



## Comparing Four Real Estate Investment Strategies

For new or aspiring real estate investors, it's important to understand the differences between various rental strategies. Below is a comparison of **Long-Term Rentals**, **Short-Term Rentals (e.g. Airbnb)**, **Mid-Term Rentals**, and **House Hacking**. Each section includes a description of how the strategy works, a list of pros and cons (reflecting current 2025 conditions), and notes on who the strategy is best suited for.

### Long-Term Rentals

**Description:** Long-term rentals involve leasing a property to tenants for extended periods (typically 12-month leases or longer). The investor (landlord) earns income from the tenant's monthly rent, usually with the tenant occupying the property as their home. Properties used for long-term rentals range from single-family houses and condos to multi-family buildings. These rentals are usually **unfurnished**, and tenants often pay their own utilities. This is a **buy-and-hold** strategy that generates steady cash flow and can appreciate over time. In 2025, demand for long-term housing remains strong – high interest rates have priced many would-be buyers out of the market, pushing more people to rent and increasing the need for quality long-term rentals[1].

#### Pros:

- **Steady, Predictable Income:** With a fixed monthly rent and long lease, cash flow is stable and easy to forecast[2]. Good tenants often stay for years, providing reliable occupancy.
- **Lower Turnover & Management Effort:** Turnover is infrequent (leases renew annually), so you avoid the weekly cleanings or constant advertising of short-term rentals[3]. Day-to-day management is minimal – once a lease is signed it's largely “set and forget,” aside from occasional maintenance[4].
- **Lower Operating Costs:** Long-term rentals usually don't require furnishing the home or paying for guest amenities. Maintenance and re-leasing happen only between tenants (perhaps once a year), keeping expenses and effort lower than for frequent-turnover strategies.
- **Financing & Scale:** Lenders typically favor long-term rentals because of their stable income. This can make it easier to finance purchases[5]. As an investor, you can gradually scale up by acquiring multiple rentals for portfolio income and long-term equity growth.

#### Cons:

- **Slow Wealth-Building:** The income is stable but not as high on a monthly basis as some other strategies. It's a long game – wealth comes from gradual mortgage paydown and property appreciation rather than big short-term cash flow[6].
- **Tenant Risk & Vacancies:** A problem tenant (e.g. someone who damages the unit or stops paying rent) can cause costly issues. Eviction processes can be lengthy and expensive. Landlords need cash reserves to cover missed payments or periods when a unit



is vacant.

- **Legal Regulations (Rent Control):** Long-term landlords must comply with local landlord-tenant laws. In some cities, **rent control** caps how much you can raise rent, and strong tenant protections can make evictions difficult[7]. These regulations protect renters but can limit an investor's flexibility in adjusting to market changes.
- **Lower Flexibility:** Once a tenant is in place, the owner has limited personal use of the property. You generally can't use the property for yourself on a whim (unlike a vacation rental) because it's someone's year-round home. Breaking a lease early to sell the property or repurpose it can be challenging without legal cause.

**Best For:** Investors seeking **low-risk, passive income** and willing to hold properties for the long term. It suits those with a moderate to low risk tolerance who prioritize stability and **predictable cash flow** over maximizing yield. Long-term rentals are ideal for people with some capital for a down payment, who may have less time or desire to manage properties actively. It's often recommended for beginners who want a **simpler management experience**, or anyone with a full-time job looking for a **"buy and hold" investment** that largely runs itself[4][8].

## Short-Term Rentals (e.g. Airbnb)

**Description:** Short-term rentals are properties rented out for brief periods (from a single night to a few weeks), often to tourists or business travelers. This strategy has been popularized by platforms like **Airbnb, VRBO**, and others, effectively turning a property into a mini hotel. The property must be fully **furnished and equipped** with household essentials and amenities to accommodate guests[9]. Income comes from nightly rates and cleaning fees, which can add up to a high monthly total if occupancy is strong. Common short-term rentals include vacation homes, apartments in tourist districts, or unique stays (cabins, tiny homes, etc.). As of 2025, the short-term rental market has matured after a period of explosive growth – demand for travel lodging remains high, but **competition is intense and regulations have tightened in many areas**[10][11]. Successful hosts increasingly focus on providing unique experiences and professional hospitality to stand out.

