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## HOMEBUYERS: SEARCHING FOR A BARGAIN "PRE-RENTED" HOME

A marketing specialist in her early 30s picked out a one-story contemporary house that met both her budget limits and her insistence on abundant greenery outside.

After seeing the house vacant several times, she was eager to sign a purchase contract. But, much to her dismay, she learned that her dream property had previously been a rental unit.

"To her, this meant the place was tarnished and stigmatized. After that, she wanted nothing to do with the home," says Mark Nash, a real estate broker and author of "1,001 Tips for Buying and Selling a Home."

He says the woman's sentiments are not unusual among home purchasers.

"We've all been tenants at one time or another, so we know how badly abused a rented place can be," Nash says. "Most people think a home that's rented wasn't just used, it was completely overused."

Still, he urges homebuyers to set aside any such biases because a property previously occupied by renters could well be a diamond in the rough that's available at a bargain price.

"Right now, especially, you can get a terrific deal on a solid house with 'good bones' if you can accept a place that's been rented out," Nash says. "That's because, in this current market, many landlords are desperate to sell."

Here are pointers for prospective homebuyers willing to consider a pre-rented property:

- Look for investor-owners who are highly motivated.

As Nash says, many landlords who now want to sell bought their properties just a few years ago at the height of the market, when the chances for appreciation seemed limitless. But their hopes were soon dashed.

"These folks were 'armchair investors' in real estate, not professionals," he says. "They bought property knowing their rental income wouldn't cover the mortgage payments. They were counting on an upside in value, but that hasn't happened. Now they're extremely restless to stop the financial bleed."

Some communities -- including resort areas -- currently have a glut of investor property on the market. These are places that are now occupied by tenants or were rented before. It's within this category that buyers can sometimes find outstanding bargain opportunities, particularly at this point in the market cycle.

"Investors are more dispassionate when they negotiate than are people who live in the home they're selling," Nash says. "Because there's more business and less emotion involved in the transaction, it's easier for these sellers to come down on price. They have less pride at stake."

He suggests you work with a seasoned real estate agent who can often help ferret out information on the financial pressures facing landlords trying to sell.

"By asking questions of the listing agent or looking at local land records, your agent can learn a lot about the sellers' level of motivation to bargain," Nash says. "Maybe you'll find they're hemorrhaging money every month and badly need to unload the home."

- Gain full knowledge of a property's condition before you commit.

Leo Berard, charter president of the National Association of Exclusive Buyer Agents ([www.naeba.org](http://www.naeba.org)), says all purchasers should hire a home inspector with a reputation for diligence. One source of referrals that he recommends is the American Society of Home Inspectors ([www.ashi.org](http://www.ashi.org)).

In addition, Nash says you may also wish to take an extra precautionary step prior to committing to a property that's currently occupied by tenants. When drafting your contract offer, ask for a one-month period prior to closing in which the home must be vacant and accessible for a second visit by your inspector. Give yourself an "out" of the contract if the place is more damaged than before.

"Many tenants are resistant to moving," Nash says. "It's not unusual for them to try to sabotage a sale by beating up on the property, hoping you'll back off."

- Be especially cautious about buying a rental home near a college.

It's a rare rental unit that gets the kind of tender loving care provided to the average owner-occupied house. And among the most abused of rentals are those located near a college campus -- where multiple tenants often live in the same house or apartment, Nash says.

In addition to studying, college students also like to throw parties -- which can result in serious damage to the homes where they live.

"The tenants' attitude is, 'let's bring in a keg of beer, invite the whole world over and hope the landlord doesn't find out,'" Nash says. "Most of these college places are pretty banged up by the time they go up for sale."

A prospective homebuyer who wants to acquire a pre-rented home in the vicinity of a college should be extra cautious in scrutinizing the property for hidden defects -- with the help of a dogged home inspector, he says.

- Clinch the deal quickly if you find an excellent rental opportunity.

Suppose you find just the sort of place you and your family have been seeking: a three-bedroom property with a large country kitchen and a decent-sized yard, in a neighborhood with good schools. Perhaps it's a vacant house that, until recently, was occupied by tenants. But your home inspector says it needs only minor repairs.

In such a case, Nash recommends you let go of any prejudice you might have about buying a former rental unit. Assuming the owners are highly motivated, this could be an opportune time to negotiate -- especially if you have the financial capacity to complete the deal swiftly.

"Nowadays, there are lots of investor-owners who want and need to get out as rapidly as possible," he says. "If you give the sellers a quick close, you could do exceptionally well on price."

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