



## Understanding property market language

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Do you have an interest in the property market but struggle to understand all the language thrown around?

Trying to make sense of all the data and analysis can be daunting. To help you better understand the property market, we've put together a guide to help demystify some of the more commonly used words and phrases.

### Language guide:

#### Auction

An auction is the public sale of property where interested buyers gather and bid. The highest bidder is usually the successful buyer.

#### Capital gain

Capital gain is the difference between the purchase price and the selling price. It is used primarily for income tax calculations.

#### Capital growth

Capital growth is the increase in the value of a property over a defined period of time.

#### Comparison rate

The comparison rate is an indicative interest rate that helps identify the total costs associated with setting up a loan amount over a defined period. It is made up of the loan amount, the term, the repayment frequency, the interest rate, and the fees and charges associated with the loan.



### **Conveyancing**

Conveyancing refers to the process for the transfer of legal ownership of real estate.

### **Rental yield**

Yield is a calculation to determine how much cash the property will generate each year as a percentage of the property's value, market value or purchase price. There is a gross yield (rent before expenses are deducted) and net yield (rent after expenses). Yields are used to compare different properties. When comparing, make sure the yields are using the same method e.g. market value.

### **Investment return**

An investment return is the combination of capital growth and the net income derived from a property over a period of time.

### **Median Price**

Median Price is the mid-point for a range of property values that are ranked from the lowest to highest in price. For example, if there are five sales in a sample ranked from cheapest to most expensive, the median is sale number three.

### **Private Sale/Treaty**

A Private Sale or Treaty is the most common method of selling property. It has no specified closing date for offers and is generally negotiated between a buyer and a seller with the assistance of an agent.

### **R-Codes**

R-Codes is the name for the residential housing density codes, which describes the average land area required for construction of a dwelling on a block of land. R-Codes are referred to by developers and local councils when considering redevelopments.

### **Settlement**

Settlement of a property occurs when the balance of the purchase price is paid to the seller. The buyer then receives the keys to the property and becomes its official, legal owner.

### **Strata title**

Strata title is a form of property ownership devised for multi-level apartment blocks and horizontal subdivisions with shared areas. It is important to understand the ownership boundaries of the strata lot that you are buying and the ongoing costs.



### **Tender**

Tender refers to a sales process whereby interested buyers submit an offer, bid or proposal, prior to a defined date, in response to the owner's advertised terms and conditions. The owner will consider the offers and then either accept an offer or enter into a negotiation.

### **Title**

A Title is the ownership of a property or document showing evidence of ownership. In Western Australia the most common form in the residential market is 'Green Title', a traditional block of land not affected by owners of adjoining properties.

### **Transfer duty**

Transfer Duty, previously known as 'stamp duty' is a State Government tax paid prior to the settlement based on the purchase price of the property. Every state in Australia has a different set of rules and calculations.

### **Vacancy rate**

The vacancy rate refers to the number of unoccupied rental properties in a market. A high vacancy rate is better for tenants as it provides more choice. A low vacancy rate means things are tight and generally puts upward pressure on rental prices.