
ALL YOU NEED TO KNOW ABOUT BUYING & SELLING YOUR HOME



REAL ESTATE TERMS

Following is a list of real estate expressions you may come across together with their definitions.

Amenity- A feature of real property, not essential to that the Property's use, which makes it more desirable, eg, views, proximity to transport, or recreational facilities.

Appreciation- An increase in value due to supply and demand or market fluctuation.

Asking price- The listed price- not always the selling price, which may be negotiable.

Body Corporate- An administrative body elected by all the owners within a group of units or apartments, to handle administration and upkeep of the site.

Bond- Money paid by a tenant (usually held in trust) to ensure against their defaulting on payment and damage to the property.

Boundary- Lines defining a property perimeter.

Bridging Loan- A short term loan to cover a short term financial gap.

Building code- Local regulations controlling design, construction, and materials used in construction.

Buyers Market- When demand for property is less than supply, advantages shift to the buyer. See seller's market.

Capital expenditure- The cost of a property improvement that extends its useful life or adds to that property's value.

Capital gain- Profit made from selling a capital asset.

Capital improvement- Any permanent structure or addition to a property that adds to its value and useful life.

Cashflow- A measure of cash inflow and outflow- positive cashflow means more money is coming in than is going out; negative cashflow is the reverse.

Caveat- A warning on a title to a purchaser that a third party might have some interest or right in the property.

Caveat emptor- "Buyer beware" (Latin), i.e., the onus for satisfactory purchase is on the buyer.

Certificate of occupancy- A document issued by local government to a developer permitting his structure, having complied with public health and building codes, to be occupied.

Certificate of title- Description of a property naming its registered owner and encumbrances, i.e., mortgages or easements on the property. Must be produced by the vendor before sale of the property.

Chattel- Movable item of personal property, such as furniture, that may be included in a sale.

Clear title- Title to a property that is free of lien or legal questions as to ownership.

Collateral- An asset (eg, motor vehicle or house) that guarantees repayment of a loan. The borrower risks losing the asset if the loan contract is breached.

Commission- Fee deducted from the sale price, paid to an agent for negotiating the transaction.

Common property- Areas of a building, land, or amenities that are shared by all owners, eg, a driveway.

Company title- Absolute ownership of a freehold flat in which the registered owner automatically becomes a member of a service company that administers, manages and maintains the property. See stratum title.

Construction loan- Also called building loan, short term, interim loan (only to registered builders) for financing construction. The builder receives funds from the lender at periodic intervals as work progresses.

Covenant- Terms, conditions, and restrictions noted on the title, which may affect future plans or resale of the property.

Cover note- Temporary insurance cover from an insurance company until its formal policy is issued.

Default- Failure to comply with requirements.

Deposit- Percentage of the purchase price paid up front to bind the sale.

Deposit bond- A guarantee, usually issued by an insurance company, to pay a deposit to a property vendor. It provides a purchaser with an alternative to a traditional deposit, however on completion of the sale, 100% of the purchase price is due from the purchaser.

Depreciation- Decrease in the value of property over time.

Disbursement- Expenditure from a fund.

Drawdown- A loan facility that allow the borrower to take the money available, in stages, as funds are required.

Dual occupancy- A section of land zoned so that two distinct dwellings can be constructed.

Duplex- See semi-detached.

Easement- Limited right to use land belonging to another, eg, water authority may have a sewerage easement across part of the property.

Encroachment- Part of a building extending beyond its legal bounds.

Encumbrance- An Impediment to the use or transfer of a property, in the form of an interest or right, eg, easement, mortgage, or caveat.

Equity- Difference between a property's market value and the amount still owing on it, i.e., the amount of an asset actually owned.

Establishment fee- See loan application fee.

Fee simple- The maximum interest a person can have in a piece of real estate. Absolute ownership without restriction.

Fee tail- An inherited estate limited to lineal heirs of the person to whom it was granted.

Fiduciary- Person who, essentially like a trustee, acts on behalf of, and for the benefit of, another. A fiduciary must act with care and good faith in relation to the principal and their business. Real estate agents are considered by law to be fiduciaries- they are duty bound to act not for themselves but for the person who employs them. Penalties may be severe for failing in fiduciary duties.

Fittings- Decorations, furniture, accessories that, without causing damage, can be removed from the property.

Fixed rate mortgage- Mortgage interest that remains at the same rate for an agreed period.

Fixtures- Fixed items that cannot be removed without damaging either the property or the fixture itself, eg, built-in wardrobes.

Foreclosure- Legal process by which a borrower in default of a mortgage is deprived of their interest in the mortgaged property. This usually results in the property being auctioned so the proceeds can be used to service the mortgage debt.

Freehold- An estate in real property that continues for an indefinite period of time. Freehold estates may be inheritable or non-inheritable. Inheritable estates include the fee simple absolute, the fee tail, and the qualified fee. Non- inheritable estates include various life estates created by acts of parties, such as an ordinary life estate (see life estate), or by operation of law.

Gearing- The ratio of your own money and borrowed funds for investment. See Negative gearing.

Holding deposit- Initial goodwill payment to register interest in or bind the sale of real estate before the full deposit is paid.

Interest only loan- Loan repayments covering the interest only. At the end of the loan term, the original amount or principal is repaid.

Joint tenancy- Form of co-ownership giving each tenant equal shares and rights in the property including right of survivorship, i.e., property ownership passes to surviving owners.

Leasehold- The right to use and have exclusive possession (but not ownership) of real estate for a specified period and subject to lease agreement conditions.

Lessee- Person leasing a property.

