



Real Estate Glossary



Glossary of Real Estate Terms

A

Acceptance

Consent by the person receiving the offer to be bound by the terms and conditions of the person making the offer. Acceptance of an offer constitutes an agreement.

Act of God

Any act of nature such as rain, lightning, floods or earthquakes. Many insurance policies do not cover losses resulting from an 'Act of God'.

Additional principal payment

A payment by a borrower of more than the scheduled principal amount due in order to reduce the remaining balance on the loan.

Administrator

A person appointed by a probate court to administer the estate of a person who died intestate (without a will).

Agreement

The written contract for the sale and purchase of property between the seller (vendor) and the buyer (purchaser).

Amenity

A feature of real property that enhances its attractiveness and increases the occupant's or user's satisfaction although the feature is not essential to the property's use, eg: scenic views, proximity to public transport or recreational facilities.

Amortise

To repay a mortgage with regular payments that cover both Principal and Interest.

Annuity

An amount paid yearly or at regular intervals, often on a guaranteed dollar basis.

Appraisal

A written analysis of the estimated value of a property prepared by a qualified appraiser.

Appraiser/Valuer

A person qualified by education, training, and experience to estimate the value of real property and personal property. You can tell someone is accredited in NZ with the "B Prop" or "Dip Valuation" after their name

Appreciation

An increase in the value of a property due to changes in market conditions or supply and demand, etc.

Architrave

A decorative moulding around doors or windows.

Asking Price

The listed price of the property buy may not always be the selling price. The owner may be willing to negotiate.

Assessed Value

The valuation placed on a property for the purposes of taxation by an authority.

Asset

Anything of monetary value that is owned by a person, eg: personal property, bank accounts.

Assignment

The transfer of a mortgage or lease from one person to another.

Auction

A public sale of a property or real estate that is sold to the highest bidder when the owner's reserve is reached

B**Balloon Payment**

A large loan payment to clear a debt.

Beneficiary

The person designated to receive the income from a trust, estate, or a deed of trust.

Bi-weekly payment mortgage

A mortgage that requires payments to reduce the debt every two weeks, (instead of the standard monthly payment schedule). The 26 (or possibly 27) bi-weekly payments are each equal to one-half of the monthly payment that would be required if the loan were a standard 30 year fixed-rate mortgage and they are usually drafted from the borrower's bank account. The result for the borrower is a substantial savings in interest.

Body Corporate

An administrative body made up of all the owners within a group of units or apartments of a strata building. The owners elect a committee, which handles administration and upkeep of the site.

Bond

A sum of money paid by a tenant and held by the Tenancy Services to ensure against defaulting on payment and damage to the property.

Boundary

The lines that define the perimeter of a property.

Brick Veneer

A type of construction in which a structural timber frame is tied to a non-load bearing, single-brick external wall.

Bridging Loan

A short term loan (usually at a higher rate) taken out to cover the financial gap between buying a new property and selling an existing property.

Building Code

Local Council regulations that control design, construction and materials used in construction.

Business Day

A standard day for conducting business. 9.00am - 5.00pm. Excludes weekends and public holidays.

Buyers Market

When the demand for property is less than supply so the advantages shift to the buyer.

C**Capital**

Money used to create income, either as an investment in a business or an income property

The money or property comprising the wealth owned or used by a person or business.

The accumulated wealth of a person or business.

The net worth of a business represented by the amount its assets exceed its.

Capital Expenditure

The cost of an improvement made to extend the useful life of a property or added to its value.

Capital Gain

The gain on the sale of a capital asset.

Capital Improvement

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

Cash Flow

A measure of cash inflow and outflow from the business. Positive cash flow means more money is coming into the business than is leaving it. Negative cash flow is the converse.

Cash-out refinance

A refinance transaction in which the amount of money received from the new loan exceeds the total of the money needed to repay the existing first mortgage, closing costs, points and the amount required to satisfy any outstanding subordinate mortgage liens,. In other words a refinance transaction in which the borrower receives additional cash that can be used for any purpose.

Caveat

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

Caveat Emptor

A Latin phrase for “Let the buyer beware”, i.e.: the onus is on the buyer to be satisfied with any item before purchasing.

Certificated Salesperson

All Salespeople in real estate who have not qualified by exam to be an Associate (AREINZ), who are employed by a licensed Real Estate Agent.

Certificate of Occupancy

A document issued by a local government to a developer permitting the structure to be occupied. This generally indicates that the building is in compliance with public health and building codes.

Certificate of Title

A description of a property with the name of the registered owner, encumbrances, i.e.: mortgages or easements on the property. It must be produced by the vendor before the sale of the property.

