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Experts outline what rental property owners need to keep in mind if they're planning to sell now

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If you're a rental property owner who's struggling with steady tenants, you might want to consider selling your

Record-low interest rates and high home prices could be "a real catalyst for change in ownership" for rental property owners, one expert shared.

Experts told Business Insider that while it might be enticing to sell now, rentals may bounce back in suburban areas after the economy recovers from the pandemic.

However, if your property is sucking out expenses, including mortgage payments, insurance, and utilities, you should strongly consider selling, even if a tenant is living there.

Get a sense of your local housing market — rentals, housing prices, property value, and more — and possibly get a broker price opinion (BPO) before officially selling.

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Owning rental property these days is a "mixed bag," said Charles Tassell, chief operating officer of the [National Real Estate Investor Association](#).

Some owners have been able to collect rents as usual, despite the pandemic, shaky economy, and rising unemployment. Others have tried working with [tenants who can't pay their rent](#).

Then, in September, the Centers for Disease Control and Prevention (CDC) issued a [temporary halt to residential evictions](#) nationwide until December 31 for certain tenants. Several states and cities also have their own eviction moratoriums.

"That has caused a lot of our longtime holders of property to say, 'You

The real estate market is thriving at the moment. Interest rates are at record lows, home prices are high, there are fewer homes on the market, and they're selling faster compared to last year.

But is now a good time to sell off rental property? There are a few things to keep in mind if you're considering it.

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It's a seller's market

Mortgage [interest rates are at all-time lows](#), dropping to 2.81% for a 30-year, fixed-rate loan on October 15, according to Freddie Mac, and this has inspired a buying frenzy.

[Existing home sales were up 10.5%](#) in August compared to a year ago, reaching the highest level since December 2006, according to the National Association of Realtors. Median existing home prices also grew in August, reaching \$310,600, 11.4% higher than a year ago, and housing inventory is down 18.6%.

According to Tassell, "That's been a real catalyst for change in ownership." He said he's had conversations with real estate brokers who are seeing more rental property owners expressing interest in selling their homes. They're inspired by the low interest rates and premium home prices, especially if they have non-paying tenants.

Seventeen percent of adult renters reported living in a [household that was not caught up on rent](#) as of the first half of September, according to the US Census Bureau's Household Pulse Survey. Nationwide, [rents were down 1.4%](#) in September, according to the National Apartment List Rent Report.

With the uncertainty over how long eviction moratoriums might last, cash flow is a problem for some property owners, who are unable to pay their bills. This is especially true for [smaller property investors](#), or those with a few up to 50 or so rentals, who make up the bulk of rental property owners.

Selling may seem appealing, but some experts worry about jumping the gun, especially if the rental market improves over the next year. According to Ali Wolf, chief economist at [Zonda](#), a real estate and home building research advisory company, the strength of the rental market depends on the strength of the economy.

"The strength of the economy is dependent on additional fiscal stimulus," she said. "If we see another stimulus deal signed by the end of the year, the rental market looks good for 2021."

Though the pandemic and its economic fallout could deplete the savings accounts of many Americans and make homeownership difficult, it could also make more people rent, she said.

Suburban areas are likely to recover faster, said Lynn Wilson, partner

motivated many people to move out of large metropolitan areas to single-family homes with more space.

"The market is only going to get tighter for a period of time, as we come out of COVID and all the moratoriums get lifted and people start figuring out whether the unemployment rate's actually going to go down — which we hope it will — or whether it will continue to stay relatively high, which means people are going to have a hard time possibly purchasing properties," she said.

Big financial organizations see opportunity in rental markets outside big cities, too. The asset-management section of [JPMorgan Chase](#) recently announced plans to raise \$700 million for a fund focused on developing residential rental properties in Sun Belt states, which covers the south and west. The company is seeking investors to develop single- and multi-family rentals in cities like Austin, Houston, and Charlotte and Raleigh, North Carolina, with plans to deliver an annual return of 13% to 15%.

Read more: [Real estate agents reveal the top tips and tricks for using Zillow like a pro to buy or sell a home](#)

Whether your property is making money should factor into your decision to sell

Investing in property helps build wealth long term, Wolf said. If a home isn't making money and you're struggling to pay expenses, like mortgage payments, insurance, and utilities, now could be a great

"If a property investor is concerned about their ability to keep a steady tenant and income stream, then now is emphatically a good time to sell off some of their properties," Wolf said. "Sellers listing their home today are enjoying record prices, little competition, and fierce demand. Know your risk appetite and act accordingly."

Investors of properties with tenants still paying rent and located in high-demand areas should consider waiting to sell. "Selling now will make sense if there's an alternative investment that's less risky, but if you are still generating a healthy cash flow, holding probably makes sense," Wolf said.

She suggested refinancing to take advantage of the low interest rates, since this could significantly lower monthly payments. "The savings will prove to be really helpful in these uncertain times," Wolf said.

But whether to sell is really a question of the investor's end goal, Wilson said. Most seek returns over a period of time and hold properties for at least two lease terms.

"And then they'll make a determination whether the returns they're receiving based on their tenancy and the maintenance of the house is worth them continuing to retain the property," she said.

Read more: [Your home listing matters now more than ever. Here's the best way to sell your home online when you can't give an open house, according to real-estate agents and investors.](#)

You can still sell even if a tenant is still

In most states, property owners can sell their rental homes even if a tenant still lives there, though Wilson said some issues come into play.

"Most leases are written to require that if the property is sold during the tenancy, that that lease continues in full force and effect to protect the tenant," she said.

Tenants must be notified that the property is being sold, Wilson explained. Closing documents usually include an estoppel certificate, where the tenant provides notice that they understand that the buyer is purchasing the property and that there's an existing lease in place.

Having a non-performing tenant might make selling difficult, especially with the CDC and local eviction moratoriums, Wilson said, but buyers may see potential for the home once the rental market improves.

Keep tabs on what's selling in your local market

Investment property owners thinking of selling their homes should have a strong sense of their local housing market, down to the ZIP-code level. You need to understand whether rents are going up or down, average housing prices, what's selling, and what it all means for property value.

"Once you do that, now you're in a position of saying, 'OK, do I really have something that fits the niche?'" Tassell said. "If I don't, now I'm

Wilson suggested getting a broker price opinion (BPO), which is a broker's estimation of a property's value, but not an official appraisal. The BPO can be based on a home as an investment property. But investors could also sell it as an owner-occupied home.

"It really just requires the investor who owns the property to just do some pretty good due diligence about what their return would be," Wilson said.



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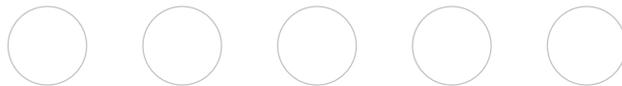
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