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New exchange promotes shared ownership idea

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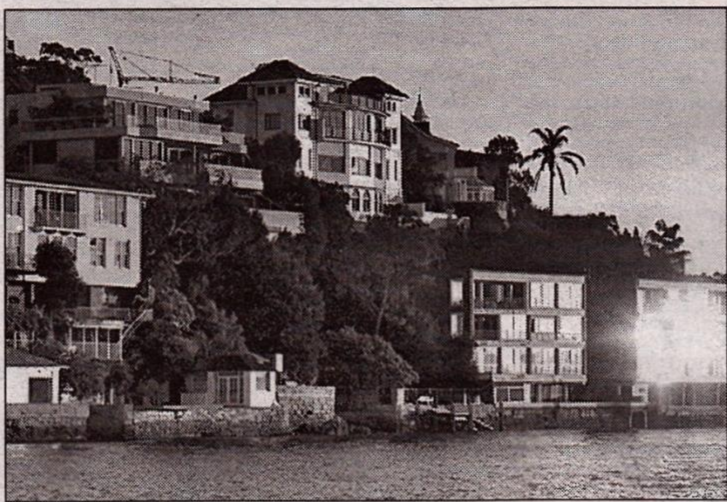

Fractional real estate ownership can beat the bank. Photo: PAUL JONES

So you're struggling with the mortgage and are desperate to stop the bank foreclosing. Here's a way to go: sell 25 per cent of your eastern suburbs house in Sydney to an investor through the on-line Tenants In Common (Tic) Exchange and beat the bank at its own game.

The bank gets its money – you get to stay in the house.

This new property exchange, launched last month from a base on the Gold Coast, aims to promote "fractional ownership of real estate through tenants in common", according to the site's promotional blurb.

Tic founder Tony Puls, a real estate agent who has run his own businesses in real estate and capital raisings since 1978, says the system uses an existing legal form of shared ownership in property.

But it comes with the twist of providing a trading platform – the absence of which has long been a drawback to innovative ways of using equity in property. Mr Puls believes it may be an option to fund affordable housing.

A number of agents and property marketers were also expressing an interest, he said.

"Agents can sell [for example] a $50,000 share of Sydney's eastern suburbs property – that can be traded, for the first time. It's a whole different ball game."

Mr Puls said Tic was a way to promote property investment to groups of fewer than 20 investors without breaching the Corporations Act.

He said investors would own a title that covered their portion of the property, which he believed they could use as security to raise loans.

"Some of the big banks are looking to lend [for Tic investments] without needing to cross-guarantee the other owners," he said.

Sharing of maintenance costs or dealing with other ownership issues would be covered by a structured agreement between tenants in common, which closely resembled the body corporate in strata property. Tic could apply to residential as well as commercial and industrial property, Mr Puls said.