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COHO BC'S GUIDE TO PROPERTY CO-OWNERSHIP

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1. INTRODUCTION:

What is Real Estate Co-Ownership?

Real Estate Co-ownership refers to multiple people sharing ownership of a single piece of land. While co-ownership can take many forms, for this guide, we will focus on Private Co-ownership which refers to 2 or more people who collectively own shared title to a single condo, home or parcel of land. While this is not a new phenomenon, (couples, families and friends have been co-owning land for centuries), increases in the cost of real estate and a growing sense of social isolation in society, have led to a resurgence in Private Co-ownership over the past decade and the trend is expected to continue to grow.



History of Co-Ownership

Co-ownership of land is nothing new. For most of human history land was co-owned by families, clans and communities. Prior to 1969, some apartment or commercial buildings were co-owned through shares in corporations or cooperatives. In 1969 British Columbia introduced the Strata Titles Act, and stratification was created to allow co-owners to more simply share ownership while maintaining separate legal titles, get financing, etc.. The Strata Titles Act allowed for mass co-ownership of real estate, but even after its adoption throughout the 1970s and 80s, co-operative ownership of buildings and land remained common, and small groups of individuals continued to team up to buy or operate homes together.

Historically common forms of co-ownership that have been and remain popular across BC and Canada include:

- **Spousal:** The most common form of co-ownership, where two individuals through marriage or common-law jointly own property.
- **Family:** Siblings purchasing property together; Parents contributing financially to a down payments; Multiple generations living on one property.
- **Vacation:** Friends, family or even strangers owning shares in a vacation property entitling them to exclusive use of space for a specific portion of the year
- **Investment:** Multiple investors team up to purchase a property they otherwise couldn't afford or to share responsibility & management, liability, etc.

While the above examples are the most common forms of Private Co-ownership there have also been smaller numbers of individuals purchasing homes with friends in an attempt to save money and build community. As prices have risen across BC, and our individual sense of isolation in society has grown, this form of housing has become even more viable and valuable. Some contemporary model of groups co-owning property include:

- **20 and 30 Something Singles & Couples:** Teaming up to sharing a condo, townhouse or home. Often these are first time buyers wanting to enter the housing market to build equity. Co-ownership makes getting into the real estate market much more accessible for young people than going it alone. Advantages include a lower down payment and lower monthly financing costs, plus the co-owners share ongoing costs like insurance, utilities and internet. It is common for renters to have roommates, and now it is becoming more common for owners to have them too.

- **Young Families:** Two or more young families teaming up to buy a single family home, particularly homes designed with two or more suites. Not only do they save money upfront and ongoing, they can share household supplies, watch each other's children as needed and have play partners for their kids.
- **40+ Singles and Couples, Downsizers and 'Golden Girls':** Groups of singles or couples living together in community to support one another, avoid social isolation, age in place, and have more fun!
- **Intergenerational Families:** Parents and adult children sharing property with multi suites or even with multiple homes. Retirees age in place with family close to look after you. Young families, get built in childcare and raise your children in a close family environment.

Co-ownership comes in all types, and can be tailored to the particular needs of almost anyone. If you don't see yourself reflected here, don't worry about it. Find a community whose needs compliment your own and a property that can achieve those needs, and you can create the co-ownership plan to fit your unique situation.



It's More Common Than You Think!

While we don't have exact numbers on co-ownership arrangements across BC, we know it's a regular and growing practice and a great solution to issues of social isolation and out of reach real estate prices.

Up to 30% of Canadian homebuyers have indicated they would have or are considering buying a home with a family member, 9% with a friend or roommate, 2% with a business partners and even complete strangers. And these numbers are much higher with people ages 18-24, **where up to 46% said they have or are considering buying with a relative and 24% with a friend.**

2017 Remax Study found:

- 30% would consider buying with a family member (Millennials = 46%)
- 9% would consider buying with a roommate

2016 Ipsos RBC survey (Ipsos.com April 11, 2016) found:

- 44% have or are considering buying with spouse/partner (Millennials = 38%)
- 30% have or are considering buying by themselves (Millennials = 35%)
- 20% have or are considering buying with spouse/partner, with assistance or their family (Millennials = 24%)
- 13% have or are considering buying together with family, besides spouse (Millennials = 24%)
- 9% have or are considering buying a home with a friend (Millennials = 24%)
- 2% have or are considering buying a home with a business partner (Millennials = 2%)
- 2% have or are considering buying a home with a stranger (Millennials = 3%)

How Much Community? Do I Need to Share Space or Just Share Land?