Chattels

Moveable and removable items of personal property. In real estate transactions, chattels included in the sale usually include the stove, television aerial, carpets, blinds, curtains, drapes and light fittings. However, unless chattels are specified in the agreement, they are not sold as part of the property.

Clear Title

A title that is free of or legal questions as to ownership of the property.

Collateral

An asset (such as a car or a home) that guarantees the repayment of a loan. The borrower risks losing the asset if the loan is not repaid according to the terms of the loan contract.

Commission

A proportion (usually a percentage) of the sale price of a property paid to a real estate agent for negotiating a real estate transaction.

Common Law

An unwritten body of law based on general custom in England and used to an extent in Australia.

Common Law Title

See Old System Title

Common Property

Area of building, land or amenities within a strata title property that are shared by all owners, eg: a driveway.

Company Title

A company owner has a certificate of title and the owner automatically becomes a member of a company that administers, manages and maintains the property in which the owner's flat is registered. The Directors of that company are elected each year at the Annual General Meeting from owners involved only with that company, i.e. owners in that block.

Conditional Agreement

This is a legally binding contract, but it is subject to conditions being satisfied, usually by the purchaser. The conditions will be detailed in the agreement and may, for example, require that you are able to sell your existing home by a set date or to arrange finance by a certain date. Conditions can also be included by the purchaser that require the seller to do something by a specified date - for example, that settlement will take place only on the conditions that the house is painted, the windows repaired or that rubbish around the section is removed. Note: Purchasers' conditions usually do not prevent the sale-taking place, but may allow the purchaser to delay settlement without penalty or claim damages if the conditions are not met in time.

Construction Loan

Also called Building Loan. A short-term, interim loan (only paid to registered builders) for financing the cost of construction. The lender makes payments to the builder at periodic intervals as work progresses.

Contingency

Contingency. See Special Condition.

Contract Note

An agreement in writing setting out the terms and conditions relating to the sale or purchase of a property.

Contract of Sale

An agreement in writing setting out the terms and conditions relating to the sale or purchase of a property. It is the purchase document signed at auction.

Covenant

Terms, conditions and restrictions noted on the title. A covenant may affect future plans or resale of the property.

Cover Note

A document issued by an insurance company giving temporary insurance until a formal policy is issued.

Credit History

A record of an individual's current and repaid debts which is usually used by a lender to assess the risk of a potential borrower.

Credit Report

A report of an individual's credit history prepared by a credit bureau and used by a lender in determining a loan applicant's creditworthiness.

Cross Lease

This type of ownership is common where there is more than one home on a block of land. You are all owners of the land and you each lease your home. The lease will usually provide for an exclusive use area for each cross-lessee. It's like owning a freehold property but there are some restrictions. Another form of ownership for more than one home on a block of land is a unit title.

Cul-de-Sac

Also called a 'Court' or 'Dead End Street'. A street with only one entrance, the other end being closed. Often valued for the privacy provide to homes in the street.

D**Deed**

A legal document conveying title to a property.

Default

Failure to make mortgage payments regularly or to comply with other requirements of the mortgage.

Deposit

A percentage of the purchase price given to bind the sale of real estate.

Depreciation

A decline in the value of property due to changes in market conditions or other clauses.

Disbursement

A cash expenditure for the purpose of settling a debt.

Disposable Income

Money left over after all expenses have been met.

Door Jambs

The vertical sides of a door frame.

Drawdown

The disbursement of mortgage funds provided by the Bank.

Dual Occupancy

A block of land which is zoned so that there two distinct dwellings are permitted by the Local Territorial Authority, to be constructed.

Duplex

See semi-detached

E**Easement**

A right that someone has to use the land belonging to another, eg: a water authority may have a sewerage easement across part of your property.

Encroachment

Part of a house or establishment illegally overhanging the street or a neighbour's property.

Encumbrance

An impediment to the use or transfer of the property in the form of an interest or right in the property.

Equity

The amount of an asset actually owned, Equity is the difference between the market value of the property and the amount still owed on its mortgage.

Establishment Fee

See Loan Application Fee

Estate

The total of all the real estate and personal property owned by an individual at the time of death.

Eviction

The lawful expulsion of an occupant or tenant from real property.

Exclusive Listing/Sole Listing

A written contract that gives a licensed real estate agent the exclusive right to sell a property for a specified time.

Executor

A person named in a will to administer an. 'Executrix' is the feminine form.

F**Fair Credit Reporting Act**

A consumer protection law that regulates the disclosure of consumer credit reports by consumer/credit reporting agencies and establishes procedures for correcting mistakes on one's credit record.