### Pros:

- **High Income Potential:** Nightly rates for short-term rentals are much higher than long-term monthly rates. In high-demand tourist locations or during peak seasons, a short-term rental can earn significantly more in a month than a traditional rental would in rent[12]. This gives well-located or well-run STRs the potential for strong cash flow and quick return on investment.
- **Flexibility for Owner:** Owners can block off dates for personal use of the property, essentially **vacationing in their own investment** if desired[13]. You can also adjust pricing dynamically – charging premium rates during holidays or local events and lower rates in off-season to maximize occupancy[14]. The strategy allows for hands-on optimization of income.



- **Creative Hospitality Opportunities:** Short-term rentals reward hosts who create appealing, unique spaces. Properties with stylish decor or special themes can achieve higher occupancy and rates[15]. Providing excellent amenities and local experiences can lead to great reviews, repeat guests, and a competitive edge. This makes the business engaging for those who enjoy hospitality and design.
- **Tax Benefits on Furnishings:** Since the property is furnished and operated like a business, hosts may write off a variety of expenses. Furniture, housewares, and even a portion of the property's depreciation can often be expensed for tax purposes, potentially reducing the taxable income from the rental[16]. (Investors should consult a tax professional for specifics.)

### Cons:

- **High Management Effort:** Managing a short-term rental is labor-intensive. Hosts or managers must handle frequent guest turnovers, cleaning between bookings, guest communication, restocking supplies, and marketing the listing[17]. It can feel like a part-time (or full-time) job rather than a passive investment. Many owners hire professional property managers, but those services typically charge 20–30% of revenue[18], which cuts into profits.
- **Higher Operating Costs:** With guests coming and going, expenses are greater than in a long-term rental. Owners usually cover all utilities, internet, and streaming services. There are frequent cleaning fees (or cleaning labor if you do it yourself) and higher maintenance from wear-and-tear due to heavier use[19]. Upfront costs for furniture and décor are significant, and items need replacement more often.
- **Income Volatility:** Occupancy and income can fluctuate seasonally or due to market shifts. A short-term rental can be booked solid one month and nearly empty the next if travel demand softens. External events (bad weather, economic downturns, pandemics) can drastically reduce bookings. **Market saturation** is also a concern – many regions saw a glut of new Airbnb listings in recent years, which increased competition and lowered occupancy for hosts[20][10]. This unpredictability makes income less reliable than the fixed rent of a long-term lease.
- **Legal and Regulatory Risks:** Short-term rentals face increasingly strict regulations in many cities. Local governments have imposed measures like licensing requirements, limits on the number of rental days per year, or outright bans on non-owner-occupied short rentals[11]. For example, New York City's 2024 law requires hosts to register and occupy the property, eliminating many Airbnb listings[21]. Regulations are evolving, so hosts must constantly stay compliant to avoid fines or forced shutdown[22][23]. This adds uncertainty and can restrict where STR investing is viable.
- **Platform Dependency and Policy Changes:** Most hosts rely on platforms like Airbnb for marketing and payment processing, which means abiding by those companies' policies. Changes in platform rules can hurt host income. Notably in 2025, Airbnb removed its "Strict" cancellation policy and moved all hosts to a more lenient policy, making it easier for guests to cancel last-minute and leaving hosts with vacant dates[24]. Airbnb also introduced a "buy now, pay later" option allowing guests to book with minimal upfront



payment – a convenience for guests that can lead to unpaid cancellations for hosts[25]. Moreover, Airbnb gained more power to delay or even **reverse payouts** if a guest disputes a charge, meaning hosts can unexpectedly lose income even after a stay is completed[26]. These changes give guests more flexibility but increase financial risk for hosts[27]. Depending heavily on one platform’s policies and algorithms adds a layer of risk to the short-term rental strategy.

**Best For:** Investors who are **entrepreneurial, hands-on, and comfortable with risk**.

Short-term rentals make sense for those who have the time, energy, and hospitality mindset to manage what is essentially a small lodging business. It helps to have **flexible schedules** or a team in place, since guest issues can arise at any hour. This strategy often appeals to people seeking higher income and who don’t mind active management – for example, an investor who enjoys optimizing listings, pricing, and guest experience. A higher risk tolerance is needed, both financially (income can be uneven) and with regard to regulatory uncertainty. Adequate cash reserves are important to weather vacant periods or emergencies. In summary, short-term rentals are ideal for those willing to **treat their rental as a business venture**, who have a property in a desirable location, and who aim to maximize revenue and are prepared for the complexity that comes with it[28][29].