That's up to you! When most people first think of co-ownership, they think of having to share a kitchen, living room and bathroom. Not necessarily so. Co-ownership can involve collective living and shared space, but good co-ownership design allows everyone to find the level of community and privacy they require. Most co-owners do not share living space, instead choosing properties designed to house multiple family units with private entrances, kitchens and living space. So whether you're sharing meals nightly or just the occasional backyard BBQ it really is up to you and your co-owners.





2. BENEFITS OF CO-OWNERSHIP:

There are many social and economic benefits to co-ownership, and while each individual may come to this type of housing for their own reasons, many find the additional benefits end up becoming even more significant than their original motivator.

- **Affordability** - The driving factor for most people when first considering co-ownership is affordability. While specifics will vary depending on the situation, co-owned properties tend to be 25-30% cheaper than an equivalent stratified property, and can drop the financial barriers to entry significantly. This savings can allow someone to enter the market who otherwise could not, or afford enough space for their particular situation. Co-own together and save money, when done right it's as simple as that.
- **Community** - Social isolation is one of the main concerns facing our society today. While our cities may be growing and we are constantly surrounded by more people and social media, studies show we are feeling more and more isolated. Create the housing situation with the right balance of private space and community for you. Do you want people to come home to? Share a space. Want to know (and like) your neighbours, but have your own kitchen? Share a property. Why would you buy half a duplex without knowing and liking the person who lives in the other half? With co-ownership you get to know your neighbours before you buy.
- **Environmental Sustainability** - Co-ownership reduces your ecological footprint through shared resources. Do you and your neighbour both need lawn mowers, gardening supplies, general tools? Do each of you need a private yard that only occasionally gets used? Sharing these amenities saves money and reduces your ecological footprint. Plus, higher density living reduces energy and resource consumption.



- **Support** - All of us need support at one time or another in life. Obvious times include child care and age related issues, but we all occasionally need help if we are sick or overloaded. A trusted co-owner and neighbour is a built in lifeline when you need a cup of milk or chicken soup, assistance moving furniture, or child care while you run to the bank. With co-ownership you know you have support close by when needed.
- **Access to Neighbourhoods** - Do you want to stay in your home or neighbourhood when you downsize? Do you want to buy into the area where you grew up in or fell in love with? Unfortunately this can often be a challenge due to current zoning and built infrastructure. For example, the City of Vancouver has zoned less than 30% of the city's land mass for multifamily units (except duplexes) so trying to find a condo or townhouse in your dream neighbourhood can be next to impossible. Through co-ownership you can gain access to these "Single Family Neighbourhoods", allowing downsizers to stay in their communities, bringing families and other people back into these neighbourhoods, and revitalizing the streets and sidewalks.

3. TYPES OF CO-OWNERSHIP:

Co-owned property can take many legal structures. Each has its own advantages and challenges. This guide primarily focuses on Private Co-ownership as it is the simplest and most common ownership structure for a small group of individuals.

- **Private Co-Ownership** – Each owner’s name appears on title, and all financing must be secured collaboratively. Structure and rules of the co-ownership are governed by a private co-ownership or partnership agreement drafted by the parties. If one party wants to sell their share, the name on title must be transferred and new financing arranged.



Other legal co-ownership structures include:

- **Co-ops & Corporations** – Legal structures in which the property is owned by a corporation and residents own a share of the corporation with entitlement to a certain unit. This can allow some private financing options and transfer of ownership without a change to title.
- **Stratification** – Any strata unit in BC from a duplex to a tower is a co-ownership arrangement at some level. Common areas, the underlying land and other assets are owned collectively by the strata corporation and managed communally. This structure allows for easy financing and title transfer, and as such has become the primary form of new housing in BC.
- **Cohousing** – A form of strata development that focuses on shared communal spaces, shared resources, shared values and community. There are a number of Cohousing developments across BC and many more in the works.

Joint Tenancy vs Tenants In Common

In a joint tenancy situation, both parties share ownership of the entire asset and upon the death of one individual, the asset passes on whole to the other party. In a Tenants in Common situation, both parties own their share personally, and upon the death of one individual their asset becomes part of their estate and remains the estate's property to be passed on, gifted, etc.. Most co-owners, with the exception of spouses, choose to use Tenants In Common to protect their assets and estate.



