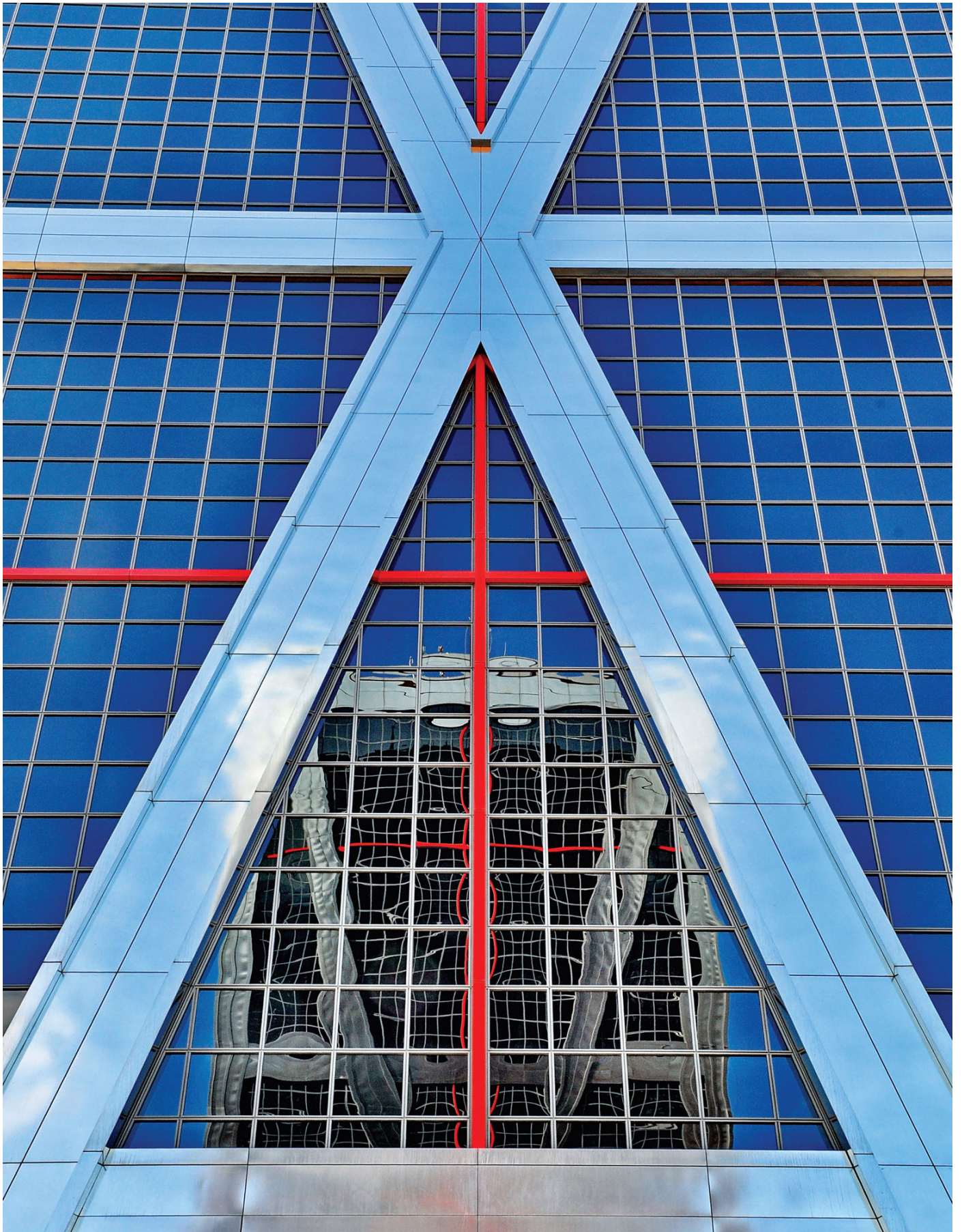


GLOSSARY



We do not represent the following definitions to be complete or legally exact, but offer them only to facilitate a better understanding of certain terms and concepts as they relate to real estate. We urge students not to attempt to memorize the definitions.

Accelerated Biweekly Payments

Constant payments that are equal to $\frac{1}{2}$ of the regular monthly payment and are made every two weeks.

Acceleration Clause

A condition on a contract that results in any accrued interest and outstanding principal being due in the case of default.

Accessibility

The level of ease with which customers can reach the property.

Accounting

The systematic recording, reporting, and analysis of financial transactions.

Accrual Basis

Accounting procedure that recognizes revenue at the time it is earned, as opposed to when it is actually received. This method ties in with the Revenue Principle. Contrast with [*Cash Basis*](#).

Actual Value

Actual value as determined by the assessor. This value, in thousands of dollars, when multiplied by the tax rate equals the amount of real property taxes payable.

Adjacent

In law, implies that two or more properties are not widely separated, though they may not physically touch.

Adjoining

In law, implies that two properties are contiguous or touching each other as opposed to adjacent to one another.

Adjustment Date

The date agreed upon by the buyer and seller for the adjustment of taxes, interest, rent, and other appropriate items.

Administrative Tribunals

Adjudicative bodies that make decisions on behalf of federal and provincial governments when it is impractical or inappropriate for the government to do so itself.

Age-Life Method

Percentage Depreciation = $\text{Effective Age} \div \text{Economic Life}$

Agent

At common law, an agent is any person who contracts to act for or on behalf of another, who in turn, is known as the principal. The common law principles of agency apply to all levels of licensee, including brokerages, managing brokers, associate brokers, and representatives, as defined by the *Real Estate Services Act*, when they are acting on behalf of a seller or buyer.

Agreement for Sale

A contract by which the owner of land (seller) agrees to sell land to another (buyer) who agrees to purchase it. The buyer's interest is registered in the Land Title Office as a charge against the seller's certificate of title. The contract provides that the purchase price will be paid by instalments.

Airspace

Historically, one owned the airspace above their land "to the heavens". Today, airspace refers to the legal concept that a person who owns land also owns as much of the airspace above their land as they can effectively use.

Alternative Dispute Resolution (ADR)

The processes and techniques that parties to a dispute may voluntarily undertake as an alternative to traditional litigation, such as mediation or arbitration.

Amortization

The process of paying off a loan by periodic payments of blended principal and interest.

Amortization Period

The time that it takes to fully pay off a loan, given the required periodic payments.

Anchoring Effect

The psychological phenomenon where the first number proposed by either side in a negotiation anchors the negotiation around that initial number, so that all future proposals are stated in reference to that initial number.

Annual Percentage Rate (APR)

The contractual interest rate plus any non-interest finance charges. This rate is used for disclosure purposes as required by the *Business Practices and Consumer Protection Act*.

Appraisal

An estimate of the value in real property.

Appreciation

The amount by which real property (or any other asset) has increased in value.

Arbitration

A dispute resolution process wherein the disagreeing parties authorize a neutral third party (or parties) to decide the outcome of their dispute. The decision is typically binding on the parties.

Arm's Length Transaction

A transaction in which both parties are unrelated and act independently and in their own self-interest. These transactions are more likely to be completed at a fair market value or at the market rate.

Arrears

Overdue payments on a loan.

Artificial Intelligence (AI)

A branch of computer science that involves the creation and application of software and algorithms to emulate human intelligence, learn from data, and perform complex tasks autonomously or semi-autonomously.

