

Orlando Investment Properties

Selling a Property with a Tenant

2nd Quarter 2009

Property owners face a tricky situation when they want to sell a property but still maintain rental income. No one likes losing income, but keeping a tenant in the property while the property is for sale requires careful consideration.

Review the Sales Market

It is important to evaluate the Real Estate sales market first. Ask yourself these important questions.

- Is it a buyer's or seller's market?
- Additionally, what are the interest rates and the availability of financing for potential buyers?
- Are properties selling where your property is located?
- Is this a good property for investors?
- Will your property attract buyers in this current market?

In a "hot" seller's market, there are fewer properties and more buyers. Therefore, in a fast-paced seller's market, it may be better to vacate the tenant, put the property in the best possible condition, and sell as quickly as possible. If the sales market is reasonable, the best alternative may still be to vacate the property and put all efforts into selling the unit. However, with the current market, keeping a tenant in

the property under the right conditions may be a way to put the property up for sale and maintain a more solvent financial situation, particularly if keeping the tenant in a property that is more likely to attract investors.

Analyze the Current Tenancy

Before deciding to sell with the tenant in the property, it is very important to check the rental agreement. If it is a lease soon to expire or it is a month-to-month agreement, then you will be able to give notice to the tenant when you sell. If it is still a long-term lease, then you may want to reconsider selling or investigate if you can sell it to another investor.

It may be that the tenant is a prospect for buying your rental property. If so, have a professional determine if this is realistic, if they truly have the purchasing power, and that they complete this evaluation in a timely manner. If they cannot buy the residence, move on to determining whether it is worth keeping the tenant in the property.

Since you have determined what the selling market is like, you have to consider if the property will realistically sell with the current residents.

- How does the property currently look with the tenant in the property?

- Will they keep the property in a marketable condition?
- Will they be cooperative with showing the property and working with the listing agent?
- Will they cooperate with necessary maintenance and inspections?

Evaluate Your Financial Outlook

Sit down and realistically pencil out if you can afford to sell or if it is better to wait until the sales market improves. If the situation warrants selling, then you must figure out how many months you can sustain the property with or without rent. Add in any possible "financial incentives" that you may have to offer the tenants for their

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cooperation. Then tie that in with the current sales market and the current tenancy. There are two simple questions to answer.

- Can you afford to sell in the current market with the property vacant?
- Can you afford to sell in the current market with the current tenant occupying the property?

Selling with the Tenant

If you have determined that you want to sell with an occupied property, it is very important to have a clear understanding with all parties involved and in writing – the tenant, the owner, the property manager, and the sales team. There are too many cases of “he said, she said” that have taken place while trying to sell tenant-occupied properties and the seller ends up in litigation with the tenant. Consult your property manager and sales agent on the right way to proceed and their roles during the listing period. It often helps to offer incentives to the tenant, but be sure to give them “after” the tenant cooperates.

Contact us so that we can help you find the right solutions. Selling with an occupied property may be a worthwhile venture but it is important to approach it realistically.