

The Seattle Landlord Report

A Monthly Publication to Keep Our Clients Informed

Selling a Property Tenant-Occupied

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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 currently buyer's or seller's market?

Additionally, what are the interest rates and the availability of financing for potential buyers?

Are similar 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. However, with the current relatively slow sales 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 potential buyers or 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. Buyers looking to move in may not want to wait until the lease expires or deal with moving a tenant out themselves.

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?



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Dave Poletti & Associates

1200 Westlake Ave N, Ste. 1001
Seattle, WA 98109

Toll Free: (888) 286-5300

Bus: (206) 286-1100

Fax: (206) 286-4555

info@davepoletti.com

www.DavePoletti.com

HAPPY HALLOWEEN

Obama's Jobs Bill Offers Something for Multifamily

While the demolition and rehabilitation of single-family homes gets a lot more attention than multifamily properties do under the Neighborhood Stabilization Program (NSP), Project Rebuild, the next generation of the program offered in President Obama's jobs bill, provides an opportunity for nonprofit and for-profit apartment owners alike.

The \$15 billion Project Rebuild will provide funding to purchase, rehabilitate, and/or redevelop foreclosed, abandoned, demolished, or vacant properties, including apartment buildings. The funding can also be used to establish and operate land banks.

In the last round of NSP allocations, nonprofits and government agencies were the only entities allowed to compete for funds. In this round of allocations, however, for-profit, private companies, which could include apartment developers and owners, can compete for funds that could be used to rehab or demolish blighted apartment buildings. In this round, commercial properties are also covered, which could open the way for rehabilitation of older, mixed-use properties.

The \$15 billion would be split into two buckets—\$10 billion for formula allocation, to be distributed through states and entitlement communities, and \$5 billion to be distributed through competition. Each state will receive a minimum of \$20 million of the \$10 billion in formula funds with additional money targeted for areas with home foreclosures, homes in default or delinquency, high unemployment, and commercial foreclosures, among other things. Developers can apply to states to receive these funds.

A spokesperson for HUD says the most direct way to obtain funding may be to try to tap into the \$5 billion set-aside through competition. Those funds will also be available to states, local governments, and nonprofits. The funds will be used to employ or house low-, moderate-, or middle-income individuals or families. Grantees must spend 100 percent of the money within three years.

The huge hurdle, of course, is getting the jobs bill, which Project Rebuild is a part of, through Congress. If it passes, past success with the previous generation of the program bodes well for stage two: Since 2008, HUD has disbursed nearly \$7 billion through NSP in three separate rounds to mitigate the impacts of foreclosure.

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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 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. We have developed a system whereby you can put your property on the market for sale, while keeping your current resident. We do have strict policies in place to ensure your tenants rights are not violated creating a potential lawsuit.

