



BRITISH COLUMBIA
REAL ESTATE
ASSOCIATION

Common Real Estate Terms & Definitions



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For an online version of these terms and definitions, visit
www.bcrea.bc.ca/news-and-publications/news-room/real-estate-terms-of-reference.

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A

ALR – Agricultural Land Reserve

A provincial zone in which agriculture is recognized as the priority use, farming is encouraged and non-agricultural uses are controlled.

Amortization

The number of years a borrower is scheduled to repay the entire amount of a mortgage.

Appraisal

An estimate of a property's market value, used by lenders in determining the amount of a mortgage.

Appreciation

The increase of a property's value over time.

Assessment

The value of a property, set by the local municipality, for the purposes of calculating property tax.

Associate Broker

An individual that holds a broker license and chooses to associate or affiliate with another sponsoring broker rather than opening their own brokerage office.

A

Average Price

The average price of all home sales over a given period calculated as total dollar volume divided by total unit sales.

B

Balanced Market

A market in which the sales to active listings ratio is in a range of 14 to 20 per cent. In general, a balanced market results in home prices remaining relatively stable.

Bank of Canada Overnight Target Rate

The target level interest rate set by the Bank of Canada at which major financial institutions borrow and lend one-day (or “overnight”) funds among themselves.

Basis Point

A unit equal to $1/100$ of one per cent used to denote changes in bond yields and other interest rates. For example, a 25 basis point change in the Bank of Canada’s target overnight rate refers to an increase of 0.25 per cent.

Benchmark Property or Home Price

A property or home price against which other properties can be evaluated.

Bond Yield

The percentage return that an investor can expect to earn from a bond issue over the maturity of the bond

Brokerage

A real estate company under which an individual is licensed.

Buyer's Market

A housing market is typically characterized as a “buyers’ market” when there is an excess of supply over demand for homes. This is generally assumed to be when the ratio of home sales to active listings is below 14 per cent.

C

Capitalization (“Cap”) Rate

The ratio between the net operating income produced by an asset and its capital cost (the original price paid to buy the asset) or alternatively its current market value.

Carrying Cost

Financial and operational expense associated with an investment. For example, the carrying cost of an insured mortgage would include the monthly mortgage payment as well as CMHC mortgage insurance charges.

Closing Costs

Expenses in addition to the purchase price for buying and selling a property.

Commercial Leading Indicator (CLI)

A measurement designed by BCREA to forecast changes in broad commercial real estate activity. For more information, visit www.bcrea.bc.ca/news-and-publications/economics/forecasts-and-presentations.

Condominium

Shared ownership in property. Owners have title (ownership) to individual units and a proportionate share in the common elements.

Consumer Price Index (CPI)

A measure that examines the weighted average of prices of consumer goods and services, such as transportation, food and medical care, calculated by averaging price changes for each item.

Conventional Mortgage

A mortgage loan that does not exceed 80 per cent of the lending value of the property.

Core Inflation

A measure of inflation that excludes products that face volatile price movements or that can have temporary price shocks which can diverge from the overall trend of inflation and give a false measure of inflation. The Bank of Canada's measure of core inflation excludes eight of the Consumer Price Index's most volatile prices including energy products, fruits and vegetables, mortgage interest costs, and tobacco products.

Counteroffer

One party's written response to the other party's offer during negotiation of a real estate purchase between buyer and seller.

D

Debt Service Ratio

The percentage of a borrower's gross income that can be used for housing costs, including mortgage payment and taxes (and condominium fees, when applicable).

Down Payment

The part of the purchase price of a property that the buyer pays in cash and does not finance with a mortgage.

E

Equity

The difference between the price for which a property can be sold and the mortgage(s) on the property. Equity is the owner's stake in the property.

F

FICOM – BC Financial Institutions Commission

An agency of the provincial government that provides public protection through ten statutes, including the *Real Estate Development Marketing Act*.

G

Gross Debt Service Ratio

The ratio of housing costs (including mortgage payments, taxes, heating costs, condominium and other fees, if applicable) to gross monthly income. A general rule applied by mortgage lenders is that this ratio should not exceed 32 per cent.

Gross Domestic Product

The monetary value of all the finished goods and services produced within a country's borders in a specific time period.

Grow Op

A marijuana-growing operation, usually located in a house.

H

Headline/Total CPI Inflation

The raw inflation figure as reported through the Consumer Price Index (CPI) that is released monthly by Statistics Canada.

High-Ratio Mortgage

A mortgage that exceeds 80 per cent of the loan-to-value ratio; must be insured by either the Canada Mortgage and Housing Corporation or a private insurer to protect the lender against default by the borrower who has less equity invested in the property.