4. CONSIDERATIONS WHEN CO-OWNING:

Before you begin the process of looking for a home or partner, make sure to ask yourself these basic questions.

- What is your ownership timeline? How long do I see myself in this property? Is this my forever home or a 5 year plan?
- How much communal living do I want? Am I comfortable sharing living space with another person(s) or do I need my own private unit? What resources or spaces am I looking to share, yards, garages, studios, tools, cars?
- What kind of partner do I want? Do I need a partner who is similar to me in demographically, economically, family situation, etc.? Or am I looking for someone different from me but with complementary skills, traits and needs?
- What are my housing and partner needs, wants, don't wants and red lines? What am I willing to compromise on and what am I not?



5. THE PROCESS:

DATING, ENGAGEMENT, THEN MARRIAGE!

The process of looking to co-own property is a lot like dating and marriage, but with the built-in understanding that this marriage will come to an end at some point. If done right co-ownership can lead to many years of fruitful partnership with issues easily resolved as they come up and everyone living happily ever after. However, if the proper steps are not followed, the right questions are not asked up front, and if an exit plan is not drawn up at the start, the eventual separation can be messy.

Follow **CoHo BC's 6 Step CoHome Dating System** and set yourself up for success.

A) Dating:

1. **Home dating** - Work with a Realtor specializing in co-ownership to understand co-ownership opportunities in your area and view homes that could work for you based on your social and housing needs, finances and the housing stock in your community. (If you are looking to build to suit your specific situation, this is when you would interview architects, builders and designers as well to understand what you want and what kind of land, zoning, timeline, budget, etc. that you will need).
2. **Partner dating** – find a partner that has similar or complementary housing needs. Join CoHo BC at one of our events, fill out the “Find a Partner” survey on our website, or better yet spread the word through your own personal, social and online networks that you are looking for a partner. (Skip this step if you come into this process with a housing partner already).

B) Engagement:

1. **Talk!** Discuss your finances and get pre-approval at a financial institution, ideally one specializing in co-ownership to make sure you can accomplish your goals. Meet with your housing partner to discuss your housing needs, quirks, visions, and everything suggested by your lawyer for your partnership agreement. (See 8. Partnership Agreements below)
2. **Draft and Negotiate a Partnership Agreement** - Work with a lawyer and possibly a mediator to help plan for all possible outcomes. This is your prenuptial agreement and will simplify any dispute that could arise down the road. It will also create an exit plan for when the time is right. Remember while this may be a marriage of sorts, it's one where we assume the eventual desire of one or more parties to exit the relationship. The partnership agreement can help this process be as smooth and fair as possible for both parties.

C) Marriage!

1. **House Hunting** – You and your partner engage a Realtor specializing in co-ownership to find and purchase the perfect home for your communal needs. When you find the right property make sure to give yourself enough time to finalize your partnership agreement and shared financing before your deal is final.
2. **Make it Official** - Time to buy your house, get a shared mortgage and sign that partnership agreement. Then make sure to throw a great housewarming party once you've moved in!



6. EXAMPLES OF SHAREABLE HOUSING OPPORTUNITIES:

Any property is sharable, but there are a number of housing types common in the market that more naturally lend themselves to co-ownership.

Communal Homes (co-owners share public spaces):

- **Large 4+ Bedroom Home** – Get a private bedroom & bathroom, plus access to a shared living room, kitchen, etc. for around the price of a 1 bedroom condo. Perfect for singles and couples of all ages looking to live in community and get value in their home purchase.
- **2 or 3 Bedroom Condo** – Often the most affordable option. Get your foot into the real estate market, and live with one person or two people you like and trust.
- **2 or 3 Bedroom Multi-story Townhouse** – Gain a little more privacy by purchasing a 3 story townhouse. Each partner can have a private floor with a bedroom, bathroom, and possibly an office or sitting area, and share the middle floor living room, dining room & kitchen.