## Mid-Term Rentals (1–12 Month Furnished Rentals)

**Description:** Mid-term rentals serve as a **middle ground** between short and long-term strategies. These are furnished properties rented for durations typically around 1 to 6 months (sometimes up to a year). They cater to tenants who need temporary housing that’s longer than a vacation stay but shorter than a standard lease. Common tenants include **traveling professionals** (consultants, contractors), **travel nurses and medical staff** on short contracts, **remote workers or digital nomads** exploring a new area, and students or academics on semester-length stays[30][31]. A mid-term rental might be a condo, apartment, or single-family home located near hospitals, corporate hubs, or universities – anywhere there is demand for longer temporary stays. Income is earned from monthly rent, which is usually higher than market rate for a traditional lease because the unit is furnished and all-inclusive. In 2025, mid-term rentals are growing in popularity as investors seek alternatives to the heavily regulated short-term market. Many cities do **not regulate 30+ day rentals as strictly**, since these tenants establish temporary residency (landlord-tenant law applies rather than hotel law)[32]. This makes mid-term rentals an attractive niche for investors looking for flexibility with potentially fewer legal hurdles than short-term rentals.

### **Pros:**

- **Higher Rental Income than Long-Term:** Mid-term rentals can typically charge a premium of about 10–30% more per month than a comparable long-term rental, due to the furnished, flexible lease offering[33][32]. Landlords can earn more cash flow than they would with a 12-month lease, while still keeping tenants for months at a time.
- **Lower Turnover than Short-Term:** Tenants stay for several months, not just a weekend.



This greatly **reduces the turnover frequency** and associated workload compared to nightly rentals[32]. You might have 3 or 4 tenant changeovers per year instead of dozens of guest turnovers. Fewer turnovers mean less cleaning, fewer check-ins to coordinate, and more consistent occupancy if demand is steady.

- **More Predictable Income (Moderate Stability):** Because tenants sign a lease or contract for a defined mid-length term, you lock in income for that period – often a few months of guaranteed rent. This is more predictable than hoping for nightly bookings and dealing with cancellations. It's especially true if you secure tenants like travel nurses who often commit to ~13-week stays[30][34] or corporate placements that cover housing for a whole project.

- **Lighter Regulation & Legality:** In many jurisdictions, rentals of 30 days or more are not subject to the strict short-term rental rules. Mid-term landlords generally just follow standard landlord-tenant laws (e.g. property safety, fair housing, etc.) without needing special STR permits[32]. This means **no hotel taxes, no nightly rental bans** – the property is treated like a normal rental in the eyes of the law. (Owners should still verify local rules, as a few cities have extended certain rules to 30–90 day rentals.) Overall, there are fewer legal barriers, making this strategy more accessible in markets where Airbnb-type rentals are heavily restricted.

- **Manageability:** Operating a mid-term rental is often less intense than a short-term rental. You will provide furnishings and cover utilities, but once the tenant is in, daily management is minimal – more akin to a long-term rental. Tenants tend to take care of the place as a home for their stay, and you might only need to check in occasionally or handle maintenance requests. It's feasible to self-manage, and **wear and tear** on the property is typically lower than with a constant stream of vacationers[35][36].

### Cons:

- **Furnishing & Upfront Costs:** Mid-term rentals must be move-in ready and fully furnished, which means higher upfront investment. Providing furniture, housewares, linens, and utilities can be costly, and these items will experience **wear and tear** that the owner must continually manage[37]. This also ties up capital in furnishings that you wouldn't need for a standard long-term rental.

- **Periodic Vacancies & Turnover:** While not as frequent as short-term, you will still face vacancies between mid-term tenants. If, for example, someone rents for 3 months and then leaves, the unit may sit empty until the next tenant is found. If demand is uneven, these gaps can cut into annual income. Marketing to find the next tenant (often on specialized sites like Furnished Finder or Airbnb's monthly rentals) is a recurring task[38]. Higher turnover than a 12-month lease also means more periodic cleaning and resetting of the property, and possibly higher property management fees than a long-term rental if you outsource the oversight.

- **Tenant Sourcing and Uncertain Demand:** The pool of tenants looking for 1–6 month stays is smaller than either nightly tourists or standard renters. In 2025 this niche is growing but still developing, so **finding tenants can require extra effort**[38]. You may need to advertise on multiple platforms and networks (Furnished Finder, travel nurse



groups, etc.) to keep occupancy high. Additionally, demand can be very location-specific – e.g. a city with a large hospital or tech campus will have more mid-term renters than a rural area. If you’re not near a steady source of temporary residents, you might struggle to fill a mid-term rental consistently.

