

# Types of Interest in Real Property

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This guide outlines the various types of real property interests, their features, and how they impact ownership, transferability, and use.

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*A Comprehensive Guide by The Housing Assistant*



## Introduction

In real estate, the term 'interest' refers to the legal rights and claims a person has in a piece of property. Understanding the types of property interests is essential for buyers, sellers, lenders, and real estate professionals. This guide outlines the various types of real property interests, their features, and how they impact ownership, transferability, and use.

### 1. Freehold Estates

These are ownership interests in real property for an indefinite duration. They include:

Fee Simple Absolute:

- The most complete form of ownership.
- Owner has full rights to use, transfer, lease, and bequeath the property.

Fee Simple Defeasible:

- Ownership with conditions or limitations.
- May revert to original owner if conditions are violated.

Life Estate:

- Granted for the lifetime of an individual.
- Property passes to a remainderman or back to the grantor after death.

THA Insight: Freehold estates are most commonly seen in traditional home sales. Title searches must confirm the type of estate granted.

### 2. Leasehold Estates

These grant possession but not ownership of property for a specified time. Common types include:

Estate for Years:

- Fixed-term lease with start and end date.

Periodic Tenancy:

- Renews automatically unless terminated (e.g., month-to-month).

Tenancy at Will:

- Can be terminated by either party at any time with notice.

Tenancy at Sufferance:

- Occurs when a tenant remains after lease expiration without consent.

THA Tip: Leasehold estates are common in ground leases or multi-unit rental developments. Not all lenders finance leasehold interests.

### 3. Concurrent Ownership Interests

When two or more people share ownership in the same property:

Joint Tenancy:

- Equal ownership shares.
- Includes right of survivorship (property passes automatically to surviving owners).

Tenancy in Common:

- Owners may hold unequal shares.
- No right of survivorship (interest passes to heirs).

Tenancy by the Entirety:

- Applies only to married couples.
- Both spouses have equal and undivided interest.

THA Reminder: Verify vesting type on the deed—it affects inheritance, refinancing, and sale.

### 4. Legal vs. Equitable Interests

Legal Interest:

- Recognized and enforceable by law.
- Usually held by the title holder or owner on record.

Equitable Interest:

- Recognized by fairness (equity) rather than legal title.
- Example: A buyer under a land contract has equitable title until closing.

THA Note: Equitable interest allows a party to seek performance or claim property rights even before full legal title is transferred.

### 5. Future Interests

These are rights to property that will begin in the future:

Remainder Interest:

- Passes to a named third party upon termination of a prior estate (usually a life estate).

Reversionary Interest:

- Reverts to the original owner or heirs if no remainderman is named.

THA Caution: Future interests may complicate title transfers or financing. Title searches should reveal remainder or reversion clauses.