

10 Common Investment Jargon Explained!

Colordarcy brings you 10 key words and phrases associated with property investment.

1. Assignable Contracts

Allows transfer of rights to a third party. An example of this is when an investor sells a property to a new buyer after contracts have been exchanged with the developer before completion.

2. Capital Growth / Appreciation

An increase in the value of your property over a period of time meaning you have generated some degree of return on the money you originally invested.

3. Capital Gains Tax (CGT)

Capital Gains Tax is levied on the increased value of an asset when it is sold or given away. The taxable gain is computed by deducting the total purchase costs from the gross selling price. Capital gains realised by individuals on a sale of a property, is subjected to Brazilian tax at a rate of 15%.

4. Due Diligence

The crucial process of researching an investment to assess its viability. This includes assessing build quality / condition, value for money, location, likely rental return and capital growth. Developers also need to be scrutinised – their financial standing, reputation, track record, etc. When buying overseas, economic and political risks need to be assessed and ownership needs verifying. The legal protection you receive also has a bearing on viability.

5. Freehold

This means that you own the property outright as opposed to leasehold where you own the rights to occupy a property for a specified period of time.

6. Inflation

The most common method of measuring the increasing cost of goods and services.

7. Off-Plan Investment

Buying property that exists only in the form of an architect's drawing. Developers are keen to offset the cost of the initial building work, which means sizeable savings can be made, often 10 – 20 per cent on the cost of a completed property.

8. Remortgaging

Moving a mortgage from one lender to another. The new mortgage is used to repay the previous lender. Funds raised can be used for other investments.

9. Unit

A single new-build property (flat or house).

10. Yield

Gross Yield – This is the annual rental income expressed as a percentage of the total purchase price of the property.

Net Yield – This is the annual profit expressed as a percentage of the total purchase price of the property. Profit being rental income less mortgage costs, insurances, repairs and government fees, etc.

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