

DARCO REAL ESTATE ACADEMY

Master Glossary

The Complete Language of Real Estate

Every essential term — defined in plain language, with real-world examples. Use this as your reference throughout the Darco Academy curriculum and throughout your entire real estate career.

6 CATEGORIES · 60+ TERMS · REAL-WORLD EXAMPLES

This glossary is a living document — updated with each new module.

How to Use This Glossary

■ Read it like a reference, not a textbook

You don't need to memorize every term before starting. Use this glossary the way you'd use a dictionary — look things up when you encounter an unfamiliar term. Over time, the vocabulary will become second nature.

■ Focus on your career path first

As you explore the 9 career tracks in the Darco Academy, pay closest attention to the terms most relevant to your chosen path. An agent needs to know MLS, comps, and commission cold. An investor needs to own NOI, cap rate, and DSCR. Start with your path.

■ Use it alongside the modules

Each core foundation module introduces new vocabulary. When a term from a lesson needs more context, flip to this glossary. The real-world examples are designed to make abstract definitions click.

■ Print it and mark it up

This document is designed to be printed. Highlight terms. Write notes in the margins. Circle the ones you need to review. The physical act of marking up a reference builds retention in a way that reading on screen doesn't.

■ Check back — it grows

This glossary is updated with each new module we release. Terms introduced in Modules 3 through 10 will be added over time. The version date is on the final page.

Quick tip: When you hear a term you don't recognize in a real estate conversation — don't fake it. Ask. Every experienced professional in this industry respects someone who asks a smart clarifying question. It signals seriousness, not ignorance.

Contents

- 1. Property & Ownership** — 10 terms
- 2. Financial Terms** — 10 terms
- 3. Transaction & Deal Terms** — 10 terms
- 4. Financing & Lending Terms** — 8 terms
- 5. Property Management Terms** — 8 terms
- 6. Career-Specific Terms** — 8 terms

PROPERTY & OWNERSHIP

These terms describe physical real estate — what it is, how it's classified, and how ownership is legally defined. Every real estate professional uses these regardless of their career path.

Title

OWNERSHIP

The legal right to own a property. When you 'hold title' to a property, you are the legal owner. Title is transferred at closing via a deed.

Example: "The title search showed no liens on the property, so we were clear to close."

Deed

OWNERSHIP

The legal document that transfers ownership of a property from one party to another. The deed is recorded with the county when a sale closes.

Example: "The seller signed the deed at closing and ownership transferred to the buyer."

Equity

VALUE

The difference between what a property is worth and what is owed on it. If a property is worth \$300,000 and you owe \$200,000 — you have \$100,000 in equity.

Example: "After 5 years of mortgage payments and appreciation, she had built \$80,000 in equity."

Appreciation

VALUE

The increase in a property's value over time. Appreciation can be natural (market-driven) or forced (through renovations and improvements that increase the property's income or desirability).

Example: "The neighborhood appreciated 15% over two years, growing his net worth without him lifting a finger."

Appraisal

VALUE

A professional estimate of a property's market value, performed by a licensed appraiser. Lenders typically require an appraisal before approving a mortgage to make sure they aren't lending more than the property is worth.

Example: "The appraisal came in at \$280,000 — right in line with the purchase price we had negotiated."

Zoning

CLASSIFICATION

Government regulations that determine how a property can be used — residential, commercial, industrial, mixed-use, etc. You cannot legally use a property in a way that violates its zoning designation.

Example: "The lot was zoned residential, so the developer had to apply for a variance to build retail."

Asset Class

CLASSIFICATION

The category of real estate a property belongs to — multifamily, office, retail, industrial, hospitality, self-storage, land, etc. Different asset classes behave differently across market conditions.

Example: "He focused exclusively on the multifamily asset class because of its stable, recession-resistant demand."

Comps (Comparables)

VALUATION

Recent sales of similar properties in the same area, used to estimate what a property is currently worth. Agents and investors both rely heavily on comps to price and evaluate properties accurately.

Example: "The comps in that neighborhood suggested a value around \$350,000 — right in line with the asking price."

Lien

LEGAL

A legal claim against a property for an unpaid debt. Liens must be cleared before a property can be sold. Common types include mortgage liens, tax liens, and mechanic's liens from unpaid contractors.