Assessment

Appraisal, usually for real property taxation purposes.

Asset

Item of value owned by a business. Contrast to [Liability](#).

Assign

To transfer over to another. (e.g., “I assign all right, title, and interest in Blackacre to my wife, Elaine.”)

Assumable Mortgage

A mortgage that allows a purchaser to assume or take over the responsibilities and liabilities under the mortgage from the vendor.

Assurance Fund

A fund established by the British Columbia provincial government to compensate any person who is deprived of land because of the operation of the *Land Title Act* in certain cases where fraud has been committed, a mistake has been made, or an improper act was performed by Registrar of Titles or their employees.

Automated Valuation Models

A computer program that analyzes large volumes of data using an automated process to estimate a market value.

Bad Debt Allowance

An estimate of the amount of rent that may become uncollectible from the tenants of occupied units (also known as collection loss allowance).

Balance Due to Complete

The amount of cash the buyer must be able to provide to the conveyancer (amount due to the seller) in order to complete the transaction.

Balance Sheet

A financial statement listing the assets, liabilities, and owner's equity at a specific point in time.

Balloon Payment

Any payment of principal over and above the regular periodic payments, whether it occurs during or at the end of the term.

Beneficial Owners (generally)

Individuals who enjoy the benefits of ownership of property even though the property is registered in the name of another person or entity

Biweekly Payments

Constant payments that are made every two weeks.

Blanket Mortgage

A single mortgage registered against two or more individual parcels of real property.

Blend and Increase

The process of increasing a mortgage size, whereby the lender blends the old interest rate on the existing mortgage balance with its current interest rate on the new borrowing.

Blended Payments

The total payment is blended of principal and interest (in a constant payment mortgage) such that the total payment is constant during the term. See [Constant Payment Mortgages](#) and [Payment](#).

Blended Rate Refinancing

Negotiation of a mortgage loan with an interest that represents the combination of the previous loan's rate and a new rate.

Blockchain

A decentralized and distributed digital ledger technology that securely records and verifies transactions across multiple computers, ensuring transparency, security, and immutability of data.

Bonus

Where an offer to purchase is sold for more than the face value of the loan; the portion of the face value of a mortgage loan that exceeds the funds actually received by the borrower and is intended as additional compensation for the lender.

Book Value

The original cost of a non-current asset less all depreciation claimed to date.

Book Value (of a Mortgage)

The outstanding balance of the loan at any particular point in time.

Borrower Qualification

The lender's examination of the borrower's personal income as the source of funds to make mortgage payments.

Borrowers

Groups or individuals with expenses larger than their income in that period.

Borrowing

Incurring an obligation to repay a debt in order to invest or consume more than one currently owns.

Breach of Contract

Failure, without legal excuse, to perform any promise that forms the whole or part of a contract.

Break Even Point

The square footage of floor space (or number of units) that must be rented in order for revenues to exactly equal expenses.

Brokerage

A licensee (often corporate) on behalf of which other licensees must provide real estate services.

Brokerage Fee

A fee charged by mortgage brokers if their services are rendered in arranging a mortgage loan.

Builders Lien

A claim registered against the title to land by a contractor, subcontractor, or worker with respect to a debt arising from labour, services, or materials supplied to that land.

Building Scheme

Refers to a scheme of development that comes into existence where defined land is laid out in parcels and intended to be sold to different buyers or leased or subleased to different tenants, each of whom enters into a restrictive covenant with the common seller or landlord agreeing that their particular parcel should be subject to certain restrictions as to use.

Buyer's Statement of Adjustment

A closing statement in a real property transaction that indicates the balance of cash required from the buyer to complete the transaction. See also [Closing Statement](#).

Bylaw

A law of local or limited application, typically regulatory in nature.

Capital Cost Allowance (CCA)

The amount that an owner of an income producing asset is allowed to deduct as an expense for income tax purposes as a result of ownership of that depreciable asset. Only one-half of the ordinary CCA may be claimed in the first year of the holding period; no CCA may be claimed in the year of sale.

Capital Loss

Loss incurred on an asset due to depreciation, realized when the asset is sold for less than the original purchase price.

Capital Risk

The risk of losing all or part of an investment. (Capital at risk is the estimate).

Capitalization

Changing a stream of income to a capital market value (current market value) using a required rate of return.

Capitalization Process

The conversion of net operating income to a capital amount, such as market value.

Capitalization Rate

The return an investor requires for investing in a property to receive the annual net operating income flows.

Cash Basis

Accounting procedure that recognizes revenue at the time it is actually received in cash form. Contrast to [Accrual Basis](#).

Cash Equivalent Price (of an Offer)

The amount of cash that could reasonably be accepted in lieu of the beneficial financing offer.

Cash Proceeds of Sale

The amount of cash the seller will receive from the conveyancer (from the buyer) upon completion of the transaction.

Cash Reconciliation Statement

A calculation of the cash available at any point in time. The old cash balance plus all receipts less all disbursements will compute the current cash at hand.

Caveat

A registered charge against land filed by a person claiming an estate or interest in that land to prevent all dealings inconsistent with that claim and warn third parties of that claim.

CCA

Abbreviation of [Capital Cost Allowance](#).

Ceiling Price

The maximum price that a buyer is willing to pay for a property. Compare to [Floor Price](#).

Certificate of Pending Litigation

A notice of a pending court action registered against the title to property for the purpose of warning all persons that the title to the property is in litigation and preventing dealings with respect to the property.

Charge

An estate or interest in land less than a fee simple that can be registered under the *Land Title Act*. Charges include all encumbrances, such as judgments, mortgages, statutory rights of way, easements, covenants, leases, and liens.

Chattel Mortgage

A document evidencing a debt owed by the borrower (mortgagor) to the lender (mortgagee). The mortgage is secured by the lender against personal property owned by the borrower as collateral to ensure the repayment of the debt. These mortgages are governed by the *Personal Property Security Act*.

Chattels

Articles of personal property (i.e., a car, a stereo, a television) as opposed to real property.

Civil Law

A system whereby the law of a nation is set out in a comprehensive set of writings. An example of these writings or codes would be a Criminal Code for a country.

Closed Mortgage

A mortgage loan in which individual borrowers are prevented from prepaying their mortgage without penalty, except under certain circumstances.

Closing Date (Completion Date)

The date specified in the contract for purchase and sale on which the seller is obligated to transfer title in the state set out in the contract, and the buyer is obligated to pay the purchase price in accordance with the contract.

Closing Statement

A statement prepared for a buyer or seller, showing the amounts to be received and paid out. The difference between these amounts represents either the balance payable (by the buyer) or the cash proceeds from sale (to the seller) upon completion of the transaction. See also [Buyer's Statement of Adjustment](#) or Cash Settlement and [Seller's Statement of Adjustment](#) or Cash Settlement.

Cloud Storage

A model of networked enterprise storage where data is stored in virtualized pools of storage, generally hosted by third parties.

Cognitive Dissonance

The awareness of a disharmony caused by conflicting thoughts.

Commercial Mortgage Underwriting

Mortgage qualification process that occurs with residential property that is not owner-occupied (income-producing residential) and all non-residential property (which is predominantly income-producing).

Common Law

A system of law made up of principles and rules of action based upon the ancient customs and usages of the people of a nation that have been recognized, affirmed, or enforced by the courts.

