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. 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 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.

Although the prospective tenant is not our client — the landlord is — we submit their name to a company which, upon company approval, agrees to purchase the home at any time. They can only lock into a one-year renewable lease and can opt to exercise their option to 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.

To the seller and to us as a buyer’s agent, it’s an extraordinary transaction by an investor. In this case, the investor has already identified a qualified tenant for the property.

Although the landlord is bound by the specified rent 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 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 themselves 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.

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 wording 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.

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.

Black Hawk Mountain Home Just Listed by Chuck Brown

Ready to leave the city and move to the mountains? Be sure to 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.