

Just in Time: A Breakthrough in 'Rent-to-Own' for Those Who Can't Buy Now

It's not uncommon for us to get a phone call or drop-in from someone who would like to buy but who might not be in a position to do so at this time. They are looking for a rental, and for that we refer them to trusted companies that specialize in rentals. Sometimes the caller or visitor will inquire about rent-to-own, but we explain that it is nearly impossible to find a seller in this market who would consider rent-to-own when they can sell now for top dollar.

REAL ESTATE TODAY



By **JIM SMITH, Realtor®**

I'm happy to announce a breakthrough. Last week our office was presented with a new business model that could fill this gap in the real estate market. The way it works is this: we submit the prospect's name to a company which, upon approving the person as a tenant, agrees to purchase a house, which that pre-approved tenant can rent.

Once approved, the prospect goes on the company's website which contains all the MLS listings (subject to company approval) that qualify for this program. The homes can range in price from \$100,000 to \$550,000. Only townhomes and single family homes qualify for this program -- condos do not.

If you've looked online for rentals, you are familiar with the limited inventory of rental homes.

The fact that the sellers and listing agents of the qualified MLS listings are offering their homes for sale, not for rent, doesn't matter. If a prospective tenant finds a for-sale home they'd like to rent, our partner company can offer a lease for that home which states what the rent will be for the next five

years, and which also provides a pre-determined purchase price for that home over the same 5-year period.

Let's say you find a \$500,000 home you'd like to rent. If you click on that listing, you'll find the following grid of rental and purchase prices:

	<u>Rent</u>	<u>Estimated Purchase Price</u>
Year 1	\$3,320	\$544,890
Year 2	\$3,440	\$572,140
Year 3	\$3,570	\$600,740
Year 4	\$3,700	\$630,780
Year 5	\$3,840	\$662,320

As you might expect, these figures are subject to adjustment, since (1) the listed price may not be the final sale price, (2) the home may need renovation work, and (3) there may be other costs associated with purchasing and owning the property. These and other conditions are spelled out in the lease agreement that is signed by the prospective tenant.

At that point, we represent the rent-to-own company in negotiating a purchase of the identified property. To the seller and to us as a buyer's agent, it's an ordinary transaction by an investor. In this case, however, the investor has already identified a qualified tenant for the property.

Although the **landlord** is bound by the specified rents and purchase prices for five years, the **tenant** is only locked into a one-year renewable lease and can choose to purchase the home at any time. They can also choose to **not** renew the lease and simply walk away.

This flexibility will be particularly attractive, I expect, to people relocating to our area who may be **able** to buy immediately, but don't want to lock them-

selves into purchasing the first home they find. They can rent a home they **think** they might want to buy, then buy another house after the first 1-year lease period is up. They can also opt to exercise their option to buy the house for a pre-determined price — an increase over what their landlord paid for it.

At right is how an MLS listing appears when displayed on the company's website, showing the listing price on the right and the estimated initial rent on the left.



Although the prospective tenant is not our client — the landlord is — we set up showings for that tenant just like we would for any buyer. When the tenant identifies the home they're interested in, we tell the company and together we go about buying the property so that tenant can rent it.

If you or someone you know can't (or doesn't want to) buy at this time, have them call any Golden Real Estate agent at 303-302-3636 or send an email to info@GoldenRealEstate.com.

Lions Dedicate Park Gazebo

Last Saturday, the Lions Club of Golden dedicated to "All Golden Veterans" a gazebo it funded for the city's Vanover Park. This is the 5th gazebo that the club has provided for city parks. Visit www.GoldenLionsClub.org for more info about the club, or call Lion Jim Smith at 303-525-1851.



What Is an 'Escalation Clause' and How Should Sellers Respond to One?

In our competitive seller's market where a listing might attract five, ten or more competing offers, submitted contracts often include something called an "escalation clause."

An escalation clause is an additional provision worded something like this: "In the event Seller receives a competing contract with a purchase price, net of concessions, in excess of the Purchase Price in this Contract, Buyer agrees to increase the Purchase Price of this Contract to \$1,000 in excess of the purchase price of said competing contract, up to a maximum of \$_____." I have seen contracts offering as much as \$5,000 over a competing contract.

Two things you need to know about this strategy. Most importantly, the seller is completely free to ignore the escalation clause and does not even have to accept the best offer. Secondly, when it's you submitting the contract with an escalation clause, I recommend **not** inserting a maximum price. That makes it more likely you'll receive a call from the seller's agent telling you what that higher offer is.

Black Hawk Mountain Home Just Listed by Chuck Brown



\$385,000

Ready to leave the city and move to the mountains? Be sure take a look at this 2,200-sq.-ft. 3-bedroom, 3-bathroom ranch-style home at 199 Lake Front Dr. in Black Hawk. This home is about 3.5 miles north of the casinos and within walking distance of Gilpin's K-12 public school, with quick access to Hwy 119. This home features 1-level open concept living space with spectacular southeastern views of the foothills and snow-capped peaks. Beneath the living area is an oversized 2-car attached garage, laundry room and storage room. Enjoy the wonderful Gilpin County services, low property taxes (only \$487 in 2017) and mountain lifestyle. You can see more photos and take a narrated video tour of this home at www.BlackHawkHome.info. There will be an **open house on Saturday April 28th, 11am to 1pm**. Call your agent or **Chuck Brown** at 303-885-7855 for a private showing.



Get this column in your inbox every Thursday!
Send your request to Jim@GoldenRealEstate.com.

Jim Smith

Broker/Owner

Golden Real Estate, Inc.

CALL OR TEXT: 303-525-1851

OFFICE PHONE: 303-302-3636

EMAIL: Jim@GoldenRealEstate.com

WEBSITE: www.GoldenRealEstate.com

ARCHIVES: www.JimSmithColumns.com

17695 South Golden Road, Golden 80401

