



Should you upgrade now?

From the desk of ...

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If the family is growing and you have been thinking about upgrading, provided you have the finances, now is a good time to do so.

Don't sit around waiting for conditions to improve. It is better to upgrade in a soft market rather than a rising market. If you don't act now it will end up costing you thousands of dollars more in a rising market. Do you want to know how this works?

Let's say you are selling your home in a rising market for say \$600,000 and you want to buy one for say \$800,000. In a rising market with more competition by the time you find a home you are happy with, it may cost you \$850,000. Instead of a \$200,000 changeover cost, you now have to find an additional \$50,000.

In a declining market the exact opposite applies. Once you have sold you are cashed up and you are in a position to go shopping for a home. In a soft market the expensive home you are looking to buy will be cheaper today than it was yesterday. Your money will buy you more in a soft market.

Let's look at the same example we used earlier and apply it to a declining market.

If the market has dropped by say 10% you will now get \$540,000 for your \$600,000

home. Don't be alarmed by this \$60,000 drop in price, understand that this is the current market value of your home. Similarly the \$800,000 home you were considering should also be 10% cheaper so you can

now buy it for \$720,000, that's \$80,000 less. In a declining market if there is a time delay between selling and buying you will probably purchase it for less than \$720,000.

Instead of your changeover being \$200,000 or \$250,000 as in the previous example it is now \$180,000 or less (\$720,000 - \$540,000). In this instance you are at least \$20,000 better off by upgrading in a declining market plus you have the added savings of paying several thousand dollars less in stamp duty.

If you are thinking of upgrading don't put it off. Now is a good time otherwise it will cost you more when the market starts moving up again.

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