

# Lease Purchase in Real Estate: What Buyers and Sellers Need to Know

A lease purchase agreement (sometimes called “rent-to-own”) is a contract that allows a buyer to lease a property with the option or obligation to purchase it at the end of the lease term. It can be a win-win tool for both buyers and sellers when structured correctly.

## For Buyers

A lease purchase can help buyers who want to become homeowners but aren’t quite ready today.

### Benefits for Buyers:

- Live in the home while preparing to buy it.
- Lock in a purchase price now, protecting against future price increases.
- Build equity through a portion of rent payments being credited toward the purchase (if negotiated).
- Extra time to improve credit, save for a down payment, or sell another property.

### Considerations for Buyers:

- Typically pay an upfront option fee (often non-refundable) that applies toward the purchase price.
- Must follow the lease terms carefully — missed payments could void the option.
- Responsible for certain maintenance or repairs, depending on the agreement.
- If they choose not to buy, they may forfeit option money and rent credits.

## For Sellers

A lease purchase can attract more potential buyers and provide income while waiting for the sale to finalize.

### Benefits for Sellers:

- Reach buyers who may not qualify for financing immediately.
- Collect rent while locking in a committed buyer.
- Reduce vacancy and carrying costs.
- Receive an upfront option fee for added security.

### Considerations for Sellers:

- Must wait for the final purchase to close — funds aren’t immediate.
- If the buyer fails to purchase, the property must be resold.
- Responsibility for property taxes, insurance, and major repairs may remain during the lease.
- The agreed purchase price is locked in, even if property values rise.

## Key Takeaways

- A lease purchase can help buyers ease into homeownership and sellers secure a future sale.
- Terms should be carefully negotiated and written into a legally binding agreement.
- Both parties should understand responsibilities for rent, repairs, option fees, and the purchase process.
- Legal and real estate professionals should be consulted before signing.