

*English For Investors*

3

Real Estate English

房地产英语

祝吉芳 编著  
南京大学出版社



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**房地产英语**

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投资者英语系列教程 3

**房地产英语**

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# 前 言

本书为 English For Investors(投资者英语系列教程)的第3册。书中课文和阅读材料主要选自美国近年出版的有关房地产书籍,旨在帮助读者提高阅读房地产英语书刊的能力,扩大房地产英语词汇量,丰富房地产业务知识。

本书共分12个单元,2个附录,可供财经院校、综合性大学经济学院以及英语专业学生课堂学习,也可供自修之用。课文和阅读材料均选自国外有关近作,除个别地方为使上下文衔接紧凑而略作修改外,尽量保持原作风格。每单元课文后附有“Word Study”,以便读者掌握更多的房地产英语词汇。“Exercises”后设有阅读材料,以助读者扩大房地产业务知识面。书末附有课文参考译文,聊供读者参考。附录一、二选自深圳市金田实业股份有限公司B股招股说明书,以便读者对我国的房地产业有一个初步了解。

限于编者的水平,加以时间仓促,错误之处祈请各位读者和同行予以批评指正。

编 者

1993年7月

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# Unit 1

## Real Estate

For most of us, and for a variety of reasons, investing in real estate is one of the first and one of the largest real assets in our portfolio. Statistics shows that, on average, real estate assets have risen in value faster than corporate or government bonds since 1946. Risk and return statistics break down the performance of real estate investments between 1946 and 1978 into two parts — farms and residential housing. These statistics show that farm investments dominated the NYSE average — that is, farms yielded slightly higher returns than did stocks on the NYSE, while experiencing less variability of return. Residential housing had less return (though still less risk) than the average NYSE stock investment. However, when the psychic income that most homeowners derive from their residence is considered, real estate investing compares quite favorably with common stock investing on the NYSE.

A real estate investor can choose to own an asset directly or indirectly. If you buy a piece of real estate directly, the title is in your name. However, if someone is injured on your property, they may sue you for damages, but at least you have complete control over the asset. Indirect ownership is more complicated.

A real estate investor who does not want direct ownership may choose among several alternatives. First, the investor could make a mortgage loan to someone else, with real estate as collateral for the loan. Second, the investor could buy a mortgage-backed security issued by Fannie Mae or Ginnie Mae. A third approach would be to form a real estate syndicate with partners. Some partners could be limited partners, who merely invest money and take a share of any profits, or some partners could be managers who also draw salaries. Or, finally, there is the real estate investment trust, an interesting form of indirect ownership.

A syndicate is usually formed by a real estate manager, who raises capital from individual investors. A syndicate offers the inexperienced real estate investors an opportunity to participate in a large real estate venture. Real estate syndicates are frequently organized as limited partnerships, the risks of limited partners are limited to their investment. There is no double taxation on real estate limited partnerships, moreover, accounting losses may offset income from other sources. However, limited-partnership interests often are not readily marketable. The three main objectives of real estate limited partnerships are to offer tax shelter, provide tax-free cash flow, and convert ordinary income into long-term

capital gains, which receive favorable tax treatment when a partner's share is sold.

A real estate investment trust (REIT) is like a closed-end investment company formed to invest in real estate. REITS are exempt from federal income tax if they keep 75 percent or more of their assets invested in real estate, mortgages, cash, or government securities; derive 75 percent of their gross income from real estate; distribute at least 90 percent of their income to shareholders (officially called "beneficiaries") and have at least 100 shareholders, no five of whom can control more than half of the shares. REITs were granted tax exemption in order to eliminate double taxation of their owner's income and to encourage publicly held institutions to divert funds into real estate investing. Shares of REITs are generally marketable, especially those listed on national or regional stock exchanges. Their prices are determined in the open market, and the price of REIT shares may be above or below the actual value of the real estate holdings. There are many types of REITs on the market: some emphasize equity investment, some mortgages, while others prefer to make construction loans.

After the investor selects a type of real estate ownership, there still remains the question of what type of real estate to buy.

The major types that are open to investors are: raw land, apartments, office buildings, warehouses, motels, hotels, department stores, neighborhood shopping centers, private residences, entertainment centers etc.

Take home investment for example. A home investment can yield two types of income, which combine to give the gain or loss of wealth from an investment in a piece of real estate:

1. Rental income. If the home is rented, rental income is the net income after all rental expenses have been deducted.
2. Price appreciation (or depreciation), called capital gains or loss.

