



Lease Options - A Guide

Property Home Buyers - A simple guide to Lease Options:

Options are an established practise in the financial world as they can be applied to many things eg: shares, currency gold /precious minerals, commodity items or property. In simple terms, having an option gives the **holder** the **right to buy or sell** something at an **agreed price** after an **agreed period of time**.

The holder usually pays a premium to be granted this right, **but is not obliged to exercise it**.

Lease options have been used to buy and sell property for many years in overseas markets such as the USA and Australia. More recently, we are seeing an emergence of these principles in the buying and selling of UK properties, due in part to their simplicity, but also because of the challenges facing buyers and sellers in today's unstable property market eg: raising finance, getting accurate valuations, falling prices and negative equity.

There are still lots of people who for whatever reason, must move on from an existing property that they own. With the help of Lease Options, Property Home Buyers can provide a range of solutions designed to address each of our customer's particular circumstances.

What are the benefits of Lease Options?

Lease options open many more doors to property sellers depending on their particular circumstances. There are a number of variants of Lease options which Property Home Buyers can explain in more detail, but the principle is the same; a vendor releases the day to day running & responsibilities of their property and an option is granted for someone to have the option to purchase that property at a pre-determined price at an agreed time in the future.

The lease option offers some protection against the value of a property falling, as the option holder can extend the option term until the market conditions allow them to purchase the property. Meanwhile, the Property Owner has not had to worry about meeting the mortgage payments, repairs, voids etc.

Like any contract, the exact terms of a lease option can vary. At PHB we have structured the following for our clients:

- Purchase options (where the price & option term is determined by the sale price and equity in property)
- "Rent to own" options – where we introduce a "tenant buyer" who rents the property now with a view to owning it in the future

Naturally are some risks associated with Lease Options (eg: option holder doesn't or cannot exercise the option), but the Grantee (ie: Vendor) still has the title of the property until such time as the purchase has gone through. At PHB we do believe the risks are limited and affordable for our clients.

The many benefits of Lease Options can be summarised below;

- It is quick and simple and will allow you to move on with your life fast.
- You can get near or full price for your property.
- There are no estate agent fees to pay in the sale of the property.
- No maintenance costs.
- Flexibility – these agreements can be very flexible on terms to suit you, it just depends on what is most important to you.
- The timeframe for this can be as little as 3 weeks.

Lease options in practise – an Example:

1. Let's say Property Home Buyers agree a price to buy your property, let's say that that is £100,000. We set a 3 year option period. If you wanted more for the property the length of time would have to be extended to say 5, 7 or 10 years.
2. You need to inform your lender that you want to rent your property out and to switch it to an interest only basis.
3. We would then market the property to find a tenant. Once we have found a tenant you would change your direct debit from your bank account to ours for the mortgage payments.
4. We collect the rent and make all of the mortgage and maintenance payments.
5. At the agreed time, we purchase the property for the agreed amount. If market conditions will not allow the purchase, we would look to extend the option period with a potential review of agreed payments. Alternatively, if this is not acceptable to either party, ownership and control of the property would revert back to the vendor.

We are keen to discuss these options with you to see how we can structure something that meets your requirements, and look forward to discussing this with you in more detail.

Email martin@propertyhomebuyers.co.uk or call on 07880 703093.