



Coastal Islands Real Estate & Property Management

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The Different Types of Leases and Estates

What are the Advantages of an Oral versus a Written Lease?

For tenants with an oral month-to-month agreement, the major advantage is the ability to terminate the lease and move out without further rental liability with only a short notice to the landlord. For landlords, an oral lease provides an easy way to terminate and makes the tenant move out with only a short notice or to raise the rent. The landlord is usually not required to state a good reason for the termination.

What are the Disadvantages of an Oral Lease?

Because nothing is written down, the major disadvantage is the possibility of misunderstanding between the landlord and tenant.

Freehold Estate

A freehold estate is one where the duration of ownership is for a lifetime of an individual or an unlimited duration. You have an exclusive right to enjoy the possession land use of a parcel of land or other asset for an indefinite period.

Leasehold Estates

Leasehold is possession of the land and no ownership. The estate is of definite or indefinite duration. Under the leasehold estate, the user is called the lessee or tenant, and the person from whom it is leased is the lessor or landlord. As long as the tenant has a valid lease, abides by it and pays the rent on time, the owner, even though owning the property, cannot occupy it until the lease has expired. The lease is an encumbrance against the property.

Estate for Years

When a landowner creates an estate for years the one who accepts it has the right to use the property in an absolute manner provided that the property is not made less valuable. Also, an estate for years is taxable and can be recorded with the title to the land in the local court. The lease has a specific starting time and a specific ending time. It can be for any length of time, ranging for less than a day to many years. It does not automatically renew itself.

Periodic Estate from Period to Period

An estate from period to period, or a periodic lease, is one that automatically renews unless either party gives notice of termination. These leases run week to week, or month to month, or year to year. Notice is often equal to the period but the time of notice may vary from a minimum of one week to a maximum of six months prior to



termination. This type of estate is not terminated by the sale of the property or the death of the owner or the tenant. Renewal is automatic for another like period of time.

Depending on the language of the lease, the lease terminates, extends, or renews at the end of the lease term.

Language in a Lease:

- Extension of the lease for an additional period under the same terms and conditions
- The tenancy can only be extended at the end of the current lease term by the signing of a new lease provides for a renewal
- The lease terminates if there is not a renewal or an extension
- A provision which gives the tenant an "option" to renew the lease
- A lease term - the tenant can send the landlord written notice of their intention renew the lease and continue to use and occupy the rental premises for another lease term
- An automatic extension at the end of the current lease for an additional term if the tenant remains in possession after the expiration of the original lease term
- Upon termination of the tenancy, the landlord may seek possession of the rental property from the tenant

Estate at Will

Also called tenancy at will is a landlord-tenant relationship with all the normal rights and duties of a lessor-lessee relationship, except that the estate may be terminated by either the lessor or the lessee at any time. The key ingredient is an estate at will is that it is for an indefinite period of time. It is usually not in writing. It will terminate automatically with a transfer of the property or a death of one of the parties.

Tenancy at Sufferance

Also called a holdover tenant and occurs when a tenant stays beyond the legal tenancy without the consent of the landlord. The landlord is entitled to evict that person and recover possession of the property, provided the landlord does so in a timely manner.

Trespassers

Is just that; and have no legal rights. You must give proper notice for eviction.

