

Here's a glossary of commonly used real estate jargon, legalese

Very few transactions are as lengthy or complex as buying and selling property, says Steve Thomas, secure estate specialist team for Lew Geffen, Sotheby's International Realty in Cape Town's Southern Suburbs. Peppared with industry jargon and legal terms from beginning to end, it also presents a multitude of potential pitfalls which can result in costly delays, the loss of a sale or even a regrettable purchase.



Source: Supplied

"Yes, certain terms do seem obvious and it's not hard to figure out what is meant by an Offer to Purchase, but it's essential to also understand the true meaning behind the term and the legal conditions that apply to ensure a seamless transaction without any rude awakenings along the way," says Thomas.

"Similarly, with property descriptions, one needs to be able to read between the lines so as to avoid wasting time going to view properties that aren't actually suitable or even purchase a home that will ultimately end up being a costly mistake."

Property jargon

Before the legalities and mountainous documentation begin, one first has to find a home to purchase, which initially involves scrolling through dozens of online listing descriptions from dozens of agents on multiple property websites and it can be more than a bit daunting.

“It helps to be at least passably fluent in real estate jargon,” says Thomas, “Or the search can quickly become tedious and frustrating if you are unable to weed out the options which don’t suit your needs.

“And, admittedly, agent’s prose can be very colourful as their first obligation is to the seller – and to sell the property expediently – but, of course, not every property is a gem and buyers need to know what truth may be lurking under certain descriptions.”

An ideal purchase as your first three-bedroom home – a great option if you actually need two bedrooms plus a study or broom closet, but the chances are you will barely be able to fit a bed into the third bedroom.

Compact – it may be utterly gorgeous but it will also definitely be very small.

Character – you can be assured that the property is not bland or conventional, but definitely not to everyone’s taste.

Cute or cosy – it may well be, but it’s also very likely to be small and a bit cramped if there is more than one occupant.

In need of modernisation – the home probably hasn’t been updated since the 1970s and most likely needs a top-to-bottom overhaul, which may be some people’s taste but a waste of time for anyone preferring modern finishes or who isn’t keen to live in a building site for the first few months.

Needs a little TLC – it most likely needs a **lot** of work and there will be nothing tender about it – work or budget-wise.

One of a kind or ‘quirky’ – we all like to feel that our homes are unique, but when a selling point is the property’s uniqueness, the feature that makes this house different than most houses is probably not one that everyone wants.

Potential – almost every property has room for improvement, but when a home is described as having potential, be assured that you will have to roll up your sleeves and open your wallet and that it’s best suited to buyers who are in the market for a fixer-upper and DIY projects.

The property has excellent transport links – it’s probably conveniently close to the MyCiti bus route, but it may also be overlooking a busy freeway or railway line, so check before you schlepp out to view it.

Traditional - a classic or traditional home almost always means an old home that’s in need of modernisation and whilst many people like a classic look, most also prefer bathrooms and kitchens to be newer than 50 years.



Source: Supplied

Real estate legalese

“Many of the legal terms do, indeed, sound like gibberish, but most are actually fairly straightforward – the problem lies in the fact that misunderstanding their meanings or relevance can have serious repercussions,” says Thomas.

He adds that this is one of the reasons that having an experienced agent onside is invaluable as they will talk their clients through every step and legal term.

Abatement - A reduction in the sale price of a property which usually occurs as the result of the discovery of a flaw which decreases the property's value from the price originally agreed upon.

Agreement of sale – This is the basic contract of sale and purchase between a willing seller, buyer and it supersedes all previous verbal agreements. It is a legally binding document signed by both parties in which they agree on a purchase price, sale conditions and date of sale.

Appraised value - A property's fair market value which is determined by a qualified appraiser based on his/her knowledge, experience, and analysis of the property.

Bond assurance – Also known as home loan insurance, it is taken out on the life of the borrower to cover the amount owing on the home loan in the event of death or disability.

Bridging loan - A temporary loan given to help a buyer purchase a new property before the existing one has sold.

Clearance certificate – A document issued by the local municipality to confirm that all rates, taxes and levies are paid up to date when a property transfer takes place. Transfer cannot take place without it.

Conditions of title - These are the restrictive conditions limiting an owner's rights. They are recorded on the title deed to a property and cover matters such as servitudes and building limitations.

Conveyancer – A specialist attorney who has qualified as a conveyancer and can attend to Deeds Office transactions, such as the transfer of a property from seller to a purchaser and the registration of mortgage bonds and servitudes.

Deed of sale - A formal document and a record of the transfer of ownership of property from one person to another, outlining the terms of the agreement.

Fixtures and fittings - These are additional attachments in a home which are considered to permanently belong to it, such as curtain rails, hobs and eye-level ovens and may not be removed by the seller when he/she vacates the property.

Freehold – A property where the owner has full rights to the entire property and takes on all responsibilities, like a free-standing house, whereas sectional title properties are units within a larger property, like a block of flats, which are sold individually.

Initiation fee – The fee charged by a bank to cover the initial costs of processing a home loan application, for example the property appraisal and a credit report.

Pre-approval - The pre-approval process involves a potential lender or bank reviewing an individual's finances, including their income, assets, and credit history, to determine how much money can likely be borrowed.

Prior occupation - A buyer's right to take occupation of a property before transfer takes place. An agreed rental (occupational rent) is usually payable by the buyer until registration of transfer.

Offer to purchase - The document setting out the proposed purchase price and conditions on which a buyer is prepared to purchase a property. If the seller accepts and signs it, the offer to purchase becomes a valid sale agreement.

Pre-approval – Is when the buyer has successfully completed a loan application by providing debt, income, and savings documentation which an underwriter has reviewed and approved. Once a property is chosen, it must also meet the underwriting guidelines of the financial institution before the actual bond is granted.

Subject-to sale – When a sale contract will only become unconditional and binding between the parties if and when the buyer sells his/her own property. A time period of sixty days is usually allowed.

Suspensive condition - A provision in a contract which suspends the confirmation of the sale until a specific condition, such as the approval of a mortgage loan, is fulfilled.

Title deed – Filed in a deeds office, this is legal proof of property ownership and contains all the details of the property, the sale agreement and its owner. If another person or institution has rights over the property, like a bank which holds a mortgage bond over the land, it will be included in the title deed.