



REAL ESTATE REPORT

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Learn The Lingo: A Glossary Of Real Estate Terms, Part 2

By: Jill Urban



NY1's Jill Urban continues to take a look at some commonly used real estate terms when buying or selling a property.

New York City real estate seems to have its own language. In order to play the game, you need to understand the lingo. In our last report, we touched on a few terms -- many which are heard in coops -- but condos also have their own list of terms.

What Is Right Of First Refusal?

"The right of first refusal is the right by a condominium board of managers to purchase the home at the same terms that the seller has offered the purchaser. In 99 percent of the cases the condo board waives the right and the purchaser can go ahead with the transaction," explains real estate attorney Ron Gitter.

Unlike a coop, when you buy a condo you're buying real property. So there's a title and two terms you'll likely hear are clearing title and title insurance.

What Is Clearing Title/Title Insurance?

"Clearing title is process in which the title company checks the records to make sure there aren't any liens judgments or incumbents against the seller or the property. That's one of the reasons why the bank wants title insurance. They don't want to give a loan unless they are going to be sure their security interest will be first when the transaction closes," says Gitter.

What Is A Tax Abatement?

"A tax abatement is something that's created by the government to actually stimulate the economy and to stimulate development," explains realtor Paul Purcell of Braddock & Purcell. "Typically they last 10 years in new construction. Over the course of 10 years the taxes continue to go up until the end of 10 years you are in a fully loaded tax situation."

In the beginning it's attractive to buyers because the taxes are so low, but many need to remember it will come to an end.

What Is An Offering Plan?

"The offering plan is the complete history of the building. This gives you all the information from the time the building was built or converted up to date until now. You have to make sure that your attorney checks and reads the offering plan from A-Z to make sure everything is as it should be," says realtor Jacky Teplitzky of Prudential Douglas Elliman.

The list of real estate terms is endless, but if you are buying or selling it's a language you must learn to speak so you can truly understand the terms of your agreement.

Buying real estate is a complicated process. There is a lot to know. Aside from the ins and outs of the deal, you also need to speak the language.

"New York City real estate is very intricate and one of the intricacies is the glossary," says Jacky Teplitzky of Prudential Douglas Elliman. "Sometimes people look at us like we are from mars because we speak in codes, but people need to know what those codes are because they need to ask the right questions."

There are a lot of terms that new buyers and sellers may have heard, but do not really understand. Many of the terms are associated with co-ops and condos.

What Is A Proprietary Lease?

"In a cooperative, you don't actually own the apartment, you own shares in the corporation," explains Paul Purcell of Braddock + Purcell. "The shares don't entitle you to occupy the apartment, but the proprietary lease tells you that you can live in this particular unit, what the rules are -- usually it's accompanied by the bylaws of the building. It spells everything out that you are allowed to do and it is truly the document that allows you to say, 'I can live in this apartment.'"

What Is A Sponsor Unit?

"The sponsor unit is a certain amount of apartments that the original entity that converted the building from a rental to a coop kept for themselves," says Teplitzky. "They can rent them out for cash flow purposes or they can actually resell them. If they resell them, the nice thing for the consumer is that the consumer doesn't need to go through the process of board approval."

Sponsor units are often hard to come by these days, but they are out there.

What Is A Flip Tax?

"A flip tax is a fee that a coop or condo imposes on a seller to create additional revenue to the coop or condo, which is generally used to make capital improvement to the building," says real estate attorney Ron Gitter. "Not every building has a flip tax, and it's always a point of controversy because it's a fee imposed on the seller."

And, depending on the market it's sometimes paid for by the buyer.

In a condo, the flip tax is called a capital contribution, and the amount varies from building to building.

What Is A Mansion Tax?

A mansion tax is a fee imposed on the buyer of a condo or coop where the purchase price is \$1 million or more. Once it hits a million, the buyer has to pay one percent of the purchase price to New York State.