Common Property

Any part of a strata plan that is not a strata lot, and a variety of service facilities, depending on their location and use.

Comparative Approach

See [Direct Comparison Approach](#).

Comparative Market Analysis (CMA)

A short-form narrative style report prepared by a registrant for the seller of a property to establish an estimated market value and recommended listing price.

Compound Interest

Interest that, during the life of the loan, is charged or calculated at regular intervals and if not immediately paid (as in an interest only loan) will, in subsequent periods, earn interest itself (as in an interest accruing loan).

Compounding Frequency

Indicates the number of times compound interest is charged or calculated per year (e.g., semi-annually or monthly).

Condition

A fundamental term of a contract, a breach of which allows the non-breaching party to terminate the contract and/or sue for damages or specific performance.

Condition Precedent

Legal term for a “subject to” clause. In contract law, a condition precedent calls for the happening of some event or the performance of some act before the contract shall be binding upon the parties.

Conflict of Interest

A situation in which a mortgage broker’s advice to one party may be influenced by the interests of another party.

Consideration

The legal term for something of value that is bargained for, and received by, each party to a contract. Consideration may be in the form of a right, interest, profit, or benefit accruing to one party. It may also be in the form of an agreement not to do something, or loss suffered by the other.

Consistency Principle

The accounting rule that states that once a firm has selected a method of recording financial transactions from a number of alternative options, all of which are acceptable under generally accepted accounting principles, it will apply those principles over subsequent accounting periods.

Constant Payment Mortgages

A mortgage loan that is repaid by equal and consecutive instalments that include principal and interest.

Consumer Transactions

Transactions for primarily personal, family, or household purposes.

Consumption

The act of spending money on goods that decrease in value after the time of purchase (e.g., the purchase of bread or a refrigerator). Contrast to [*Investment*](#).

Contingency Reserve Fund

A fund maintained by a strata corporation for common expenses that usually occur less often than once a year or that do not usually occur. The *Strata Property Act* requires both developers and the strata corporation to make contributions to the fund.

Contract

An agreement between two or more persons that creates a legal obligation to do or not to do a particular thing.

Contract of Purchase and Sale

A contract of purchase or sale of land that contains the rights and obligations of the seller and buyer with respect to the purchase and sale. You may also find that this type of contract is referred to as an Interim Agreement.

Conventional Mortgage

An uninsured mortgage loan where the lender has only the personal covenant of the borrower and the value of the property as security.

Conversion (of a Building)

A project in which the developer stratifies a building by subdividing it into strata lots.

Conversion (of an Interest Rate)

The process of changing an interest rate with one compounding frequency to an equivalent rate with a different compounding frequency.

Conveyance

The process of transferring an interest in land from one person to another by way of a transfer document. Conveyancing usually refers to the transfer of title to land but also includes dealings such as assignments, leases, and mortgages.

Corporate Veil

In law, this refers to the distinct status of a corporation as a separate entity from its shareholders and corporate officers. Because a corporation is a separate entity, a person dealing with the corporation may not know the identities of the shareholders or officers. For example, the names of the owners of an incorporated business are not shown on its financial statements.

Corporation

A business entity that is owned by shareholders who decide on the general policies of the company through their elected Board of Directors. A corporation is a separate legal entity and therefore has the rights and liabilities of an individual.

Cost Method

A method of appraisal that determines the value of a property by adding the market value of the site to the cost of replacing the existing building.

Cost of Goods Sold

The cost to the business of manufacturing or purchasing the items actually sold.

Cost Principle

A financial reporting principle requiring that asset value be recorded at its historic cost of acquisition.

Counter-Offer

A statement by the recipient of the offer that has the legal effect of rejecting the offer and of proposing a new offer to the offeror (who then becomes the recipient of the “new” offer).

Covenant

For the purposes of this course, a covenant is a promise contained within an agreement. The person making the covenant is called the covenantor and the person in whose favour it is made is called the covenantee.

Credit Analysis

Evaluates the applicant’s ability to meet the terms of a mortgage and the amount of their income available for future mortgage payments.

Credit Repair

The process of improving a poor credit.

Credit Report

A record identifying an applicant's habits regarding their financial commitments.

Creditor

A person to whom a debt is owed. Contrast to [Debtor](#).

Curable Depreciation

Physical or functional depreciation that can be corrected economically. Contrast to [Incurable Depreciation](#).

Current Assets

Assets that will be converted into cash, sold, or consumed within one year or the normal operating cycle of a business, whichever is longer.

Current Cost

The amount of money it would be necessary to spend today to reconstruct existing improvements. See also [Historic Cost](#).

Current Liabilities

Liabilities that the enterprise expects to pay off within one year.

Customer Relationship Management (CRM) Software

A database application that manages the user's contacts, controlling and organizing the information pertaining to each contact.

Cyclical Repairs

Repairs that are done on a periodic basis.

Date of Valuation

In appraisal, the date for which the value of the subject property is established, not to be confused with the date at which the appraisal takes place.

Debt Coverage Ratio

The ratio of the property's annual net operating income (NOI) to the annual debt service. See also [Ratio](#).

Debt Financing

Incurring an obligation to repay a debt in order to invest or consume more than one currently owns.

Debt Service

The making of mortgage payments by the borrower, as arranged with the lender.

Debtor

One who owes a debt. Contrast to [Creditor](#).

Deceit

A fraudulent or deceptive misrepresentation used by one person to deceive or trick another person ignorant of the true facts.

Deceptive Act or Practice

A representation by a supplier, or any other conduct by a supplier, that has the capability, tendency, or effect of deceiving or misleading a consumer or guarantor.

Deed

A document used to transfer an interest in land from one party to another.

Default

Failure to make payments on a loan.

Demise

The legal term for the granting of a lease.

Deposit

An amount deposited with the brokerage by the buyer when an offer to purchase is made.

Depreciation

The amount by which the value of improvements has decreased over time as a result of wear and tear or changes in taste. Depreciation can be classified as physical or functional and curable or incurable. See also [Depreciation Expense](#) and compare to [Capital Cost Allowance](#).

Depreciation Expense

The periodic cost of owning depreciable assets that are subject to wear and tear, such as buildings and equipment. No depreciation expense can be taken on land. Depreciation expense is a method of accounting for the initial cost of an asset in its subsequent periods of use.

Designated Individual (DI)

The registered sub mortgage broker who is responsible for ensuring proper supervision, registration, and recordkeeping of all employees and transactions of the mortgage broker, as well as managing the mortgage broker's year-end financial filings, registration application, and relevant information.

Differentiated Marketing

Numerous similar products are marketed to different market segments using different marketing programs.

Differentiated Product or Service

A product or service that is seen as being different, from the viewpoint of the consumer.

Digital/E-Signatures

An unforgeable encrypted code that uniquely identifies the sender when attached to an electronically transmitted message.

Direct Comparison Approach

A property valuation method that is based on the principle that the price paid for a commodity will be equal to the cost of acquiring a substitute under the same market conditions.

Disclosure Statement

A statement that must be given to a borrower incurring an obligation under a credit agreement as required by Part 5 of the *Business Practices and Consumer Protection Act*.

Discount

Where an offer to purchase is sold for less than the face value of the loan.

