

When Your Clients Want to *Sell* Their *Rental* Houses

Many times over the years I have been notified by clients of their intention to sell their occupied rental homes. Ideally for the owner, the house is kept occupied all of the way up to the closing date resulting in the best scenario for the seller. The owner collects rent until closing and no turnover or fix-up costs are incurred. From a bottom line standpoint, this arrangement is very beneficial to the owner. But how can it be accomplished?

Obviously, if the tenant wants to buy and is qualified, then the only task at hand is to get the parties together on price. Sometimes this can be a challenge, but with my company, I give my client/owner a big break on the commission since I am not splitting the commission nor am I paying for any marketing costs. By reducing the owner's selling costs, it is easier to get the two together on price. A major benefit to this arrangement is that the challenge of getting the renters to cooperate in the marketing of the owner's rental house to others is eliminated.

Let's assume for a moment that the occupants do not want to purchase the home. This presents a challenge especially if the goal is to keep the renters in place until the property is sold. To first make that determination I always conduct an inspection of the property primarily to check if it will be feasible to market the home while the renters are still occupying. If the house is too cluttered or the housekeeping is such that one of your teenage kids would be turned off, then by all means wait until you have gotten possession and have already done your make-ready work until you begin your marketing. If the renters keep the house in showable condition then it just becomes a matter of motivating them to cooperate.

Motivating existing tenants in a rental house to cooperate during the marketing process can usually be accomplished in one of the following two ways:

Option One

Agree to pay them a sale success fee. In the event that the house is sold and subsequently closed during the period that they occupied the house then agree to pay them a moving allowance or a sale success bonus. I have paid bonuses of \$500.00 and \$1,000.00 in the past. Obviously your owner has to agree to such an arrangement.

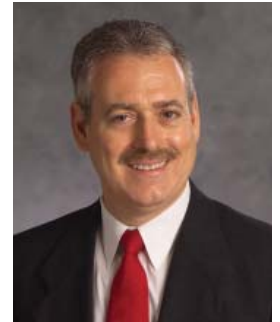
Option Two

Offer to reduce their rent during the marketing period so long as they agree to cooperate in the showing of the house and in keeping it looking nice. This can be a pretty good deal for both parties so long as the residents buy into the arrangement. I usually put in the showing agreement that they agree to make it available for showing with a four-hour notice.

If the lease still has a number of months to run then there are more challenges at hand. Most people buying a single-family home intend to occupy it on or near the closing date. If the lease doesn't expire for some time then the ability to sell the property may be impeded, unless an agreement is reached with the resident to move out sooner than the expiration date in the event of a sale. The resident may be happy to be released early so don't hesitate to ask. But again you may be able to work a deal to keep them in the house for a lower rent until such time that possession is needed.

If it is known at the time of the lease or lease renewal signing that the owner is going to want to sell the property, then the lease can be scheduled to expire near the best time of the year to market the property to avoid the timing problem.

Selling rental houses for clients can significantly add revenue to the bottom line of your company. There is no better way to lose a management account than with a sale commission. Knowing the dynamics in advance can make the transaction less stressful and more rewarding to all parties involved. 🏠



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