Example: "The title search revealed a \$12,000 contractor's lien — it had to be paid off before closing."

Easement

LEGAL

A legal right for someone other than the owner to use part of a property for a specific purpose — such as a utility company running power lines, or a neighbor's legal right of access across your land.

Example: "The utility company had an easement on the back 10 feet of the property to access the power lines."

FINANCIAL TERMS

These are the numbers that drive every real estate decision. Investors, lenders, and agents all use these metrics to evaluate whether a deal makes financial sense. You don't need to master every formula right now — but you need to know what each term is measuring.

NOI — Net Operating Income

INCOME

Total income a property generates minus all operating expenses — but before mortgage payments. NOI is the foundational number in commercial real estate analysis. Almost every other financial metric builds on it.

Example: "The property had \$120,000 in rent income and \$40,000 in expenses — an NOI of \$80,000."

Cash Flow

INCOME

The money left over after ALL expenses including the mortgage payment. Positive cash flow means the property pays you every single month. This is what real estate investors are ultimately chasing — a consistent monthly income stream.

Example: "After the mortgage, taxes, insurance, and management fees, the property cash flowed \$800 per month."

Cap Rate — Capitalization Rate

VALUATION

NOI divided by the purchase price, expressed as a percentage. It tells you the return a property generates independent of how it's financed. Cap rates allow investors to compare completely different properties on equal footing. Higher cap rate = higher return, but often higher risk.

Example: "An NOI of \$80,000 on a \$1,000,000 property gives an 8% cap rate. A \$1,200,000 asking price for the same NOI gives only a 6.7% cap rate."

Cash-on-Cash Return

RETURNS

Annual cash flow divided by the total cash you actually invested (down payment + closing costs + repairs). This is one of the most practical return metrics for real estate investors because it tells you the return on your actual out-of-pocket money.

Example: "She invested \$50,000 as a down payment and earned \$5,000 in annual cash flow — a 10% cash-on-cash return."

LTV — Loan to Value

FINANCING

The loan amount as a percentage of the property's appraised value. Lenders use LTV to manage their risk. An 80% LTV on a \$500,000 property means the lender will loan \$400,000 — requiring a \$100,000 (20%) down payment.

Example: "The lender's maximum LTV was 75%, so on a \$400,000 property we needed at least \$100,000 down."

DSCR — Debt Service Coverage Ratio

FINANCING

NOI divided by the annual mortgage payment. Lenders use DSCR to determine if a property generates enough income to safely cover its debt obligations. A DSCR of 1.0 means the property exactly covers its debt. Most lenders require 1.20 to 1.35 or higher.

Example: "The property had an NOI of \$90,000 and an annual mortgage payment of \$70,000 — a DSCR of 1.28. The bank was comfortable."

Amortization

FINANCING

The process of paying off a loan over time through regular monthly payments. Each payment covers both interest and principal. In early years, most of the payment goes to interest. Over time, more goes to principal — building equity gradually.

Example: "On a 30-year amortization, the first payment was mostly interest. By year 20, the majority was going to principal."

ARV — After Repair Value

RENOVATION

The estimated market value of a property after all planned renovations are completed. Used by fix-and-flip investors and wholesalers to determine the maximum price they can pay for a distressed property and still make a profit.

Example: "The ARV was \$400,000. After \$60,000 in repairs and a \$20,000 profit margin, the maximum purchase price was \$320,000."

GRM — Gross Rent Multiplier

VALUATION

The purchase price divided by the annual gross rental income. A quick and simple way to compare rental properties. Lower GRM generally means better value — but it's a screening tool, not a replacement for full analysis.

Example: "A property priced at \$500,000 with \$60,000 in annual rent has a GRM of 8.3 — roughly 8 years of rent to recover the price."

ROI — Return on Investment

RETURNS

The overall return generated by an investment relative to its cost, expressed as a percentage. In real estate, ROI accounts for both cash flow and appreciation over the full holding period of the investment.

Example: "After 5 years — including rental income and the sale profit — her total ROI on the property was 62%."