Discounting

The process of expressing expected future income in terms of a present value.

Distress

A legal term for a landlord's right to seize and sell a tenant's personal property in order to recover arrears of rent.

Distributive Perspective

A mindset that negotiations are a zero-sum conflict, wherein one party's gain is equal to the other party's loss.

Diversification

The process of investing funds in more than one project or industry in order to reduce the risk of incurring unexpected losses. The opposite of “putting all your eggs in one basket.”

Dividend

Payment made by a company to its shareholders, either as cash or stock.

Dominant Tenement

Land to which the benefit of a right (i.e., an easement or restrictive covenant) is attached.

Duress

A situation where a person is forced to enter into a contractual relationship against their will by the threat of imprisonment either to themselves or their family, or the threat of actual physical force.

Duty of Good Faith

A sincere intention to deal fairly with others.

Early Renewal

Renewing a mortgage early, before the end of its term.

Easement

A right to use a neighbouring property in a specific way (without possessing it) for the benefit of the holder's land. The land that benefits from the easement is called the dominant tenement and the land over which the easement is exercised is called the servient tenement.

Economic Life

The time span over which a property is employed in its [*Highest and Best Use*](#).

Effective Annual Interest Rate

The nominal rate per annum, compounded annually.

Effective Date

The specific date an evaluation is made, considering the prevailing market forces and conditions at that date.

Encroachment

A fixture, such as a wall or fence, that illegally intrudes into or invades on public or private property.

Encumbrance

A judgment, mortgage, lien, Crown debt, or other claim to or on land less than a fee simple. An encumbrance functions to encumber (i.e., restrict or burden) title to the property against which it is registered.

Equitable Mortgage

The transfer of equity in property as security for a debt. Technically, any mortgage registered on title subsequent to the first mortgage (i.e., second or third mortgage).

Equity (in Common Law)

The concept of justice being administered by the courts according to fairness as contrasted with the strictly formulated rules of common law. In law the term “equity” denotes the spirit and habit of fairness, justness, and right dealing that would regulate interaction of person with person.

Equity (in Mortgage Finance)

The difference between a property's market value or purchase price and the debt incurred to purchase the property.

Equity Mortgage

A mortgage based more on a person's equity in the property rather than on detailed income validation.

Equity of Redemption

The mortgagor's right to repay the mortgage.

Equivalent Interest Rates

Different interest rates that result in the same effective annual interest rate, i.e., they accumulate the same amount of interest for the same loan amount over the same period of time.

Escalator Clause

A term in a commercial lease that allows the landlord to charge the tenant for any increases in specified operating expenses.

Estate

A right to possess and use land for a period of time. The period of time could be indefinite (e.g., a fee simple estate) or predetermined (e.g., a life estate or a leasehold estate).

Execution

The process of commencing proceedings to collect an amount owing by reason of a judgment.

Expropriation

The act of taking away a private owner's interest in land without consent, typically carried out by the government or a party authorized by the government.

Externalities

Costs or benefits that are enjoyed or suffered by people other than those who have provided them.

Externality

Factor separate from the property that can affect the property's value, either in a positive or negative manner.

Face Value of a Loan

The loan amount that must be repaid at a stated rate of interest according to the contract terms.

Face Value of a Mortgage

The amount of money the borrower promises to repay (at the contract rate of interest).

Fair Market Value

The price at which an informed buyer and seller would be willing to transact a trade of a given asset.

False Authority

A negotiation tactic whereby a negotiating party agrees to a proposed solution, but then returns to the negotiation claiming that their partner or superior will not agree to the deal until more concessions are made.

Fee Simple

The legal term for the maximum interest in land available to a person, or the maximum of legal ownership. Equivalent in many ways, for practical purposes, to absolute ownership.

Fiduciary

A person who holds a position of trust with respect to someone else and is obliged, by virtue of the relationship of trust, to act solely in the other person's benefit.

Final Payment

The last instalment that is made on a fully amortized loan. It is usually smaller than the preceding periodic payments.

Financial Statements

The end result of the recording, summarizing, and classifying of the accounting process.

First-Year Half-Rate Rule

In the year an asset is purchased, only one-half the maximum allowable CCA may be claimed.

Fiscal Year

Any period of 12 consecutive months chosen by a business as its accounting period.

Fixed Expenses

Expenses that must be paid regardless of the level of occupancy and use of the property.

Fixture

A chattel attached to real property; anything that has become so attached to the land as to form, in law, part of the land.

Floor Price

The minimum price that a seller is willing to accept for a property. Compare to [Ceiling Price](#).

Foreclosure

A legal action taken by a mortgagee to realize on its security, by reason of the mortgagor's default on the mortgage.

Frustration

A legal doctrine that provides that where the existence of a specific thing is necessary for performance of the contract, the duty to perform is discharged if the thing, for reasons beyond anyone's control, is no longer in existence at the time for performance.

Fully Amortized

The entire amount of principal is repaid by periodic payments and the final regular payment will repay the remaining principal balance and accrued interest.

Fully Amortized Mortgage

Loan that is repaid completely by a series of payments over the full duration of the amortization period.

Functional Depreciation

The loss in value caused by outmoded or inadequate design (e.g., small closets in a residential property) that may be curable or incurable. See also [Curable Depreciation](#) and [Incurable Depreciation](#). Compare to [Physical Depreciation](#).

Future Value

Any lump sum that is payable or will have been accumulated some time from now.

General Partnership

A form of organization in which two or more persons carry on a business with a view to profit.

Generally Accepted Accounting Principles (GAAP)

The rules and guidelines followed in the preparation of financial statements. They include the [Cost Principle](#), the [Revenue Principle](#), the [Matching Principle](#), the [Objectivity Principle](#), the [Consistency Principle](#), and [Fiscal Year](#).

Goodwill

An intangible asset, accounting for the difference between the purchase price of a business and the market value of its net assets.

Graduated Payment Mortgages (GPMs)

Mortgages that have increasing payments during some or all of the mortgage's life.

Gross Debt Service Ratio

The ratio of the sum of the annual mortgage payments and real property taxes (and possibly heating costs, maintenance fees, and registered junior mortgage payments) to annual gross income. Compare to Loan-to-Value Ratio. See also [Ratio](#) and [Total Debt Service Ratio](#).

Gross Income

The amount earned through employment or investment before taking taxes or other deductions into consideration. This amount may or may not be the same as gross income for purposes of mortgage lending.

Gross Lease

A lease in which the landlord pays for all the operating expenses. Contrast to *Net Lease*.

Gross Potential Rent

The rent that would be collected if all units were leased at market rents.

Gross Potential Revenue

The potential rents earned if the building has 100% occupancy.

Gross Realized Rent

[Gross Potential Rent](#) less [Vacancy Allowance](#) and [Bad Debt Allowance](#).

Gross Realized Revenue

The amount of money actually received by way of rents on the units actually rented.

Gross Up

Increasing the net income to account for business deductions (e.g., car payments on a vehicle used as part of the business) or non-taxable income (e.g., permanent disability insurance).

Guarantor

One who becomes contingently or secondarily liable for another's debt or performance.

Highest and Best Use

That use of land that, within all legal, physical, financial, and market constraints, will provide the maximum net return during the foreseeable future.

Historic Cost

The cost incurred when the building was erected. See also [Current Cost](#).

