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Understanding the types of ownership

There are different types of land ownership in New Zealand. The type of ownership has a direct impact on what you can and cannot do with the property.

Summary of important things to know

- ✓ There are four main types of property ownership in New Zealand – freehold, leasehold, unit title and cross lease.
- ✓ Each type means different rights, responsibilities and restrictions for the owner.
- ✓ Ask your lawyer or conveyancer to review the record of title (also known as the certificate of title). This is the legal document that contains the property's legal description, details of its ownership and the rights and/or restrictions registered against it.
- ✓ Freehold, also known as fee simple, is the most common ownership type in New Zealand.
- ✓ Leasehold is when someone else owns the land. You purchase an exclusive right to possession of the land and the buildings on it for a specific period of time according to the terms of the lease.
- ✓ Unit title ownership is most common in a building development where there are multiple owners.
- ✓

In a cross lease, you own a share of the freehold title in common with the other cross leaseholders and a leasehold interest in the particular area and building that you occupy.

- ✓ This page provides general information only and should not be relied on. You should always get advice from your own lawyer and other registered professionals – what is written here is not intended to replace that advice.

Freehold

Freehold, also known as 'fee simple', is the most common kind of ownership in New Zealand. It is usually the simplest kind of ownership.

If you have a freehold property, you own the land and (generally) anything built on the land unless there are any registered or unregistered interests.

Interests that might restrict your use of the property include:

- easements that give neighbouring property owners or utility providers rights to use part of your land to pass over or connect to services
- covenants that limit what type of property you can build on the land
- restrictions under the Resource Management Act 1991
- whether the land is Māori freehold land.

Leasehold

With leasehold ownership, someone else owns the land, and you pay rent to them. You purchase an exclusive right to possession of the land and the buildings on it for a specific period of time according to terms set out in a lease. In some cases, you will own the buildings or other improvements on the land.

If you buy a house that is built on leasehold land, the terms of the lease will set out:

- the amount of rent you have to pay to the freehold owner - this is usually called ground rent
- how often the ground rent is reviewed by the freehold owner
- rates and other expenses relating to your property.

At the end of the lease term, you will need to return the land and the buildings to the freehold owner in the condition specified in the lease.

Ground rent can change and will usually increase. Increased rent and a shortening lease term can have a serious impact on your ability to sell your leasehold interest at a later date.

Unit title

What you own

() Unit title ownership also referred to as a 'strata title' or 'stratum estate' is most common in a building where there are multiple owners.

As a unit owner you own:

- your particular apartment or unit and any accessory units, like garages, car parks, private courtyards and storage areas contained in the record of title
- an undivided share of the ownership of the common property (eg lifts, laundries, lobby areas, driveways and gardens).

What you need to know about body corporate membership

() Becoming a unit title holder means you automatically become a member of the body corporate, which consists of all the unit owners acting as a group. Most day-to-day decisions of the body corporate can be made by a body corporate committee or with the agreement of 50% or more of the unit owners. Some decisions will require the agreement of 75% or more of the unit owners.

You will usually pay an annual fee (a levy) to the body corporate, which will go towards budgeted body corporate expenses. The fee will include costs like insurance and management expenses, contributing to a long-term maintenance fund (LTMF) and any services the body corporate arranges for its members (for example, rubbish collection and cleaning communal areas). Any body corporate costs that have not been included in the budget are also payable by the unit owners, usually by way of a special levy.

If you are interested in buying a unit title property, you should ask for a copy of the body corporate's rules. These will set out how you and the other owners can use your units and the common areas. You should also ask for copies of the minutes from the body corporate's meetings and the body corporate's maintenance plan, and information about any regular fees you need to pay. Make sure the LTMF has enough money in it to pay for the ongoing repairs and maintenance detailed in the plan. Chat with other unit owners within the complex to see how the body corporate operates.

Q **What the seller needs to tell you**

The seller must give you the following information about the unit and the body corporate:

- A pre-contract disclosure statement, which the seller provides before entering into an agreement for sale and purchase.
- A pre-settlement disclosure statement, which the seller provides after entering the agreement for sale and purchase but before settlement of the sale.

More information:

- More about unit titles for all property owners (not just landlords) at [unittitles.govt.nz](http://www.unittitles.govt.nz/) (<http://www.unittitles.govt.nz/>)
- What you need to know when buying an apartment or unit ([/buying-a-home/finding-a-property/considering-your-property-options/](#))

Unit Titles Amendment Act changes to disclosure

Law changes to the Unit Titles Act 2010 passed by Parliament on 9 May 2022 have implications for licensees, property owners, building managers, and developers.

Amendments to this Act aim to improve the information provided to prospective buyers of units; as well as governance of multi-unit properties and higher density complexes.

This legislative change highlights that licensees need to be fully aware of your disclosure obligations, and the potential consequences for vendors if inadequate pre-contract disclosure is provided.

The Act's full name is the Unit Titles (Strengthening Body Corporate Governance and Other Matters) Amendment Act 2022 (Amendment Act). It comes into force by Order in Council, or two years from the date of Royal Assent which was on 9 May 2022.

More about the Unit Titles Amendment Act at [hud.govt.nz](https://www.hud.govt.nz/residential-housing/unit-titles-act/update-unit-titles-strengthening-body-corporate-governance-and-other-matters-amendment-bill/) (<https://www.hud.govt.nz/residential-housing/unit-titles-act/update-unit-titles-strengthening-body-corporate-governance-and-other-matters-amendment-bill/>)

Cross lease

If you hold a cross lease you own two interests in the property:

- A share of the freehold title in common with the other cross leaseholders.
- A leasehold interest in the particular area and building that you occupy. These leases are usually for 999 years for a nominal rent like 10 cents per annum (which is usually not demanded to be paid).

A cross lease title will include a plan showing the footprint of the building you are entitled to occupy, called the flats plan (older cross lease titles may not supply one). You should check this to see:

- whether it matches the physical location and footprint of the property you are looking at
- areas that any of the cross leaseholders have the exclusive right to use
- any common or shared areas.

Cross lease ownership usually means that changes made to the footprint of an area you are entitled to use exclusively (like the building you occupy or your separate garden) or to the shared areas must be agreed upon by all or a majority of the owners. Depending on the terms, you may need to get the other owners' consent for things like painting the exterior or making non-structural changes to the building you occupy, building a deck or putting up a fence. There may be restrictions on what you can do with the property under the terms of the lease registered on your title.

Cross leases are a complicated type of ownership. If possible, talk to the other cross leaseholders and find out how well the arrangements work.

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