The market for real estate is illiquid. As a result, a real estate may have been sold at a huge discount. Even if a liquid market is available, expert opinions are needed. Each real estate is unique, and each requires time-consuming study before investment.

## New Words & Expressions

real estate 不动产, 房地产

real assets 不动产, 固定财产

rise in value 升值

real estate investment 房地产投资

dominate *v.* 超过, 统治

average *n.* 平均数

variability *n.* 变化, 可变性

residential housing 住房

psychic /'saɪkɪk/ *adj.* 灵魂的, 精神上的

psychic income 心灵收入, 灵魂安稳

title *n.* 契据, 房契, 地契, 所有权,

property *n.* (固定)财产; 地产业

ownership *n.* 所有制, 所有权

mortgage loan 抵押贷款

collateral /kə'lætərəl/ *n.* 担保品 (= security), 第二保证金



mortgage-backed security 抵押债券  
 syndicate *n.* 辛迪加, 若干人联合起来经营的公司  
 partner *n.* 伙伴, 合伙人  
 partnership *n.* 合伙, 合股  
 homeowner *n.* 房主  
 a share of any profits 1 股利润  
 draw salary 领工资, 领薪水  
 trust *n.* 信托投资, 信托公司  
 venture *n.* 投机, 冒险, (合资) 企业  
 double taxation 双重纳税, 双重交税  
 accounting *n.* 记账, 清理账务  
 limited partnership 有限合股, 有限合伙  
 marketable *adj.* 能卖的, 易于在市场上出售的  
 tax shelter 减免所得税合法手段; 优惠赋税  
 tax-free 免税的, 已付税的

cash flow 资金周转  
 long-term capital gains 长期资本收益  
 REIT 房地产投资信托公司  
 income tax 收入税  
 gross income 总收入  
 closed-end 限额  
 beneficiary /ˌbenɪˈfɪəri/ *n.* 受益人  
 open market 公开市场  
 make loan 办理贷款  
 raw land 未开发的工地  
 illiquid *adj.* 非现金的, 不动的  
 discount *n.* 减价, 贴现  
 rental income 租房收入  
 rental expenses 租费  
 price appreciation 价格增值  
 depreciation *n.* 贬值  
 time-consuming 费时的

## Notes

1. Ginnie Mae: 政府全国抵押协会。Government National Mortgage Association Mortgage-Backed Securities (政府全国抵押协会用押品担保的有价证券) 就是由该协会担保的。
2. Fannie Mae: 即 the Federal National Mortgage Association (联邦国家抵押协会)。
3. a real estate investment trust; REIT 房地产投资信托公司。

## Word Study

### real

real ①真实的 ②(东西)固定(或永久性)的  
 real cost 实际成本  
 real estate 不动产, 包括土地和房屋的所有权, 如矿产权。  
 REIT 不动产投资信托  
 real income 实际收入  
 real investment 实际投资  
 real personal disposable income (RPDI) 个人可支配的实际收入

real property 不动产  
 real time 实际时间  
 real wages 实际工资

### title

title ①称号, 名称 ②地契, 所有权, 房契  
 title deed 所有权契约  
 title insurance 所有权保险

### property

property ①财产 ②地产, 所有权 ③为所有者带来收入的任何东西  
 property premium 财产贴水

property register 财产登记  
 personal property 个人财产(包括动产、物品、金钱、租借的房地产等)  
 real property 不动产

#### trust

trust 信托,信赖,绝对信任  
 breach of trust 违反信托契约  
 charitable trust 公益信托公司(为社会谋利益的信托公司)  
 constructive trust 强制性委托(不以任何人的意志为转移)  
 express trust 明确信托(由委托者明确规定条件的财产信托)  
 flexible trust 可变信托  
 implied trust 默示委托  
 management trust 管理信托(把有关投资的全部决定权交给经理人)  
 ministerial trust 非独立执行信托  
 precatory trust 遗托(委托人要强行推行一项信托)

private trust 私人信托  
 protective trust 保护信托  
 resulting trust 事实构成的信托  
 split-level trust 分裂信托(大部分收入归某类股东)

trust corporation 信托公司  
 trust deed 信托契据  
 trust estate 信托财产  
 trust for sale 出售信托  
 trust instrument 信托文件  
 trust letter 信托收据  
 trust receipt 信托收据