Homogeneous

Of the same kind; alike.

Immobile

Incapable of being moved.

Imperfect Market

A market in which (similar) properties are traded for either more or less than actual market value.

Improvement

A structural addition to the land that can be considered to be a fixture.

Income Method

An appraisal method, also called the Investment Method, that is typically used for income producing properties. It converts the income stream produced by the property into a market value for the property by using a capitalization rate.

Income Statement

A financial statement listing the revenues and expenses of a business for a stated period.

Income Tax

That part of taxable income that a person or corporation is required to forward to Canada Revenue Agency periodically.

Incurable Depreciation

Physical or functional depreciation that cannot be corrected economically. Contrast with [Curable Depreciation](#).

Indefeasibility

In British Columbia, subject to certain statutory exceptions, the land title register is conclusive evidence that the person named as holding a fee simple interest in land is in fact entitled to that interest, and their holding is not subject to any condition or encumbrance other than those shown on the land title register.

Indenture

A document or deed, expressing certain objects between two or more parties.

Infant

In British Columbia, a person under 19 years of age which, generally speaking, is the age of legal competence.

Inflation

A rise in the average price level.

Injunction

A court order that either restrains a party from doing something or requires a party to do something.

Insurable Value

The estimated value of a property for insurance purposes.

Insured Mortgage

A mortgage whereby an insurance company guarantees that the lender can recover all of the funds loaned in case of default.

Integrative Perspective

A mindset that negotiations are a collaborative problem-solving process rather than a head-to-head conflict, whereby the parties focus on the underlying interests and needs of each other.

Interest

A fee charged for the use of capital.

Interest Accruing Loan

Debt that is paid off as one lump sum, including principal plus accumulated compound interest.

Interest Adjustment

The process of calculating compound interest payable on the amount borrowed between the day the monies are advanced and the day the amortization period starts.

Interest Adjustment Period

The period of time between the date the funds are advanced and the beginning of the first payment period.

Interest Only Loan

A loan that is serviced by interest only payments. At the end of the term, the full principal plus interest for the last payment period of the loan is still owing.

Interest Rate

The percentage rate that represents the cost of borrowing or the benefit of lending money.

Interest Rate Conversion

A mathematical process that changes a stated interest rate (and its associated compounding frequency) into an equivalent rate with a different compounding frequency.

Interest Rate Differential (IRD)

The difference between the contract rate of interest and the current rate of interest over the remaining term, which the borrower may have to pay the lender when fully prepaying an outstanding balance.

Interests

The motivation behind parties' positions.

Investment

The spending of capital today in order to receive benefits in the future.

Investment Value (Appraisal)

The value that is specific to a particular investor.

Investment Value (of a Mortgage)

The maximum price an investor is willing to offer for the mortgage after considering the rate of return that could be earned on other competing investments.

Invitation to Treat

A type of advertisement used by one to induce the public or some individual to submit their own offers. An invitation to treat is not an offer capable of acceptance to form a contract.

Joint Tenancy

Where two or more persons hold an undivided interest in a property. When one person dies, the survivor or survivors continue to own the whole – the right of survivorship being known as *jus accrescendi*.

Joint Venture

A type of business where two or more business organizations cooperate in a particular undertaking. Profits or losses are shared by the participants and taxed in their hands.

Judgment

An award granted to a successful party to litigation by the court. The award may include a specific amount of money to be paid to the successful party by the unsuccessful party to the litigation.

Jurisdiction

A particular level of a government's general power to exercise authority over persons and things located within its territory.

Jurisprudence

The collection of legal decisions out of which legal principles or rules emerge.

Latent Value

The value possessed by a property that has potential for redevelopment because it is currently not employed at its [*Highest and Best Use*](#).

Lateral Support

The support provided to one piece of land by the land that lies next to it.

Lease

An instrument granting exclusive possession of land to another for a specified term, usually at a rent. The one who grants the lease is called the Landlord (or Lessor) and the one to whom it is granted is called the Tenant (or Lessee).

Legal Interests in Real Estate

The legal rights of ownership vested in a particular piece of real estate.

Lender Bonus

A fee charged by lenders as a means of increasing their yield on a loan.

Lender Representative

A mortgage salesperson representing a single lender, e.g., a mortgage specialist at a national bank.

Lending Value

A long-term, conservative estimate of the value of the property pledged as security for a loan.

Leverage

The partial use of debt to finance investments. The use of debt can magnify the potential variations of yields on the equity portion of the investment.

Liability

Monies owed by a business. Contrast to [*Asset*](#).

Licence

With respect to real property, a privilege to enter onto premises for a certain purpose. However, this privilege does not confer upon the licensee any title, interest, or estate in such property (e.g., exclusive right to possession of the property). Examples of a licence include a hotel suite where monthly rates may be available but the innkeeper has the right to enter the suite at their pleasure.

Lien

A claim or charge on real or personal property for payment of some debt, lien obligation, or duty.

Life Estate

An interest in land to be enjoyed during a person's life, and which ends on that person's death.

Life Estate Pur Autre Vie

The form of Life Estate where the measuring life is that of some other person. (e.g., A man may grant a life estate pur autre vie to his deceased son's wife [his daughter-in-law] for the life of his grandchild. If the grandchild dies, the daughter-in-law loses her interest.)

Limited Common Property

Common property designated for the exclusive use of the owners of one or more strata lots.

Limited Liability

The principle that a shareholder or limited partner cannot be held liable for more than they have paid into (or agreed to pay into) the firm. Contrast to [Unlimited Liability](#).

Limited Liability Partnership (LLP)

A variation of a general partnership, where the partners are actively involved in the business and have limited liability.

Limited Partnership

A form of organization similar to a general partnership, consisting of one or more general (managing) partners and one or more limited partners.

Liquidity

The degree of ease and certainty with which an asset can be converted into cash.

Listing Agreement

A contract between an owner (seller) and a real estate licensee whereby the licensee agrees to try to find a buyer for the listed property in return for the seller paying a stipulated amount of commission, should the licensee be successful.

Listing Price

The value at which a property is advertised for sale.

Loan-to-Value Ratio

The percentage of lending value that determines the maximum loan amount. See also [Ratio](#). Compare to [Gross Debt Service Ratio](#) or [Total Debt Service Ratio](#) (for residential underwriting) and [Debt Coverage Ratio](#) (for commercial underwriting).

Market Data Approach

See [Direct Comparison Approach](#).

Market Rate

The prevailing interest rate, at any given point in time, at which financing or refinancing can be expected.

Market Value

The price that might reasonably be expected to realize when sold by a willing seller to a willing buyer after adequate time and exposure to the market.

Market Value (of a Mortgage)

The present value of future mortgage payments (and outstanding balance, if applicable) calculated at the market rate of interest.

Market Value (of an Offer)

The cash down payment plus the present value of the mortgage loan discounted at the market rate, i.e., the market value of the mortgage.

Market Value (of a Property)

In appraisal, the expected or forecasted sale price.

Marketing Concept

Focusing on the client's needs and using need satisfaction as the starting point for the development of a marketing program.

Marketing Mix

The product, place, price, and promotion; also called the four Ps of marketing.

Matching Principle

A generally accepted accounting principle that states that expenses should be recognized in the same period as the revenues with which they are associated.

