Should you buy property together?

By Bruce Swain

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Property is pricey and for many first time home owners the only way to get onto the property ladder is by doing it with a partner.

If you take into account that the average monthly salary is R12,715 (according to BankservAfrica) and that reports indicate that small properties were selling for around R867,014 in 2015 while average sized properties were going for R1.3m, you'll see that it's not financially viable for many South Africans to invest in property on their own.

Take a property with an asking price of R1.2m where the buyer puts down a 10% deposit of R120,000. A 90% bond will amount to R1,080,000 and assuming an interest rate of prime +2%, the repayments will come to R12,144 per month - a sum clearly out of reach for the average salary earner. In addition, buyers will have other costs to budget for, including transfer duty and bond registration costs.

Benefits of shared home ownership

It's generally recommended to save up a minimum of a 10% deposit on a property. Naturally combining resources makes it much easier to do so. Combining two salaries also improves applicants' chances of obtaining a home loan.

Sharing the property costs range further than the initial purchase of the home, it can include the monthly mortgage repayment, transfer duty, property taxes, municipal rates and future repairs to the dwelling.

Expect the best, plan for the worst

The problems usually start when either party can no longer afford to contribute to the mortgage, and their partner is held liable for the full amount by the lender, or if one of the parties wants to sell their share of the property. Whether you're purchasing a property with your spouse, a relative or a friend, it's a really good idea to discuss the potential issues that might arise and to draw up a contract between the parties, before purchasing the property. Ask questions about whether the property will be shared 50/50 and, if not, how the funds, responsibility and eventual re-sale value will be affected.

Questions about who has the right to occupy the property and also the responsibility for its maintenance (and under what conditions), whether either partner has the right of first refusal if either party wants to sell, whether funds can be withdrawn from the bond (and if so how much, and by whom) need to be resolved. It's essential that both partners agree on how they'll handle non-payment by either party as well and under which conditions the partnership may be terminated.

Aside from the financial implications of investing together, it's also good to look at compatibility, how cleaning and grocery shopping will be handled and the like. Another element is the furniture and appliances - it might be easier for each partner to buy certain items outright, which they can take with them if they choose to leave. Purchasing these items separately avoids disputes over the value of the article.

People forget that it's not just about sharing the financial responsibility, but also about getting a house mate - and all the tensions that living together can cause - that comes into play as well. Notwithstanding the potential pitfalls of buying property together, doing so jointly enables both parties to get onto the property ladder.

ABOUT BRUCE SWAIN

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