice. Tenant shows a picture you fixed. You pay it right there. And you don't have to keep track of any of that accounting at the end of the year. You want your schedule to hit a button. It produces a schedule for you. And then the tenant, you know, they set up a lease, they sign it and automatically invoices them every month, Pantages all the late fees automatically to having a solution that is full and and really helps make parental accounting and management easy is really important.

Speaker3: [00:15:06] That's been where we kind of differentiate ourselves. And so there's product that is out there that's very different. But where we really stand different is all of our competitors have raised at least ten million. We've only raised about two. We have break even about twelve months ago and we've been net positive ever since then. And it's really about how we go after our customers. We have a very unique cycle of how we bring our customers and offerings and how we bring them different leads and really to lower the cost of bringing a customer. But what's even bigger in that market is now Kotsay got acquired by co-star in the is almost gone. So that happened about a year and a half ago. A veil just got acquired by realtor Dotcom. Sarkozy's was at about 11 x multiple on revenue of bail, was just over 12 X, and that was just at the end of last year. And so there aren't many. And then we acquired rentals for about two years ago. And so now they're actually just two of us left in this small, fragmented space. And so you can imagine what's been going on. You know, it's been crazy, offers private equity firms coming everywhere. So we're about to close a new round of financing of which we're going to be wrapped into. It is another acquisition of ours that should close this Friday, but put the whole transaction at well over 110 million. But but that's kind of the changes that have happened kind of in our industry segment

Speaker2: [00:16:40] Was great selling. You're doing quite well with it. And congratulations on that the last few months that we have here. Well, should we cover that? We haven't.

Speaker3: [00:16:49] I think there is definitely some interesting things happening in the market that are worth noting that I write in Forbes, I write a monthly piece in there, and I just barely publish that one. And fun pieces are just what's happening in single family rentals as a whole. I mean, the industry is just going crazy. I started off saying, I live in Austin 10 years ago. I moved into this and all the houses were around two hundred fifty thousand dollars and we thought that was outrageous at the time. And our neighbor just sold their house at a million at forty thousand dollars over asking in four days. The market is crazy and that's happening everywhere. So single family rentals are huge. And then with that, you know, Freddie Mac put out an analysis that they say there's about three point eight million home shortage in the market right now. And so it's probably not going to be any time soon that you see those prices go down and the cost of building is only going up. So, you know, it's just a great time to be in and around, know DIY single family rentals. It's just going to hold strong. And then on the other side, you see the market change for venture capital. I know when you change interest rates, private equity firms,

because they partially use debt, they adapt faster than venture capital, which don't use any debt.

Speaker3: [00:18:08] They just raise funds. And so they're a little more lagged. But what's unique is, I think, you know, back in my day, I helped with U.S. Treasury when they came out with the BCI, which is a venture capital program that was a total of one point five billion for all 50 states. And they have recently just refunded that. So this is part of the last round of funding that came out of the White House. And this one is slated 10 billion for venture capital. So as much as you see prices on startups that are focused on the real estate space increased by large multiples, you see single family rentals themselves actually increased by vast multiples. But now you see there's quite a bit of funding to take us into the future. And so it is you know, it's out there. There will be a tremendous amount of growth in real estate tax and, you know, real estate itself and all around, that is just going to be substantial. It's kind of an interesting segment to watch and it definitely will be interesting over the next couple of years.

Speaker2: [00:19:08] It's a great place to be. Sound like everything is bright for the future there. How best for listeners to get back in touch with you?

Speaker3: [00:19:15] Yeah, you're going to find me. I'm on Twitter so easily a direct message mean respond pretty fast, but pretty accessible

Speaker2: [00:19:23] Right there in the show notes. I want to thank you for joining us today and headed back for a follow up soon.

Speaker3: [00:19:29] That's on.

Speaker1: [00:19:34] Investor Connect helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at Investor Connect, Doug. Alti Martin is the director of investor Canek, which is a 523 non-profit dedicated to the education of investors for early stage funding. All opinions expressed by Hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.

