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Sharing a fraction of the action

Report Mathew Chandler

Buying a house with a partner but worried the relationship won't last as long as the property? Never fear, Tenants in Common is here.

Brisbane-based entrepreneur Tony Puls is launching an accreditation service allowing real estate agents to sell fractions of a property.

Why?

"Property is getting more expensive but people still want a piece of it," Mr Puls said. "Using the Tenants in Common law, people can buy a portion of a property and own a title covering that portion."

You don't end up with the far right corner of an estate or the outdoor loo. Under Tenants in Common, you own a real title over the property, proportionate to what you have paid. That ownership can be traded separately to the property itself.

The law isn't new. But what Mr Puls hopes to introduce to Australia is a national online trading system for those who want to buy or sell fractions of properties.

He also hopes to accredit real estate agents to actively pursue these kinds of transactions. Until now, real estate agents have been unable to give direct financial advice without holding a financial adviser's licence.

"I've been working with ASIC and what we will do is train these agents, accredit them and seek exemptive relief to enable them to give financial advice," he said.

For buyers, owning a title under Tenants in Common does not necessarily require a relationship to be uncertain. It can also apply to friends or business partners co-owning properties or, indeed, complete strangers holding fractional rights to a single property.

Mr Puls also wants to make use of Tenants in Common popular in industrial, retail and tourism assets, creating an alternative investment arena in Australia.

According to Mr Puls, the upsides are plentiful: cheaper entry barriers, stamp duty savings, negative gearing benefits and capital growth.

But he admits there is a downside: liquidity.

To date, the market for fractional ownership has not been big. And, as those who invested in property syndicates of the 1980s discovered, illiquidity can cause great pain in times of financial stress.

"What we're trying to do is build awareness. Yes, I guess we want to revolutionise the way people look at property," Mr Puls said.

Giving agents the power to actively seek sales via Tenants in Common opens up a whole new market to them.

Consider this: a developer is struggling to sell a multimillion-dollar penthouse apartment to a single buyer. Enter the real estate agent who can find 10 buyers prepared to buy a fraction of the property, all on separate titles. Mr Puls argues it is a win-win situation. "They might end up using it for holiday letting or permanent rental or even getting to holidaying in the apartment, proportionate to their ownership."

Others might argue the property developer example may artificially drive property sales.

Tenants in Common: one property, many owners. Photo Michel O'Sullivan