HST – Harmonized Sales Tax

The tax created as a combination of the Goods and Services Tax (GST) and the Property Sales Tax (PST), which is 12 per cent in BC. For more information, visit www.bcrea.bc.ca/government-relations/shelter-taxes.

Housing Starts

The number of privately owned new houses (technically housing units) on which construction has been started in a given period.



Inflation

A rise in the general level of prices of goods and services in an economy over a period of time.

Inflation Adjusted

A measure of a change in price that accounts for the period's inflation rate.

Inflation-Control Target

The target range established by the Bank of Canada and the federal government within which the Bank aims to contain annual inflation as measured by the rate of change in the total CPI. The Bank of Canada is currently mandated to keep inflation within a range of one to three per cent, with a two per cent inflation target.

Interest

The cost of borrowing money.

L

Leverage

Controlling a large asset with a relatively small amount of cash. In real estate, \$20,000 down payment (or less) can be used to purchase (control) a \$100,000 home, for example.

Lien

Any legal claim against a property, filed to ensure payment of a debt.

Listing Agreement

The contract between the listing broker and an owner, authorizing the REALTOR® to facilitate the sale or lease of a property.

Listing Broker

The REALTOR® who signs a contract with an owner to sell the property.

M

Median Home Price

The midpoint price of home sales transactions over a given period.

Mortgage

A contract between a borrower and a lender. The borrower pledges a property as security to guarantee repayment of the mortgage debt. Lenders consider both the property (security) and the financial worth of the borrower (covenant) in deciding on a mortgage loan.

Mortgage Broker

A person or company having contacts with financial institutions or individuals wishing to invest in mortgages.

Mortgage Insurance

Government-backed or privately-backed insurance protecting the lender against the borrower's default on high-ratio (and other types of) mortgages.

Mortgage Insurer

In Canada, high-ratio mortgages (those representing greater than 80 per cent of the property value) must be insured against default by either CMHC or private insurers. The borrower must arrange and pay for the insurance, which protects the lender against default.

Mortgage Payment

The regular installments made towards paying back the principal and interest on a mortgage.

Mortgage Prepayment Penalty

Is a fee paid by the borrower to the lender in exchange for being permitted to break a contract (a mortgage agreement); usually three months' interest, but it can be a higher or it can be the equivalent of the loss of interest to the lender.

Mortgage Term

The length of time a lender will loan mortgage funds to a borrower. Most mortgage terms run from six months to five years, after which the borrower can either repay the balance (remaining principal) of the mortgage, or renegotiate the mortgage for another term.

Multiple Listing Service® (MLS®)

A co-operative selling system for relaying information to REALTORS® about properties for sale.

P

Presale Cross Reference List

A tool developed by BCREA, the Canadian Home Builders' Association of BC (CHBA BC) and the Urban Development Institute (UDI) to assist homebuyers in the purchase of homes under development, also known as presales.

Prime Rate

The lowest rate of interest at which money may be borrowed commercially.

Principal

The mortgage amount initially borrowed, or the portion still owing on the mortgage. *Interest* is calculated on the principal amount.

PTT – Property Transfer Tax

A land registration tax that must be paid when an application for a taxable transaction is made at any Land Title Office in BC to register changes to a certificate of title. For more information, visit www.bcrea.bc.ca/government-relations/shelter-taxes.

R

Rate (Interest)

The return the lender receives for advancing the mortgage funds required by the borrower to purchase a property.

Real Estate Development Marketing Act

The BC statute that imposes disclosure requirements on developers marketing various forms of development.

Real Estate Services Act

The BC statute that imposes licensing requirements on persons who provide trading services related to real estate, rental management services and strata management services.

REALTOR®

A real estate professional who is a member of a local real estate board and the Canadian Real Estate Association (CREA). Only these professionals can call themselves REALTORS®.

Refinancing

The process of obtaining a new mortgage, usually at a lower interest rate, to replace the existing mortgage.

S

Sales to Active Listings Ratio

The sales to active listings ratio is a measure of balance between supply and demand in the housing market. It is calculated as the number of unit sales divided by the number of active listings.

Seasonally Adjusted Annual Rate (SAAR)

A rate adjustment used for economic or business data that attempts to remove the seasonal variations in the data.

Seller's Market

A housing market is generally characterized as a “sellers’ market” when there is an excess of demand for homes over current supply as measured by active or new listings. A sellers’ market typically occurs when the ratio of home sales to active listings is above 20 per cent.

Shelter Taxes

BCREA describes the Property Transfer Tax (PTT) and Harmonized Sales Tax (HST) as provincial shelter taxes. HST and PTT negatively impact the affordability of housing, which directly impedes the quality of life of British Columbians. For more information, visit www.bcrea.bc.ca/government-relations/shelter-taxes.