#### trustee

trustee 受托人  
 trustee clause 受托人条款  
 trustee for sale 出售受托人  
 trustee in bankruptcy 破产财产保管人  
 trustee savings bank 受托储蓄银行  
 trustee securities 保管人证券

## Exercises

### I. Answer the following questions:

1. What is your largest real assets in your portfolio?
2. In what respects does a home investment differ from an investment in other assets? Explain.
3. What is a REIT? What are the advantages and disadvantages of investing in a REIT?
4. How many forms of ownership can an investor in a piece of real estate choose from?
5. What is a syndicate? What are the advantages and disadvantages of investing in a syndicate?
6. When do investors prefer real estate investing to common stock investing?
7. In what ways can a real estate investor choose to own an asset?
8. Which type of real estate will you buy, raw land or apartments? Explain.

### II. Translate the following into English:

1. 有限合伙

2. 辛迪加

- |           |              |
|-----------|--------------|
| 3. 信托公司   | 8. 公开市场      |
| 4. 赋双重税   | 9. 房主        |
| 5. 免税     | 10. 抵押投资     |
| 6. 限额投资公司 | 11. 纯收入      |
| 7. 不动产投资  | 12. 房地产升值或贬值 |

III. Translate the following English sentences into Chinese:

1. On average, real estate assets have risen in value faster than corporate or government bonds since 1946.
2. When the psychic income that most homeowners derive from their residence is considered, real estate investing compares quite favorably with common stock investing on the NYSE.
3. A real estate investor can choose to own an asset directly or indirectly.
4. The investor could buy a mortgage-backed security issued by Fannie Mae or Ginnie Mae.
5. A third approach would be to form a real estate syndicate with partners.
6. A syndicate offers the inexperienced real estate investors an opportunity to participate in a large real estate venture.
7. Limited-partnership interests often are not readily marketable.
8. REITs were granted tax exemption in order to eliminate double taxation of their owners' income.
9. If the home is rented, rental income is the net income after all rental expenses have been deducted.
10. The market for real estate is illiquid.

## Reading Material

### The Advantages and Disadvantages of Real Estate Investing

Besides psychic income and the inflation hedge, there are other advantages to real estate investments:

**Financial leverage.** Financial leverage can be defined as the use of borrowed money to buy an investment larger than the investment you would have been able to afford had you not borrowed the money. When you are able to invest such borrowed money and earn a rate of return higher than the rate of interest you pay on the borrowed funds, financial leverage is profitable, and it doesn't matter whether the rate of return is from periodic income or from an increase in value. Traditionally, real estate investors borrow 60—80 percent of the value of any properties acquired, which is a much higher ratio of leverage (that

is, the ratio of loan to value) than is available on most other investments.

When the interest rate on borrowed money is less than the rate at which the real estate's market value goes up, increased use of financial leverage increases the rate at which the owner's equity grows. For income property, this often means a higher dollar cashflow per dollar of equity investment. Also, a high leverage ratio increases the likelihood that tax depreciation will shelter most of the cashflow from income taxes. However, a high leverage ratio can be risky for the investor-borrower. If a property becomes distressed and cashflow shrinks to the point that the property can't pay for itself, and there is no income from the property against which to write off interest expense, depreciation and property taxes, the investor must pay off the debt personally. This can lead to bankruptcy if the investor's debt exceeds the investor's liquid assets. Thus, financial leverage is great to have in good times and horrible to have in bad times.

**Tax shelter.** Real estate investors can benefit from many different tax advantages. Rental property can be depreciated, and this depreciation is a tax-deductible expense that will reduce taxes on the rental income. Also, when a piece of real estate is held longer than one year and sold for more than it costs, this capital gain income is taxed at a lower tax rate. Furthermore, both the interest expense on a mortgage loan and real estate property taxes can be deducted by either landlords or owner-occupants from their taxable income. Such tax savings are essentially government subsidies for real estate investors.

**Control.** A real estate owner can control what color his house is painted, how often the grass is trimmed, how soon the leaking plumbing is repaired, and other factors, which may give the investor peace of mind. However, real estate investments also involve some problems.

A real estate investor should weigh the advantages against the disadvantages before undertaking an investment. Problems can arise with respect to:

**Flaws:** A home or a building might have termites, sinking or shifting foundations, a leaky basement or roof, or other flaws. Furthermore, such flaws may be extremely difficult to detect, and repairs are frequently costly.