Separate Living (co-owners do NOT share living spaces):

- **Unstratified 2 Suited Home** (Duplex or Vancouver special) – Due to the perpetually high cost of housing in BC and Metro Vancouver, many homes built since the 1960s were designed to house 2 or more families comfortably, these include unstratified duplexes (one legal property with two units generally side by side) and a regional housing type known as the Vancouver Special (one legal property with two units generally up by down). Through co-ownership 2 families can co-own one of these properties, often saving 30% over an equivalent stratified duplex (where you own your own unit) or townhouse. Plus you have the advantage that you know and trust your neighbour/co-owner before you buy



- House with Laneway Home, or Any Property with Two Homes on One Lot** – Each municipality has its own zoning with regards to what is permitted with new construction on “Single Family” lots, but many like the City of Vancouver allow for up to 3 housing units per property: the main home, a garden or basement suite and a laneway house. These homes are ideal for 2-3 groups to co-own, creating 2 or 3 distinct housing options of varying sizes and at different price points creating a more diverse or intergenerational community. Fortunately you don’t need to build new to achieve this. Laneway homes or garden suites can be added to existing properties in many municipalities. Would you consider selling your backyard to a young family or couple? Or how about you build yourself a laneway home or garden suite and sell the main house to a new generation?
- Triplexes, Quadplexes, Multiple Unit Dwellings and Small Apartment buildings** – Many existing building have been authorized for 3 or more dwelling units, these include purpose-built triplexes, small apartment buildings, and restorations and conversions of larger older homes. These options are good for groups of 3 or more co-owners whether they plan to be owner occupiers or investors.

- **Vacation Properties** – As mentioned previously, vacation properties lend themselves well to co-ownership, as owners can share time instead of space and greatly reduce the cost of vacation property ownership. Whether it's a family member, friend or business partner this can be a great opportunity. Remember though, even more than with your primary residence, people are more likely to forget or ignore personal or financing responsibilities when times get tough and the property is out of sight. As in any co-ownership situation, make sure you have a good partnership agreement in place before you buy a vacation property.

7. FINANCING:



Financing Private Co-Ownership

The financial advantages of co-ownership can be large, which is one major factor drawing people to this form of housing. It can lower the initial and ongoing costs of your home, allow you to pool resources and avoid CMHC insurance or other fees, help qualify you for a larger mortgage, and much more.



However, these advantages do come with drawbacks, specifically the need for shared mortgage financing. Under Canadian law, the mortgage holder or bank can make a full claim for the entire mortgage against any one person on the mortgage regardless of the size of their ownership share. For example, if your co-ownership partner stops paying and you default on the mortgage, under Canadian law both you AND your partner could lose the property and be liable for any unpaid mortgage balance. While this is rare, it is important to protect yourself, your partnership and your property with a good Partnership Agreement, and by keeping a bank account for the property with 3-6 months worth of expenses, plus a repair contingency of 1-2% of the property's value.

Some institutions, such as Vancity Credit Union, do provide specialty mortgage products for co-owners, but the underlying mortgage charge on title is still shared by all parties.

Financing Corporate or Coop Ownership

If a property's Title is registered to a corporation or cooperative corporation (coop), financing options change. Many corporations can get financing on the properties as a whole, but often at higher interest rates and terms that do not give the individual co-owners any flexibility. Coops or cooperative corporations may be privately financed through local credit unions such as Vancity or other lenders, but usually require at minimum 35% down payment.



8. PARTNERSHIP AGREEMENTS:

Protect yourself and your partnership with a little advanced planning! One of the tools that your lawyer will be able to prepare for you is a Partnership or Co-ownership Agreement. This will govern the relationship and protect the interests of the partners by clearly setting out the rights and obligations of each co-owner.

If you and a partner are considering co-ownership, one of the first steps you should take is getting in touch with a lawyer with experience drafting residential co-ownership agreements. Your lawyer will be able to draw your attention to a variety of points that need to be considered before moving forward, and provide you with advice and guidance on how to best protect your personal and communal interests.



