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Want to Break Your Lease? New App Wants to Make it Easy



By Amy Zimmer

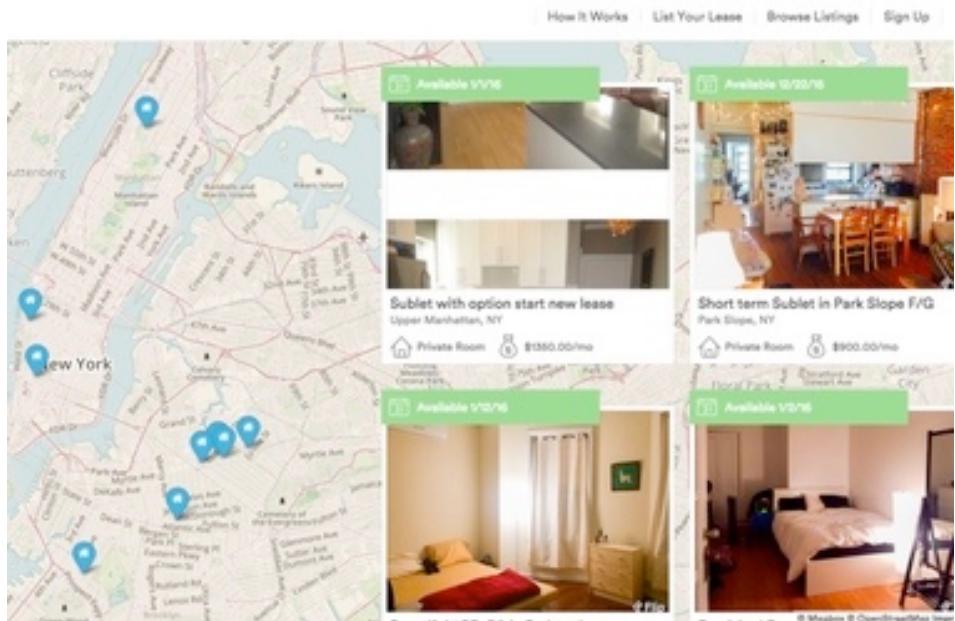
When renters want to break their leases early, it can be costly. Some landlords charge termination fees of up to three months rent to those who want out before expected.

Savvy lease breakers often try to find ways around this by finding new tenants to take their place, but sometimes finding the right replacement can be challenging.

Columbia Business School alum Susannah Vila wanted to make this process easier — launching an app through her company Flip that lets renters sell the remaining months of their unwanted lease to a pre-qualified tenant.

The "peer-to-peer lease marketplace" that helps pair up apartment dwellers with their would-be replacements launched Friday with roughly 300 "live" leases, all ready for the taking.

Under state law, tenants can assign part of his or her lease to



An image from Flip's interface ...

another renter within 30 days of leaving — as long as that person is qualified and the landlord gives the OK. Under the same law, if the landlord unreasonably withholds consent, the tenant has the right to terminate the lease without being charged a penalty or fee, the company noted.

Landlords often want tenants with good credit and who earn 40 times the monthly rent. (In Manhattan, that means a renter would have to earn roughly

\$130,800 a year to afford what's now the median asking rent for a one-bedroom — \$3,271 a month, according to real estate search engine Streeteasy.)

Villa said her service is especially useful for young New Yorkers, who sometimes move on before the typical one- to two-year lease ends.

"Millennials in New York City are frequently stuck with leases they can no longer use," Villa said. "Flip empowers them to find qualified

replacement tenants, negotiate with their landlords or property managers on a fair playing field and sell their leases as valuable assets."

Vila founded the company while she was still in graduate school and developed it at the Midtown-based Techstars mentorship-driven accelerator program.

By letting renters and landlords handle the transfers themselves, rather than forcing landlords use a fee-charging middleman, Flip saves both parties time and money, the company said.

Leaseholders set a price for the months remaining in their apartments, and can set any price they want, Vila said.

"People can charge as much as they think people will pay," Vila said. "If they aren't getting any interest, we recommend that they lower the price. If they are eager to move, then we recommend they

pay someone a reward to take over their lease. They can do this easily on our platform."

It falls on the leaseholder to communicate with prospective tenants and set up times to show the unit.

Prospective tenants can browse listings with pictures and descriptions from the leaseholders, and once they express interest in a unit, the prospective tenant pays a \$50 fee to be pre-qualified by Flip.

The company then issues a "Flip Score" based on proof of credit, income history, rental history and education. The score is sent to the leaseholder and property manager.

It's then up to the landlord, leaseholder and replacement tenant to finalize a deal.

The new tenant can either sublet from the leaseholder — and Flip guarantees the rent for the outgoing tenant so they know their subletter won't default, Vila said.

Or, the new tenant can have the lease reassigned to them or have a new lease drawn up and pay the landlord directly.

Michael Pensabene, a real estate attorney with Rosenberg & Estis, said that tenants should be cautious about considering charging more than their rent. Allowing a leaseholder to charge whatever they wanted would technically be a sublet rather than "an assignment," as is protected under the state law, he said.

Moreover, if done lawfully, the landlord has to consent, and a landlord is unlikely to let a leaseholder profit from their transferred lease, Pensabene noted.

"There is a legitimate purpose for this," Pensabene said of the new site. But, he added, "Like everything else, it has potential for abuse, and the chances for abuse are high while the success for the legitimate use may be questionable."