



Get Real Podcast Episode: 062

## *What Does A Turnkey Property Really Mean?*

Host: Ron Phillips

*Welcome to the Get Real Podcast your high octane, boosted in the trenches, tell it like it is reality therapy for personal, business, and real estate investing success with your hosts, powerpreneurs Angela Thomas and Ron Phillips. It's time to get real.*

Ron: Hey, everybody, welcome back to the Get Real podcast. I'm your host, Ron Phillips here with Heather Marchant. And how you doing, Heather? Great. Thank you. I may rant a little bit today. I'm ready. Bring it on. It's been at least a week. I mean, I gave it a rest for a week. Today's topic.

Heather: You're friends with Ron on Facebook. You'll understand where a lot of these rants come from.

Ron: I don't know. I used to have this thing called Ron's rants and I stopped doing it. So I like to be more positive. This podcast has turned into that on occasion I do rant just a tiny little bit. But before we get to the topic, you can find us at [getrealestatesuccess.com](http://getrealestatesuccess.com). Please share us with your friends, enemies too. I don't care with everybody. Right? Don't keep us the secret. You can find our other company, RPCapital at [RPCInvest.com](http://RPCInvest.com). We would love to talk to you. There's a chat feature on our site. There's a phone number you can call us. We're pretty easy to get ahold of. We'd love to talk to you. And we love feedback. Matter of fact, the last three episodes, we've done specific things because of feedback that we've gotten from you. So if you keep it coming and it's easy giving us some feedback, just give it to us.

Heather: Reach out to us on our website or on the net.

Ron: All right. So let's get into this. I'm not even sure how to really start this. Just start with that. I absolutely loathe what we're gonna talk about today. Like not hate, loathe, which I think is worse than hate. I should have looked up.

Heather: Loathe, define loathe, man. This comes up pretty often because it's so it's a common term in our industry. And what I told Ron, as I said, it means different things to different people. It's a tricky word when you have a loaded word and it's thrown around.

Ron: I don't even know who came up with this stupid word. That's a good point. We should just go. I started doing this and I started helping other people buy rental properties in 2005, in 2005 through like through the crash. This word didn't it was never around. Nobody said it. And then I don't know when it came up, but I didn't get a vote on this word at all. It just like took over the Internet. Kind of a viral non sensation or bad sensation, I guess, as it should be.

Ron: Yeah, the term is turnkey. Now, I may have said this before, but I've never dedicated an entire episode to the term turnkey, but somebody really pissed me off last week. Or was it this week? Yeah, it pissed me off. And I texted Ashley and I said Ashley you need to add this to the podcast episode.

Ron: We are gonna talk about turnkey and we're gonna get real about it because it pisses me off.

Heather: Yeah, it's we. We just had a client who canceled a purchase because it wasn't turnkey enough.

Ron: I think like the process. The process wasn't turnkey enough. Like what? What do I have to do? Show up at your house and sign the freaking documents for you? I mean, seriously, what do I have to do? Do I have to sign the insurance document as Ron Phillips for you. Why don't we just be partners at that point?

Ron: I'll do the whole thing. We should do that. Unfreaking believable. I'm telling you what, I don't know whether it's the Internet that makes people so lazy and stupid, but something has changed where people just have no, I don't even know what the right term is. I don't know what the right term and what I'm gonna say something that's probably going to offend someone out there if I if I keep going. I have to like to take a breath every now and again, turn key is the worst possible term you could use for an investment property that exists. Period, end of story.

Heather: And I think if our listeners if you sit and think about it like what does turnkey mean? Right.

Ron: Like what? That you should ask. Yeah. I actually looked it up today. I actually looked it up today. Tell us, what does it mean? Miriam Webster says that turn key. There's two definitions. One's an adjective and one is a noun. And I think I'm going to like the noun. I mean, this is a turnkey property. That is a noun. Right. I mean, if I'm selling turn keys, then it's a noun. Am I right? Heather? Yes, that's correct.

