

## Turnkey F.A.Q.

### How does Turnkey differ from a typical real estate transaction?

Your experience with Turnkey will begin like any other Real Estate transaction, with our licensed in-house Realtor drafting a contract on a standard Arkansas or Tennessee Real Estate form. That's where "normal" ends and "unique" begins! Each Turnkey client will work with a transition coordinator to assist with all aspects of the transaction. We'll do all the heavy lifting and walk you through the entire process from contract to closing, ensuring a seamless experience.

In most typical real estate transactions, the buyer and seller goals are not aligned. At Turnkey, our buyers and sellers share the same goals—complete client satisfaction and the development of beneficial long-term relationships with professional real estate investors.

### What are the advantages of working with Turnkey Properties vs. a Realtor?

There are many advantages to working with us! One significant benefit is how quickly the transaction process moves with us. A Realtor will generally need to make several offers to finally get a property under contract. Once under contract, many of these deals fall apart during inspection because the seller was unwilling to complete the repairs that would position the property for success. This leads to a lot of wasted time!

Our goal is to reduce a client's risk and provide a faster, more efficient transaction through our Turnkey Process. This includes:

- Turnkey inventory to help you start or grow your real estate portfolio more quickly
- Project Managers
- Transaction Coordinators
- In-House Property Management
- Portfolio Managers
- Leasing Agents
- In-House Realtors dedicated to the investor market

The Turnkey business model is dedicated to a lasting customer experience that begins with the initial transaction and continues over the years through property management. We will work with you to correct most items on your inspection report, provide maintenance warranty and tenant placement guarantees, a 100% commitment to the investor market, and better data on the rental market through our Property Management company. **We are here for you for as long as you need us.**

## What other advantages are there in buying through Turnkey?

- First resident placement fee waived.
- Property warranties mean you won't be hit with high maintenance costs throughout the year.
- An initial tenant placement warranty helps you avoid a struggle right out of the gate.
- Realtors work off a fee, so if they don't sell, they don't get paid. They will push to close in most cases, which may not always be in your best interest. We sell only inventory that we own or have owned, so there's no pressure to close quickly.
- Our relationship with sold properties doesn't end when the transaction is complete. Instead, there is ongoing accountability through property management.

## How long have you been in business?

Turnkey Properties has been selling to investors since 2009. We attribute this success to our excellent customer service! We run this business with our client's best interests in mind and stand by our product. We're also business savvy and dedicated to a long-term vision that is easily adaptable to meet market changes. Between both markets, we manage over 2,000 homes for our clients. This includes approximately 500 investors from all over the US, Canada, Japan, New Zealand, Australia, China, and France.

## Are you locally owned?

Yes, we have offices located in Memphis, TN and Little Rock, AR. In fact, we were the first Turnkey provider to expand into the Little Rock market in 2013! We take pride in being innovators of this market and setting an investor standard that others have followed since then. You can trust us to represent your local interests—our President Alex Craig resides in Memphis, and two of our GPs are lifelong Little Rock residents.

## What types of properties do you sell?

We currently have a total of three property types to offer investors: our flagship full-turnkey renovation properties, rent-ready properties, and re-sell properties. For details about our rent-ready properties, click [HERE](#). For information on our re-sell properties, click [HERE](#).

## What is your company's strategy?

Turnkey seeks to provide real estate investments to investors looking to build and grow real estate portfolios with single and multi-family properties in Memphis, TN, and Little Rock, AR. Our business model has all multiple systems in place to make this process happen quickly, smoothly, and with far less effort than it would take for an individual to build their own team.

## **Why do you have two markets?**

When Turnkey first came onto the scene in Memphis, our investors would reach out to us, develop a relationship with our team, then purchase all their investment properties with us in one market. This made sense at the time because real estate prices were at the bottom, regardless of the area. As the housing market recovered and prices gradually rose, investors became more strategic with their acquisitions by spreading their portfolios across several markets. This allowed a real estate portfolio to be more risk-adverse since a downturn in one market wouldn't affect the entire portfolio. Adding Little Rock made sense for us, as a family connection in real estate made it easy to get started. Being in multiple markets allows us to be a "2 Markets 1 Team" company for multi-market investors.

