



Advice from Alan

Company share apartments

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Company share apartments are an ownership arrangement for apartments where

a company owns the land and the building on the land. Purchasers buy shares in the company and enter into an Occupation Right Agreement or Occupation Licence, which gives them the right to live in their apartment. The building is managed by the directors of the company, the directors being a number of the owners in the apartment building. The company will have its own constitution that outlines the rights and obligations of shareholders and often building rules.

You can often buy a company share apartment at a cheaper price than other apartments. However, before you sign an offer to buy a company share apartment, you should be aware of the following:

- The constitution of the company can have various restrictions included in it, including restrictions on renting out the apartment.
- Generally, the directors of the company that owns the building need to consent to purchasers buying an apartment.
- The fact that you do not obtain a title to an apartment can lead to issues obtaining finance. Shares in a company share apartment are not seen as good security by many of the major banks, so it can be difficult to get a mortgage to buy them, or you will need a high deposit before they consider lending. Some constitutions will also not allow you to mortgage your shares.
- Shareholders (owners) generally pay operating expenses to the company, so you need to be aware of these extra costs.
- Insurance is organised by the company.
- Company share apartments are not unit titles, so the rules about disclosure do not apply. You therefore need to make more in-depth enquiries about company share apartments before you purchase or as part of your conditions. Generally, the company secretary is able to provide most of this information to you. The company secretary is sometimes an owner of a property in the development but more commonly it is an accountant. While some company share apartments are choosing to apply the disclosure rules voluntarily, they are under no obligation to do so.