



Buy first or sell first?

What upgraders and
downsizers need to know.

CLARITY ▶
home loans made clear

The average property in Australia is owned for just over ten years. While we're not calling you average, it's almost inevitable that your first home won't be your last. At some point you'll want to upgrade to provide more room for your family, relocate for a better job or lifestyle, or downsize once the kids have flown the nest.

At each of these milestones, you're faced with a conundrum: do you sell first and then buy, or buy first and then sell?

In an ideal world, you'd be able to find your next dream home then put your current place on the market and have it snapped up within days so you can line up both settlements perfectly. However, reality is rarely so accommodating, that's why we've put together this fact sheet to help you decide what option works best for you.

Selling first **Is it the better choice?**

Selling your current property and then hitting the open for inspections feels like the safer and more convenient option.

ADVANTAGES INCLUDE:

- > By having your existing home sold first, you can be certain of how much cash/equity will be released at settlement which will help set the budget for your next home.
- > Without the commitment of having bought the next home, you are not under any pressure to sell – which means you are free to hold out until you're completely happy with the sale price.
- > It's generally a less stressful experience, as you have the comfort of the sale being locked away before taking on the additional financial burden of buying a new home.
- > It could potentially put you in a stronger negotiating position when making offers on your next home - particularly if you are competing with other buyers who may be waiting for their home to be sold before being able to commit.

However, the above points are not always as clear cut as they seem.

SOME POTENTIAL DISADVANTAGES INCLUDE:

- > In a rising property market, you run the risk that by the time you eventually find the perfect house to buy, property prices may have risen from where they were when you sold (of course in a declining market the reverse is true).
- > The potential frustration of not being able to find that next ideal home. We frequently hear of the desperation that clients experience on the house hunting journey – stress which is compounded if there is the additional pressure of a looming settlement on their sale.
- > You may need somewhere to live in between homes if the settlement periods don't align. It may be possible to negotiate a long settlement period or to rent the home back from the new owner, but if not, then potentially you will need to secure rental accommodation or temporarily have to move in with friends or family. Either way – it could mean moving twice with double the costs and double the headache.

Buying first

How to bridge the gap

Although this is arguably the riskier option from a financial perspective, it's also the most common. Research shows that Australians' consider the option of upgrading homes for approximately 2 years before actually buying, with the trigger to get serious about upgrading being that they stumble across that perfect new home, well in advance of placing their existing house on the market.

When this happens, many buyers are torn between the emotional decision of jumping on that next home and the rational consideration of not having sold their current one. At this point, the best advice we can provide is to come see us to explore all the possibilities.

BUYING FIRST HAS SEVERAL ADVANTAGES:

- > The ability to secure that next ideal home without the risk of losing it, if you're waiting for your current home to be sold.
- > Move once and potentially move gradually over 2 weekends, i.e. not have the pressure of moving all in one day. Rarely are settlements on a purchase and a sale simultaneous, so the benefit of a staggered purchase and sale is that it removes the pressure of packing, loading up, unloading and then cleaning all in one day.
- > Once your old home is empty, it is easier to have it cleaned, painted, or even professionally "styled" before going on the market to enhance the appeal.
- > If deciding to put your existing property on the market after you have moved into the new home, you avoid the inconvenience of having to live through the open homes.
- > By allowing an agent to have a professionally cleaned, freshly painted, styled home with 24/7 access once you have moved out, a higher sale price may be achieved, potentially recovering some or all the costs associated with a relocation loan. It may also reduce the time on market.

BUT WHAT ARE THE DISADVANTAGES:

- > In most cases, buyers will have to establish a "relocation loan" that may incur some additional interest or holding costs - during the period between the settlement on the new home and the settlement on the sale of the existing one.
- > If your existing home takes longer to sell than you had hoped, you may feel pressured to accept an offer below market value due to the accruing holding costs.
- > The holding costs or interest charges associated with a relocation loan may lead to a higher end loan amount than you were initially expecting and budgeting for. However, we generally find that these additional costs are nowhere near as expensive as many perceive them to be.

There is always a possibility of being able to negotiate an extended settlement on the property you are purchasing to give some flexibility and buy the time needed to have your current home listed, exchanged and settled.

Chances are though, you'll find yourself with a gap to bridge between settlements during which you are incurring interest for both properties. If this is your situation, don't be put off. Clarity Home Loans helps people in this position every day and we have several lending solutions to help buyers secure their next home and navigate the complex journey of upgrading.

For more information, have a read of our brochure [How do relocation loans work](#) or contact the office to arrange no obligation appointment with one of our highly skilled mortgage brokers.

Speak to the experts

Unlike many of our competitors, the Mortgage Brokers at Clarity Home Loans are all paid a salary and don't earn any commissions from the banks, so we'll never try and talk you into a lender or product that isn't the right match for you. With over 2,500 loan products to choose from, we can offer you a range of options to suit your specific goals.

If you're thinking of buying a second property or want to find out more about relocation or investment loans, we can help. Not sure whether to buy first, sell first or keep both? We'll assist you with a strategy that builds wealth for the future while taking care of your goals for today.

Give us a call to set up a consultation.



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