**Neighborhood quality:** The quality of the location has a tremendous impact on a piece of real estate. For example, if a retired president of the United States buys and moves into a home next door to a piece of real estate you own, the value of your property might increase by one-third overnight. But, if the municipality in which your piece of real estate is located buys the lot next to yours and uses it as a garbage dump, the value of your investment would plummet. Such changes in value are generally beyond the investor's control.

**Liquidity:** Liquidity is judged by the ease with which an asset can be converted to cash. Any asset, of course, can be converted into cash if the price is low enough. An asset is considered to have high liquidity when it can be sold quickly for an amount of cash equal to its market value. Real estate is generally considered to have low liquidity. This means that if you were forced to sell your house in a hurry because you had to move to keep your

job or had to pay for an essential medical operation, you might have the misfortune of not being able to sell it for more than half what you paid for it (if credit conditions are tight or the economy is depressed). Clearly, this lack of liquidity can be costly.

**Financial risk:** Most real estate investors obtain mortgage loans to finance their purchases. Some mortgages have floating, or variable, interest rates. If market interest rates rise or fall, the interest on such a variable mortgage (VRM) rises or falls correspondingly. Since most of each monthly mortgage payment is interest expense, rising or falling interest rates on a VRM can spell financial disaster or financial bliss for an investor, respectively.

**The landlord's lot:** Managing a piece of real estate is work, and managing a piece of rental property is hardwork. A landlord must keep the property rented, execute legally enforceable rental contracts, collect rent and deal with delinquent payments, stop violations of leases, keep peace between the tenants and maintain the property in a desirable condition. These tasks consume both time and money.

**Brokers' fees:** Real estate agents typically receive five or six percent of the value of the transaction for helping a client locate and buy a property. Then, they collect the same commission rate again if the investor employs them to sell the property. These brokerage fees can easily consume one or two years after-tax income from a good investment. Furthermore, these fees are much higher than the commissions of one percent to buy and one percent to sell, which are approximately what most securities brokers receive.

Not every piece of real estate is wholly bad or wholly good. Each situation has to be evaluated separately. However, in view of the high financial leverage available, the various tax advantages and the psychic income that can be derived from owning your own residence, the purchase of a home has much to recommend it as an investment. Furthermore, the experience gained from owning and operating your own house, condominium, or mobil home will prepare you for further real estate investing.

## New Words & Expressions

inflation hedge 通货膨胀保值

financial leverage 财务杠杆, 金融杠杆

borrowed fund 所借资金

interest rate 利率

market value 市值

equity investment 股本投资

cashflow *n.* 资金流动, 资金周转

liquid assets 流动资产

tax-deductible expense 减税费

landlord *n.* 房东

occupant *n.* 房客

leaking plumbing 正漏水的水管装置

termite /'tə:maɪt/ *n.* 白蚁

shifting foundation 流动的地基

neighborhood quality 居住地区质量(或环境)

lot *n.* 一块地, 基地

municipality *n.* 自治市, 自治区

floating or variable interest rates 浮动或可  
变利率

variable mortgage (VRM)	可变利率抵押	delinquent payment	过期未付款
bliss	<i>n.</i> 极乐, 福佑, 幸福	after-tax income	税后收入
rental contracts	租房合同	condominium /ˌkɒndəˈmɪniəm/	<i>n.</i> 共有
collect rent	收房租		权, 共同管辖区

## Unit 2

### Buying a Home

Suppose you are considering the purchase of a \$70,000 home. Your real estate agent informs you that the local bank will probably grant you a mortgage loan for 80 percent of the home's value if both you and your spouse are gainfully employed. However you must be able to make a 20 percent down payment; in other words, \$14,000 of cash is required "up front." Then, the bank will grant you a \$56,000 mortgage at 15 percent interest, to be paid off in equal monthly installments of \$337 over the next 30 years. A budget for your new home purchase is:

Monthly payments are:

Mortgage	\$ 737
Real estate taxes	80
Heat, light and water	70
Home insurance	15
Repairs and other upkeep	58
Total	<u>\$ 960</u>

Monthly savings are:

Income tax reduction	\$ 234
Price appreciation	583
Equity accumulation	39
Total	<u>\$ 856</u>

Excess of payments over savings is \$ 104

The budget indicates that if the price of the new home rises 10 percent per year, the home purchase will cost you only \$104 per month in the first year, but do not forget that the capital gain of \$7,000 per year cannot be spent while your family owns the home. This capital won't be available until the home is sold, and the same is true of the equity accumulation.