Fee Simple

The greatest possible interest a person can have in real estate.

Fibro Cement

Building material made of compressed fibres cemented into rigid sheets.

FID

Financial Institutions Duty. State duty on the receipts of financial institutions.

Fiduciary

A person who essentially holds the character of a trustee. Real Estate agents and salespersons are considered by law to be fiduciaries, thus they have a duty to act primarily for the benefit of the principal (the person who employed them) and not their own. A fiduciary must act with the highest degree of care and good faith in relations with the principal and on the principal's business. Penalties for failing in fiduciary duties may be quite severe.

First Mortgage

A mortgage that is the primary lien against a property.

Fittings

Objects that can be removed from a property without causing damage to it.

Fixed Instalment

The monthly payment due on a mortgage loan. The fixed instalment includes payment of both principal and interest.

Fixed Rate Mortgage

A mortgage in which the interest rate does not change during the term of the loan.

Fixtures

Fixed items that cannot be removed without damaging either the property or the fixture itself, eg: cupboards.

Footing

The footing supports the building on its foundation.

Foreclosure

The legal process by which a borrower in default under a mortgage is deprived of his or her interest in the mortgaged property. This usually results in the selling the property by auction and the proceeds being used to service the mortgage debt.

Freehold

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

G**Gable**

The triangular part of a building's end wall which extends up to meet the two slopes of a roof.

Garnishee

The legally divert part or whole of someone's money or property to someone else, eg: for Child Support Payment.

Gearing

The ratio of your own money and borrowed funds for investment.

Gross Income

Income before taxes are deducted.

Guarantor

A person who agrees to indemnify the holder of a loan all or a portion of the unpaid principal balance in case of default by the borrower.

H**Habitable**

Suitable for occupancy. Local building codes ensure that structures are habitable through requirements for building permits and certificates of occupancy.

Home Equity Line of Credit

A mortgage loan which allows the borrower to obtain multiple advances of the loan proceeds up to a specified percentage of the borrower's equity in a property.

Home Improvement Loan

A loan made to a homeowner in which the home is used as collateral for the loan.

Home Inspection.

A thorough inspection that evaluates the structural and mechanical condition of a property.

I

Insured Mortgage

A mortgage that is protected by private mortgage insurance. If the borrower defaults on the loan, the insurer must pay the lender the lesser of the loss incurred or the insured amount.

Interest

The fee charged for borrowing money.

Interest Only Loan

A loan where only the interest is repaid throughout the course of the loan. The original amount is repaid at the end of the term of the loan, rolled over by the same bank or the owner re-mortgages.

Interest Rate

The rate of interest in effect for the monthly payment due.

Introductory Loan

A loan offered at a reduced rate for an introductory period to new borrowers.

Investment Property

A property that is not occupied by the owner, but provides a return to the owner through letting or leasing to a tenant.

J-K

Joint Tenancy

A form of co-ownership that gives each tenant equal shares and rights in the property including the right of survivorship, eg: ownership of a property passes to the surviving owners.

Key Tenant

A major or primary tenant in an office building or shopping centre, generally such a tenant leases a significant amount of the available space.

L

Laminated Timber

Layers of timber glued and pressed together to increase rigidity or to use as bench tops or cupboard doors.

Landlord

A person who rents property to another, a lessor. A property owner who surrenders the right to use property for a specific time in exchange for the receipt of rent.

Leasehold

You buy the right to own the home and lease the land for a certain time. You pay rent to the landlord for the land. You can sell the lease if you want to move on. There may be restrictions on your use of the property.

Lessee

A person leasing a property.

Lessor

The owner of a property that is leased to another person.

Liabilities

A list of debts owned.

Lien

A legal claim against a property that must be paid off when the property is sold.

Life Estate

Also called Tenancy for Life. A freehold interest (in real property) that expires upon the death of the owner or some other specified person.

LIM Report (Land Information Memorandum)

A LIM is a report prepared by the local Council at your request. It provides a summary of property information held by the Council as at the day the LIM was produced.

Liquid Asset

An asset, cash or otherwise, that can be converted into cash.

Listing

A written contract between an owner and a real estate, authorizing the agent to perform services for the principal involving the owner's property. The property so listed.

Loan

A sum of borrowed money that is generally repaid with.

Loan Application Fee

Also called Establishment Fee. A fee paid to a lender for processing a loan.

Loan to Valuation Ratio

The amount of the loan financed as a proportion of the property value, expressed as a percentage.

M

Manhole

An opening which permits access to the space between the roof and the ceiling, or below the floor.