Superintendent of Real Estate

The office of the Superintendent falls under the BC Financial Institutions Commission (FICOM), an agency of the provincial government that provides public protection through ten statutes, including the *Real Estate Development Marketing Act* which governs marketing, sales and long-term leases of development units.

T

Term

The length of time a lender will loan mortgage funds to a borrower. Most mortgage terms run from six months to five years, after which the borrower can either repay the balance (remaining principal) of the mortgage, or renegotiate the mortgage for another term.

Term Mortgage

A non-amortizing mortgage under which the principal is paid in its entirety upon the maturity date. Sometimes called a straight loan.

Title

The legal evidence of ownership of a property.

Title Search

A detailed examination of the ownership documents to ensure there are no liens or other encumbrances on the property, and no questions regarding the seller's ownership claim.

Total Debt Service Ratio

The maximum percentage of a borrower's income that a lender will consider for all debt repayment (other loans and credit cards, etc.) including a mortgage.

U

Unit

Term used to describe the individual home or apartment held by the owner within a condominium development.

V

Variable-Rate Mortgage

A mortgage for which payments are fixed, but whose interest rate changes in relationship to fluctuating market interest rates. If market rates go up, a larger portion of the payment goes to interest. If rates go down, a large portion of the payment is applied to the principal.

Y

Year-to-Date

A period, starting from the beginning of the current year, and continuing up to the present day.

Z

Zoning Regulations

Strict guidelines set and enforced by municipal governments regulating how a property may or may not be used.

For more information, please contact:

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The British Columbia Real Estate Association (BCREA) represents 11 member real estate boards and their approximately 18,500 REALTORS® on all provincial issues, providing an extensive communications network, standard forms, economic research and analysis, government relations, applied practice courses and continuing professional education.

To demonstrate the profession's commitment to improving Quality of Life in BC communities, BCREA supports policies help ensure economic vitality, provide housing opportunities, preserve the environment, protect property owners and build better communities with good schools and safe neighbourhoods.

Visit BCREA Online: www.bcrea.bc.ca | www.twitter.com/bcrea

Other BCREA online resources:

- **News Room**

www.bcrea.bc.ca/news-and-publications/news-room

Information about BCREA, contact information and photos of BCREA spokespeople and links to the Association's latest news releases and resources.

- **News Releases**

www.bcrea.bc.ca/news-and-publications/news-room/news-releases

Detailed monthly statistical and topical news releases.

- **Forecasts and Presentations**

www.bcrea.bc.ca/news-and-publications/economics/forecasts-and-presentations

Publications including quarterly *Mortgage Rate Forecasts*, quarterly Housing Forecasts and Housing Forecast Updates and quarterly *Commercial Leading Indicator*, as well as other recent economic publications and presentations.

- **Video Podcasts**

www.bcrea.bc.ca/news-and-publications/economics/video-podcasts

Monthly podcast videos of BCREA Chief Economist Cameron Muir discussing the latest housing statistics.

Other BCREA online resources continued:

- **Markets at a Glance**

www.bcrea.bc.ca/news-and-publications/economics/markets-at-a-glance

Easy to export charts created to provide year-to-date information on the pace of BC's MLS® home sales and quarterly market trends such as average price and unit sales.

- **Government Relations Public Policy Positions**

www.bcrea.bc.ca/government-relations

A detailed list of BCREA's public policy positions and Quality of Life approach.

- **Member Boards**

www.bcrea.bc.ca/about/member-boards

A detailed list of BCREA's 11 member boards from across the province and their contact information.

- **Email Subscriptions**

www.bcrea.bc.ca/home/manage-your-subscriptions

A subscription page to receive BCREA publications by email, including news releases and newsletters.

Other valuable links:

- **Real Estate Council of British Columbia**

www.recbc.ca

The regulatory agency who protects the public and enforces the *Real Estate Services Act*.

- **Superintendent of Real Estate**

www.fic.gov.bc.ca

The Superintendent's office falls under the BC Financial Institutions Commission (FICOM), an agency of the provincial government that provides public protection through ten statutes, including the *Real Estate Development Marketing Act* (REDMA), which governs marketing, sales and long-term leases of development units.

- **The Real Estate Foundation of British Columbia**

www.realestatefoundation.com

A philanthropic body that provides financial support for real estate-related projects, such as public and professional education, law reform and research.

- **House Price Index**

www.housepriceindex.ca

Teranet's National Bank House Price Index™, an independent representation of the rate of change of Canadian single-family home prices.