TRANSACTION & DEAL TERMS

Every real estate deal goes through a process — from the first offer to the final closing. These are the terms that describe how transactions work. Agents, investors, wholesalers, and lenders all navigate these steps on every deal.

Due Diligence

PROCESS

The investigation period after a property goes under contract. The buyer inspects the property, reviews financials, checks title, verifies leases, and confirms everything they were told before committing to close. This is where problems get found — or missed.

Example: "During due diligence, the inspector found foundation issues. We renegotiated the price down \$30,000 before closing."

Escrow

PROCESS

A neutral third party — typically a title or escrow company — that holds funds and documents during a transaction until all conditions are met. Money 'in escrow' is protected and cannot be accessed by either party until closing conditions are satisfied.

Example: "We wired the earnest money to escrow once both parties signed the purchase contract."

Earnest Money

CONTRACT

A good-faith deposit made by the buyer when going under contract — typically 1–3% of the purchase price. It shows the seller the buyer is serious. If the buyer backs out without a valid contractual reason, they risk losing this deposit.

Example: "He put \$15,000 in earnest money to show the seller he was committed — it helped his offer stand out."

Contingency

CONTRACT

A condition written into a contract that must be satisfied for the deal to move forward. Common contingencies: financing (buyer must get approved for a loan), inspection (property must pass inspection), and appraisal (property must appraise at or above purchase price).

Example: "The financing contingency protected the buyer — when the loan fell through, she got her earnest money back."

Closing

PROCESS

The final step of a real estate transaction. Documents are signed, funds are exchanged, the deed is recorded, and ownership officially transfers. 'Closing day' is the finish line of every deal — for buyers, sellers, agents, and investors alike.

Example: "We closed on Friday at 2pm. The seller got their check and we walked out with the keys."

Commission

COMPENSATION

The fee paid to real estate agents for their services, typically calculated as a percentage of the sale price. Traditionally 5–6% total, split between the listing agent and buyer's agent. Always negotiable and varies by market.

Example: "The 5% commission on a \$400,000 sale was \$20,000 — split between the two agents at \$10,000 each."

Pre-Approval

FINANCING

A lender's written commitment to loan a buyer up to a specific amount, based on their verified income, credit score, and assets. Sellers take buyers with pre-approval letters far more seriously than those without one — especially in competitive markets.

Example: "She got pre-approved for \$350,000 before she started looking. It made her offers significantly stronger."

Value-Add

STRATEGY

A property with the potential to increase in value through improvements — renovations, better management, rent increases, adding units, or reducing vacancy. Value-add is one of the most popular and profitable investment strategies at every scale.

Example: "The 12-unit building was 30% vacant with below-market rents. With better management and light renovations, it was a clear value-add play."

Off-Market

DEAL FINDING

A property that is available for sale but not listed on the MLS (Multiple Listing Service) or public platforms. Off-market deals are typically found through direct outreach, relationships, wholesalers, or driving for dollars. Less competition = better pricing.

Example: "The best deal he ever found was off-market — he called the owner directly after noticing the property was vacant for months."

Assignment of Contract

WHOLESALING

The process of transferring a purchase contract to another buyer for a fee — the foundation of wholesaling. The wholesaler never owns the property; they assign their right to purchase it to an end buyer and collect the difference as their profit.

Example: "She had the property under contract at \$200,000. She assigned the contract to an investor for \$215,000 — pocketing a \$15,000 wholesale fee."

FINANCING & LENDING TERMS

Understanding how real estate is financed opens up almost every career path more deeply. Whether you become a mortgage professional, an investor, an agent, or a developer — these terms define how money flows into and through every deal.

Mortgage

LOAN TYPE

A loan used to purchase real estate, where the property itself serves as collateral. If the borrower stops making payments, the lender can take ownership of the property through foreclosure. Most real estate — residential and commercial — is purchased with mortgage financing.

Example: "He secured a 30-year fixed mortgage at 6.5% to buy his first investment property."

Interest Rate

LOAN TERMS

The percentage of the loan amount charged by the lender each year for borrowing the money. Higher interest rates mean higher monthly payments and lower cash flow on investment properties. Interest rates are the single biggest external factor in real estate markets.

Example: "When rates jumped from 3% to 7%, her monthly payment on the same property increased by nearly \$1,000."