Market Value

The price at which a seller is happy to sell and a buyer is willing to buy. This assumes that there is sufficient activity in the marketplace to generate enough buyers and sellers so that neither party controls the price. Establishing the market value is the objective of an appraisal.

Mortgage

A legal document that pledges a property to the lender as security for payment of a debit.

Mortgage Broker

An individual or company that brings borrowers and lenders together for the purpose of loan origination. Mortgage brokers typically require a fee or a commission for their services. Usually paid by the Lender.

Mortgage Discharge Fee

A fee charged by some lending institutions for finalising a loan repayment.

Mortgage Insurance

A policy that insures the lender against the borrower on a loan. Most lenders generally require insurance when borrowing more than 80% of the property value.

Mortgage Life Insurance

A type of term life insurance often bought by mortgagors. The amount of coverage decreases as the principal balance declines. In the event that the borrower dies while the policy is in force, the debt is automatically satisfied by insurance proceeds.

Mortgage Offset

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

Mortgagee

The lender in a mortgage agreement.

Mortgagor

The borrower in a mortgage agreement.

N

Negative Gearing

Where the return on an investment is not sufficient to cover the costs on the investment, eg: property maintenance and interest on the loan against income from letting/leasing.

Negotiation

Make an offer and we will attempt to negotiate a concluded contract between the parties.

Net Income

Income after taxes are deducted.

Net Worth

The value of a person's assets minus liabilities.

Nominee

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

Notice of Default

A formal written notice to a borrower that has occurred and that legal action may be taken.

Notice to Quit

A notice to a tenant to vacate the property.

Null and Void

That which cannot be legally enforced, as with a contract provision that is not in conformance with the law.

O

Off the Plan

To purchase a property before it is completed after having only seen the plans.

Offer

Conveyed intent by one party to form a contract, which may have conditions and stipulations, with another party.

Offers

A process of calling for offers on the property, usually required by a certain date.

Offset Account

An account linked to a mortgage account so that the interest earned is applied to reduce the interest on the mortgage.

Ombudsman

The Banking Industry Ombudsman is the avenue through which a customer can make a complain about their bank and have it dealt with independently.

Ongoing Fee

A loan maintenance fee charged regularly over the life of the loan.

Open Space

Land which has not had improvements such as buildings and other structures added to it. Such land is often left in a subdivision by a developer or stipulated by a local authority for recreational use or for personal use by the owner.

P**Passed In**

The highest bid fails to meet the reserve price of a property at an auction and consequently does not sell.

PIM (Project Information Memorandum)

A report giving information on items such as potential erosion, subsidence, hazardous contaminants, stormwater. It may also include classifications under organisations such as the Dept. of Conservation or Historic Places Trust, as well as authorisations required by the Resource Management Act.

POA

A pricing method used by some Real Estate companies, meaning Price On Application.

Power-of Attorney

The person who has authority to execute documents on behalf of the grantor of the power. Also a legal document which authorises another person to act on one's behalf. A power of attorney can grant complete authority or can be limited to certain acts and/or certain periods of time.

Pre-qualification

The process of determining how much money a prospective home buyer will be eligible to borrow before he or she applies for a loan.

Prime Rate

The interest rate that banks charge their preferred customers. Changes in this rate can influence other rates including mortgage interest rates.

Principal

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

Private Sale

The sale of property by the owner without the services of a real estate agent.

Private Treaty Sale

The sale of property, through a real estate agent, by negotiation.

Proxy

A person who represents another, particularly, in some meeting. Also, the document giving to another, the authority to represent.

Q**Qualified Buyer**

A buyer who has satisfied a lender that he or she is financially able to qualify for a loan. Qualifying the buyer is one of the primary steps taken by the lender as part of the loan process.

R**Rafter**

Part of the framework of the roof, the rafters slope down from the ridge to the eaves.

REA (Real Estate Authority)

An independent government agency that regulates the New Zealand real estate industry. The purpose of REA is to promote and protect interests of consumers buying and selling real estate and to promote public confidence in the performance of real estate agency work.

Real Estate Agent

A person or Company licensed to negotiate and transact the sale or lease of real estate on behalf of the property owner.

Refinance

The process of paying off one loan with the proceeds from a new loan using the same property as security.

REINZ

Real Estate Institute of New Zealand. National representation body of real estate agents.

Requisitions on Title

A process where the buyer requests additional information about the title of the property from the vendor.

Reserve Price

The minimum price which a seller will accept at auction.

Resource Consents

Resource consents are necessary when a group or individual wishes to carry out an activity or development that may have some effect on the environment. Resource consents relate directly to the rules set out in the District or Regional Plans and the Resource Management Act and are different to Building Consents.

