
LEASE VS. RENTAL AGREEMENT: What's the Difference?

Clients often are confused by the legal nuances that define the difference between a simple rental agreement and a lease. While the distinctions often are blurred in common discussions, understanding them can save a landlord time and money.

Rental Agreements: A rental agreement establishes a tenancy for a short period of time, usually one month. A month-to-month rental agreement is automatically renewed each month unless the landlord or the tenant gives the other the proper amount of written notice terminating the agreement. Similarly, a landlord may increase the rent or change other tenancy terms on relatively short notice unless local rent control ordinances specify otherwise.

Leases: A lease obligates both the landlord and the tenant for a set period of time, usually six months or a year. The landlord cannot raise the rent or change other lease terms until the lease runs out, unless the lease itself provides for modifications or the tenant agrees in writing to the changes.

In addition, the landlord usually cannot ask the tenant to move out or prevail in an unlawful detainer (“*eviction*”) lawsuit unless the tenant fails to pay the rent or violates some other important lease term or state or local law.

At the lease term’s end, either party can either decline to renew the lease or can negotiate new terms.

Which is better? Many landlords prefer month-to-month agreements, particularly in tight rental markets where new tenants can be easily found and rents are trending upwards. The flip side is that month-to-month tenancies almost certainly guarantee more tenant turnover, and more work to keep rental properties full.

Landlords often prefer leases in areas where there is a high vacancy rate or where it is difficult to find tenants for certain seasons of the year — for example, in college towns that are often deserted in summer.

For more information:

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