

# UNDERSTANDING RENTALS



Renting homes in a community is a great option for infill and can help fill vacant sites in a community faster than home sales. It's important to understand the dynamics of renting homes for success in a property. Keep the below items in mind when exploring home rentals.

- ✓ Consider ordering a home with home specs/options that are more durable and will require less repair/replacement such as fiberglass bathtubs, flooring, faucets, etc. For items that will need to be replaced frequently (such as carpet), investing in a premium product does not provide a benefit when ordering the home so it's a better option to keep the costs low for those type of options.
- ✓ To increase the chances of selling a rental home to a tenant, order homes that are standard over a unique home. If the space size allows, a 3 bedroom / 2 bath is the best option. Unique or highly customized homes can reduce the desirability and limit home sales.
- ✓ The rental payment on a home should be set at a premium compared to what the same home payment would be on the home if a customer purchases it.
- ✓ Regular repair and maintenance of the home is an expected expense for the community operator. Performing regular inspections of the interior and exterior of the home should be conducted to address any concerns or necessary repairs to keep the home in good condition and minimize the chance of needing a major repair.
- ✓ For any rental home, property insurance and taxes are the responsibility of the community operator that owns the home.
- ✓ The community operator needs to register the home with the appropriate agency for assessing property taxes.
- ✓ Cleaning and refurbishing the home when the home turns will be necessary before a new occupant can move in. The rental income received on the home should provide sufficient margin to allow for costs such as refurb and turning the home.
- ✓ The operator needs to track and manage the status of all home inventory.
- ✓ To purchase new homes at wholesale cost from a manufactured home building facility, the state requires a manufactured home retailer's license. Many states also require this license in order to title a new home into the operator's entity even if renting is the intended purpose. Research your state's laws for specific requirements.



**Have Questions?**

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