Materiality

Likelihood of a piece of financial information to impact decisions or judgments made by users of the financial statements.

Maturity

The date on which the balance owing on a mortgage becomes due; the final day of the term of a mortgage.

Mediation

A dispute resolution process wherein the disagreeing parties attempt to resolve their dispute by agreement, through negotiations that are facilitated by a neutral third party.

Misrepresentation

A false statement of fact which is relied upon by another person to their detriment.

Mistake

A legal term that describes the situation where a person, under some erroneous conviction of law or fact, does, or omits to do, some act that but for the erroneous conviction, they would not have done or omitted doing.

Mitigate

The legal doctrine of "mitigation" imposes upon an injured party a duty to exercise reasonable diligence and ordinary care in attempting to minimize their damages after injury has been inflicted.

Monoline Lender

A mortgage loan company that only focuses on mortgage loans.

Mortgage

A document evidencing a debt owed by the borrower (mortgagor) to the lender (mortgagee). Registration of the mortgage in the Land Title Office transfers the mortgagor's interest in land to the mortgagee as security for the repayment of the debt and creates an enforceable security interest in the land.

Mortgage Administrator

A mortgage broker who collects mortgage payments and forwards them to the lender.

Mortgagee

The lender.

Mortgagor

The borrower.

Motive

An inner state that directs towards satisfying a need.

Municipality

A city, town, or other political entity to whom authority over local affairs has been delegated by a higher level of government.

Necessaries

Generally, a necessary is an article indispensable or proper and useful, for the sustenance of human life (i.e., food, drink, clothing, medical attention).

Need

A lack of something essential or very important.

Negligence

A legal term for the failure to use such care as a reasonably prudent and careful person would use under similar circumstances; it is the doing of some act that a person of ordinary prudence would not have done under similar circumstances or failure to do what a person of ordinary prudence would have done under similar circumstances.

Negligent Misrepresentation

A legal principle providing that if, in the ordinary course of business, a person seeks information or advice from another who possesses special skills in circumstances in which a reasonable person would know that their special skills were being relied upon, and the person asked chooses to give the advice without clearly qualifying their answer so as to show that they do not accept responsibility if it is incorrect, then they accept a legal duty to exercise such care as the circumstances require. If they are incorrect, they may be liable for their negligent misrepresentation.

Neighbourhood

A geographic area of relatively similar residences and physical surroundings.

Net Income

The amount by which revenues exceed expenses in any given time period.

Net Loss

The amount by which expenses exceed revenues in any given time period.

Net Operating Income (in Appraisal)

Gross Potential Revenue less Vacancy Allowance, Bad Debt Allowance, and total Operating Expenses. This amount is calculated excluding Income Tax, Mortgage Payments, and Depreciation Expense or Capital Cost Allowance.

Net Proceeds

The face value of a loan less all brokerage fees, legal fees, appraisal costs, and other charges.

Niche Marketing

Marketing effort is focused on a relatively small, but active and growing, target market.

Nominal Interest Rate per Annum

The annual interest rate generally quoted for compound interest.

Nominee

An individual or entity that is legally registered as the owner of property, with true control and ownership belonging to one or more other, unregistered persons or entities (also known as a “bare trust” arrangement).

Non-Arm's Length Transaction

Generally speaking, a transaction between parties that have a pre-existing relationship with one another (e.g., family members, business partners)

Non-Current Assets

Assets that will not be sold within one year or the normal operation cycle of a business.

Non-Current Liabilities

Liabilities that the enterprise does not expect to pay off within one year.

Novation

A creditor's acceptance of a third party in place of the debtor so that the third party becomes the debtor and the original debtor is released by the creditor from having to pay off the debt.

Objectivity Principle

A generally accepted accounting principle that states that all recorded financial information is based upon objective and verifiable data.

Offer

A proposal to do or refrain from doing some specified thing usually followed by an expected acceptance, counter-offer, return promise, or act. The person who makes the offer is called the offeror. The recipient of the offer is called the offeree.

Offering Memorandum

A condensed version of a prospectus.

Open Mortgage

A mortgage loan in which a borrower is allowed to prepay a portion of their mortgage or the entire amount at any time (with a small administrative fee).

Operating Expenses

Costs that have to be incurred to keep any business going, including the business of renting real property. See also [Fixed Expenses](#) and [Variable Expenses](#).

Option to Purchase

A right conferred by a contract to accept or reject an offer to buy property within a certain time.

Order Nisi

A final order of the court in the foreclosure process that may not be challenged except by way of appeal.

Outstanding Balance

The amount of principal owing on a loan at a specific point in time.

Owner's Equity

A classification on the balance sheet. Equal to Total Assets less Total Liabilities.

Parcel Identifier

Nine-digit number that identifies property in British Columbia.

Partial Amortization

A loan repayment scheme in which the term is shorter than the amortization period. The loan payments are calculated as if the loan will be paid back over the full amortization period, and at the end of a specified term, the outstanding balance is due and payable.

Partially Amortized

The regular payments of principal and interest of a mortgage loan are calculated to repay the debt over an amortization period that is longer than the loan term.

Partnership

See [General Partnership](#) and [Limited Partnership](#).

Payment

A periodic instalment that is made to service a debt. For an interest only loan, the payment consists of interest; for a constant payment loan, the payment consists of interest and principal.

Periodic Rate

The interest rate that is charged per compounding period (e.g., per month or per day).

Physical Depreciation

The loss in value due to wear and tear (e.g., peeling paint) that may be curable or incurable. See also [Curable Depreciation](#) and [Incurable Depreciation](#). Compare to [Functional Depreciation](#).

Portable Mortgage

A borrower can transfer the terms, conditions, and interest rate of their current mortgage to the home the borrower would like to purchase.

Positions

The stated desires of parties on a particular issue.

Possession Date

Date on which the buyer is entitled to possession of the property.

Post-Settlement Agreement

An optimal solution reached after parties have an initial negotiated agreement, which may be achieved when the parties use their initial agreement as a back-up option.

Power of Attorney

A document conferring authority to one person to act as another's agent on their behalf.

Power of Sale

A clause inserted into a mortgage giving the mortgagee the right and power, on default in the payment of the debt secured, to advertise and sell the mortgaged property at public auction to satisfy the mortgage debt, without the necessity of foreclosure proceedings.

Prepayment

Where a borrower seeks to pay a lump sum or the entire amount owing on the mortgage prior to the expiration of the mortgage term.

Present Value

The current equivalent of a future dollar amount.

Prime Rate (Prime Lending Rate)

An annual interest rate used by Canada's major banks and financial institutions to set rates for variable rate mortgages and lines of credit.

Principal

That portion of the original amount borrowed that still has to be paid back to the lender.

Principal Payment

The portion of the total constant payment that repays a portion of the total mortgage loan amount.

Principle of Substitution

Approach to appraisal stating that a property's value should not exceed the cost of purchasing an alternate property that can provide similar utility.

Private Law

The law that deals with disputes between two or more individuals.

Private Nuisance

A legal term for wrongfully allowing the escape of injurious things onto another person's land or the wrongful disturbance of an easement or other interest granted over land.

Pro Forma Statement

A financial statement that shows expected future revenues and expenses.

Procedural Law

The part of law that sets out the methods of determining and enforcing rights as between parties.

Product Positioning

The position a product or service holds within its consumers' minds.

