Should I Sell, or Should I Wait?

by Paul Foster

One of the biggest worries people face when selling their home is trying to predict when the market will be at the perfect position for a successful sale. This isn't easy. Most people hope they can pinpoint the perfect time when the market is at its peak, if it's the best time of year to present the property, and if it suits their personal circumstances.

While this all sounds good, you should consider more than these factors if you want a successful move. One critical thing that's often overlooked when selling and buying is the *'changeover price'.*

Weighing up the changeover price

Changeover price is best described as the difference between the total cost of selling your existing property and the total cost of buying your next property.

Depending on your circumstances, this may equate to how much you walk away with after both transactions – or how much you need to top up to complete the two transactions.

Let's look at a scenario of a homeowner who is selling their home to upgrade to something bigger, around the same time that the market drops by 10%:

- The homeowner was expecting to sell their house for $800,000, but following the dip in the market, this property is now only worth $720,000
- The property they are looking to buy was expected to cost $1,000,000, but it is now worth $900,000
- The nett cost to them to get into a new property **goes from $200,000 down to $180,000**. That's a win.

Flip this scenario around, and if the same homeowner were hoping to downgrade from the $1,000,000 property, the changeover would end up **costing them $20,000 more.**

Changeover costs in the Auckland market

We all know the Auckland market has lost some heat of late. Anyone looking at selling and buying back into the Auckland market should consider changeover costs regardless of whether they are upgrading or downgrading.

If you're considering moving out of Auckland, make sure you consider whether prices are trending upwards or downwards in your new town. If prices are rising faster than they are in Auckland, then there is a risk that waiting to make your move will end up costing you more.

Changeover cost is not a significant factor if you are making only one transaction. Sale price is still the focus when selling an investment property or leaving New Zealand. But, if you are looking at buying and selling in the same market, your focus should be on whether the market is likely to rise, fall or remain static in the short term.

Easier said than done!

What should you be doing?

Finding a definitive answer on which way the market is moving isn't easy, but you can get a clearer picture by listening to the right advice.

The first step to getting a realistic take on changeover costs is to get an honest valuation of your property. Avoid an overly keen real estate agent who may give you an over-inflated price to get you interested in listing.

If you're in Auckland, it's pretty clear that the market is currently running at a five-year high for available properties. It would take quite a drop in property numbers before we saw a return to the frenzied activity of recent years. So, our advice to sellers would be to sell in the short-term at the maximum possible price – or be prepared to hold for the medium to long-term when we are back in a strong seller's market.

The 'underestimate-overestimate' principle

If it all seems a bit like crystal ball gazing, then keep it simple by sticking to the 'underestimate-overestimate' principle. This refers to taking a prudent financial view and underestimating what you will walk away with and overestimate your cost of buying.

That way, any surprises will be pleasant, rather than unpleasant ones. And, we'd all prefer a pleasant surprise!

Looking for some good advice and an honest appraisal? Talk to us **today.**