Can single home buyers make co-purchasing work?

Having returned from a stint overseas and encouraged by her father to invest her money, Dianna Ferrara combined funds with her sister to enter the property market.

The pair – then aged in their twenties – held onto the property for a couple of years, before selling for a profit, paving the way for Ms Ferrara to purchase multiple properties of her own.

Impressed with her growing portfolio, Ms Ferrara's accountant approached her to co-purchase a property with him.

Should you consider co-purchasing a house? Experts are divided. Photo: Josh Hodge

"That was 13 years ago and we are still going strong," says Ms Ferrara.

"We are just letting it tick along, accumulating capital growth."

Buoyed by the success of her previous co-purchasing efforts, Ms Ferrara convinced a friend to jump on board to purchase an additional property.

Dianna Ferrara Photo: Supplied

“As co-buyers you have so many more options: you can buy in a better area with half a deposit, half a mortgage and half the household costs … sheer brilliance!”

According to Daniel Cohen, co-founder of First Home Buyers Australia, co-purchasing is an increasing trend, particularly among first home buyers.

“We believe there are two key drivers behind the increase in co-purchasing. Firstly, housing affordability.

“The hardest part of being a first home buyer is putting a deposit together. By co-purchasing, you are pooling together multiple people’s savings which boosts the overall deposit position.

“Secondly, the trend is people are getting married later in life.

“Most people in Australia don’t purchase a property on their own. So if they have no life partner, they may consider siblings and friends to help achieve an investment property.”

But while everything has gone smoothly for Ms Ferrara, co-purchasing is fraught with potential problems down the track, so it’s important for purchasers to prepare for contingencies before proceeding.

“Before any purchase agreement is signed or exchanged all prospective investors need to take legal and accounting advice on how the property should be owned, in what proportions/shares and whether spouses will be part of the deal,” says solicitor and property law expert Tim O’Dwyer.

“Apart from buying as joint tenants, tenants in common or in combinations of those types of holdings, you might be best advised to have a company (or companies) acquire the property and/or involve family or other trust arrangements.”

Regardless of the buying arrangement, it’s crucial to have a legally-binding document which sets out how the investment will be managed and funded by and between the investors, as well as making provision for disputes, deaths, divorces, dispositions, disposals and “dismemberments”.

“In the case of an investment property (residential, commercial, industrial or a site to be developed), you must first know as much as you can personally and financially about your proposed co-owner/s and really trust them.

“Consider family before friends, and be most wary of strangers asking you to participate in a wealth-creating project.”