



## Friends team up to buy property as prices climb

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By Emma Thelwell, **ninemsn Money**

Cash-strapped friends are teaming up to buy their first homes together to avoid being priced out of the property market, new research has shown.

The number of co-ownership mortgage enquiries has trebled over the last six months, according to the mortgage lender MyRate.com.au.

Kevin Sherman, managing director of MyRate, said property values at the lower end of the market have been pushed up by first time buyers flooding the market – as they rush to take advantage of increased government grants for people buying their first home.

"Some argue that the grant has almost created a small bubble at the lower end of the market," he told ninemsn.

"Certainly there is evidence of this – for the first time in years we are seeing many mortgage applications withdrawn by first-time buyers who have been priced out of the market."

The mortgage lender said friends or siblings are pooling savings in order to beat the tougher lending criteria that has been prompted by the global financial crisis.

Mr Sherman said that the average property price for first-time buyers currently hovers around the \$300,000 mark.

However, the influx of first-time buyers in the last six months – up 30 percent according the Australian Bureau of Statistics - has seen property prices in some areas jump by as much as \$50,000.

Before the onset of the financial crisis, 100 percent loan-to-value mortgages were commonplace, Mr Sherman said.

However, the crackdown on lending has seen this fall back to 90 percent in recent months. Buyers now need to stump up a 10 percent deposit, with at least half of the deposit proved to be genuine personal savings – not gifted by parents for example.

While a "financial marriage" with a friend will give you a leg up on to the property ladder, it is a partnership that should not be entered into lightly, Mr Sherman warned.

"It is important to note that each party is responsible for the whole loan," he said.

If your co-owner cannot pay his or her half of the mortgage repayment, as far as the bank is concerned it will be up to you to pick up the slack.

Co-ownership can also impact your credit history – as the loan will link you to your co-owner until it is repaid.

"If you're confused on how to look at it, treat it like a pre-nup to a marriage," Mr Sherman said.

"Envisage the worst case scenario – what would happen if your friendship breaks down? It probably won't but you have to be prepared."

Co-ownership should not increase your legal bill by more than a few hundred dollars, Mr Sherman said, and it is essential to have the proper documentation in place.