## **What are the similarities and differences in the two markets?**

There are a lot of similarities between our two markets. Both are landlord-friendly, and there is a growing demand for quality rentals. Entry points and rent ratios are comparable.

Memphis is about 3x the size of Little Rock, with a logistics- and warehouse-driven economy. We've seen several companies relocate to the Memphis Metro Area in the last few years due to their PILOT (payment in lieu of taxes) programs. Most recently, Ford Motors decided to build their electric F-150 there! As the state capital of Arkansas, Little Rock is home to many government careers. It is also the hub of all significant health care in the state of Arkansas, creating thousands of jobs. Both cities are deeply blue-collar in nature, which is excellent for the rental property market.

## **Do you have in-house management?**

Yes, we offer in-house management in both Memphis and Little Rock.

## **Do you own your rentals?**

We absolutely own our rentals! We began acquiring homes in 2007, and have continued to build our real estate portfolio over the years. Between the owners and individuals on our team, we own well over 200 homes in Memphis and Little Rock.

## **Do I need to visit the markets and meet the team before proceeding?**

This is entirely up to you. We've built such a solid reputation that most of our clients do not visit us before proceeding with their transaction, but if you'd like to, we welcome you! We'd love to introduce you to the team, give you a tour of the area you're interested in, and let you take a look at some of our current and finished projects. We recommend setting aside about four hours to spend with us on your first visit. In most cases, you'll find better flight options coming into Memphis. Many investors will fly into Memphis, tour the area, then make the two-hour drive to our Little Rock office the following day.

## **Do you have preferred lenders? Is an investor required to use those lenders?**

We've taken special care to vet our lenders, who specialize in investor loans and provide our clients with unmatched customer service. Our chosen lenders routinely work with local market investors to ensure the most qualified appraisers are on their list, eliminating less qualified appraisers and creating an on-time close. That being said, you are not obligated to use our preferred lenders. Keep in mind, however, that if the contract does not close on time because of an out-of-network lender delay, our holding cost will increase and we will charge the first tenant placement.

## **What areas do you target?**

We target areas where there is rental demand in neighborhoods people *want* to live in. Neighborhoods where people *have* to live are often driven by low rents and unfortunately tend to come with a higher crime rate. If your goal is cash flow through rental income, this simple strategy works.

## **Are these areas class A, B, or C?**

We buy in all of these class areas and do not endorse one over the other, as sustainable cash flow for our investors can be achieved with any class of property. It comes down to individual preference, but classes B and C tend to rent faster, while class A will usually have a more highly qualified tenant. Exit strategies also to be easier with Class A because this property class does better when put on the open market. Class C is more likely to be bought by investors, which means your sales price will be affected by rates: the higher the rates are, the lower the cap rate will be, thus reducing your sales price. Class B tends to fall in the middle. An owner-occupant sale is certainly possible, but it may take longer. Investors love the price point of class B, but rates do affect the value. Most investors on our team have a mix of each class in our portfolio.

## **Will a tenant be in place upon transfer of ownership?**

Not always, but it's highly likely. If we have not received a reservation fee within 60 days post-sell, we will pay your mortgage through one lump-sum payment until a reservation fee is collected. Once the reservation fee has been collected, your income stream will immediately kick in.

## **Can I order a property inspection?**

We'll be happy to facilitate this for you! In a typical real estate transaction where buyer and seller goals are not aligned, negotiating repairs can be stressful. Sometimes it will even kill the deal! Turnkey is different. When we receive your inspection report, we will fix on average 90% of the items on the report. The integrity of our Turnkey model requires that your property is positioned for success upon selling.

## Why would a renovated property have a repair list from an inspection report?

Many of the homes we acquire more often are forgotten or neglected in very poor condition. During our renovation, we identify the items in need of repair and go through our normal renovation spec with a lengthy checklist. However, our Project Managers and renovation crews can sometimes miss things. Inspectors are very detailed in their observations, which is good for all parties in the transaction. When an inspector adds items to our list, it positions your property for success and helps ensure a smooth tenant experience. That's a winning proposition all around!