Typical components of a partnership or co-ownership agreement include:

- 1 The initial monetary contribution made by each co-owner
- 2 The interest or share in the property that each co-owner will gain. This is often based on the initial capital contributions of the co-owners
- 3 The way in which the co-owners will hold title to the property, ie tenants-in-common (generally preferred) vs. joint tenants or a combination
- 4 The purpose behind the investment, including whether one or all co-owners will be living in the property or if it will be used to produce rental income
- 5 How the property will be managed, and the respective roles and responsibilities of each co owner; Including building maintenance, management, bill payment and financial responsibility, storage and yard usage, any rules of conduct or noise, who will take out the garbage and more
- 6 How decisions about the property will be made, including when unanimous consent is required from the co-owners
- 7 What happens if one of the co-owners does not follow through with their obligations as laid out in point 5 above
- 8 Rules and restrictions setting out when and how a co-owner may sell their interest in the property, including the terms of a co-owner's right of first refusal to purchase the other co owner's interest
- 9 How the value of each of the co-owner's interest will be determined
- 10 How revenue will be applied while the investment is held (if applicable), and how proceeds will be split upon the sale of the property

9. ZONING AND OTHER CONSIDERATIONS:

One of the biggest advantages of co-ownership is that it makes use of current zoning to create housing opportunities not specifically envisioned by city planners. While this 'hack' can open up neighbourhoods, drop prices and help build community, you must ensure you understand how your specific zoning can affect the legal use of the property. Zoning and permitting can create unique challenges as well. Make sure you understand the local zoning of the neighbourhood in which you want to buy and consult a real estate professional with co-ownership experience before proceeding. These include but are limited to legal status of suites, rules that limit the number of unrelated adults living in the same residence (meant to discourage rooming houses), and of course rules around building or renovating under building codes and with proper municipal permits. Additionally, the ability to stratify a new development or a restoration of an existing property is subject to zoning and other considerations. Consult a real estate professional with a experience in co-ownership and development to find the right property to suit your needs.





10. CO-DEVELOPMENT:

Co-development is a great opportunity to work collectively to build your ideal home and community, save money on the build and depending on the situation, and possibly event build yourself a stratified final product in which you can privately own your space upon completion. Depending on your community's zoning, most new construction in Metro Vancouver allows for 2-3 living units per property. Consider partnering up with 1 or 2 others to build your dream home. Or take advantage of duplex or other multifamily zoning to co-develop stratified units. Build to suit your needs and save money by cutting out the builder / speculator.



11. CO-INVESTMENT:

Wise investors have always loved co-ownership. It lowers risk and barriers to entry, and shares responsibility for property upkeep and finances. Traditionally investors co-invest together in properties directly or through REITs (Real Estate Investment Trusts), all of which remain common today. A growing trend is direct home co-investment, in which investors team up directly with owner-occupier partners. The advantages can be huge. Whether it's a family member, friend, or even someone previously unknown to them, investors get a partner who is passionately dedicated to the success of this project since it is their home and primary investment. Plus the owner occupier acts as an on site property manager, so for the investor partner it's an easy investment with potentially high returns.

A number of new models for real estate co-investment are currently becoming more popular. Recently online platforms, like Addy (www.addyinvest.com) have been founded to help crowdsource and democratize real estate investment and ownership, allowing people to invest in multiple real estate investments with no barrier to entry.

In July 2019 CMHC announced a new initiative, the Shared Equity Mortgage Provider Fund, to encourage businesses and nonprofits to build and provide shared equity housing (co-owned by the business or non profit, and the homeowner). This form of ownership is popular in the UK and in combination with the Federal Government's First-Time Home Buyer's Incentive, (also a shared equity product), is becoming increasingly more popular here as well.

There will certainly be more co-investment models to come in the near future as real estate continues to be less and less affordable for individuals and couples.



12. COHO BC:

Founded in early 2018 by real estate experts with decades of experience in real estate, law, financing, construction and more, CoHo BC is:

- An educational initiative to let promote the benefits and opportunities of co-ownership and how it can be used to improve community and affordability.
- A portal for information and services to help facilitate co-ownership, including: legal, financial, real estate, mediation, building/development services and much more to assist in your collaborative project.
- A guide to help potential co-owners through the buying, selling and partnership process.
- Matchmaking services for homeowners, buyers and sellers to find partner(s) whom they trust and have complimentary housing needs.

We are here to help you through each step of the co-ownership process. Our team of experienced realtors, lawyers, financiers, builder, architects, investment platforms, matchmakers, and even a housing mediator all understand the special challenges and opportunities of co-ownership, and are here so you don't have to reinvent the wheel or make any avoidable mistakes.

Contact **Cohobc@gmail.com**, or visit **www.cohobc.com** for more details. While you are checking out the website, take a moment to fill out the survey so our team can start responding to your needs immediately.

Visit **Cohobc.com** for a comprehensive list of resources, articles and experienced professionals who can help you with your co-ownership needs or questions.



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