Fixed Rate vs. Adjustable Rate

LOAN TYPE

A fixed-rate mortgage keeps the same interest rate for the entire loan term. An adjustable-rate mortgage (ARM) starts at a lower rate that can change after an initial period — creating payment uncertainty. Most investors prefer fixed rates for predictable cash flow.

Example: "She chose a 30-year fixed rate over the ARM because she wanted predictable payments for the long hold."

Down Payment

LOAN TERMS

The portion of the purchase price the buyer pays in cash upfront. The remainder is financed through a mortgage. Investment properties typically require 20–25% down. The down payment size directly affects your monthly payment, cash flow, and cash-on-cash return.

Example: "With a 20% down payment on a \$500,000 property, she brought \$100,000 to the closing table."

Principal

LOAN TERMS

The original loan amount borrowed — or the remaining balance still owed. Each mortgage payment reduces the principal slightly, building equity over time. In early amortization years, most of the payment goes to interest rather than principal.

Example: "After 3 years of payments, the principal balance had dropped from \$400,000 to \$385,000."

Refinancing

LOAN TYPE

Replacing an existing mortgage with a new one — typically to get a lower interest rate, change the loan term, or pull out equity (cash-out refinance). Investors often use refinancing to access the equity they've built and reinvest it into new deals.

Example: "After 3 years of appreciation, he refinanced the property, pulled out \$80,000 in equity, and used it as a down payment on his next deal."

Hard Money Loan

LOAN TYPE

A short-term, asset-based loan from a private lender — typically used by fix-and-flip investors who need to close fast. Higher interest rates (8–15%) and fees than conventional loans, but much faster approval. Usually 6–24 months in duration.

Example: "He used a hard money loan to buy and renovate the flip in 90 days — then sold it and paid off the loan at closing."

Private Money

FINANCING

Loans from private individuals — friends, family, or private investors — rather than banks. Often used by investors who can't qualify for conventional financing or need more flexibility on terms. Relationships are the foundation of private money lending.

Example: "She raised \$200,000 from three private investors to fund her first apartment building deal."

PROPERTY MANAGEMENT TERMS

These terms are used daily by property managers, landlords, and investors who own rental properties. Understanding them helps anyone in the real estate world communicate clearly about how properties are operated and how performance is measured.

Vacancy Rate

PERFORMANCE

The percentage of units in a rental property that are currently unoccupied. A 10% vacancy rate means 1 in 10 units is empty. Vacancy directly impacts NOI and cash flow — it's one of the most important metrics in property management.

Example: "The building had a 15% vacancy rate. By improving marketing and reducing rents slightly, the new manager got it down to 5% in 90 days."

Gross Rent

INCOME

The total rental income a property would generate if 100% of units were occupied at full market rate, with no vacancies or collection losses. Used as the starting point for property income analysis.

Example: "The 10-unit building had a gross potential rent of \$120,000 per year at \$1,000 per unit."

Net Rent / Effective Rent

INCOME

The actual rent collected after accounting for vacancies, collection losses, and concessions (such as free first month offers). This is the realistic income number used in property analysis.

Example: "With a 5% vacancy rate, the effective rent on the \$120,000 gross potential was \$114,000."

Turnover

OPERATIONS

The process of preparing a vacant rental unit for a new tenant — cleaning, painting, carpet replacement, repairs. Every turnover costs time and money. Low turnover (long-term, happy tenants) is one of the most valuable things in property management.

Example: "The property had 40% annual turnover — each vacancy cost an average of \$1,500 in repairs and lost rent."

CapEx — Capital Expenditure

EXPENSES

Major, long-term improvements to a property — new roof, HVAC replacement, plumbing overhaul, foundation work. CapEx is different from routine maintenance and must be budgeted separately. Investors always factor expected CapEx into their deal analysis.

Example: "The property had a 20-year-old roof. The investor budgeted \$25,000 for a CapEx roof replacement within the first 2 years."

Deferred Maintenance

CONDITION

Repairs and upkeep that have been postponed over time — often due to lack of funds or neglect. Properties with significant deferred maintenance are often sold at a discount. Investors buy deferred maintenance deals specifically to fix them and force appreciation.

