

# Property Co-Ownership Agreement

---

## Parties

Party 1 [ INSERT NAME ] (Party 1)  
Party 2 [ INSERT NAME ] (Party 2)

(each a **Co-Owner**)

---

## Background

- A. Party 1 and Party 2 have been [INSERT i.e. good friends for many years]
- B. Party 1 and Party 2 have decided to jointly buy a property, that they will each co-own and live in.
- C. This Agreement records the terms that will govern the co-ownership arrangement.

---

## Operative provisions

### 1. Property

- 1.1. The Property that Party 1 and Party 2 will co-own is located at [INSERT ADDRESS]. It is a [INSERT i.e. 2 bedroom apartment.....]
- 1.2. Each Co-Owner will be entitled to reside at the Property.

### 2. Ownership Interests

- 2.1. Party 1 and Party 2 will own the Property as tenants in common.
- 2.2. It is intended that Party 1 and Party 2 will each have and maintain a 50% Ownership Interest in the Property.
- 2.3. However, the Ownership Interest that each of them will hold in the property at any time will be calculated in accordance with the following formula:

Ownership Interest = (Total financial contribution by relevant Co-Owner towards Joint Property Expenses / Total Joint Property Expenses) x 100

### 3. Initial Joint Property Expenses

- 3.1. Each Co-Owner's contribution to the initial Joint Property Expenses will be as follows:

Joint Property Expense	Amount	Party 1's contribution	Party 2's contribution
Deposit			
Stamp duty			
Legal fees			
Other			
<b>Total</b>			

# Property Co-Ownership Agreement

## 4. Ongoing Joint Property Expenses

3.2. The balance of the purchase price for the Property will be paid from the Home Loan

4.1. It is intended that each Co-Owner will contribute 50% of cost of ongoing Joint Property Expenses.

4.2. The Joint Property Expenses are:

- the initial Joint Property Expenses listed in clause 3;
- Home Loan repayments;
- Council rates;
- Utility services (electricity, water, gas etc);
- Insurance (as required under clause 9;
- Maintenance and repairs;
- [INSERT i.e. cleaning?]; and
- each other expense that Party 1 and Party 2 agree is a Joint Property Expense, from time to time.

4.3. The Co-Owners may, from time to time, agree to budgets for one or more Joint Property Expenses. If a budget is agreed for a Joint Property Expense, each Co-Owner will use his best endeavours to keep the relevant expense within the agreed budget.

4.4. Each Co-Owner is authorised to incur Joint Property Expenses

4.5. Each Co-Owner will endeavour to consult with the other before incurring a Joint Property Expense, especially if it involves a material amount (>\$500).

## 5. Joint Bank Account

5.1. Party 1 and Party 2 will establish a Joint Bank Account in their joint names.

5.2. All Joint Property Expenses will be paid out of the Joint Bank Account.

5.3. No personal expenses of any Co-Owner may be paid from the Joint Bank Account

5.4. Each Co-owner will deposit their contributions to the Joint Property Expenses into the Joint Bank Account.

5.5. If Party 1 or Party 2 pays a Joint Property Expense directly:

- they will be reimbursed for the Joint Property Expense from the Joint Bank Account; and

# Property Co-Ownership Agreement

- each of them will deposit 50% of the amount of the Joint Property Expense into the Joint Bank Account.

5.6. Party 1 and Party 2 will:

- maintain a spreadsheet showing all Joint Property Expenses and their respective contributions to them; and
- endeavour to reconcile the Joint Property Expenses and their respective contributions to them on a monthly basis, with a view to restoring their Ownership Interests to 50%.

5.7. If a Co-Owner falls behind on his contributions to the Joint Property Expenses, he will be entitled to catch-up (i.e bring his Ownership Interest back up to 50% at any time by:

- paying the relevant amount into the Joint Bank Account; and
- enabling that amount to be paid out of the Joint Bank Account to the other Co-Owner.