Right of First Refusal

A provision in an agreement that gives a party the first opportunity to purchase or lease the property before it is offered for sale or lease to others.

Right of Survivorship

In, the right of the survivors to acquire the interest of a deceased joint estate.

Right of Way

A right of one property or the general public for access to or across another property.

Rise and Fall clause

This clause may be contained in a building contract. It provides for an upward or downward contract price which correlates to the movement of prices, wages or other factors specified in the clause.

Roof Pitch

The slope of the roof.

S**Sash**

The frame in which a pane of glass is set to form a window.

Second Mortgage

A mortgage that, on the sale of a property, is paid off only when the first mortgage is paid.

Security

The property that is pledged as collateral.

Seller's Market

When demand for property is greater than supply. The result is greater opportunities for owners who may find someone willing to offer the asking price or even a figure greater than the asking price.

Semi-detached

Also called Duplex. A type of construction where two buildings are attached together by a common wall.

Service (the loan)

The period, normally monthly, collection of mortgage interest and principal repayment and other related expenses, such as property taxes and property insurance.

Settlement

The sale of a property is finalized by the legal representatives of the vendor and the purchaser, mortgage documents come into effect, costs are paid and the new owner takes possession of the property and receives the keys.

Sinking

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

Shingles

Thin pieces of wood or other material set in overlapping rows to form a roof or wall cladding.

Sill

The horizontal section of material at the base of a window opening.

Skillion

A roof shape consisting of a single sloping surface without a ridge.

Sole/Exclusive Agency

A sole or exclusive agency precludes all other agents from working on the disposal of the property, although another agent may approach the sole agent if the former has a suitable client. But even then the sole agent would finalise the deal.

Special Condition

A condition that must be met before the contract is legally binding. For example, if buying a home the purchaser may specify that the contract is not legally binding until the purchaser has obtained a building inspection and been satisfied by the report.

Strata Title

A title to a unit or lot on a plan of subdivision associated with townhouses, units and blocks of flats and 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 an undivided share of the common property.

Studs

The uprights in the wall of a building.

Subdivision

A tract of land divided into individual lots for a housing development.

Survey

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

T

Tenancy

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

Tenancy for Life

See Life Estate

Tenants in Common

A 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. The shares can be sold without consultation of the other owners.

Tender

A process of selling, calling for purchasers to make their best offers in writing for that property by a given date.

Title

A legal document evidencing a person's right to or ownership of a property.

Title Search

A check of the title records to ensure that the seller is the legal owner of the property and that there are no other claims or outstanding.

Townhouse

A dwelling unit, generally having two or more floors and attached to other similar units via party walls. Can be Strata or Cross lease titled.

Transfer

A document registered at the Land Titles Office and noted on the Certificate of Title which verifies the change of ownership of a property.

Trustee

A person who holds or controls property for the benefit of another.

U-V

Unconditional Agreement

The legal contract that binds both the purchaser and the seller to settle on the agreed date at the agreed price. It is either not subject to any conditions or those conditions have already been satisfied. You should only consider entering an unconditional agreement if and when you are absolutely sure you want to buy a particular property and you already have the full purchase price or 'pre-approved' loan finance from a lender. You should also be confident that there are no other issues or requirements that must be satisfied before you are committed to purchase the property. An unconditional agreement commits you to purchasing the property.

Under License

Early possession of the property before settlement with the permission of the vendor. This usually involves the payment of rent.

Underpinning

Supports placed under an existing wall to provide added strength.

Unsecured Loan

A loan that is not backed up by assets or guarantee.

Utilities

The private or public service facilities such as gas, electricity, telephone, water and sewer that are provided as part of the development of the land.

Valuation

A written analysis of the estimated value of a property prepared by a qualified valuer.

Vendor

The person or entity legally authorised to sell a property.

Void

Having no legal force or effect. Unenforceable.

W-X-Y-Z**Wall cavity**

The space between the inner and outer sections of a wall.

Water Course

A natural stream of running water being fed by a natural source such as a stream or river.

Wish List

Think of a wish list as the criteria for your perfect home. While it's rare to find everything you'd like in the house you finally purchase, sitting down and making a wish list will help you find the house, which most closely matches your dream.

X

A notation made by an individual who has not learned to write or physically unable to write, to show intent to sign an instrument such as a deed or will. In regard to the conveyance of real property, such a person would be required to make such a mark or at least a thumbprint as intent to sign and have it witnessed.

Yield

The interest earned or return by an investor on an investment, stated as a percentage of the amount invested.

Zoning

Local authority guidelines for the permitted use of land.