

# Turnkey rental properties investment



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A type of rental property that many first-time or younger investors like to try their hand at is a turnkey rental. The term “turnkey” describes any product, property or otherwise, that is ready for the consumer immediately after the time of purchase. When the term is used to describe real estate investments, it’s meant that the investor buys, fixes up, and sells or rents the property through a third party, usually from a distance. The goal is to make the whole process as simple as possible, so all that has to be done is “turning a key”.

### Turnkey Companies

There are many different turnkey real estate providers all over the country, and not all of them operate the same way. Some providers will buy a property, fix it up, rent it out, and then sell it to you. However, for the purposes of this book, that’s not the kind we’re going to talk about. We’re focused on using turnkey providers to find properties to rent. Some companies will do everything for you, while some will have you do the heavy lifting if there is rehab work that needs to be done, so it’s important to know going in what method your company will be using, and what will be expected of you.

### Benefits to turnkey investing

While flipping houses and wholesaling are great options for real estate investing, some investors prefer turnkey investments because it affords them several benefits over doing it all yourself.

*Distance* : The most obvious benefit that many investors reap from turnkey investments is the ability to invest in a property from a distance, without

having to live in the area. It's not always easy to be a landlord, and the challenges that come with that are often made even more difficult when you live several thousand miles away from the property. Many people who live on either coast, or even are located outside the United States, rely on turnkey companies to invest in great markets, like the Midwest, where cash flow tends to be highest.

*Insight into the market:* Another reason many investors prefer to use turnkey companies over doing everything themselves is that a good turnkey company will know their market, likely far better than an outsider could. As a lone investor, you might be able to do some research into the area and learn about things like crime reports, school system ratings, and price ranges, but those are all just naked numbers without knowledge of the heart of the area, something that good turnkey companies have. They know how the people of an area think and feel about that area: which blocks are popular and why, which area of town is better than another. They'll know what kind of reputations certain businesses and neighborhoods have, and they'll be aware of shifts in the local economy. This kind of knowledge is generally limited to long-time locals of an area, which a good turnkey company should be.

*Skilled marketers:* Since good turnkey companies might buy, sell, and rent dozens or hundreds of homes and properties per month, they have a lot of experience in marketing those properties, and many more resources than a single investor may have on their own. As well as having many resources, their resources are also varied, and they may use things like radio ads, television ads, billboards, and more, to help drive interested and motivated

tenants and sellers to their business. Because of their experience and resources, they may be able to find better deals than you could, as well as be able to get tenants faster than you could.

*Experience managing properties:* Most people, real estate investors included, are not good managers. However, if you work with a turnkey company, you have someone to help with this. Turnkey companies are generally pretty experienced in dealing with contractors during rehab and general maintenance, as well as tenants. Their experience often allows them to make better decisions than someone lacking that experience would make, as well as cut down on the learning curve experienced by a new investor/manager.

*Professional, helpful staff:* Unless you'd like to take care of all of the rehab, maintenance and upkeep, and administrative duties that come with being a property manager, a turnkey provider can help. They usually have in-house staff to take care of things like a broken toilet, to answer the phones, and to sign leases with new tenants. If they don't have in-house staff, they will work closely with vendors to provide these services.

*Keeping it simple:* The final benefit to turnkey investing could be said to be one of the most important: simplicity. No matter which turnkey company you invest with, they all have the same goal: to make the investment easier for you. If you invest in a property on your own, you have to take care of all of the moving parts yourself, which many investors find to be overwhelming. The ideal turnkey company seeks to make the investment simple for you, so all you have to do is receive and write checks. It is for this reason alone that many investors have turned to turnkey investing.

## Downsides to turnkey investing

While there are many benefits to investing in turnkey rental properties, there are also downsides, and these are the reasons why many investors stay away from turnkey investments. It's important to be aware of possible downsides and pitfalls of any investment you're thinking of making, and this is no different when considering whether to invest in a turnkey rental property. Here are the two main downsides to turnkey investing:

*Trust is required:* This is possibly the greatest risk when you choose to invest in a turnkey rental property. You must place a great deal of trust in the provider. Turnkey investors are, as I mentioned earlier in the chapter, generally located far from their investment property. Therefore they must place a great deal of trust in their turnkey company, trusting them to choose a property that will yield a profit, in a desirable location, and find a reliable tenant, as well as manage that tenant. The turnkey company will get paid regardless of whether or not you, as the investor, make any profit off of the property, so it's a great deal of trust that you place in one of these companies to make you money. It is very easy for a turnkey provider to take advantage of an out-of-town investor who is unfamiliar with the area, convincing them to invest in a property in a bad location. There have been many stories told by investors where that situation happened to them, and the property ended up being what's referred to as a "pig in lipstick", one that seemed fine but immediately after investing began to cost the investor a lot of money in repairs and other issues.

*Finances:* The second downside to turnkey rentals is another great risk: that of money. A turnkey company is a business just like any other, and the driving force behind any business is to make money. They have to in order to stay operable, and they will do this several ways. Turnkey companies will often buy properties at a nice discount, and then turn around and sell the investment to you at a higher rate, essentially flipping the property to you, for a high price. After that, they make yet more money by managing the property for you. This is the catch to turnkey properties. You can't have the simplicity of this kind of investing without paying a premium for it. Either you have simplicity, or you pay less and deal with complications yourself, but either way you pay, whether it's in money or your time. Turnkey companies operate on the idea that people want to simplify their investments, and make a profit off of that desire. That said, as I mentioned before, turnkey companies are very good at marketing, and are very often able to find incredible deals in their area, so even if they're going to make a great profit when they sell the investment to you, you're still often getting a very good deal.

Keep in mind important details

Turnkey investing can be a great option for investors who wish to have a more hands-free investment, those who are located in more expensive markets where they may be unable to find good investments for their budgets, and newer investors who would like some help with the particulars and complications that come along with real estate investing. Turnkey companies have great resources for investors. However, it is very important to be a smart investor. Experts suggest that, even though turnkey investing

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is a great option for those who are located far away from the property, prospective investors should go check out the property in person, even if that means flying across the country, so that they know what they're investing in.

It's also advisable to know your property manager well. As an investor, you'll be putting a lot of trust into the turnkey company, so it's important that you're on the same page. Some helpful and important things to ask your property manager are:

“ How much experience does your company have?”

“ What fees does your company charge?”

“ How long, on average, does it take your company to find tenants for new properties?”

“ Will your company provide statements each month so I can keep track of expenses and income?”

“ What are your company's weaknesses?”

“ How well do you know the area?”

Generally, turnkey rental properties are a great form of real estate investing for those investors without the time, interest, or ability to personally renovate and maintain real estate investments. The most important thing to remember about turnkey investments is to do your research and know what you're getting into, and not be blinded by the possible benefits to this kind of investment.

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