

Lease to own: A sellers guide.

Switch on the television, open a newspaper, surf the net... wherever you look in these days of economic uncertainty the news is bleak. For the housing market in particular, struggling with almost total inertia has become the norm. But even as the crisis continues to shake long held assumptions, new solutions to old problems are rallying to the cause.

A particularly interesting example (for estate agents at least) of how recent shifts in circumstances are creating exciting, and unexpected opportunities is the explosion of interest in lease to own options.

To buy or not to buy?

Traditionally there have been just two accepted choices for potential homeowners; buying and renting. Today however, thanks to continuing economic uncertainty and financial pressure, things aren't so clear-cut. To start with, more and more people are facing refusal when looking for a mortgage. Whether this is due to the naturally cautious market or individual credit problems or cost prohibitive down payments the result is that there is a growing army of untapped homebuyers looking for alternatives.

Estate agents quick to spot the need for answers have begun promoting lease to own options as a legitimate third player to buyers and sellers alike.

Selling just got a whole lot easier

The benefits to buyers have already been touched on but it should be noted that there are also clear advantages for sellers struggling with higher interest rates, falling house prices and debt. Through the lease to own option sellers can free themselves of the burden of repayments while still benefiting from the sale of the property at a later stage.

It works like this:

First the seller agrees a rent with the tenant/buyer that includes a percentage that will go towards the down payment of the home. Unlike traditional loans where all the initial payments go up in smoke as interest, this method provides buyers with a real incentive to choose the lease to own option. What's more the initial down payment from the tenant/buyer is on a par with the deposit required for a standard rental (usually one months rent in advance) so the financial burden is minimal.

Regular monthly payments will continue to be made to the seller for between 2-5 years, after which the tenant/buyer can purchase the property - having used the extra rent set aside as the down payment.

During this time the seller enjoys regular revenue and the knowledge that their property is on target for sale at the market value set when the agreement was made.

As more estate agents come to appreciate the potential of lease to own options the more the housing market as a whole will benefit. It is not a solution in itself but nevertheless it does represent an important shift away from the simple buy or rent philosophy and offers buyers and sellers a valuable third alternative.

The reinvigoration of the housing market will take time and it's questionable when or indeed if, it will enjoy the same levels of activity as in recent years.

Initiatives like the lease to own option are therefore all the more valuable and deserve to be considered as much more than gap stop solutions. More information regarding this development and its particular relevance to buyers, agents and sellers can be found on this site.