

COVERSTORY

BEATING THE AFFORDABILITY

Housing affordability in Australia is at historic lows, making buying a first home or an investment property that much harder.

Matthew Liddy explores creative techniques for getting into the market – whether for the first time or the fiftieth.

BLUES

"We both wanted to buy and we were both too scared to do it by ourselves, so it just seemed to make sense to do it together."



HOW THEY DID IT

The co-buyers

WHAT ARE TWO WOMEN WHO both want to buy property but aren't sure they can afford it to do? Like a growing number of Australians, friends Fiona Bolton (above left) and Jacqui Brock decided to pool their resources and buy together.

Jacqui and Fiona, both 27 and living in Melbourne, had lamented to each other that they wanted to buy a home but were afraid the huge mortgage required to buy where they wanted to live would be too much to handle on a single income.

"We were going to move into an apartment together anyway, as renting flatmates, and then we thought we could probably just (buy and) move in for two years or three years or whatever and keep it as an investment or re-assess the situation after that," Jacqui says.

"We both wanted to buy and we were both too scared to do it by ourselves, so it just seemed to make sense to do it together," Fiona adds. "We started looking into it and it became more realistic to do it together and less scary."

Jacqui didn't want to compromise on the location or type of property she bought.

"I wanted to get into the market but I wanted to live in the place that I (bought),"

she explains. "It really would have impacted my lifestyle a lot had I tried to afford it on my own."

She adds, "I've made a sacrifice in that I don't own the whole thing myself. To me, it was a trade-off between lifestyle and owning it myself and it was more important to me to have some sort of entry into the market, because obviously it's not going to get any cheaper out there, is it?"

Both women say they wouldn't co-buy with many of their friends but that they feel confident purchasing with each other.

"I trust her," Fiona says. "We're good mates, we get along really well and... we're both going into this for the same reasons."

"I think you'd be very selective as to which friends you chose and you'd be very clear as to the agreement," Jacqui adds.

As well as signing a legally binding co-ownership agreement, the two dealt with extra matters in a separate document.

"Although it's not in our co-ownership agreement about selling, in terms of what we've agreed, we've also got another document between us saying that if one person wants to move out and they want to sell, they need to give the other person six months' notice so that they could potentially come up with the funds," Fiona explains.

They've even been careful to iron out the

nitty gritty of their living arrangements – such as how the bills get paid, whose furniture they'll use and how many nights boyfriends can stay over – so no nasty surprises crop up.

Jacqui says, "It's important to have everything you can think of discussed and if you don't feel like you can discuss it with someone then you probably can't buy a property with them."

Jacqui and Fiona have already survived what can be a testing time for any relationship – weekend after weekend hunting for a property. Both say they were "over it" by the time they found the apartment they're in the process of buying – a two-bedroom unit in Elsternwick with views of the bay, bought for \$366,000.

"For both of us it's short-term living arrangements, living together, and a long-term investment," Fiona says.

Jacqui says co-buying has given her the chance to get into the market a lot sooner.

"I probably would have had to wait another year to get the deposit (to buy by myself). Also the size of the loan would have been a lot more, so it would have been a bigger burden for a lot longer time. My mortgage really is not something that I see as too huge a burden, the amount that it is at the moment."

Co-buying

Joint borrowing is on the rise, according to Mortgage Choice's most recent survey of its brokers. Parents buying with their children is the most common arrangement, followed by siblings buying together, friends, extended family and work colleagues.

After going through the transition from workmates to flatmates to co-purchasers, Sydney lawyers Jeremy Levitt and Jonathan

Stambolis founded a company, PodProperty, to help others through the process.

"We sat down and drafted the co-ownership agreement and realised that we could actually wheel it out to the whole of Australia," Levitt says.

"It's going to be one of the dominant ways of purchasing property in the future if the price of property continues to rise compared to wage growth. Soon there might not be, for a lot of people, another way of getting into the property market."

He says PodProperty has helped friends, families, same-sex partners and investors buy together. Affordability is a driving factor.

"If you go in with other people on a property, you do have money left over at the end of the month after you've paid the mortgage off and you're not eating tuna sandwiches for lunch," he says.

"It allows people more flexibility to buy into property as an investment but obviously have some discretionary money left over to continue living or to protect themselves against future interest rate rises."

Levitt admits there are risks involved, such as what happens if one party defaults or wants to sell, but says this is where a watertight co-ownership agreement is critical.

"That's why people need to put in place a comprehensive co-ownership agreement so that all of the issues that potentially might arise are covered off."

Matusik and Armstrong agree that paperwork and legal advice are mandatory before co-buying. Armstrong, who bought and still holds a property with his brother, says it's critical that all parties have the same intentions and goals.

"The most important thing is that when people do go into that sort of strategy that they have very clear timeframes as to how long they're going to hold the property and they make sure that their goals are completely aligned, because if their goals aren't aligned and one person wants to sell five years or ten years before the other person, it's a very, very tricky position to get out of," he says.

"The reality is for people – and particularly young people – circumstances change very, very quickly. For someone who's 20 or 25 now looking to get into the market, it all looks very easy if they join their resources together with a friend but what happens in two or three years' time when one of them gets married or has a child?"

A variant on co-buying is to invest in listed or unlisted property trusts. These allow investors to get into property without needing a large chunk of cash to get started, and can be an effective way to build savings for a later investment in real property.

Creative financing

"The lending industry is extremely progressive and it's very competitive," Armstrong says.

"Banks and non-bank lenders are coming up with a whole

"The lending industry is extremely progressive and it's very competitive," Armstrong says.