

Your complete guide on how to talk real estate

Real estate agents use plenty of jargon.

To a first home buyer, it can sound like a foreign language. Rather than just nodding and smiling, it's a good idea to find out what it all means. We've broken down the common terms into a simple guide to help you become more fluent in real estate.

Amortisation Period

The number of years it will take you to fully pay off your home loan.

Appreciation

When the value of your property increases.

Appraisal

An estimate of a property's value, which is written by a qualified appraiser.

APR (Annual Percentage Rate)

The most accurate indicator of the cost of a mortgage loan.

Assessment

An estimate of a property's value based on your city or state's opinion.

Balloon Payment

When you pay off the entire mortgage balance in full.

Bank Valuation

The bank's estimate of a property's value.

Bridging Loan

A short-term loan that allows a buyer to purchase a new property if the money for a property they recently sold hasn't cleared yet.

Capital Gain

The profit you make on the sale of a house.

Cash-Out Loan

When you borrow money against the equity in a home.

Caveat

A notification on the title declaring a party other than the owner may have an interest in the property.

Caveat Emptor

This means 'buyer beware' and is a warning to do your research on the property.

CGT (Capital Gains Tax)

The tax on the profit made from the sale of an investment property.

Closing Costs

All of the additional costs associated with borrowing a mortgage and buying a home.

Contingency

When a buyer makes an offer to buy a property, they can make the offer 'contingent upon' a certain condition, like a loan approval. If the condition is not met then the offer can be withdrawn.

Counter offer

A new purchase offer made after a previous offer is rejected by the owner.

Depreciation

The reduction in the value of a home over time.

Equity

The difference between the value of the property and the amount owed.

Exchange of contracts

The legal process where a buyer and seller enter into a binding agreement for the sale of a property. The buyer usually pays a deposit at this time, but this can be forfeited if either party backs out of the agreement.

Exclusive listing

When an agent is given sole responsibility for the sale of a property during a specified period. If another agent sells the property during that time, the original agent is entitled to any commission.

Fittings

Any items that are not usually included in the sale of a property, such as washing machines, televisions, and refrigerators.

Fixed-Rate

A fixed-rate mortgage keeps the same interest rate over the duration of the loan, regardless of what's happening in the overall economy.

Fixtures

Any fixed items in the property such as built-in shelving or carpets. These are usually included in the sale of a property.

Guarantor

Anyone who agrees to take over repayments if you default on your loan.

Interest

The amount paid by a borrower to a lender on top of the main amount borrowed (the principal). The interest rate can be fixed, variable or a combination of the two (split loan).

Interest-Only Loan

When only the interest is repaid during the term of a loan. The principal is repaid after the loan term expires.

LMI (Lenders Mortgage Insurance)

This covers a lender against default if the borrower doesn't have a big deposit. It is paid by the borrower.

LVR (Loan-To-Value Ratio)

The amount of money borrowed versus the value of a property. When the LVR is high (e.g. over 80 per cent), a lender is more likely to charge LMI.

Mortgage

This is what the borrower pays back to the lender with a predetermined set of payments (usually monthly).

Mortgage Protection Insurance

This covers a borrower's mortgage repayments in case they get sick or injured and are unable to pay.

Negative Gearing

If a home owner is spending more on an investment property than it is earning, then this shortfall can be used to reduce the owner's tax.

Offset Account

This is a type of account that uses its savings or credit to offset daily against the home loan balance, which can then reduce the interest you have to pay.

Reserve Price

This is the lowest price a vendor will agree to accept.

Reverse Mortgage

Where repayments don't need to be made until after the property is sold, or the last homeowner dies.

Settlement Date

This is when the sale of the property is finalised. The buyer pays the vendor and takes possession of the home.

Stamp Duty

A tax the property buyer has to pay, the amount of which is a percentage of the contract value. This is different for each state.

Title

The type of property ownership.

Trust Account

A bank account that gets managed by a real estate agent where funds like rental income are paid and held on your behalf.

Variable-Rate

A type of mortgage where the interest rate owed can fluctuate based on changes to interest rates in the overall economy.

Vendor

The owner of the property for sale.

Yield

The annual rental income of an investment property, expressed as a proportion of the property's value.

Zoning

Local governments use this for urban planning to work out how land will be used (e.g. low density residential, high density residential, and metropolitan).