Heather: That's how people use the word.

Ron: OK. So Diane and I are now the only noun definition that there is on. Merriam Webster's is one who has charge of prison keys, which is apropos, I think. Heather? Yeah, that's true. It's too perfect to really out the adjective, which would actually be the appropriate definition. And if we're going to use the term it would be a turn key house, then it's an adjective to the house. We don't sell turn keys. Gosh. The definition of a term key is built, supplied or installed complete and ready to operate. That's what it means.

Heather: Yeah. Ready? Ready? Or someone to operate it.

Ron: Operate, right? Yeah. Okay. So let's go back to the definitions. Go back to this person really quick who shall remain nameless and God bless you if you listen to the show. But take something away from this. If this is you and you're listening to the show, we may get a hate comment if we do, I guess we'll know it's you, right? If the definition we just read is correct. Built, supplied, right, completed. Ready to operate. That means that necessarily you have to do what with it? Operate it. There you go. There you go. Key, key part. It's not it's not a one and done. It's not buy it and forget it. That's not how this works. It is an investment property. Properties require that you do things right. Even the one you live in. Let's think about the one that you live in really quickly. Right. Because when you moved into it, if it was new construction or something like that, it was, quote, turn key, right? It was turnkey. You moved into it and you didn't have to like find a water supply for your house. But you did have to call the water company and turn your freaking water on, didn't you?

Heather: Yeah. And maybe install window coverings. You know, if it's your new construction primary residence.

Ron: OK. So I loathe this term so much that I just had an audit done of my Web site and it was on there one time. And I just asked my team to remove it. We're removing it from everything everywhere we go. Years ago, when this got really popular, Heather, I actually started saying it even though I kind of was like puking a little bit in my mouth as I was doing it. I would say it because people understood what I did at that point. Right, that I sold rental properties. Yes. And I don't know who invented the word they should be flogged, but whoever it was, this thing went viral and then everybody started using it. And sometimes people like, what do you do? And I'm like, Well, I help my clients buy rental properties. Oh, you do turnkey. And I'm like, yeah. And then I go, Oh, no, that's not what I do.

Heather: Yeah. I find the biggest problem again is that it means different things to different people. I have clients that literally think that that means that we take care of everything and they do nothing, you know, during the process, after the process, that there is nothing they need to do.

Ron: They're like they're like, yeah, so where do I give you my money? No, that's not the way it works. Isn't the way the world is. Not the way. That's a REIT. Yeah. Baby will be better served to just invest in a reach. Yeah, but we rent a real estate investment trust for those who are not in the know as a real estate investment trust, which is just like a stock. But fact, just put your money in there that that is where these people should live. They should live there. Nothing wrong with that. Yeah, but let's not get frustrated about a turnkey process when the process really. We do a lot for our clients. I mean a lot. There is a ton of work that has done prior to even a property coming online and then certainly a ton of work and help that is done to get a property across the finish line to where they would then take it over and operate it. As per the definition. But that doesn't mean that you don't have to do things yourself. That's not what that means, right?

Heather: I think it's doing a disservice to tell people that it's hands off like that and offer guarantees because it can set an inappropriate expectation that long term, that's how it's supposed to go. And it can put them in a position where they're just negligent in the way that they operate their property. So I've had a lot of examples of that with clients who didn't really who just thought it was turnkey despite our education. And I have to reeducate them periodically. I had a client actually a week ago say he had a vacancy for six months. And I said I said, Have you not called your property manager. Well I didn't know I was supposed to. You've got to be kidding. I said, I guess, you know, you have the vacancy, so that's good. But I said, I'm gonna email the property manager and I'm going to copy you. So you know what questions to ask. They said, well, I mean, I know they're marketing it. I said, OK, well, that's good, too, but, that you know they're marketing it. And so I reached out and I said, how many showings are you having? What's happening with the property? What is the feedback from the potential tenants? What are they saying when they don't want to rent it? Why? And is there any incentives that have been tried? All of those things I emailed and copied him and I said, I'm just going to mentor you a little bit here on what to do and how and what questions to ask. And folks we're happy to do that.