- **Variable Tenant Quality:** Mid-term renters are often on work contracts or travel assignments, which generally makes them reliable, but screening can still be a challenge. Because they are **not long-term residents**, some might treat the place like a short-term stay and neglect minor upkeep. Others may treat it like their home and settle in. It’s a bit unpredictable. You also might not have as robust background info as with a traditional renter (for example, a travel nurse from out of state may not have a local rental history). Landlords should use lease agreements and possibly security deposits to protect against damages, just as with longer leases[37].

- **Landlord-Tenant Law Applies:** Once stays exceed the local threshold (often 30 days), guests typically become legal tenants. This means if a mid-term tenant stops paying or refuses to leave at the end of their term, you cannot simply remove them – you’d have to go through formal eviction proceedings, which can be time-consuming. This is a **legal risk** to be mindful of (it’s the flip side of not being under short-term rental rules: you gain tenant obligations). Having a solid lease contract is essential[37].

- **Moderate Management Complexity:** Mid-term rentals are not entirely hands-off. You must keep the unit furnished and stocked with essentials, handle utilities and WiFi accounts, and be prepared for maintenance on an as-needed basis (since tenants won’t usually fix things themselves for a short stay). In essence, you combine some duties of a long-term landlord (property maintenance, vetting tenants) with some duties of a short-term host (providing a fully ready home and handling logistics like cleaning between tenants). Owners should be prepared for this hybrid workload.

**Best For:** Investors who want **higher income than a traditional rental** but with less daily hassle than a vacation rental. It’s well-suited for those who have properties in locations that naturally attract temporary residents – for example, near hospitals, corporate centers, military bases, or universities. **Experienced landlords** looking to boost returns might try this, as well as **flexible first-timers** who don’t mind learning to furnish and market a property creatively. Risk tolerance should be moderate: you should be comfortable handling occasional vacancies and doing active tenant searches. This strategy often appeals to owners who became frustrated with short-term rental regulations and are pivoting to 30+ day rentals (for a more stable, legal operation), or to those who see an underserved niche in their market. In summary, mid-term rentals make sense for investors who are willing to put in some work to target a specific renter profile (traveling professionals, etc.) and who value a balance of **increased cash flow** with **manageable turnover**[32][33].

## House Hacking

**Description:** *House hacking* is a strategy where you **live in a property you own and rent out a part of it**, effectively letting your home generate income. The classic scenario is





buying a multi-unit property (duplex, triplex, or fourplex), living in one unit, and renting out the others. It can also be done with a single-family house by renting extra bedrooms, a basement apartment, or an accessory dwelling unit (like a garage apartment or backyard cottage). The rental income from tenants helps cover your mortgage and other housing costs[39][40]. This approach turns your primary residence into an investment vehicle. It's a popular way for first-time buyers to get into real estate investing because owner-occupant financing (such as FHA or VA loans) allows **low down payments** – sometimes as little as 3.5% or even 0% – making it easier to purchase a property with multiple units[41]. In 2025, with high home prices, interest rates, and rents, house hacking has become *especially* attractive: many Gen Z and millennial buyers use it as a creative strategy to afford homes and offset the steep costs of homeownership[42][43]. Cities and states have also begun easing rules on adding accessory dwelling units, which further opens the door to house hacking opportunities (e.g. converting a basement or building a small rental unit)[44][45].

### Pros:

- **Drastically Lower Housing Costs:** The primary benefit is that tenant rent subsidizes your mortgage. In the best case, the rent from the rented part(s) of the home covers the entire mortgage payment, allowing you to live “for free” or even turn a profit. Even if it only covers a portion, it can make homeownership far more affordable than paying the full mortgage alone[39][46]. In an era of high housing costs, this is a powerful way to reduce your living expenses.
- **Low Barrier to Entry (Owner-Occupant Loans):** House hacking enables you to buy an investment-grade property with minimal down payment. You can use an **FHA loan (3.5% down)** or similar programs to acquire a 2–4 unit property as your primary residence[41]. You get the same favorable interest rates as a homebuyer, not the higher rates for investment properties, because you're an owner-occupant. This lowers the upfront and ongoing cost. Essentially, it's a beginner-friendly path to start investing in real estate with much less capital than buying a rental outright would require.
- **Learning Experience with Lower Risk:** Living on-site, you naturally keep a close eye on the property. You'll quickly learn how to be a landlord (screening tenants, handling maintenance, managing finances) but on a smaller, more manageable scale. If an issue arises, you're there to address it promptly. This active involvement can reduce certain risks – for example, small problems won't go unnoticed and snowball. Many find this “learn by doing” invaluable, and you can carry that experience to future investments.
- **Multiple Strategy Options:** House hacking is flexible. You can choose long-term tenants (e.g. lease out a duplex unit or a spare bedroom to a roommate), or even do short-term rentals in part of your home if local laws allow (renting a room on Airbnb while you're present is legal in some cities that ban non-owner-occupied STRs[47]). This means you can adapt the renting strategy to what fits your lifestyle and financial goals. The property is both your home and an income asset, giving you hybrid usage.
- **Wealth Building and Tax Benefits:** As with any property, you build equity over time as the home appreciates and the mortgage is paid down – but with someone else contributing to those mortgage payments. Down the road, you could move out and keep the property as a



