

# Understanding Real Estate Terms

Real estate and property finance come with their own terms and jargon. This list provides definitions for some of the more common terms to help investors and aspiring homebuyers better understand what is often their single-biggest investment.

## The A-Z of Real Estate Terms

- A** **Adjustment:** The apportion between buyer and vendor for expenses such as council and water rates  
**Allotment:** A lot or block subdivided from a larger portion of land  
**Amortisation period:** The full term of the loan, in other words, the number of years it will take to repay a home loan completely. Maximum amortisation period is usually 25 years  
**Appraised value:** An estimate of the value of the property offered as security for a home loan. This appraisal is for financial lending purposes and may not reflect the actual market value  
**Assets:** What you own
- B** **Auction:** Sale of a property in public to the highest bidder  
**Breach of contract:** Breaking the terms of a contract  
**Brick veneer:** A system of building in which a structural timber frame is tied to a single brick external wall  
**Bridging finance:** A short-term loan, usually at a higher rate of interest taken out by people who have bought a house while waiting for theirs to be sold, or when a normal mortgage and their savings fall below the asking price  
**Building regulations:** Designed to uphold the standards of public safety, health and construction, these regulations are in place and have been formulated by local councils to control the quality of buildings
- C** **Caveat:** Is a document any person with a legal interest in a property can lodge with the titles office to ensure the property is not sold without their knowledge  
**Caveat emptor:** Latin for let the buyer beware. This puts the burden on to the buyer to be satisfied with the property before purchasing  
**Certificate of title:** Legal proof of ownership of a property carrying the owners name and other information  
**Chattels:** Chattels are personal property. There are two types. Real chattels are buildings and fixtures. Personal chattels are clothes, furniture etc  
**Cluster housing:** Detached group of houses which share an open space  
**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:** Fee payable to real estate agent for selling a property by the person authorising the sale. It is usually a percentage of the sale price  
**Common property:** Areas in strata title properties shared by all owners  
**Company title:** This title applies when owners of flats in a block form a company. Each has shares in the company which owns the land and buildings. The owner of the shares is entitled to exclusive occupation of a flat. However, if you want to alter occupancy in any way, you must have the company's approval to do so. See your solicitor before buying  
**Contract Note:** The first document signed on buying a house is sometimes a contract note, instead of a contract of sale. This document, when signed by both parties, is as legally binding as a contract of sale and the buyer and seller should treat it with the same importance. It must be accompanied by a vendor statement.
- D** **Deposit:** Usually 10 per cent of the purchase price of a property placed in trust as evidence of intention to buy. Non-refundable, after the contract becomes unconditional (i.e. all conditions such as finance, building and pest control have been met), it goes towards the purchase price when the sale goes through
- E** **Easement:** A right held by someone to use land belonging to someone else for a specific purpose. Mains, drains and water pipes are usually covered by an easement  
**Encroachment:** When a building overhangs someone else's property, or a fence is built over the dividing line between two properties  
**Encumbrance:** An easement, mortgage, or other liability on a property which impedes its use or transfer  
**Equity:** The difference or charge on a particular property. For example, an easement as described above, or a mortgage
- F** **Fitments, fittings and fixtures:** a) Items such as baths or stoves, b) light and other fittings, and c) kitchen, linen, or storage cupboards or wardrobes. Fittings are not normally included in a contract if they can be removed without causing damage  
**Flat interest rate:** Is calculated on the original amount of the mortgage for the whole term of the loan  
**Freehold:** An owner's interest in land where the property and the land on which it stands both belong to their owner indefinitely
- G** **General law title:** Old, complicated form of land ownership in the form of a chain of documents. Can be more than 100 years old and of historic interest
- I** **Interest-only loans:** Loan on which interest only is paid periodically and the principle paid at the end of the term  
**Inventory:** List of items included with a property for sale; usually furniture, furnishings and other removable items  
**Investment:** The purchase of an asset, such as real estate, with the ultimate goal of producing capital gain on the resale of the asset
- J** **Joint tenants:** Joint tenancy is the equal holding of property by two or more persons. If one person dies, his/her share passes to the survivor/s
- L** **Land tax:** Value-based levy applied to some property (exemptions include principle place of residence).  
**Lease:** A document granting possession of a property for a given period without conferring ownership. The lease document specifies the terms and conditions of occupancy by the tenant, including period of occupancy, rent payable, etc  
**Leasehold:** The interest in land of a person who owns a lease granted by a freeholder  
**Liabilities:** Your outstanding debts or what you owe  
**Limited title:** Form or torrens title which applies to a property before it has been adequately surveyed
- M** **Maturity date:** The last day of the term of the home loan agreement. The home loan must then be paid in full or the home loan agreement renewed  
**Mortgage:** Legal agreement on the terms and conditions of a loan for the purpose of buying real estate  
**Mortgagee:** One who lends the money for the property  
**Mortgagor:** One who borrows the money to purchase property  
**Multiple listing:** System of selling the property through many agents. The buyer pays only one commission. This goes to the agent who lists the property on an official multiple listing form and is shared between the first agent and the agent who actually finds the buyer
- N** **Negotiation:** Mutual discussion and arrangement of the terms of a transaction or agreement