## With a thorough renovation and inspection, will there be maintenance issues?

Checklists, buyer's inspection reports, and renovation are all completed when a property is vacant. It is possible that additional repair items will crop up once a tenant has moved into the home and starts living in it. This is where your Property Warranty comes in handy! This warranty is signed by all parties during the transaction process. Click [HERE](#) to see what it includes.

## What happens if an appraisal comes in low?

As a Turnkey provider, our objective is to minimize your risk when purchasing real estate. One of the ways we do this is through a quality renovation that includes a substantial number of repairs and updates to the property. **These may not be reflected in the appraiser's opinion of value.**

Today's competitive market forces buyers to pay more to acquire inventory. There is also an increase in material cost and labor. This means our all-in cost may exceed the appraiser's opinion of value. To accomplish our stated objective and position our investors for success, the expectation is for contracts to close by bringing in no more than 10% over the appraiser's stated opinion of value.

Before each sale, we will provide the closer with comparable sales that justify our opinion of value. We can use those comps to appeal the appraisal, but more often than not, appraisers do not like being proven wrong by property sellers.

## What items do you address during your renovations?

As of June 2022, our average renovation is \$42,000. Our goal with renovations is to position the home for success with both the investor *and* the tenant. Homes that have been renovated well lead to better cash flow since there is less maintenance and vacancy involved.

In general, our renovations include:

- replacing CapEx items that are on the backend of their lifespan, such as hot water tanks, furnaces, A/C units, roofs, etc.
- placing vinyl plank flooring in high-traffic areas
- new light fixtures
- ceiling fans
- fresh paint
- exterior improvements to create curb appeal
- plumbing
- electrical repairs and updates

Kitchens will typically be updated with new countertops, refreshed or new cabinets, the replacement of non-functioning appliances, brush nickel hardware, and chrome faucets.

Updated bathrooms will typically include a new or updated shower surround, new or updated vanity, chrome faucets, a new showerhead, and updated hardware.

Deferred maintenance items such as trees hanging over the home, fences, and irrigation issues will also be addressed during a Turnkey renovation.

### **Are sewer lines part of your renovation process?**

Yes. Many of the homes we acquire were built before 1965 and have sewer lines that were mostly constructed with terracotta pipes. These sometimes deteriorate over the years due to root intrusion. Where this has occurred, we will have a plumber run a camera to inspect the sewer line. If the results show failure in any area, we will replace the sewer line with PVC and a cleanout.

### **Do you provide appliances to your residents?**

We provide a dishwasher to most homes, with an exception made for smaller homes that were not originally plumbed for a dishwasher. In higher-rent homes, we may provide a range. We will rarely provide a refrigerator for single-family homes, which is the norm in our market.

### **Can you assist with asset protection?**

We can refer you to a local attorney's office to set up an LLC. They generally charge around \$750 for this service. If you want to go in this direction and save money, the set-up process is not difficult and we can point you in the right direction. The annual fee for an LLC is \$300 in Tennessee and \$150 in Arkansas.

### **How much earnest money is required?**

\$2,500. Our contracts are contingent on the inspection and appraisal coming in within 10% of the purchase price. Your earnest money will be held in an escrow account in an attorney's office.

## How do I get started? When do you push out properties?

If you are reading this, you've already taken the first step! You can set up a consultation call with us via the link sent to you in the opt-in reply. Once this call is complete, you'll be added to our Thursday email list. Some clients prefer to follow us for a while before moving forward. Whenever you feel comfortable moving forward with us, submit a lender pre-approval letter to our in-house Realtor if using financing or a proof of funds if paying cash. This will place you on our Tuesday email list. When the email comes out, simply reply with the property you wish to reserve! Reserving a property is *not* an obligation to buy. This is simply an opportunity for you to review the sales offering and ask any questions you may have.

## How many homes do you sell in a week?

We sell 4-5 homes in a week. They go fast! The best way to score a property is to pay cash and refinance down the road, but we understand this may not be feasible if you're just beginning to build a portfolio. Most of our investors utilize financing, with about 25% of clients using the "cash and refinance down the road" strategy.

## Do you accept offers that are less than the list price?

No. Our properties are not available on the open market, but marketed to our internal list and current clients. Accepting less than list price would lower home values in that specific neighborhood, which is the opposite of what we want to do. Our goal is to build neighborhoods **up**, which means selling a house for what it is worth.