full rental. Also, even though it's your residence, the portion that's rented out may qualify for landlord tax benefits. For example, you can often deduct expenses proportional to the rented area, and depreciate that portion of the property, which can save on taxes (while still enjoying the primary residence tax benefits for the part you occupy). This combination of **owning a home and investing** accelerates wealth creation.

#### **Cons:**

- **Privacy and Lifestyle Trade-offs:** House hacking means **sharing your home** or property. If you rent out rooms in your house, you'll have roommates and less privacy. Even with separate units (like a duplex), you're sharing walls/yard and acting as both landlord and neighbor. This can be stressful if tenants are noisy, messy, or if you simply value solitude. Your home life may feel different when tenants are always nearby. It requires a willingness to compromise on some personal space and comfort.
- **Landlord Responsibilities at Home:** Living on-site doesn't eliminate the challenges of being a landlord – you'll still have to handle tenant issues, maintenance, and potentially conflict or evictions, all literally close to home. It can be emotionally taxing to address late rent or complaints when you see the tenant regularly. Additionally, any property problems (a leak, a broken furnace) affect you *and* your tenant, so there's no buffer – you must fix issues promptly. Essentially, you're always on call as the manager of your own residence.
- **Restrictions and Regulations:** Some homes or neighborhoods have limitations on renting portions of a property. Zoning laws or homeowners association (HOA) rules might forbid renting to non-family members, or limit adding separate units. It's important to ensure your house hack is legal (for example, creating a basement apartment may require permits). Moreover, when using owner-occupant financing, there is usually a requirement that you intend to live in the home for at least a year – you can't immediately rent all units out, or you'd violate loan terms. These factors somewhat constrain your flexibility.
- **Financial Dependence on Tenants:** If you're counting on tenant income to afford the mortgage, you are vulnerable to vacancy or non-payment. A vacancy could suddenly leave you paying the full mortgage out-of-pocket. Similarly, a tenant defaulting on rent can hurt your ability to cover expenses if you don't have savings. In other words, house hacking can make your personal housing cost unpredictable if a tenant situation goes awry. Wise house-hackers budget so they can *temporarily* cover the mortgage without rent, but not everyone is prepared for that scenario. This reliance adds risk – your home and investment are one and the same.
- **Potential Social/Family Impacts:** House hacking in a small multi-family or shared home can be challenging if you have a family or roommates who aren't on board. Your spouse or children might not love having tenants adjacent or sharing spaces. The lifestyle is easier for some (e.g. young singles or couples) than for others. It may also limit your choice of location or type of home, since you're focusing on an income-generating property rather than a traditional "dream home." Some people end up "burned out" on living next to their investment, and after a year or two move out to regain privacy – turning the property into a pure rental at that point.





**Best For:** House hacking is generally best for **first-time homebuyers and beginner investors** who want to start building equity and wealth sooner rather than later[48]. It's perfect for those with limited capital, since you can get in with a small down payment and have rent offset your costs. A typical house-hacker is someone with a **moderate risk tolerance** – comfortable being a landlord, but attracted to the lower-risk nature of living in the investment. This strategy suits individuals or couples willing to sacrifice a bit of privacy and adopt a landlord lifestyle in exchange for financial advantages. If you're **young or flexible in living arrangements**, or motivated to reach financial freedom faster, house hacking can be ideal. It's also a smart approach for markets with very high housing costs: by renting part of your home, you make living in expensive areas more feasible. Overall, house hacking makes the most sense for those who want to **live in their investment**, reduce personal housing expenses, and learn the ropes of real estate with a safety net (since you control and reside at the property). In 2025, experts have noted that with rising rates and costs, **“renting out a part of your home could be the most logical way to generate passive income”** for new buyers[46][49] – confirming house hacking as a top strategy for enterprising homeowners today.

**Sources:** Long-term vs short-term rental comparison and 2025 market trends[50][10]; Short-term rental platform and policy changes[24][26]; Mid-term rental advantages[32][33]; House hacking strategy and 2025 context[46][48].

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