

NEWS FROM GUNSTONS ATTORNEYS

CO-OWNERSHIPS OF PROPERTY ARE AGAIN ATTRACTIVE TO INVESTORS, SAYS

CAPE ATTORNEY

Contrary to what is often thought and said, co-ownership of properties is not frowned upon by those banks active in the property bond market, nor are the legal arrangements difficult to sort out, says Denver Vraagom, a conveyancing attorney with the Cape legal firm, Gunston Attorneys.

“This type of investment, along with buy-to-rent, is once again on the increase and very much in favour. Co-ownership can be a highly effective way to get into the property market and certainly in our firm we have helped a number of people to do just this. It is important, however, that the initial agreement makes allowance for the various incidents and changes that can happen down the line, for example, one of the partners becoming unable to pay or wanting to opt out or other family members or beneficiaries needing to be included in the ownership.”

In his experience, said Vraagom, most co-ownership deals last for five to ten years after which the stronger partners buy out the shares of the weaker ones or those who now have other priorities such as investing in a new business.

“Again, I have to emphasize that it is essential that the original contract specifies the terms of the splitting of any eventual profits which are to be realised from the sale of the property. Will they, for example, be linked to the GDP growth rate, to the ABSA house price index or a qualified house valuer’s estimate? If all or most partners do at some point decide to leave the partnership and to sell the property trying to do this may not be expedient – it might even in severe economic circumstances involve taking a loss, as some under pressure sellers discovered in the 2008 to 2010 downturn.”

Nevertheless, said Vraagom, right now, with residential property appreciating at anything from 5% to 12% per annum, property has regained its appeal as a satisfactory asset class – and property in certain high demand suburban areas may now be outperforming the majority of the money markets.

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