Example: "The building had years of deferred maintenance — leaking windows, aging HVAC, and peeling paint. The new owner addressed it all in year one."

Lease

LEGAL

A binding legal contract between a landlord and tenant that defines the terms of occupancy — rent amount, lease duration, rules, and responsibilities of both parties. Leases protect both the landlord and tenant and are enforced by law.

Example: "The tenant signed a 12-month lease at \$1,500 per month. Any early termination would cost two months' rent as a penalty."

Security Deposit

OPERATIONS

Money collected from a tenant at lease signing — held by the landlord as protection against damage beyond normal wear and tear, or unpaid rent. Laws governing security deposits vary significantly by state.

Example: "She collected first month's rent plus a \$1,500 security deposit at lease signing — held in a separate account as required by state law."

CAREER-SPECIFIC TERMS

These terms are specific to particular real estate career paths. You don't need to master all of them immediately — focus on the ones most relevant to the path you're exploring. You'll encounter the others naturally as you progress through the curriculum.

MLS — Multiple Listing Service

AGENTS

The database where licensed real estate agents list properties for sale. Only licensed agents can post to the MLS, giving them access to the largest pool of buyers and sellers. Most consumer-facing sites like Zillow and Realtor.com pull their data from the MLS.

Example: "The property was listed on the MLS on Monday — by Wednesday there were 8 showing requests."

Listing Agreement

AGENTS

A contract between a seller and a listing agent that gives the agent the exclusive right to sell the property for a specified time period. It defines the commission rate, listing price, and terms of the agent-client relationship.

Example: "The seller signed a 90-day listing agreement with the agent at a 5% commission."

Buyer's Agent vs. Listing Agent

AGENTS

The listing agent (seller's agent) represents the seller's interests. The buyer's agent represents the buyer's interests. In most transactions, both agents share the commission paid by the seller. Understanding this dynamic is fundamental to working in residential real estate.

Example: "The listing agent negotiated for the highest price, while the buyer's agent negotiated for the best terms. Both were paid from the seller's proceeds at closing."

MAO — Maximum Allowable Offer

WHOLESALING

The highest price a wholesaler can offer a seller while still leaving enough profit for the investor buyer. Typically calculated as: ARV x 70% minus repair costs minus the wholesale fee. If you pay more than the MAO, the deal doesn't work.

Example: "ARV was \$300,000. At 70%, that's \$210,000. Minus \$40,000 in repairs and a \$10,000 wholesale fee — the MAO was \$160,000."

Motivated Seller

WHOLESALING

A property owner who needs or wants to sell quickly — due to financial distress, divorce, foreclosure, inheritance, relocation, or landlord burnout. Wholesalers specifically target motivated sellers because their circumstances create below-market pricing opportunities.

Example: "The owner had inherited the property and lived out of state. She was a motivated seller — she wanted it gone and wasn't focused on price."

GC — General Contractor

CONSTRUCTION

The contractor who manages the overall renovation or construction project — hiring and coordinating subcontractors, tracking the budget, managing the timeline, and delivering the finished product. GCs are essential on any significant renovation.

Example: "The investor hired a GC to manage the full renovation — 12 subcontractors, a \$150,000 budget, and a 90-day schedule."

Punch List

CONSTRUCTION

A final checklist of small outstanding items that need to be completed before a renovation project is considered done and final payment is released. Completing the punch list promptly is how contractors build their reputation and get repeat business.

Example: "The renovation was 95% done — the GC worked through the punch list on the last day and received final payment at walkthrough."

Pro Forma

INVESTING

A financial projection of how a property is expected to perform in the future — showing projected income, expenses, NOI, and returns. Pro formas are used to evaluate deals before purchase. Always verify the assumptions — optimistic pro formas are common.

Example: "The seller's pro forma showed a 9% cap rate. After verifying the actual rents and expenses, the real cap rate was closer to 7%."

This glossary is part of the Darco Real Estate Academy curriculum. It is updated as new modules are released. For questions or to request information about licensing, contact: **info@darcocenter.org**
darco-careers.github.io/darco-real-estate-academy Version 1.0 · Modules 1–2 · 2026 Educational content only. Not financial or legal advice.