Professional Ethics

The moral principles concerning the daily business conduct of professionals.

Profit and Loss Statement

See [*Income Statement*](#).

Promotional Mix

The proper blending of components to satisfy the needs of the target market and to accomplish the desired promotional objectives.

Property Insurance

A guarantee to the registered owner or mortgagee of an interest in land that after a specified hazard (e.g., a fire), the value of the interest in land can be restored.

Proprietorship

A business enterprise that is owned by a single owner who assumed unlimited liability. The proprietorship is not a taxable entity; the profits or losses of the business are reported on the owner's personal income tax return.

Prospectus

A document prepared by the issuer or promoter of a new security or the developer of a subdivision to ensure that investors or purchasers have adequate information upon which to base an investment or purchasing decision.

Public Law

The law that regulates disputes between individuals and the public as a whole (i.e., the state). The term "public" may be: (i) general (applying to all persons within the jurisdiction); (ii) local (applying to a geographical area); (iii) special (relating to an organization or authority charged with a public interest).

Purchase Cost

The total costs of purchasing a property, consisting of the purchase price plus all additional fees and bonuses.

Purchase Price

The specific amount that the property will trade for, as negotiated between the vendor and purchaser.

Qualifying Rate

The greater of either the Bank of Canada 5-year benchmark rate or the contractual mortgage rate plus 2%.

Quantum Meruit

Literally, "as much as he deserves". A doctrine that no one who benefits by the labour and materials of another should be unjustly enriched thereby; under those circumstances, the law implies a promise to pay a

reasonable amount for the labour and materials furnished, even though a specific contract price may not have been agreed to.

Rating Grid

A matrix used to make adjustments to comparable properties in order to derive the value of the subject property when using the market comparison method of appraisal.

Ratio

A ratio expresses one value in terms of another value; e.g., one out of every four houses is painted white. It can be stated as a fraction, one-quarter (1/4) of the houses are white; as a percentage, twenty-five percent (25%) of the houses are white; or as a ratio, one out of four (1:4) houses is white.

Real Estate Security

Any security whose principal or major assets consist of real property and/or buildings attached to land.

Real Estate Syndicate

Any form of organization in which two or more investors share in the ownership of an interest in real estate.

Recent

In appraisal, that time period just prior to the date of valuation over which demand and supply conditions have remained relatively stable.

Register

As a noun, the term refers to the books in which certificates of indefeasible title are entered or kept; as a verb, the term refers to registering documentation pursuant to the provisions of the *Land Title Act*.

Reinvestment

The act of investing the funds generated by one investment into another investment.

Replacement Cost

The cost of building a modern equivalent of the subject property. Contrast to [*Reproduction Cost*](#).

Replacement Reserve

The amount of funds set aside for periodic replacement of building components that wear out more rapidly than the building itself and must be replaced during the building's economic life (also referred to as replacement allowance).

Representative

A licensee providing real estate services under the supervision of a managing broker.

Reproduction Cost

The cost of providing an exact replica of the subject property. Contrast to [*Replacement Cost*](#).

Rescission

In the law of contracts, a rescission amounts to the unmaking, or an undoing of it from the beginning, as opposed to a termination.

Residual Method

This appraisal method is used for properties with redevelopment potential. To employ this method, another appraisal method is used to derive the property's value assuming it were employed in its highest and best use. Then, depending on whether the residual value of the land or the building is to be found, the cost of the building or the market value of the land is subtracted.

Resistance Point

A term used in negotiations to refer to the bottom line, or the least acceptable deal a particular party will accept in a negotiation.

Restrictive Covenant

A covenant restricting the use of the land of the covenantor (the [*Servient Tenement*](#)) for the benefit of land belonging to the covenantee (the [*Dominant Tenement*](#)). An example would be a restriction on the height of a building on one piece of land so that adjacent or adjoining lands are not put in shadow.

Retained Earnings

The net income of current and prior periods less dividends paid, belonging to the shareholders of a corporation.

Return

See [*Yield*](#).

Revenue Principle

A generally accepted accounting principle that states that revenue is the value received from the sale of goods and services, interest, rent, and the gain or loss on the sale of assets. According to this principle, revenue is recognized on an accrual basis.

Reverse Mortgages or Reverse Annuity Mortgages

A loan arrangement in which the lender makes periodic payments to the borrower during the loan term. At the end of the term, the borrower will have to repay the balance owing by refinancing or selling the property.

Revocation

The term for the cancellation of an offer communicated by the offeror to the offeree prior to acceptance.

Right to Purchase

A right conferred by an [*Agreement for Sale*](#) of land.

Risk

See [*Capital Risk*](#).

Rollover

Practice paying a nominal fee to the lender to postpone the maturity date of a loan.

Safety Margin

Ensures that the net operating income (NOI) can cover the mortgage payments by expressing the margin between the NOI and mortgage payments as a percentage of NOI.

Sale Price

Value in exchange; the price obtained in an actual transaction.

Salesperson

The term used in the now repealed *Real Estate Act*, to refer to the licensee level equivalent of a representative.

Salvage Value

An estimate of the amount that can be realized from the sale of the asset at the end of its useful life.

Savers

Groups or individuals whose current net income exceeds current expenses.

Saving

The process of consuming less than what can be afforded in order to increase consumption in the future.

Schedule of Unit Entitlement

A table that sets out each owner's proportionate interest in the common property. It is often used to calculate a strata lot owner's share of a strata corporation's expenses.

Scope of Work

The amount and type of information researched and the analysis applied in the valuation assignment.

Search Engine Optimization (SEO)

The process that affects how easily a website can be found in organic results on search engines.

Seller's Statement of Adjustment

[Closing Statement](#) that shows the net amount of proceeds to be received by the seller upon completion of the transaction. See also [Statement of Adjustment](#).

Servient Tenement

Land bearing the burden of an easement or other right (i.e., restrictive covenant).

Severely Derogatory

Negative records on the credit report that can damage one's credit score.

Shareholder

Individual who has purchased the rights and obligations associated with (part of) the equity of a corporation.

Similar

In appraisal, two properties are similar if the actual differences between the properties will not have a material effect on their selling price.

Simple Interest

Interest that is charged only once on the sum originally borrowed, and paid at the end of the term along with the full amount of the principal. Contrast to [Compound Interest](#).

Sinking Fund Assisted Mortgages (SFAMs)

Mortgages that advance the borrower an amount less than the full face value of the loan, setting the difference aside in an interest-bearing account that is used to draw down initial payments until the account balance is zero.

Site Value

The market value of the land.

SMART

An acronym used to develop goals that are specific, measurable, achievable, relevant, and timely.

Social Media

Virtual communities and networks that allow participants to communicate, interact, share, and exchange information and ideas.

Sole Proprietorship

A business enterprise owned by a single individual.

Special Levy

An additional contribution applied against owners by the strata corporation, usually for unexpected expenses. Depending on how the special levy is proportioned between strata lots, approval will require either a $\frac{3}{4}$ vote or a unanimous vote.

Specific Performance

The court, rather than granting damages in lieu of performance, orders that the terms of the contract be carried out by the party in default.

Stakeholder

Generally, a stakeholder is a third party chosen by two or more persons to keep money on deposit, the right to the money which may be contested between them.

