

Purchasing a rented home

By  Adrian Goslett

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You have been looking for the ideal property to purchase for months and finally find it, but there is a catch, there is a tenant who is currently renting the property. What now?



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Because the lease agreement is legally binding and was in place before, it stands - regardless if the owner of the home decides to sell.

The lease agreement goes with the home. Essentially this means that purchasing the home automatically makes the new owner a landlord, whether they planned to be or not. If the property is being bought as an investment or as part of a rental portfolio, the fact that the home is occupied might be seen as a drawcard. However, if the property has been purchased as a primary residence and the new owner intends to live there, it could be a problem. The new owner will only be able to take occupancy of the home once the lease agreement has expired and the tenant vacates the property. For this reason, it is best for the buyer to go over the details of the lease agreement and see how long the tenant can stay in occupation before they decide whether it is worth their while to purchase the home.

Legal rights and responsibilities

There is also the matter of brushing up on the legal rights and responsibilities of a landlord. There are respective obligations imposed on both the lessor and lessee in a lease agreement, so it is important for the purchaser to understand the implications of buying the home from the outset. For example, if there was a security deposit paid at the initiation of the tenancy, this will need to be refunded back to the tenant at the end of the lease. The buyer must ensure that they get this money from the seller. Otherwise, they will find themselves out of pocket. Another aspect to check is whether the landlord is required to pay back any money that the tenant has paid for improvements to the property during the tenancy – this is money that should also be recovered from the seller during the sales process.

Speak to the tenant

If all goes according to plan, the new owner will only have to wait until the lease expires to move into their new home. However, this is provided that the tenant plays along and vacates the property when they are supposed to do so. There are cases where the tenant has refused to move out, even once the lease agreement has run its course. Apart from having to

deal with the delay, the new owner may also have to take legal action to have the tenant removed, which will cost money. If possible, before purchasing the property it is advisable to speak to the tenant and see what their intentions are, as this could save both time and money in the long run. A communicative, obliging tenant will make the process far smoother and pleasant.

ABOUT ADRIAN GOSLETT

Adrian Goslett is CEO and regional director of RE/MAX Southern Africa. He joined RE/MAX Southern Africa in 2005 as a franchise development consultant, supporting various regions and offices. Throughout his career at RE/MAX he has held various positions. In 2010, after successfully leading 160 offices and over 1500 agents in six countries through the worst years real estate has ever seen in South Africa in 30 years, Goslett was appointed as CEO of RE/MAX Southern Africa.

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