



Renovate or Buy

It is expensive to sell your home and purchase the next one. There are real estate fees, stamp duty, solicitors, government fees and even some bank fees. This is a tricky process to navigate and one that we often help clients work through. This fact sheet will unpack some of the things to take into consideration during this stressful time.

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Renovate or purchase a bigger home

- Work out the differences between what you want and what you need
- Some older homes may not be worth renovating
- Avoid over-capitalising
- Stick to your budget

What is important when you are considering selling your property is to look at the market around you and compare it to what you have. When they understand what they can buy after they sell their current home, the common question is, "what if we stay put and take the money I might have used to buy a new home and use it to renovate the one I'm already in?"

Consider your current and future needs

Do you want to stay put because you love the house, love the location, love the schools and can't imagine living anywhere else? Are you thinking it will increase the value of your home? Or are you doing it because you are concerned about the cost of a new mortgage?

Whether you decide to renovate or move, the cost to do either can be considerable. Some factors to consider in your decision include:

1. Do you need more space, or a larger yard?
2. Do you want better schools, parks and community facilities?
3. Do you want to be closer to family or friends?
4. Are you looking for less expensive housing or wanting to downsize?
5. Do you want a better neighbourhood or a new lifestyle?
6. Differentiate between your *wants* and your *needs* – be ruthless!

Look at the condition of your home

Older homes can have issues that you may not have been aware of until you start renovating. Without proper due diligence, what you think is an easy project could prove costly and time consuming. It is critical to assess things like the wiring, the condition of plaster, and stumps.

Consult professionals like builders, electricians, plumbers and engineers to find out the state of your home. They can give you a price on complex tasks like moving walls or changing rooflines. Good planning and investing in their time now will pay off down the track.

Check out handy sites like [Your Home](#).

Don't over spend or 'over-capitalise'

Before deciding to renovate, make sure the improvements you are considering will not result in 'over-capitalising'. Consider the neighbourhood and market prices of comparable homes in the area.

If your home is currently worth \$800k and you are considering spending \$200k to renovate, will the home be marketable in the \$1m+ range? If not, you may be taking on a great deal of additional debt that you may not be able to recover upon sale. It might be time to accept that this home may have met your needs once, but perhaps it is time to consider moving to a home that fits your needs now.

As a rule of thumb, this is more relevant if you want to live in this home for 5 years or less. If you want to live there longer, the risks associated with over-capitalising subside.

It is definitely worth speaking with a builder / renovator to get a valid cost estimate for the improvements you are considering. They are nearly ALWAYS more expensive than you think.

Then speak with a real estate agent to find out whether there are any homes currently on the market that meet your needs better than your current home, and ask whether the planned improvements would add enough to the value of the home to merit the cost.