TIPS ON BUYING WITHIN A JOINT VENTURE

Metro Vancouver represents the most expensive housing markets in Canada so it is no surprise that many people, especially young people, are considering pooling their funds with friends to split on the cost of a buying a home. This is often referred to as joint ventures and it can involve two, three or even more people. For example, say two friends who are all renting apartments at $1,200 per month realize that if they combine their savings and buy a house, the money they are spending on rent could cover the mortgage on a 2-bedroom bedroom condo. After holding the property for a while, they can then sell and share in the equity appreciation.

It is a plan that is being used widely, according to Realtors, and it can be very successful. In one case, three first-year students, with the help of their parents, purchased a three-bedroom townhouse near Simon Fraser University. Four years later, at graduation, they sold the home and made enough money to partially pay off their student loans. It was certainly more profitable than renting for the four years.

Of course, there are some things to watch for. First of all, when arranging the mortgage the names of all the buyers should be on title. Note that the mortgage lender will often take the lowest credit score among the buyers as the base for the loan approval, so make sure all the buyers have good credit ratings.

There should also be a strategy agreed to by all members of the joint venture. This should include, for example, what happens if someone wants out of the agreement earlier than others. Is a sublease allowed? What is the buy out provision? There should also be a clear agreement on the exit plan, for instance how long the property should be held before it is sold.

There is also sharing in expenses, such as strata fees, maintenance and utilities. Be especially realistic about your finances and abilities if you plan on buying a "fixer-upper' as an investment. Renovations can be demanding and expensive and lead to a split in the partnership if no agreement is in place before work starts.

All of these issues this should all be spelt out up front, ideally with legal help, before a friendship evolves into a real estate business arrangement.

Investing rather than renting can pay great dividends: in the past five years, for example, the benchmark value of a detached house in Metro Vancouver has increased 12.9 per cent, and in the city of Vancouver it is up nearly 30 per cent.

Pooling resources to buy a first home can be a smart move towards financial security.