



# The Upside to Buying in a Down Market

Adapted from an article written by Peter O'Malley,  
author of Inside Real Estate.

If you are looking to upgrade your property, don't let the doom and gloom sentiment get you down. It is actually easier and financially better to upgrade when prices are falling. Conversely, it's better to downgrade when prices are rising for the same reason.

As an example, using round numbers:

If you own a \$1 million property and decide to upgrade to a \$2 million house, the raw change over cost is \$1 million plus expenses.

When the market rises 10%, the value of the \$1 million home you are selling rises to \$1,100,000. However, the \$2 million house also rises by 10% to \$2,200,000, leaving you \$100,000 worse off on the raw numbers.

When the market is falling, the \$1 million property you are selling drops to \$900,000. However, the \$2 million house you wish to purchase also drops by 10% to \$1,800,000, leaving you \$100,000 better off on the raw numbers.

In a rising market, if you are buying and selling, it makes sense to buy first, sell second. For a period of time, where you own two properties, they are both rising in value. If you sell first in a rising market, if the market continues to rise, your cash loses purchasing power.

In a falling market, if you are buying and selling, it makes sense to sell before buying. Being cashed up by securing a sale before buying makes sense in the current market.

For a period of time, you may have sold your existing property and still need to purchase a new one. Due to having sold your existing property, as the market continues to fall, your purchasing power is improving.

A lot of people mistake selling with moving out. Selling is when you contractually agree terms with a purchaser, which is secured by a non-refundable deposit. Moving out or settling the sale is when the buyer gets the property and the seller gets the money.

If you sell first, you can always negotiate a delayed settlement in the order of 12 to 16 weeks to enable you enough time to purchase the next property.

When you upgrade in a down market, you can live in the property you want to live in and wait for it to increase in value, when the next cycle occurs.

If you are thinking about buying and selling in the current market, talk to us today about our risk-free approach to selling. Sell Smart with Iron Bridge!