

## **Glossary Of Real Estate Terms**

### **Adjustments:**

The portion of property expenses such as taxes, council and water rates paid in advance by the vendor for which the purchaser may be liable.

### **Amortization Period:**

The maximum number of years it will take to repay a home loan. Maximum amortization period is usually between 20 and 30 years.

### **Body Corporate:**

A group consisting of the owners of each strata property, formed to maintain the common areas of flats or units and to take out insurance for the common areas.

### **Bridging Finance:**

Temporary finance provided to assist the process of transferring from one home to another especially when you settle the purchase of your new one before you sell your current home.

### **Capital Gain:**

The profit made when an asset is sold for more than the original purchase price.

### **Caveat Emptor:**

Latin for "Let the Buyer Beware". This puts the burden onto the buyer to be satisfied with the item before purchasing a property.

### **Certificate of Title:**

The document of Title to land. It sets out the Crown description of the land, the registered proprietors, registered mortgages, charges, easements and encumbrances.

### **Chattels:**

The moveable items included when a property is sold, such as carpets, blinds and light fittings.

### **Cluster Title:**

Each Cluster Title holder has a Certificate of Title which specifies ownership in terms of a particular area for which the owner is responsible, and defines the common property. Unlike a Strata Title, it does not subdivide 'airspace'.

### **Commission:**

The fee payable to a Real Estate Agent by the vendor for selling the house. Usually a percentage of the sale price. Common Area: An area which is for use by many, not an individual. For example, home units have common areas such as stairs and driveways.

### **Company Title:**

This title grants a shareholding in the company which owns the property, not ownership

of the property itself. Contract Note Precedes the formal contract of sale but may be just as binding. Treat it with due care.

**Contract of Sale:**

An agreement in writing setting out the terms and conditions of the sale of the property.

**Conveyancing:**

The legal process transferring ownership and title to a property.

**Covenant:**

A restriction or requirement, affecting the use of the land, which is written into the title. Covenants are usually inserted by the original developer of the land, eg one house only on the land.

**Cover Note:**

This is a document giving temporary insurance over a property until a formal policy is issued by the insurance company.

**Deposit:**

An amount of money placed in trust as evidence of commitment to buy. If the purchase is completed, it will be applied towards the purchase price.

**Depreciation:**

Allowance made in valuations and estimates for normal wear and tear.

**Draw down:**

The hand over of the loan from the lending institution.

**Easement:**

A right that an individual has to use land belonging to another. For example rights of way, water, sewerage mains etc.

**Encumbrance:**

A retraction, liability or charge on a particular property. For example a mortgage or easement.

**Equity:**

Your level of ownership in a property. The difference between the market value of the property and what you owe.

**Fixed Rate Loan:**

A loan taken at a fixed rate of interest for a set period. Repayments remain fixed during an agreed period of the loan regardless of changes to variable rates of interest.

**Fixtures and Fittings:**

Things that are affixed to the property and generally cannot be removed without

causing damage to the property. They cannot be removed when a property is sold unless the contract permits it. The vendor must generally make good any damage caused to the premises by the removal.

**Freehold:**

An owner's interest in land where the property belongs to its owner.

**General Law Title:**

An old form of land ownership which consists of a chain of documents that trace the history of ownership of a particular property, often over a century or more.

**Interest:**

A charge for money advanced or lent by a bank or other lender.

**Inventory:**

A listing of items that could be included with a property. For example furniture, furnishings, moveable items etc. Investing the purchase of an asset, such as real estate, with the goal of producing a capital gain on the resale of the asset or of using the asset to generate income.

**Joint Tenants:**

The holding of property by two or more persons where if one dies that share passes to the survivors. Land Tax: Based on the property value, it is a State Government tax payable by the owners of the property. Exemptions may apply in some States.

**Leasehold:**

The interest in land of a person who owns a lease granted by a freeholder.

**Liabilities:**

Your outstanding debts or what you owe.

**Loan to Valuation:**

Ratio Your loan amount expressed as a percentage of the property value. For example a loan of \$150,000 against a property valued at \$200,000 would result in a Loan to Valuation ratio of 75%.

**Loan to Valuation Ratio Mortgage (LVR):**

A legal document pledging property as security for the repayment of a loan.

**Mortgagee:**

One who lends the money. Mortgagor: One borrowing the money.

**Multiple Listing:**

When a property for sale is given to more than one agent. The first agent who has a buyer ready, willing and able to meet the price and terms acceptable to the vendor, receives the commission for the sale.

**Negative Gearing:**

This is when the money you make on an investment property (usually through renting) is less than the cost of maintaining it.

**Offer and Acceptance:**

A written agreement which details the terms and conditions regarding the purchase or sale of a property.

**Offer to Purchase:**

A written offer of a specified price for a specified property. The offer may be conditional or unconditional.

**Principal:**

The amount that you borrow from the lender. It is the 'capital' amount upon which interest is payable.

**Private Treaty:**

Sale Private sale of a property through an agent through private negotiation.

**Requisitions of Title:**

The process in which the buyer of a property requests information in writing from the seller of a property additional to that supplied in the vendor statement or Contract of Sale. The purpose is to obtain further information about the title to the property.

**Right of Way:**

A person may have the right to cross your property to gain access to his own property, or there may be a general pathway across the land.

**Reserve Price:**

The minimum selling price at auction as specified by the seller.

**Settlement:**

A meeting of representatives of all parties to the transaction to complete the sale. Monies are tendered in exchange for relevant documents, keys etc and the purchaser can then legally take possession.

**Sole Agency:**

One real estate agent or agency has exclusive rights to sell a property.

**Stamp Duty:**

This is levied on the purchase price of the property and is also levied on mortgage documents. Some concessions may apply.

**Strata Title:**

A form of title commonly used for flats giving you membership of the Body Corporate

and ownership of a defined part of the whole property.

**Stratum Title:**

A form of title which records ownership of a small 'chunk' of a larger property. It's like Strata Title, except you become a shareholder in the company set up to administer the common areas, instead of a member of a body corporate. Survey Shows boundaries of the land and location of the building.

**Tenancy in Common:**

The holding of property by two or more persons, either in equal shares or unequal shares. If one person dies, that person's share is dealt with in accordance with the law.

**Tenancy Agreement:**

A document that sets out the details of a property to be rented, and records the agreement between the landlord and tenant regarding the terms and conditions of the tenancy, including the amount of rent.

**Mortgage Term:**

The time length of a loan.

**Title Search:**

A search carried out from the records of the Land Titles Office to determine registered details such as ownership, mortgages, caveats, easements etc.

**Torrens Title:**

The usual form of land title ownership.

**Transfer:**

A document registered in the Land Titles Office which acknowledges change of property ownership. This is also noted on the Certificate of Title.

**Valuation:**

A report written by a registered valuer, detailing the property value.

**Vendor:**

A person offering a property for sale.

**Vendor Statement:**

A written statement by the vendor to the purchaser, setting out material particulars regarding the property for sale. In some states some of these details are incorporated into the contract.

**Zoning:**

Control of the use of land exercised by Local Government or the responsible Planning Authority.

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