Lessor- Owner of property leased to another.

Liabilities- A list of debts owed.

Lien- Legal claim against a property that must be paid off when the property is sold.

Life estate- Limited right to hold title to and enjoy property during one's own or someone else's life; at death, the title reverts to the grantor or a named third party.

Listing- (1) Written contract between owner and a real estate agent, authorising the agent to perform services for the principal involving the owners property.

(2) The property so listed.

Loan application fee- Also called establishment fee. A fee paid to the lender for processing the loan.

Loan to valuation ratio- The amount of the loan financed as a proportion of the property value, expressed as a percentage.

Market value- Price at which a seller is happy to sell and buyer is willing to buy. This assumes a market generating enough buyers and sellers so neither party controls price. Establishing market value is the objective of an appraisal.

Mortgage- Legal document pledging property to the lender as security for payment of a debt.

Mortgage discharge fee- Fee charged for some lending institutions for finalising a loan.

Mortgage insurance- Policy to insure the lender against the borrower defaulting on a loan. Most lenders generally require insurance when borrowing more than 80% of property value.

Mortgage offset- Non- interest earning account that is offset against a home loan to reduce the total interest payable.

Mortgagee- Lender in a mortgage agreement.

Mortgager- Borrower in a mortgage agreement.

Negative gearing- Where investment costs (eg, property maintenance, loan interest etc) exceed interest returns, thereby creating tax benefit.

Nominee- A person who, in a limited sense, acts for or represents another.

Off the plan- To purchase a property before it is completed after only seeing the plans.

Offer- Intent conveyed by one party to form a contract, which may have conditions and stipulations, with another party.

Offset account- Account linked to mortgage account so that interest earned is applied to reduce the mortgage.

Open listing- Where more than one real estate agent may represent a property for sale. Commission is due only to the agent who finds the buyer. If the owner sells the property, there is no obligation to pay anyone commission.

Passed in- The highest bid at auction fails to meet the reserve price and consequently, the property did not sell.

Power-of-attorney- Authority to execute documents on behalf of the grantor of the power.

Prime rate- Interest rate charged by banks to their preferred customers. Changes in this rate can influence other rates including mortgage interest rates.

Principal- Amount borrowed or still to be repaid. The part of the monthly payment that reduces the balance of the mortgage.

Private sale- Sale of a property by the owner without the services of a real estate agent.

Private treaty sale- Sale of property through an estate agent through negotiation.

Real Property- Land with or without improvements.

Redraw facility- Loan where the borrower can make additional payments, then access those funds when required. A minimum redraw amount may apply.

Refinance- Paying off one loan with the proceeds from a new loan using the same property as security.

Requisitions on title- Buyers seek additional information about a property from its vendor.

Reserve price- Minimum price acceptable by the vendor at auction.

Right of first refusal- Provision in an agreement giving a party the first opportunity to act before any offer is made to others.

Right of survivorship- Right of the survivor/s to acquire the interest of a deceased joint estate.

Right of way- Right of one property, or the general public for access to, or across, another property.

Second mortgage- A secured loan subordinate to another loan against the same property, i.e, on sale of the property, the second mortgage would be paid off only when the first mortgage is paid off.

Security- Property that is pledged as collateral.

Seller's market- When demand for property is greater than supply. This offers better opportunities for owners to find someone willing to meet the asking price or even more than the asking price. Contrast with *Buyer's Market*.

Semi- detached- Also called duplex. Type of construction where two buildings are attached together by a common wall.

Service (the loan)- Periodic, normally monthly, payment of mortgage interest and principal plus other mortgage related expenses, eg property taxes, property insurance.

Settlement- 1. The sale of a property is finalised by the legal representatives of the vendor and the purchaser, mortgage documents come into affect, costs are paid and the new owner takes possession of the property.

Settlement- 2. Sinking of the soil or any part of the structure which it supports.

Special condition- A condition to be satisfied before the contract becomes legally binding. For example, a sale and purchase may become legally binding only after the purchaser has approved a building inspection.

Square- A measurement of home area. One square = 9.3sq m approximately.

Strata title- Title to a unit, or lot on a subdivision plan, associated with townhouses, units and flats, based on the horizontal and vertical subdivision of air space. Owners have a certificate of title, are absolute owners of a freehold flat, and have undivided share of the common property.

Stratum title- Also called company title. A stratum title owner is absolute owner of a freehold flat and is automatically a member of the service company managing and maintaining the property in which the owners flat is registered.

Survey- Drawing or map showing the precise legal boundaries of a property, the location of improvements, easements, rights of way, encroachments, and other physical features.

Tenancy- The right to occupy a property under agreed terms and conditions.

Tenants in common- Type of joint tenancy in a property where two or more purchasers own a property in unequal shares. If one dies, his or her shares pass to his or her beneficiaries under the terms of the will. Contrast with joint tenancy.

Title search- Examination of the property's official records to ensure that the seller is the legal owner and to find what, if any, other claims or liens are outstanding.

Transfer- Registered document that verifies change of ownership of a property.

Trustee- Fiduciary who holds or controls property for the benefit of another.

Unsecured loan- Loan not backed by collateral.

Utilities- Private or public service facilities such as gas, electricity, telephone, water and sewer provided as part of the development of land.

Valuation- Written analysis of the estimated value of a property prepared by a qualified valuer.

Vendor- The seller.

Water course- Natural stream of running water fed by a natural source such as a stream or a river.

Yield- Interest earned by an investor or return on an investment, stated as a percentage of the amount invested.

Zoning- Local authority guidelines for the permitted use of land.



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