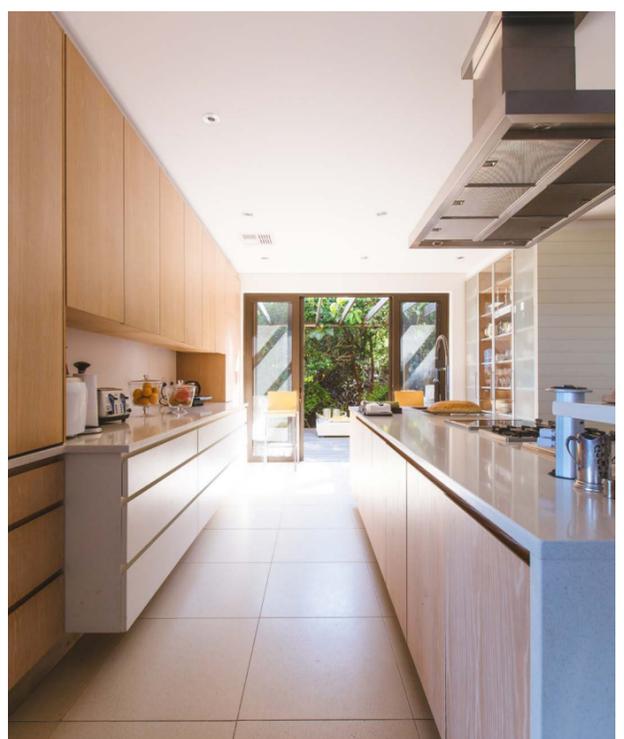


fixed-term tenancy vs. periodic tenancy

should I have my tenants on a fixed-term tenancy or a periodic tenancy?



Before starting the search for the ideal tenant for your investment property, you really need to be asking the following question: what are my plans for the investment property? Answering this question will help you decide what type of tenancy to offer to the ideal tenant. Fixed-term tenancies and periodic tenancies have different advantages, but the general view is that if your investment property is a long-term hold, then a fixed-term tenancy should be the best fit. If your plans for the investment property are a bit more “up in the air” like, say, you were thinking of selling the property or completing major renovations, then a periodic tenancy may be a better fit.



A fixed-term tenancy is an agreement that has a start date and a clear end date. The main benefit of a fixed-term tenancy is that the Landlord can control when the property will next become vacant and available for rent. There is a consistent cycle for renting properties in our market. New rental enquiry is strongest in the spring and summer months, and so Property Managers will try to time tenancies to end at those times to take advantage of the higher numbers of prospective tenants out there looking for their next home. With more people looking, there will be a better selection of tenants, and when demand is high, there is also a greater opportunity to get better rent.

A fixed-term tenancy also provides greater stability, security and peace of mind for both the Landlord and the Tenant. Landlords are able to plan and budget more effectively, knowing what will be received in rent for that set period of time. Tenants can take comfort from being able to settle into their new home without having a little nagging fear that they could be given the notice at any time requiring them to move out. This tends to create better all-round tenancies. Fixed-term tenancies can be renewed, and the expiry and renewal process needs to be monitored closely. It is also a good time to review the terms of the tenancy and make changes if necessary.

The disadvantage of a fixed-term tenancy is that if your circumstances change, and you need the property for some reason, then you won't be able to get possession of the property until the fixed term tenancy ends - unless you can negotiate an early release. This is where a periodic tenancy is beneficial. A periodic tenancy runs indefinitely, and it is for those who need flexibility. For example, you could put the property on the market for sale, and sell it with vacant possession so that a buyer can live in it themselves. This is because parties to a periodic tenancy can give written notice to the other. There are different periods of notice required depending on the circumstances. Under current law, it can be 42 days notice if the property owner, or their immediate family, wants to use it as their principal place of residence, or if it is sold with vacant possession, otherwise 90 days notice needs to be given.



The disadvantage of a periodic tenancy for a landlord is that the Tenant can give notice to end the tenancy at any time of the year. They are required to give a minimum of 21 days' notice, but the landlord essentially loses the ability to control when the property will become available for rent. It may just happen that your property becomes available for rent at the quietest time of year, typically the wet and gloomy winter months, or that the final day of a tenancy is Christmas Eve. We have seen this happen, and if a property is vacant on 24 December it will almost certainly still be vacant on 5 January, resulting in a loss of rental income.

Almost all of our tenancies are on fixed-terms. We want to be able to secure a quality tenant who will pay the best rent on the most favourable terms, in the quickest time for our clients, and fixed-term tenancies give us the best opportunity to do that. We also want to ensure that each tenant feels they have stability, security and peace of mind to make a home in the rental property. It is important to think about your plans with your investment property before searching for a new tenant so you can achieve what you want out of the tenancy.