

Alternative ways into the property market

CONSUMER COLUMN

Co-buying

Co-buying – also known as shared ownership, joint ownership or co-ownership – is when two or more people decide to spread the financial burden and buy a property together. Parents are buying with their children; siblings are buying together, as are friends, extended family members, even colleagues.

By joining forces, you can afford somewhere bigger, better and sooner than you could alone.

For investors, the obvious advantages include the reduction in capital required, the reduction in other associated costs involved in buying a property – and as a result – the reduced risk, especially when better locations can be made more accessible.

“It is important to remember that a mortgage mate, a co-buyer or a co-investor is in essence a partner. There are significant legal and financial obligations to consider and plenty of due diligence is called for,” REIQ managing director Dan Molloy said.

“It is vital that all parties have the same intentions and goals and a legally prepared document – such as a Deed of Trust – is advisable for anyone entering into a co-buying arrangement.”

Mum and dad finance

Baby boomer parents are increasingly helping their children into the property market. Creative ways they are giving their children a “leg up” include co-buying where the parent(s) provide the equity and the children take responsibility for paying the debt.

The other arrangement is by way of a guarantee. The traditional bank guarantee has been replaced by a product that allows a parent to guarantee an amount to supplement the borrower’s deposit.

The size of the guarantee can be limited to a specific amount which protects the parent from losing their home should the child default on the loan.

“Declining housing affordability has made it increasingly difficult for first home buyers, however opportunities currently exist for buyers who can afford to enter the market,” Mr Molloy said.

“The REIQ encourages anyone who can afford it to buy property to secure their long-term future. However, they must be able to afford the property and the ongoing costs.”



The Real Estate
Institute of
Queensland Ltd

Phone (07) 3249 7347
Fax (07) 3249 6211
www.reiq.com.au