

TIP OF THE MONTH:

How to Sell Your Property While It's Occupied – Part One

By Jim Straub, Oregon Rental Housing Association Legislative Director

While many landlords may think of their tenants as more of a nuisance than anything when they attempt to sell rental property, I beg to differ. Pretty vehemently differ, as a matter of fact. When selling an occupied rental unit, I'm here to tell you those tenants may be your best allies.

It's occasionally true that a rental investment buyer would prefer to purchase a vacant unit. Most, however, welcome the presence of proven tenants, ones who have paid rent on time and care properly for the unit. Have some those tenants yourself? You may have found your best sales technique yet, then. Besides being able to demonstrate to a prospective buyer that the tenants are historically reliable, you can actually enlist these tenants as your salespeople.

Sure, you still want to make sure you've got all your ducks in a row – that the property is properly maintained, that there is no delayed maintenance, and it is ready for showing inside and out with good curb appeal. Then, it's time to enlist your tenants. I have two options to offer you in this regard.

First though, before we discuss that, it's important to remember that your tenants still have the right to a 24-hour notice when anyone is going to be on the property. This includes contractors and repairmen as usual, but it also includes appraisers, real estate agents and prospective buyers. This can be difficult if you've got a great sales lead and your tenant insists on a full 24 hours' notice. However, if you've got a great relationship with your tenants (which hopefully you've been building during the tenancy), you can always give constructive notice, such as a quick telephone call. Make sure you take the time to explain that selling the property will not necessary hurt your tenants' interests and stress that, in fact, it's in their best interests to make a good impression on the potential new owner. This may encourage them to be more flexible about the notice to enter issue and may encourage them to participate even more in the sales process.

The first approach I can suggest is a hands-off approach with the tenants that can be accomplished by using Oregon Rental Housing Association Form #40 "Entry Agreement for Sale". This is an agreement that allows the tenants, for a concession, to waive their right to a 24 hour notice to enter. It gives you three concessions to offer tenants: 1) "\$ _____ per month in discounted rent (amount subtracted from monthly rent)", 2) "If sale occurs, landlord agrees to extend notice to vacate from 30 days to _____ days," or 3) "other considerations". These "other considerations" are whatever you and your tenant agree to. I've heard of landlords that pay their tenants a certain amount of money each time they show the unit, for instance. In any case, there is an incentive for your tenants to make the property available on short notice, and

it removes the burden from you of having to contact them individually each and every time someone needs to be at the rental unit.

An approach I like even better, though, is to get the tenants more involved. If I have a good set of tenants, ones that I can count on to follow-through for me, I offer them a flat fee of \$1,000-\$1,500 to be paid to them *at closing*. I ask them to waive their 24 hour notice to enter, but that really becomes a mute issue because I actually want them there when potential buyers look at the house. Then they have a vested interest in the sales process. I ask them to keep the house spotless, the light bulbs changed and generally make the house look like a house they would want to buy. Then, when I show potential buyers the house, I let the tenants tell them everything they love about the house. "I love living here because..." I even had one tenant who was so excited about the process that she kept a roll of frozen cookie dough in the freezer and, when I'd call to say I was bringing someone over, she'd pop some cookies in the oven. The house would fill with the scent of warm cookies, making it feel more lived in and cared for than ever.

It's a win-win situation for everyone. Your property looks better and sells faster. Your tenants get a little money for their trouble and have a chance to impress their new landlord. The buyer gets the house they want and a start on a good relationship with their inherited tenants. You can't go wrong.