

Turn-Key Properties, LLC

5614 Raytown Road, Raytown MO 64133

Phone 816.313.8876
Fax 816.313.8877

e-mail: turnkeyproperties@sbcglobal.net

www.turnkeyproperties.org

BUT, MY HOUSE IS REALLY NICE. WHY DO YOU SAY THE RENT IS TOO HIGH?

The price a unit will rent for has much more to do with the **available tenants** and the **income** of those tenants, than it does the home, itself.

Yes, if there are two homes sitting next to each other and both priced the same, the nicer one will rent first, but you can have a million dollar house that every available tenant would love to rent, but if they don't have the income to pay the rent, they can't rent it.

In some areas, only lower income tenants want to live there. It may be due to the crime rate, appearance of the neighborhood in general or other factors, but there are areas that lower income tenants remain in, because the rents are lower. When they earn more income, they move into higher priced areas.

We have learned from experience, if the rent is more than 35% of a tenant's gross income, they will not be able to pay the rent consistently and will fall behind. Most of the tenants we see in lower income areas are single moms with children. Their income is rarely over \$10. per hour and usually less.....\$7. per hour is quite common.

At \$9. per hour, they only qualify for \$504. per month in rent. They cannot rent a \$700. per month house and still have enough money left over for food, clothing, transportation, entertainment, Christmas and Birthday presents and most of the time, the entertainment and presents get purchased before the rent gets paid.

For a tenant to qualify for \$700., they need to make about \$13. per hour. To qualify for \$800., they need to earn about \$15. per hour. For many areas, that is a high income and we don't see many applications with that much income. It's just a fact.

“But why did I get more rent when the tenant moved in two years ago?”

The market has drastically changed since then. In the past two years, there were so many “first time home buyer” programs and “no money down” programs that anyone who had a decent job and wanted to purchase a home, could and did. The national home ownership percentage went from in the 40%'s to approximately 74%. That effectively took about 50% of the renters off the rental market! The rental market completely changed within the past two years. We are left with the lower income tenants and tenants with no credit or terrible credit.

Yes, there are still a few tenants who earn more income and want to live in the area your rental is in, but they are far and few between. If you want to let your house sit vacant and wait for that tenant to come along, it may happen, but it might not, either.

You may lose much more money waiting for more rent than accepting less rent and having a good, low income tenant stay for a long time. For example, if you go ahead and rent your unit for \$550. now instead of waiting four months for that tenant that can pay \$750., you have lost money. In the same year's time, you will earn \$6,600. renting the unit for \$550., where your rent income for the same year, after waiting the four months for \$750., would only be \$6,000.

In addition, leaving the unit sit vacant, increases your chances of break-ins, theft of plumbing, air conditioners, furnaces, etc. Many insurance companies will not insure rental units that sit vacant. Your chances of a huge loss are much greater with a vacant unit than an occupied one.

“Well, you don't really care about the rent, you just want to get it rented.”

We are in the same boat you are....we will do the same amount of work to earn 10% of \$500. that we do to earn 10% of \$800. We would MUCH rather get the \$800. rent! But 0 is 0, no matter how you look at it. We know the market VERY well and our predictions are about 99% correct. We see it over and over again! It's your choice, but you need to make the decision based on reality of the market.