

Leasing with the Option to Buy

Leasing with an option to buy: a renting tenant signs an agreement with a landlord stating that the tenant can buy the property at the end of a prearranged time period. The owner is obligated to sell at the option price, but the tenant is not obligated to buy. However, the tenant can buy the property only if the landlord exercises the option to sell.



The option to buy is terminated if the tenant in any way violates the lease before closing the agreement to purchase. An option to buy only gives the tenant legal title upon exercise of the option which becomes an absolute and binding contract of sale.

The tenant often pays above-market rent for the property, but a (nonrefundable) portion, called the rent credit, is credited toward the purchase price.