Ron: So you don't get my rant wrong. Yes. The thing that irritates me and pissed me off about this one person is that turnkey does not mean that you don't have to operate it. Yes, it's perfectly acceptable like this. I got this cool little microphone, by the way. Heather, it came. This is the one we're gonna use for testimonials here locally. And it's a really cool little microphone saying, plug it right in your iPhone. And it is really awesome sound quality. I tried it yesterday. It's a silly thing, though. I got this and it was turnkey and I plugged it into my phone and the damn thing didn't work. And I'm like, well, they must've sent me a broken one. That's funny. So what did I do at that point? Stick it back in the case and go, oh, oh, well, it doesn't work. No, I actually I looked for some directions first, which, you know, guys usually get accused of not doing. But I did.

Because it didn't work. Nailed it. Yes. So then I couldn't find in the stupid directions that were mostly in Chinese or something, I could not figure out how to operate this thing. So what did I do? I turned to YouTube and I said I'd just look this thing up and I'll be doggone there was a guy on there and he said, you need an app. Operate your microphone on your phone. I download the app. Well, it works like a champ. Now I know how to operate it. So when I want to go operate it. But I had to seek out some of that information. Now, every one of our clients knows we have tons of information. We're happy to help. Right. So when someone calls and asks for help, we don't make fun of them. We help them. That's what we do. Yeah, but if you're an idiot and you don't call for help. And then when you do call, you're pissed off because you didn't even bother to see if your stupid microphone worked because you didn't check your statements and noticed that your rent wasn't coming in and you didn't answer the phone when the property manager called and you didn't bother to check your email and make sure that the email the property manager sent. You didn't say you have a vacancy and we need to do repairs to your house so that we can actually put a new tenant in there. I don't know how to help you if you know, if you think that everything's just gonna happen naturally and you don't have to do anything because we certainly didn't teach you that.

Heather: Yeah. Yeah, exactly. I don't think you just place blame when you're you know, if you're following that turnkey idea, it's always somebody else's fault when something goes wrong instead of taking responsibility for your investment.

Ron: And so I like the term investment property because A, that's really what it is. It's an investment property. It's an investment, which means it's not guaranteed. B, it's a property which everybody who owns a property who's ever lived in a property knows that properties require something. Something. Right. Or someone like the property manager. You have to actually communicate with them. Everybody knows that. Yeah. Right now, like this particular client you're talking about, you may not know the appropriate answers to ask them if your property's been vacant for 30 days and it hasn't rented, but you damn sure knew it was vacant. The first 30 days and the second 30 days and the third 30 days. Why don't you reach out to the instruction manual and ask what the heck? Like, how do I fix this? How do I fix it? Not how do you guys fix it? How do I fix it? It's my microphone. I didn't like it's my responsibility. Figure out how the thing works or if it doesn't work. If it doesn't work, then I can take it back and I can say, hey, sure, you sent me a bogus microphone. This thing doesn't work. Right?

Heather: And to be fair, turnkey, I think the reason the term came out about maybe I don't know, but is that it can be really easy. I mean, I have I have three rental properties that are just running themselves. They go vacant. They get leased. And I haven't really had to do a lot. Do I know when they're vacant and do I follow up with my property

manager? Definitely. But overall, they really killed it. And I have had I've been able to be passively involved. So I think that's where the notion came from. But that doesn't mean that I'm off the hook when there's a problem that I don't have to do anything right.

Ron: And it certainly doesn't mean that when you're going through the process that you that you don't have to do anything right. And you can get frustrated with the fact that the bank asks you for everything, including your first born. Like there's nothing I can do about that. That's just how the lending industry is. They're gonna ask you for a DNA sample and maybe one of your kids. That's just the way it works, right?

Heather: It's to get really cheap financing.