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- O Offer to purchase:** A formal legal agreement which offers a specified price for a specified property. The offer may be firm (no conditions attached) or conditional (certain conditions apply)
- Old system title:** Another old form of land title and also known as common law title. Automatically converted to torrens title on the sale of a property
- Option to buy:** Legal agreement giving the buyer the right to purchase property at an agreed time and price
- Option fee:** Usually one per cent of the price is payable and forfeited if the buyer does not go through with the transaction
- P Party wall:** Wall separating two adjoining buildings and normally straddling the boundary
- Plan:** This shows the ground-plan design, elevation of house, number and size of rooms, kitchen, bathrooms and laundry layout, position of the house on the land
- Principal:** The actual amount of money that has been borrowed to buy a property
- Private sale:** The seller does not engage a real estate agent but acts on his/her own behalf, dealing directly with the buyer
- Private treaty sale:** Sale of property via an agent through private negotiation and contract
- Q Qualified title:** Applies to some old system titles converted to torrens title which may not have been fully investigated
- R Real property:** Land with or without improvements
- Requisition of Title:** The process in which the buyer of a property asks for written information about the title to a property from the vendor in addition to that supplied in the Contract of Sale
- Reserve price:** Price below which an owner is not prepared to sell at auction
- Right of way:** Right of access across a property
- Rise and fall clause:** This clause would be contained in a building contract. It provides for an upward or downward contract price dependant on movement of prices, wages or other factors specified
- S Security:** Property offered as backing for a loan
- Semi-detached:** Two buildings joined by a common wall
- Settlement:** Completion of sale when balance of contract price is paid to the vendor and the buyer is legally entitled to take possession of the property
- Sole agency:** One agent or agency has the exclusive rights to sell a property
- Stamp duty:** A State Government tax imposed on the sale of real estate. It is determined by the sale value, and it varies between states
- Strata title:** Most commonly used for flats and units, this title gives you ownership of a small piece of a larger property including 'air space'. You have sole right to a particular unit and can lease, sell or legally dispose of your unit as you desire. You also have an undivided share of the common land. You also become a member of the body corporate which controls maintenance
- Stratum title:** This title gives you legal ownership over a piece of property and also gives you a share in the company set up to look after the common areas of the flats or units you live in. It does not include 'air space'
- Survey:** Confirmation of the property boundaries and improvements
- T Tenants in common:** Tenancy in common is the holding of property by two or more persons, either equal shares or unequal shares. If one person dies, the property is dealt with in accordance with the law
- Term:** The time length of a home loan. Payments made may not fully repay the outstanding principle by the end of the term because the amortisation period is longer. For example, a fixed-rate loan might have a five-year term, but it will take 20 years to repay the loan completely. When a term expires, the loan is renegotiated
- Title search:** The process of examining the land title to ensure the vendor has the right to sell and therefore transfer ownership. A title search details the names of the owners and other information about the property such as encumbrances or caveats on the title
- Torrens title:** System of recording ownership of property, also known as Certificate of Title. Most common and simplest form of title to property
- Townhouse:** Two-storey attached building, usually strata titled
- Transfer:** Document registered in the Land Titles Office recording change of ownership of a property
- U Unencumbered:** Property free of covenants or other restrictions
- V Valuation:** Assessment of the value of a property given in a written report by a registered valuer
- Variable-rate loan:** A home loan for which the interest rate changes as the money market changes
- Vendor:** Person offering a dwelling for sale
- Vendor statement:** Statement setting out particulars of the property, made by the vendor
- Villa:** An attached dwelling, usually single storey
- Z Zoning:** Control of the use of land exercised by local authorities or the responsible planning authority

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