The price appreciation and the equity accumulation associated with the home purchase are like the assets in savings programs from which no withdrawals are allowed. With respect to your monthly cashflow, you save only the \$234 in income tax. Therefore, you should be prepared to pay \$726 monthly from your income. A real estate salesperson anxious to earn a sales commission might not tell you this.

To make the most from a home investment over some holding period, we must define

the rate of return so that we can measure it. This rate of return, or holding period return (HPR) is an important concept because it measures the speed at which the investor's wealth increases or decreases if the investor suffers a loss. The HPR is defined in equation;

$$\text{HPR} = \frac{\text{Total dollar income during some period}}{\text{Purchase price (or dollars invested)}}$$

A home investment can yield two types of income: rental income and price appreciation. The sum of these two types of income is stated relative to the cost of the investment to determine the homeowner's HPR;

$$\text{HPR} = \frac{\text{Rental income} + \text{Price change}}{\text{Purchase price}}$$

For example, an investor buys a house for \$80,000, and one year later the house has a value of \$92,000; the homeowner has enjoyed a capital gain of \$12,000 for the year. If the home is rented for a net amount of \$4000, then it yields a total income of \$16,000 or 20% for the year. Following the equation, we can calculate the homeowner's HPR as shown below;

$$\text{HPR} = \frac{\$4,000 + \$12,000}{\$80,000} = \frac{\$16,000}{\$80,000} = 0.2 = 20\%$$

A home investor seeking to maximize the HPR at some selected level of risk must define risk in such a way that it can be measured and dealt with rationally. Measuring an investment's risk is just as important as measuring the HPR. Remember, the minimization of risk and the maximization of return are the two main objectives in investing.

A dictionary defines risk as "the chance of loss". This is a definition most people would agree with, but it does not offer us anything we can measure. Therefore, we relate risk to variability of return (that is, the degree to which the return on an investment varies unpredictably). An investment whose HPR varies widely from period to period is riskier than an investment whose HPR does not change much.

Housing units in PRC completed by developers may be sold to government departments, enterprises and individuals at prices determined by market forces rather than by the state.

The market prices have been changing since 1990, so the individual home investors must be alert to any changes in more than government policies that may make the market fluctuate.



## New Words & Expressions

local bank 地方银行	home insurance 住房保险
spouse /spauz/ <i>n.</i> 配偶	upkeep <i>v.</i> (土地,房屋等的)保养
downpayment <i>n.</i> 定金,分期付款	excess <i>n.</i> 余额
in other words 换言之	home purchase 住房购置
front <i>v.</i> 面对,以...作掩护	withdrawal 提款,领取存款
grant <i>v.</i> 授予,给	holding period 持有期
15 percent interest 15%的利息	net amount 净额
pay off 偿还,全部清还	rationality <i>adv.</i> 理智地
in equal monthly installments of 737 每月 737美元分期付款	variability <i>n.</i> 可变性
budget <i>n.</i> 预算,预算表	PRC (People's Republic of China) 中华人 民共和国
monthly payment 月付款,每月支付	developer <i>n.</i> 房地产开发者
real estate tax 房地产税	market forces 市场因素,市场力量

## Notes

1. \$56,000 mortgage at 15% is 30 years.
2. \$698 of the \$737 monthly mortgage payment is interest expense. This \$698 interest expense and the \$80 property tax are both tax deductible. If you are in the 30% income tax bracket, you save 30% + \$698 + \$80, or \$234 per month in income taxes.
3. Assume price appreciation of 10% annually, or \$7000 in the first year (\$583 per month).
4. \$468 of the \$56,000 loan will be paid off in the first year, which represents \$39 per month of equity accumulation.

## Word Study

<b>cash</b>	cash dispenser 现金出纳机
cash ①现金 ②随时可变成现金的东西 (如可转让票据)	cash flow 资金流动,现金周转
cash account 现金帐户	cash management service 现金管理服务
cash bonus 现金红利	cash on delivery (COD) 货到付款
cash book 现金出纳本	cash ratio 现金比率
cash card 现金卡	discounted cash flow 现金流动(量)折现法
cash discount 现金折扣	gross cash flow 总资金流动
	net cash flow 净利润