Ron: You can always pay cash if you don't where you go, right? If you want to pay cash. Then the thing will be super easy and you want to do anything. Except get some insurance. But I still can't get your insurance for you. I can line up the very best pricing. And we have a master insurance policy and you can't find insurance cheaper than what we can get insurance. Okay. Any idea it was you? I don't even charge for that. Yeah, I just I have it because we buy a ton of properties. I have this and I think, oh, my clients are probably really like this. And for a dude to get pissed off because he has to actually call the insurance company to get this ridiculous low cheap insurance and has to sign up for it as a part of the process. That kind of thing pisses me off, right? Yeah. So it's not turnkey to the point where you just give someone money and then everything magically happens. That's not the way investment property works. And I do believe that there are some people out there in this space that use the word turnkey inappropriately. They use it. And then when people go to another company that sells investment properties, they think that it should operate like this company over here where they guaranteed me the entire world and basically did everything for me. Well, that's not the way investment properties work. Know, when I buy an apartment building, nobody buys my insurance for me. Craziest thing. Nobody does that. Nobody contacts the management company and signs the management contract for me.

Heather: So I think I think in our role, we're just constantly educating our clients and helping them understand how it works. We do hand-hold and make sure, like Ron said, they get it. They get a quote. They don't even just get the contact information for insurance. They get an actual quote. All they have to do is reply to the e-mail and say, yes, please.

Ron: So it is really easy. And for that, I think the term would apply turnkey. But the part that gets left off from all of that, from a lot of these companies is the whole operate piece. You do have to operate your property. All right. And so we do a ton of this for people. But I'm done using the word turnkey. So after today, it's not going to be a part of my lexicon anymore. That will not happen. It's off my site. It's off of everything. When

people ask me. Oh, you do turnkey. I must say very emphatically. No, I do not do turnkey. I sell investment properties. That's what we do here. We help people buy investment properties. And I'm gonna go on. Maybe I should have like you should go on some kind of a rampage of eliminating the word turnkey. It's a horrible term.

Heather: What we should do is we should. If anyone knows where it came from. Like legitimately has a source. I'll send you a gift card. Who knows what it is?

Ron: Oh, I like it. I like it. And I'm going to now go buy [stopturnkey.com](http://stopturnkey.com). And I'm gonna I'm going to go on a bender stopping the word turnkey from being used. Or maybe, I should just go trademark it and then I can just sue everybody that's using turnkey and we can just eliminate it. That's a great idea, though. Great. So great. Except for there will be a douche move like that other guy. Who did we buy houses? Yeah, don't get me started on that guy. That guy got sued and he lost. And now everybody can do it. And you know, thanks to the people who are involved in making that happen, you should have him on the show and talk about that madness. Oh yeah, that would be a good topic. Krisher is a really that was a really crazy thing. Yeah, that's a whole different, a whole different concept, but I should have him on because that would be really cool to talk about how that actually went down. That was a very expensive thing that one man did for the industry as a whole. And he doesn't get enough credit for it. It was really cool of him to do it. So, yeah.

Heather: And if you have anyone else you want us to interview, let us know, too.

Ron: Yeah. Yeah. Or any other topics. So if you don't want your rant about turnkey anymore, then give us some other topics to give us some other topics you could talk about. I have plenty of them actually. This one slipped into a big list because somebody pissed me off this week and that does happen occasionally. Usually though, like last week, we were giving out really good information. This week was an a dull, drawn moment. So hopefully you guys got something out of it. If you own, "rental properties", just understand that you are responsible for operating them. Even if someone called them this other term that we no longer use on this show. That's right. All right. If you enjoy our show, man, leave us a five star review and an actual review. We would really appreciate it. Nothing will help us and the show more than for you guys to do that and just share it with everybody and tell us what you like. I want to know. Yeah. And then give us some give us some feedback. We really actually we take it into consideration and we, as you've heard in the last three shows, we actually will include it in our show. So. All right. Thanks, everybody, until next week. See you. Yeah.

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