



# Month to Month Rental Agreement or Long Term Lease: Which Is Best for Landlords?

Whether you offer your rental property on a month-to-month basis or long-term affects price, legal rights, and more.

by Lorelei Laird

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One of the most important parts of becoming a landlord is deciding whether you want to use a month-to-month rental agreement or a residential lease that spans a longer term.

Which one you choose affects some very basic parts of your work as a landlord, including how you can price the unit, what kind of tenants you can expect, and how often you might need to seek out new ones.

To pick the right one for your situation, you need to know your market—but also some of these basics about what a month-to-month rental agreement is and how it differs from a long-term lease.



## Long-Term or Month-to-Month Rental Agreements

With a long-term lease, you're typically committing to a tenant for a year or more. (The terms of a [commercial lease](#) can be as long as 5 to 10 years.) With a month-to-month rental agreement, you're not committing to anything more than the next 30 days.

This has important implications, says Alexandra Alvarado, director of marketing and education at the [American Apartment Owners Association](#). With an annual lease, you've got guaranteed income for the next 12 months—but it's important to thoroughly background-check and credit-check the tenants, because it will be more difficult to evict them if there are problems. Payments under an annual lease are also typically a bit lower.

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You can charge more for—and [raise the rent more often](#) during—a short-term month-to-month rental agreement, but that's because it's more work for you. You'll probably need to vet tenants, and do between-tenants cleaning and maintenance, more often.

You may also lose money if you can't find a tenant to move in quickly. On the other hand, a month-to-month rental agreement leaves you flexibility when a tenant doesn't work out.

Alvarado says which one is best depends on whether your property is in an area with lots of potential renters.

"All of that hinges on whether or not you can fill that vacancy," says Alvarado. "If it's too costly, or it takes too much time to fill a vacancy in your area, then the cost of that will outweigh the benefits."

## **Local Laws and Leases**

Landlord Gary Zaremba takes both approaches. Because New York City has very tenant-friendly laws, he offers month-to-month rental agreements with his properties there, as a way to minimize time with problem tenants. But he uses one- or two-year leases at his properties in Ohio, because even though the maintenance between tenants is more expensive, it offers stability.

"It's really about the property, what the owner wants to do with it, and their agenda and the tenant's agenda," says Zaremba, who manages [his properties](#) full-time.

If your agenda includes selling or refinancing in the near future, Zaremba adds that it might pay to see whether lenders or buyers in your area want tenants. He's seen some who want an empty property and others who prefer a stable long-term tenant.

By contrast, landlords Marlene and Ross Quade, who manage properties in four states on the side of [other businesses](#), say investors in their home base of Austin, Texas, are only interested in vacant rentals.

"If you're considering selling a property in a high-appreciation market, you definitely want to consider a month to month rental," says Ross Quade. "When property prices are high, you're not going to be able to obtain a cash offer with... a long-term lease."

## **How to Write a Month-to-Month Rental Agreement**

If you've decided on a month-to-month rental agreement, you have a lot of options for creating a contract. Many apartment owners' associations offer a month-to-month rental agreement form that conforms to the legal requirements in their areas.

Alvarado's organization, the AAOA, has a form builder that you can customize for your state and your situation. (These organizations may also offer a [rental application form](#), another vital tool for ensuring you know who your tenants are.)

Ross Quade, who is a licensed real estate agent in Texas, writes his own rental agreements using a template. He also suggests that first-time landlords may be more comfortable using a property management service, which may include a basic month-to-month rental agreement.

Tania Bartolini, a real estate attorney in Fort Lauderdale, Florida, says these templates are often pretty good. But, especially for a first-time landlord, she suggests considering [getting an attorney](#) to write or at least review the contract.

"If they're not familiar with what the terms mean, they might not know what it is that they're signing and having their tenants sign," says Bartolini, who [runs her own firm](#). "I definitely would not recommend that they use templates off the internet... without talking to someone who knows the law."

A basic month-to-month rental agreement continues until one party ends it, so you can hold on to a good tenant as long as the arrangement works for both of you.

## A Good Investment

The Quades say they've had some trials and errors during their time as landlords, but they also have security. Their rental properties are their retirement plan. They suggest that landlords put their heart into their work.

"I think if you care about your property and your tenants, and you actually put in the effort to make sure that your tenants are happy and that your homes are well cared for, then it's going to be a good investment," Marlene Quade says.

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