

Property Focus

Bringing you the latest news, fact and figures from the world of Australian real estate.

To downsize or not to downsize



Whether you are retiring, looking to free up some capital, or simply wanting to de-clutter, downsizing can offer some real advantages – but it also comes with some downsides. We weigh up the pros and cons of making this lifestyle change.

PRO: A SMALLER HOME MEANS SMALLER BILLS

If you are looking to save on daily living costs, downsizing into an apartment or smaller home usually means you will save on basics such as heating costs, electricity, and house insurance.

PRO: DE-CLUTTERING IS THE ONLY OPTION

If you (or others in your household) struggle to get rid of clutter, downsizing provides the perfect reason to get tough and minimise. Especially if you are moving into an apartment or unit, storage space will be at a premium, so only the most important possessions should go with you.

PRO: LESS HOUSEHOLD MAINTENANCE

Alternatively, if you can't wait to retire the lawnmower and hedge clippers, downsizing is a great option. Indoor chores such as vacuuming, dusting and cleaning will also be quicker and easier in a smaller home, freeing up your time for other activities.

PRO: RELEASE YOUR CAPITAL

Many of us have the majority of our savings tied up in our primary property. Downsizing can offer the opportunity to free up money that can then be used to diversify investments, take a dream holiday, or simply provide more cash flow for daily living.

CON: A DOWNSIZED HOME MAY MEAN DOWNSIZED FURNITURE

Moving into a smaller space could cost you some extra money if your furnishings are too big for your new home, and you have to spend on new items such as lounge suites, dining tables and bedroom furniture.

CON: OUTDOOR SPACE AND HOBBIES MAY BE AFFECTED

For those who love gardening or lounging around the backyard during the summer months, downsizing can be challenging. However, many people cultivate impressive gardens on apartment balconies, and if this is something that is important to you, look for a home that fits the bill in terms of sunlight and space.

CON: LIFESTYLE CHANGES MAY BE HARD TO ADJUST TO

Moving from a self-contained family home to a unit or apartment, or even just a smaller home in a different neighbourhood, can present some major changes. You may not be able to have family or friends to stay over, hosting large events may be difficult, and new neighbours in closer proximity could prove challenging.

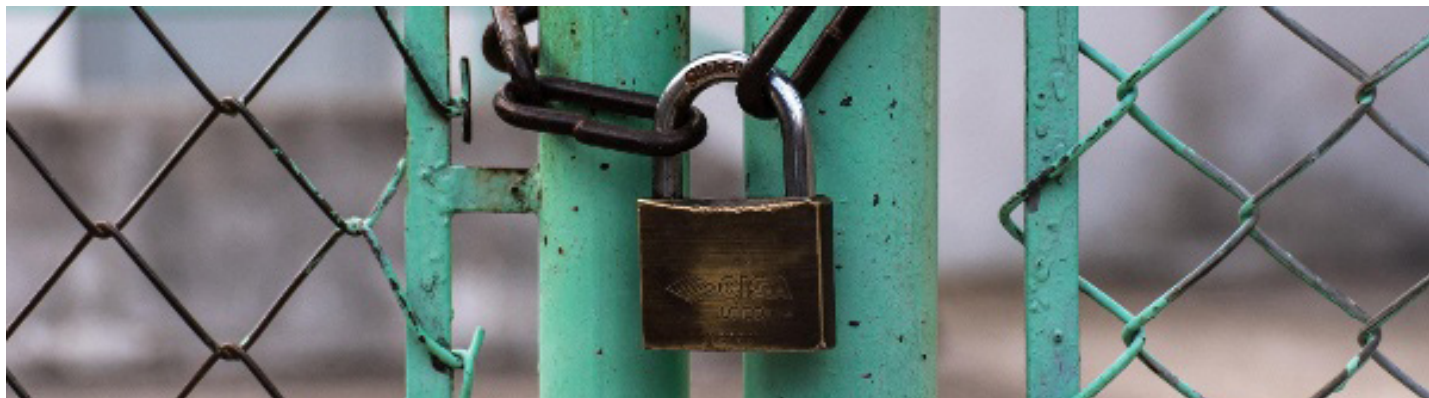
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How to Choose - Fixed vs. variable



Should you lock in your interest rate for a fixed period? Or take a chance on interest rates dropping even further and choose a variable rate? Unfortunately, there's no simple answer to these questions. To help you make an informed decision, we've outlined the pros and cons of fixed and variable interest home loans.

VARIABLE INTEREST RATE LOANS

A variable interest rate moves with changes to the market interest rates – either up or down – and your loan repayments move accordingly too. If interest rates drop your repayments go down, but if interest rates rise so do your repayments.

A big advantage to variable interest rate loans is the amount of flexibility they offer. Most are structured in such a way to allow you to make extra repayments when you can, which helps you save on interest and could shave years off your loan.

These types of loans may have additional attractive features like unlimited redraws on any additional repayments you've made, or the ability to save even further on interest by setting up an offset account. It's also usually easier and cheaper to switch home loans if you're not locked into a fixed rate, so if there are better deals out there you'll be able to take advantage of these.

On the flipside, variable interest rate loans make it harder for you to budget, as loan repayments could

change from month to month. And, if you're already pushed to your limit with your repayments, any increase in rates could cause considerable stress.

FIXED INTEREST RATE LOANS

With a fixed interest rate loan, the interest rate is set for a limited period – between 1 and 5 years – and is not affected by any movements in the market. This means your repayments remain at the same, fixed rate for the length of your loan term before usually reverting to a variable interest rate.

Many home buyers, particularly first home buyers, choose this type of interest rate. It works well for borrowers on a strict budget who need the certainty of paying a fixed amount each month, particularly important in times of economic uncertainty when interest rates could potentially rise.

The disadvantage is of course losing out when interest rates drop as your loan repayments remain fixed. Some lenders charge a fee for making any extra repayments during your fixed rate term and breaking a fixed rate loan could be costly.

SPLIT LOAN OPTION

Some lenders may offer the option of a split home loan interest rate where part of your loan is on a fixed rate while the remainder is on a variable rate, essentially offering you the best of both worlds!

While you're covered from interest rate rises with the fixed part of your loan, you enjoy the advantage of any rate drops and you're able to make additional payments when you can without added fees with the variable part of your loan.

It's worthwhile talking these options over with your mortgage broker to find out which loan option best fits your unique situation.



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Market Facts

Capital cities home value index - 30 June 2018

	ALL DWELLINGS		HOUSES		UNITS	
	% Change Year on Year	% Change Month on Month	% Change Year on Year	% Change Month on Month	% Change Year on Year	% Change Month on Month
Sydney	-4.21 ▼	-0.22 ▼	-5.89 ▼	-0.16 ▼	0.29 ▼	0.40 ▼
Melbourne	2.22 ▲	-0.50 ▼	1.55 ▲	-0.61 ▼	4.36 ▲	-0.14 ▲
Brisbane*	1.16 ▲	0.23 ▲	1.19 ▲	0.14 ▲	1.10 ▲	0.37 ▲
Adelaide	0.62 ▲	0.50 ▲	0.77 ▲	0.48 ▲	-0.51 ▼	0.75 ▼
Perth	-1.84 ▼	-0.14 ▼	-1.55 ▼	0.14 ▲	-3.16 ▼	-1.40 ▼
Hobart	12.71 ▲	0.81 ▲	13.59 ▲	0.87 ▲	8.33 ▲	0.57 ▲
Canberra	2.28 ▲	-0.10 ▼	3.14 ▲	0.02 ▲	-0.43 ▼	-0.49 ▲

*includes Gold Coast