## 6. Loans between Co-Owners

6.1. The parties acknowledge that the arrangement in clause 5.6 amounts to an interest free loan to the Co-Owner that falls behind on his contributions. To minimise the prospect of this being abused by a party (including due to circumstances outside that party's control, such as being unemployed), the Co-Owners agree that if, at any time, a Co-Owner falls more than \$[10,000] (or such other amount as the parties agree in writing, from time to time) behind on his contributions to the Joint Property Expenses, the total amount of the shortfall will be treated as a loan to that Co-Owner from the other Co-Owner which will attract interest at the same rate and in the same manner as applies to interest on the mortgage.

6.2. If the amount of a loan under this clause reaches \$[30,000], the borrower must offer to sell its Ownership Interest to the other Co-Owner for fair market value. If fair market value cannot be agreed within 3 months after the loan reaches \$30,000, the fair market value will be determined by an independent Certified Practising Valuer agreed between the Co-Owners (or appointed by the President of the Australian Property Institute, absent agreement).

# Property Co-Ownership Agreement

## 7. Home Loan

The Co-Owners acknowledge that:

- each of them is jointly and severally liable for the repayment of the Home Loan; and
- Home Loan repayments will be treated as a Joint Property Expense, in accordance with clause 4.1;
- Clauses 5.6 and 6 will apply if either of them falls behind on their respective contribution to Joint Property Expenses, including the Home Loan.

## 8. Offset Account

*Will the Home Loan have an Offset Account? If so, perhaps Party 1 and Party 2 might make equal deposits to the Offset Account from time to time (when they both have sufficient funds). What to do if one, but not the other, wants to deposit surplus funds to the Offset Account to reduce the interest expense on the Home Loan?*

## 9. Insurance

The Co-Owners will effect the following insurances:

- Building Insurance (but not Contents)
- Public Liability.

## 10. Actions requiring agreement

Neither Co-Owner may do any of the following without the agreement of the other:

- sell, assign or otherwise transfer its Ownership Interest in the Property;
- grant a security interest in its Ownership Interest in the Property;
- grant a lease or license in respect of any part of the Property;
- allow a third party to occupy any part of the Property;
- renovate or otherwise make significant changes to the Property;
- deliberately do anything that would materially devalue the Property;
- **[INSERT anything else?]**

## 11. First right of refusal

If a Co-Owner receives an offer to purchase the Property or that Co-Owner's Ownership Interest in the Property, which that Co-Owner wishes to accept, that Co-Owner must first offer to sell its Co-Ownership Interest in the Property to the other Co-Owner on the same terms and conditions (or as near as possible thereto).

# Property Co-Ownership Agreement

## 12. Death of Co-Owner

If a Co-Owner dies, that Co-Owners estate must offer to sell the estate's Ownership Interest to the other Co-Owner for fair market value. If fair market value cannot be agreed within 3 months after the death, the fair market value will be determined by an independent Certified Practising Valuer agreed between the estate and the surviving Co-Owner (or appointed by the President of the Australian Property Institute, absent agreement)

## 13. Mediation

If Party 1 and Party 2 are unable to reach agreement on a matter arising out of this agreement or in connection with the Property, they must endeavour to resolve the matter with the assistance of a qualified mediator from Mediatius Pty Ltd (Mediatius). The costs of the mediation will be shared 50:50.

Neither Co-Owner will commence court proceedings (other than for injunctive or urgent declaratory relief) without first attempting to mediate the dispute with Mediatius. [www.mediatius.com.au](http://www.mediatius.com.au)

If Party 1 and Party 2 are unable to resolve a dispute arising out of this agreement within 3 months after notifying the other that they wish to mediate the matter, either party will be entitled to commence court proceedings.

## 14. Annual reviews

Party 1 and Party 2 will review this agreement on an annual basis

## 15. Governing law

This agreement is governed by the laws of the Western Australia.

---

### Signed as an agreement

Signed by Party 1 [INSERT NAME ]	
Date signed	
Signed by Party 2 [ INSERT NAME ]	
Date signed	