Stare Decisis

Literally, “let the former decision stand”; to abide by prior decisions and not to disturb the doctrine of the courts that, when the court has once laid down a principle of law applicable to a certain state of facts, it will adhere to that principle and apply it to all future cases where the facts are substantially the same, regardless of whether the parties and property are the same.

Statement of Adjustment

A closing statement in a real property transaction whose format is structured by Debits and Credits. See also [*Closing Statements*](#).

Status Programs

Programs established by lenders to reward mortgage brokers with incentives for referring large volumes of business.

Statutory Declaration

A written statement of facts signed by the maker and sworn to be true, usually before a lawyer or notary. A statutory declaration is similar to an affidavit.

Straight-Line Depreciation Method

One possible method used to calculate depreciation expense for accounting purposes. The expected salvage value is subtracted from the purchase price of the depreciable item and the result is divided by the expected economic life to find the periodic depreciation expense.

Straight Line Principal Reduction Loan

A mortgage that is paid off with periodic payments, which always include the same amount of principal and an amount of interest based on the balance still owing.

Strata Council

An executive body elected by the strata lot owners to carry out the duties of the strata corporation and oversee its affairs. Generally speaking, only strata lot owners are eligible to sit on the council.

Strata Lot

The parts shown on the strata plan that are created for individual ownership.

Stress-Testing

The sensitivity analysis of how the mortgage borrower’s income will be able to service the debt if interest rates rise.

Sub-Mortgage Broker

An individual employed by a mortgage broker, as defined in the *Mortgage Brokers Act*.

Subdivision

The division of land into two or more parcels.

Subject Property

The property to be appraised.

Substantive Law

The part of law that creates, defines, and regulates legal rights and obligations.

Support

The term for the right to have one's ground supported so that it will not cave in when an adjoining owner makes an excavation. Support is of two kinds, lateral and vertical.

Target Market

A segment of the market sharing a common need.

Tax Rate

The number of dollars per \$1,000 worth of actual value, which is payable in property taxes.

Tax Sheltering

The process of creating a taxable loss on an investment property, and applying such a loss to offset taxable income generated by another source.

Taxable Income (Loss)

Income (loss) reported for tax purposes. It is not to be confused with net income (loss). Net income (loss) is arrived at by the deduction of [*Depreciation Expense*](#), whereas taxable income (loss) is calculated after the deduction of [*Capital Cost Allowance*](#).

Taxable Value

Actual value as determined by the Assessor. This value, in thousands of dollars, when multiplied by the [*Tax Rate*](#) equals the amount of real property taxes payable.

Teaser Rate Mortgages

Mortgages with two rates: a low introductory interest rate used as a marketing incentive and a higher rate, which is implemented in six months to two years.

Telemarketing

Any method of lead generation or sales of goods or services that uses telephone or fax technology.

Tenancy Agreement

Contract between the landlord and the tenant, pertaining to the letting of residential premises.

Tenancy in Common

Where two or more persons hold estates or interests a property and each has a separate share. Each may sell or bequeath their interest. In the event that the interest has not been sold at the time of death, their interest passes as part of their estate.

Term

With respect to mortgages, the duration of the mortgage contract.

Time Clause

A clause contained in a contract for purchase or resale of land that allows a party to invoke a time period in which a condition precedent must be removed. A failure to remove the condition precedent within the time period would result in the termination of the contract.

Title Insurance

An insurance policy that protects the insured (either an owner or a lender) against certain losses associated with title defects or related problems with the insured property.

Torrens Land Registration System

A system for registration of the actual title to land in order to provide security to those holding interests in land and to remove the need for retrospective investigation of titles to land.

Tort

A private wrong or injury, other than breach of contract, for which the court will provide a remedy in the form of damages.

Total Debt Service Ratio

The ratio of annual payment of all debts to annual gross income; an indicator of the overall indebtedness of the borrower. Compare to Loan-to-Value Ratio. See also [Ratio](#) and [Gross Debt Service Ratio](#).

Trade Record Sheet

A form required and approved by BC Financial Services Authority (BCFSA), which contains certain required information in respect to trades in real estate in relation to which a brokerage provides trading services.

Trend

A series of related changes brought about by a chain of cause and effect.

Trespass

A legal term for wrongfully entering, remaining on, or placing something on another's land.

Trust Account

An account where money is deposited by one for the benefit of another. The money is devoted to a particular purpose and cannot or should not be diverted for other purposes.

Trustee

Individual or business entity in whose name a trust is held.

Undepreciated Capital Cost (UCC)

An account that includes the purchase price of all assets belonging to the same class less all CCA accrued over time for that class.

Undertaking

A promise given in the course of legal proceedings by a party or their lawyer, generally as a condition to obtaining some concession from the opposite party.

Undifferentiated Marketing

One single product or service is marketed to all potential consumers with a single marketing program.

Undue Influence

Any improper or wrongful constraint, manipulation, or persuasion whereby the will of a person is overpowered and they are induced to do or refrain from doing an act that they would not do or would do if left to act freely.

Unlimited Liability

The obligation of an owner to pay their creditors from their personal assets if their company cannot pay its debts. Contrast to [Limited Liability](#).

Usury

In law, referring to regulating the charging of interest rates. Historically, charging interest on money lent or the taking of any compensation whatever for the use of money offended the usury laws that disallowed this practice.

Vacancy Allowance

An estimate of the amount of rent that may be foregone because of unoccupied units.

Value in Exchange

See [Sale Price](#).

Value to the Owner

The personal opinion of a property's value held by an individual owner; in appraisal, this refers to floor and ceiling prices, where owner includes a prospective owner

Valuation

See [Appraisal](#).

Variable Expenses

Expenses that will vary based upon the nature of the occupancy of the property and the amount of lease activity required to maintain full occupancy.

Variable Rate Mortgages (VRMs)

Mortgages with interest rates that may be adjusted periodically based on changes in the prime rate.

Vendor Take-Back Mortgage

A mortgage taken back by the vendor from the purchaser to facilitate a sale, whereby the vendor becomes the mortgagee and the purchaser becomes the mortgagor.

Vertical Support

The right of land to be supported by the land that lies under it.

Void Contract

A contract that never had any legal existence or effect and that is not capable of being enforced.

Voidable Contract

A contract that exists until repudiated by a party entitled to do so, at which time it becomes void.

Warranty of Authority

An agent's promise or guarantee to third parties that their actions fall within the scope of authority given by the principal. An agent acting outside of the scope of authority breaches the warranty of authority.

Waste

An abusive or destructive use of property by a person in rightful possession is one form of waste. There are other forms of waste described in the text.

Web Analytics

The measurement, collection, analysis, and reporting of data pertaining to how visitors are using a website.

Working Capital

The capital used in a business' day-to-day trading operations.

Wrap-Around Mortgages

Mortgage arrangements where the borrower makes payments to the wrap-around lender who will keep the difference between the amount they receive and the amount they forward to the first mortgage lender for the first mortgage payments.

Yield

The income and/or value appreciation of an investment expressed in terms of the purchase price of that investment. For example, if a property that has sold for \$100,000 is worth \$2,000 more one year later and has generated an income of \$5,000 during the year, the yield to the investor is $(\$2,000 + \$5,000) \div \$100,000 = .07$ or 7%. See also [Return](#).

Zoning

The legislative division of a region into separate districts with different regulations for land use.