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From: KRS Holdings <ltaylor@krsholdings.com>
Sent: Thursday, May 28, 2015 2:03 PM
To: harry@tbdriehmond.com
Subject: Why Top Dollar May Not be the Best Dollar

Residential Investor Connection

KRS | HOLDINGS

Property Management & Advisory

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KRS Holdings, Inc.

KRS Holdings, Inc. has specialized in property management since 1990. Our guiding principle has always been to maximize

MAY 2015

Dear Valued Friend,

KRS Holdings delivers successful property management based on simple math: Add value to your assets; subtract unnecessary expenses.

For over a decade, KRS Holdings has used this equation to improve the bottom line for our residential real estate investor clients in Central Virginia.

We are frequently asked for continuing guidance in navigating the shoals of property management. This [*Residential Investor Connection*](#) is an extended answer to those requests. Our intent is to share timely information that proves valuable to our clients - single and multi-family real property owners and lenders - as well as our industry friends and referral resources.

The focus for this month's issue is a Lesson from Goldilocks on Pricing Rent. It's all about not leaving any money on the table ... without pricing yourself out of the

the value of our clients' residential assets, while we minimize their time commitment. To accomplish this vision, we've developed proprietary systems that typically increase the value of the properties we manage.

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KRS Holdings has successfully applied this equation for hundreds of property owners to thousands of rental units for more than a decade.

Property Management Solutions

- Rentals
- Operations

market.

Certainly, I strongly encourage your comments and suggestions to increase the value of the [Residential Investor Connection](#). I promise to review each and every submission and respond promptly.

Sincerely,
Kyle R. Stephenson, CEO



P.S. Feel free to forward this newsletter to anyone you think might find it useful.

TOP DOLLAR MAY NOT BE THE BEST DOLLAR Or, a Lesson from Goldilocks on Pricing Rent

Word Count: 864

Reading Time: 3.5 minutes

If Goldilocks was a residential real estate investor, the story may have gone like this.

Goldilocks was faced with deciding how to price her rental unit.

She got out her calculator and came up with a number. "This number is too high!" She exclaimed.

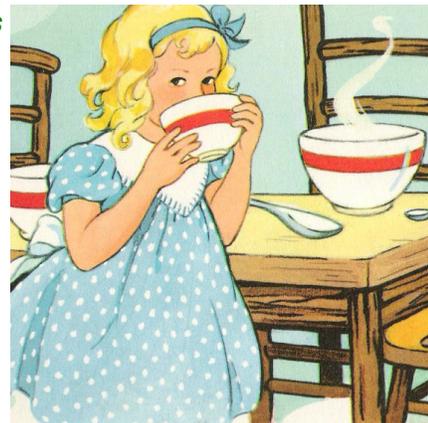
So, she daintily (but diligently) pecked away at her calculator keys and concluded, "This number is too low!"

Then she researched some more and declared, "Ahhh, this number is just right!" And the amount of the rent was decided.

The Art & Science of Pricing

Pricing your rental unit is as much art as science. In this article we'll examine both sides of that equation to come up with a formula or checklist-for-success to maximize ROI, and minimize leaving money on the table.

Before we tackle pricing strategies and tactics (what you



- Accounting
- Maintenance

want to gain), let's examine what you want to avoid. That can be summed up in a question: How many months of missed rent can you afford and still enjoy a profitable investment?

Assuming you have a mortgage to pay, it's likely that any vacancy lasting more than a couple of months will essentially cost you a full year's profit on your rental. This being the reality, skilled property managers seek to fill vacant rentals within 30 to 60 days.



Five Tips on Pricing

Erin Eberlin is a Landlords & Property Investments Expert. In an article she wrote for about.com, she offers five excellent tips for setting the right rent. Here are Eberlin's five tips and some of her commentary along with additional resource material that we have included and acknowledged. [click here for article](#)

1. Desirability of the Unit

Erin cautions to "not set a standard price for all one bedrooms or set a standard difference in price between one bedrooms and two bedrooms ... unless the units are exactly identical." Her reasoning is that prospective tenants will determine the slightest difference as a determinant of one unit being superior to the other.

The answer: Charge different rents based on the perceived desirability of the unit. Other elements of desirability may include view, updates, amenities and square footage.

2. Competition

Know your market. That means what are current rents for comparable units. Some ways to research:

- Craigs List
- Local realtors
- Newspaper and online ads
- Other landlords
- Call phone numbers on "For Rent" signs

3. Price to Attract Tenants

Tenants will be repelled by a rent set too high ... or too low. Priced too high and your unit is perceived as not in keeping with the competition. Priced too low and your rental property is viewed as somehow being inferior.

4. Market Demand

Eberlin writes, "The basic rule of thumb is, when there is greater demand for your particular unit, you can charge higher rent. When there is less demand, you may have to

lower the rent to attract tenants."

5. ROI Erin Eberlin notes that "many property owners ... do not see an actual profit until they sell their property or until they have owned the proper long term. ... if the unit is not benefitting you in some way each month, you have not set the right rent. Minimally, the rent should cover your mortgage payment, maintenance and repairs and vacancy costs."

Many residential rental real estate investors also add property taxes and insurance to the above minimum budget considerations.

Professional organizations such as the [Institute of Real Estate Management](#) have more information on the income and expenses that come with different kinds of property.



New on the Scene - Dynamic Pricing

Increasingly, dynamic pricing software is being adopted by landlords and property managers to decide rents based on real-time supply and demand. In an article published in CNNMoney author, Les Christie, compares it to a Priceline.com for landlords. When demand is high, the software signals to ask for higher rent on vacant apartments. When demand drops, it advises lower rates. [Click here for article](#)

The added benefits are:

- Objective rather than emotional pricing
- Sets rents efficiently
- Reduced vacancy rates
- Lease renewal management
- Compliance with the Fair Housing Act

According to Andrew Rains, president of the multifamily division at Rainmaker Group, dynamic pricing is now used to determine the rent for some 5 million apartments. That is about 30% of rentals handled by professional managers, up from 10% just a few years ago.



Now let's take a look at a pricing strategy to maximize rental income and minimize turnover as published in [Financial Samurai](#) . The author's premise is, "I hate turnover and I don't know many tenants who enjoy the process of moving either." The answer is to offer a pricing incentive based on duration.

A pricing incentive based on duration is to entice a tenant to stay for a second year or more. That encouragement is in the form of a discounted rent in the second and subsequent renewal years clearly set out at the time of the lease signing.

As stated in the article, this "pricing strategy drastically increases the probability of the tenant staying for more than one year because not having to move AND getting a price decrease is too attractive a proposition to pass up."

Finally, be sure to prepare your property to rent. For some helpful tips, read last month's article on that topic. [Click here to read](#)

So, armed with the foregoing ... do your homework, seek helpful resources, price objectively, spruce up your property ... and don't be greedy.

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