HOW TO SELL A TENANT OCCUPIED RENTAL PROPERTY LEGALLY AND PROFITABLY

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It is usually better to [sell your rental property](https://www.mashvisor.com/) while it’s vacant as the process is fast and smooth. However, you may need to sell your rental unit while it is still occupied for one reason or another. For instance, you may want to sell a tenant occupied rental property if it is not as profitable as you had expected, you are relocating and don’t want to be a long-distance landlord, you are no longer interested in being a landlord altogether, stricter government regulations are being introduced in the local [housing market](https://www.mashvisor.com/blog/sellers-market-buyers-market-2021-housing-market/), or you have found a better investment opportunity.

Whatever the reason, selling a tenant occupied rental property is a little more complicated than selling a vacant house. There are certain things you need to consider to avoid potential legal complications. If you are thinking of selling a house with tenants on a lease, here’s a simple guide for you to assure that you comply with all legal regulations and requirements while still executing a profitable deal.

How to Sell a Tenant Occupied Rental Legally and Profitably

The first thing to consider when [selling a house with tenants](https://www.mashvisor.com/blog/selling-a-rental-property-with-tenants-tips/) is the type of the [real estate lease](https://www.mashvisor.com/blog/real-estate-lease/) agreement. Is it a month to month lease or a fixed-term lease? Depending on the kind of lease you have, the selling process will be slightly different.

Month to Month Lease

Selling a tenant occupied [rental property](https://www.mashvisor.com/blog/how-to-find-investment-properties-for-sale/) that is rented on a month to month basis is quite easy so long as the right procedure is followed. Landlords cannot think of evicting a tenant on the last day of the month before giving them proper notice. That would be a direct violation of tenants rights.

If a landlord wants to sell a house before the lease is up, he/she is legally obliged to give the tenant a written notice to vacate well in advance. The required period for the notice to tenant to vacate due to sale may vary depending on the state you are in. Therefore, if you have [tenant occupied homes for sale](https://www.mashvisor.com/), be sure to check your local state laws first to ensure you are not acting against the law.

Fixed-Term Lease

Selling a tenant occupied rental property with a fixed-term lease is a little more complicated. A fixed-term lease is usually harder to terminate since tenants have the right to stay in the house until their lease ends. However, it’s still possible to sell your [tenant occupied](https://www.mashvisor.com/) rental.

Here are options to consider:

1. Find Valid Reasons to Terminate the Lease

You can choose to wait until the lease expires and choose not to renew. However, this can take a long time. Although the tenants can choose to stay in the rental unit until their lease expires, you can legally terminate the lease in case they terminate any lease terms. In such a case, you can give them the notice to vacate.

Here are some possible valid reasons for evicting a tenant with a fixed-term lease:

* Failure to pay rent
* Violating of the no-pet clause
* Serious property damage
* Engaging in illegal activities such as selling drugs
* Being a nuisance to neighbors
* Engaging in prohibited subleasing

2. Offer “Cash for Key”

Another way to get the tenant to vacate the leased house before the end of the lease is to offer money or some other form of incentive to make up for the inconvenience of relocating early. While renters are under no obligation to accept your offer, it can motivate them to vacate. For instance, you can offer to pay their first month’s rent, pay for their moving costs, help them find a new house, or another incentive.

3. Sell the Rental Property to an Investor

Waiting until the tenant has moved out of the rental property before you sell it can help you sell for more than you would if it is occupied. You’ll have the opportunity to make any upgrades and stage the property for viewings. However, this is not always possible. If your tenant’s lease has yet to expire, and you can’t get them to vacate, you may have to sell the leased property with renters in. But is this even legal? And what happens to a lease when a property is sold?

To begin with, a landlord selling house with tenants is actually legal. In most cases, the lease and the security deposit are transferred to the new rental property owner. However, not every potential buyer would want to keep existing tenants in place. This means that, when [selling a rental property](https://www.mashvisor.com/blog/how-to-sell-your-first-rental-property/) with tenants on a lease, you want to target buyers who are ready to [become a landlord](https://www.mashvisor.com/blog/steps-becoming-landlord/). The new owner should be willing to let the tenant remain in the property until their lease ends. A [real estate investor](https://www.mashvisor.com/) may be looking for a tenant occupied [investment property for sale](https://www.mashvisor.com/blog/ways-find-investment-property-for-sale-near-me/) because rental income starts flowing right away. That’s why if you play your cards right, you might actually making a good profit.

To find such buyers, consider listing your property on platforms dedicated to [rental properties](https://www.mashvisor.com/) for sale like the Mashvisor [online marketplace](https://www.mashvisor.com/blog/online-marketplace/). Consider [posting the property off market](https://www.mashvisor.com/blog/where-to-post-off-market-properties-for-sale/) on Mashvisor’s [Property Marketplace](https://www.mashvisor.com/product/marketplace). This makes it easier for you to find the right property buyers. Keeping the property out of the spotlight will also help to make the tenants more comfortable.

Nevertheless, when a landlord wants to sell house before the lease is up, he/she has to check the local laws regarding landlord obligations and tenants rights when landlords sell property. Additionally, it’s important that you let renters know of the impending sale. You should also give them notice when you schedule viewings according to the local laws. Communicate with the tenants to ensure that property showings are scheduled at times convenient to them.

4. Sell the Property to Your Current Tenant

It is also possible to turn your tenants into buyers. If you are considering selling a tenant occupied rental property, first let your tenants know that you are selling. This can be a great option as you won’t have to search for potential buyers. You also don’t have to organize house viewings as the tenant is already familiar with the ins and outs of the property.

If your current tenants like the house and are in a good financial position, they may consider your offer. However, if the tenant is interested in buying the house but can’t get financing, you can consider an [owner financing](https://www.mashvisor.com/blog/owner-financing-finance-investment-property/) arrangement. This is where you assume the role of a lender and the tenant makes regular payments to you toward the purchase of the property based on the terms that the two of you agree on. The seller financing option is usually viable when you are selling to long-term tenants with good standing.