

Co-ownership of property means co-liability

When people co-own a piece of land they might think that each person owns a specific area of it, rather than a percentage of the whole.

For example if they live in a cottage on it and they use the surrounding hectare it might be assumed that that section is theirs, but this is not usually how it works, says Lanice Steward of Knight Frank Residential SA.

Co-ownership is usually a share or a percentage of the total, and this means that they also have co-liability and have obligations towards the whole of the property, not just the section that they occupy.

It is usually advised, said Steward, for the co-owners of a property to have a separate agreement that states the terms and conditions of their ownership.

When a property is co-owned, no portion can be improved or changed without the permission of the other owners and all the owners have to agree to the way the land will be used. They have to agree on the day to running of the property, whether trees will be cut down, what buildings will be constructed, whether cattle will graze on it and what sections to use, and so on.

All the co-owners will have to contribute, in direct proportion to their ownership, to the expenses incurred in running and maintaining the property. These would include rates and taxes and all the maintenance costs. If a perimeter fence needs to be repaired, for instance, the co-owners would split the entire cost proportionately and not just pay for their section to be done, said Steward.

"Co-ownership is a very good way to get yourself on the property owning ladder," said Steward, "and possibly own something that you could not afford to buy on your own.

It is important, however, to choose your co-owners carefully, and be sure to draw up an agreement from the outset with the co-owners with regard to portions of bond repayments, rates, running expenses and conduct rules for all involved.

It is also best to discuss before purchasing what the future plans each co-owner has for his share, in case their intention is not to hold onto the investment for the same period of time the others need. Buying and selling property is expensive, and investments should always be seen as long term, for no shorter than ten years at a time."

Knight Frank Residential Press Release