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## Land and Property Terminology

What is **Acreage**?

Acreage is more than one acre.

An acre was originally an English unit of land area designating a day's plowing for a yoke of oxen, now standardized as 43,560 square feet or 4,840 square yards or 4,046.86 square meters. There are 640 acres in a square mile.

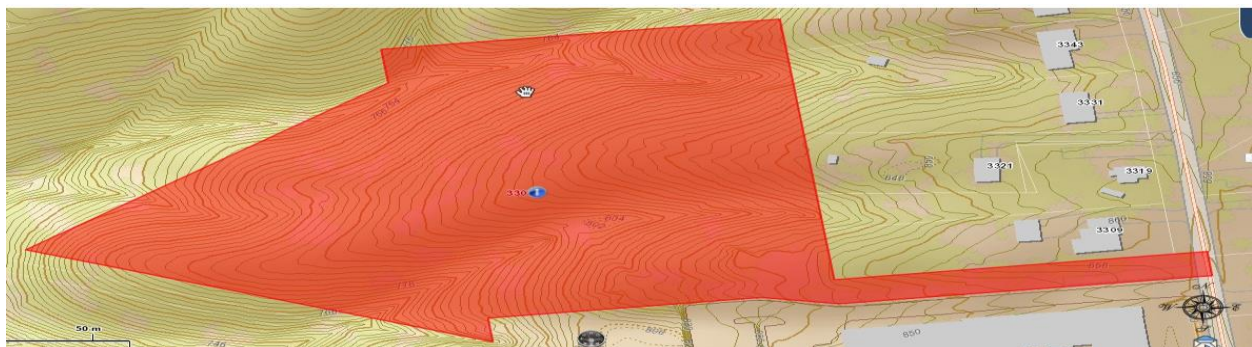


What is **Zoning**? Zoning is the regulation, by laws, of the usage of land including:

Use types - residential, multi-family, agricultural, commercial/business...

Density requirements - number of homes allowed per acre, lot sizes, yard set back requirements.

What is **Survey**? Survey is the accurate defining of the location of land by the use of benchmarks and property descriptions. Boundaries are determined by a survey



What is an **Absolute Auction**? An absolute auction is a great opportunity to buy at a value as the seller will take the highest offer regardless of the amount. Otherwise sellers can counter-offer the winning bid and not accept it – Absolute Auctions will honor and accept the highest bid unconditionally!

What is an **Arm's- length Transaction**? An Arm's- length Transaction is one which is unaffected by special relationships between the buyer and seller which could affect pricing. A father selling to his son at a reduced rate is NOT an arm's length transaction. A property advertised and offered publically and sold to a stranger would be an arms-length-transaction

What is a **Cap rate**? A capitalization rate is the percentage return on an investment before mortgage payments and income taxes.

Cap Rate Formula:  $\text{Net Operating Income} / \text{Market Value} \times 100$



What is a **Certificate of Occupancy**? It is the documented sign off given by the local governmental building authority that construction is finished, complete and to code and the property is ready to be occupied



What is a **Clear title**? It is a title to real property that is unencumbered by liens or defects. It is marketable and transferable without title problems.

What is a **Conservation Easement**? It is an easement that preserves and designates open space or natural areas restricting future development.



What is a **land Contract**? It is when the seller acts like the lender – taking installment payments over time. The buyer has occupancy rights during the contract. Full ownership transfers when the contract is paid off.



What are the **Three appraisal techniques?** To determine the value of land and real property. **The cost approach. The sales comparison approach. The income approach**



### **Cost Approach**

By analyzing the cost of the land, materials and labor to build the cost approach establishes value based on how much it cost to replace the property. With changing construction prices per square foot over time this method may be less reliable as existing buildings may be priced much differently than new construction. Depreciation can be factored in the level these differences

### **Sales Comparison/Market Approach**



The most commonly used and accepted technique in the Sale Comparison Market Approach. Used by most lenders also this technique involves selecting the best comparable sales. Those most similar in location, sale date and property type. Selected properties are then adjusted for improvements and deficiencies as compared to the subject property.



## Income Capitalization Approach

The income approach is based on the bottom line of what income the property produces. Capitalization rates are ratios of income/expenses/purchase price used consistently for properties in the area to base value on the amount of dollars generated, before and after the deduction of expenses.

What is **C.A.U.V.**? Current Agricultural Use Value.



It is a program where property owners of at least 10 acres can enjoy lower property tax rates until the land is sold or usage changes.