



Understanding Lease Terms: A Guide for Real Estate Professionals

ProCoaching Infinite Resources

As a real estate agent working with rental properties, understanding lease terms is crucial for advising both landlords and tenants. A lease agreement outlines the rights and responsibilities of both parties, helping to prevent misunderstandings and legal disputes. Below is a breakdown of the essential lease terms you should know, what they mean, and how they affect both tenants and landlords.

1. Lease Term

- **Definition:** The lease term refers to the length of time the tenant will occupy the rental property. This could be a fixed term (e.g., one year) or a month-to-month arrangement.
- **Key Points:**
 - **Fixed-Term Lease:** Typically lasts for 6 months to a year. The rent is fixed for the duration, and the tenant is required to stay until the end unless they give proper notice.
 - **Month-to-Month Lease:** The lease automatically renews each month unless either party gives notice to terminate (usually 30 days).
 - **Renewal Terms:** If a fixed-term lease is set to expire, the landlord and tenant may have the option to renew the lease. Be sure to clearly define any renewal process and rental price adjustments.



2. Rent Amount and Payment Due Date

- **Definition:** The rent amount is the agreed-upon monthly payment the tenant must pay to the landlord to occupy the rental property. The lease will specify the amount, the due date, and the payment method.
- **Key Points:**
 - **Rent Amount:** The dollar amount agreed upon should be clearly stated. If there's any change, it should be done with proper notice and mutual consent.
 - **Payment Date:** Typically, rent is due on the first day of each month, but it can vary. It's crucial to define when the payment is due and any grace periods.
 - **Late Fees:** If the rent is not paid on time, the lease should outline any late fees or penalties that apply.

3. Security Deposit

- **Definition:** A security deposit is an amount paid upfront by the tenant to cover any potential damages or unpaid rent at the end of the lease.
- **Key Points:**
 - **Amount:** Usually equivalent to one or two months' rent, though this can vary.
 - **Refund Process:** The lease should specify the conditions under which the deposit may be retained (e.g., damages, unpaid rent) and the



process for returning the deposit at the end of the lease.

- **State Laws:** Be aware of your local jurisdiction's laws regarding the maximum allowable security deposit and timelines for returning it.

4. Rent Increases

- **Definition:** A rent increase clause specifies how and when the landlord can increase the rent during or after the lease term.
- **Key Points:**
 - **Fixed-Term Leases:** Rent cannot be increased during the lease unless specifically stated in the agreement.
 - **Month-to-Month Leases:** Rent can typically be increased with proper notice (e.g., 30 or 60 days).
 - **Notice Requirements:** A rent increase usually requires written notice from the landlord, which should be clearly outlined in the lease.

5. Utilities and Services

- **Definition:** This section outlines who is responsible for paying utilities and services such as electricity, water, gas, internet, and trash collection.
- **Key Points:**
 - **Tenant Responsibility:** The tenant may be required to pay for utilities like electricity, gas, and internet.
 - **Landlord Responsibility:** The landlord may cover some or all utilities



like water or trash removal, depending on the lease agreement.

- **Clarifying Costs:** Ensure it is clear whether utilities are included in the rent or billed separately. Also, specify who to contact for service repairs.

6. Maintenance and Repairs

- **Definition:** This section specifies the responsibilities of the landlord and tenant regarding property maintenance and repairs.
- **Key Points:**
 - **Tenant Responsibility:** Tenants may be responsible for basic upkeep, such as lawn care or replacing light bulbs.
 - **Landlord Responsibility:** The landlord typically handles major repairs (e.g., HVAC, plumbing, roof repairs).
 - **Reporting Issues:** Outline the procedure for tenants to report maintenance issues and ensure timely resolution.

7. Rules and Restrictions

- **Definition:** This section outlines any rules or restrictions that tenants must follow during their tenancy.
- **Key Points:**
 - **Pets:** The lease should clearly state whether pets are allowed, and if so, whether there are any breed, size, or quantity restrictions.
 - **Smoking:** Some leases prohibit smoking inside the property.



- **Alterations:** The tenant may not be allowed to make alterations to the property (e.g., painting walls, installing fixtures) without the landlord's approval.
- **Noise/Behavior:** Many leases include clauses regarding noise levels, parties, and behaviors that may disturb neighbors.

8. Early Termination Clause

- **Definition:** An early termination clause outlines the terms under which either the landlord or tenant can terminate the lease before the end of the agreed term.
- **Key Points:**
 - **Tenant's Rights:** The tenant may need to pay an early termination fee or forfeit part of the security deposit if they break the lease early.
 - **Landlord's Rights:** The landlord may also be allowed to terminate the lease early under certain conditions, such as a tenant's non-payment of rent.
 - **Notice Period:** The lease will specify the amount of notice required for early termination by either party.

9. Subleasing

- **Definition:** Subleasing refers to a tenant's ability to lease the rental property or a part of it to another person.



- **Key Points:**

- **Permission:** The lease should specify whether subleasing is allowed and, if so, whether the landlord's approval is required.
- **Terms of Sublease:** If subleasing is permitted, ensure that the lease terms clarify how long the sublease will last, how rent is handled, and what happens if the subtenant violates lease terms.

10. Renewal and Extension

- **Definition:** This clause covers the process for renewing or extending the lease at the end of the term.
- **Key Points:**
 - **Automatic Renewal:** Some leases may automatically renew at the end of the term unless either party provides notice to terminate.
 - **Extension Terms:** The lease should specify the procedure and timeline for renewing or extending the lease, including possible rent adjustments.



Conclusion

Understanding lease terms is crucial for real estate professionals to effectively guide both tenants and landlords through the rental process. Each term in the lease should be clear, specific, and fair to ensure a smooth rental experience and avoid future disputes. It's important to read and fully understand each clause in the lease before signing, and to communicate these terms clearly to your clients.