



# Considerations For Renovating Or Upgrading

How do we know with certainty that it is the right time to upgrade or renovate when there seems to be an overwhelming number of considerations that need to be thought through?

If you are on the fence about either 'selling and upgrading' or 'renovating your existing home' here are a number of considerations that may help you determine if it is the right time and the best option for your circumstances.

## 1. Creation of positive equity

If you have owned your existing home for five or more years, chances are that you now have positive equity in your house. Your equity is determined by deducting the remaining balance of your mortgage from the current market value of your home. This positive equity is usually created through either an increase in the value of your home or a reduction in your loan balance.

The positive equity in your existing property can be utilised to borrow additional funds to renovate your home or as a capital contribution for the purchase of a new home.

## 2. Savings

If you do not have positive equity you may have established a savings plan and built up a nice little nest egg that can be utilised towards a renovation or a new home.

Like positive equity, these savings can be utilised to secure a new loan to assist with the purchase of a new home or contribute towards the cost of a renovation.

## 3. Financially stable

In the majority of instances, we find that most people are not in a financial position to upgrade their home or pay for a

renovation and require a new loan to achieve their dream.

When considering your application the lender will not only consider if you have adequate security, they will also look at your ability to repay the loan. This will include not only your earning capacity but the stability of this income.

In addition the lender will look at your spending habits including both essential and discretionary expenditure to determine your ability to service the new loan. Importantly you need to be comfortable that any increase in loan repayments are within your means.

## 4. Emotionally ready

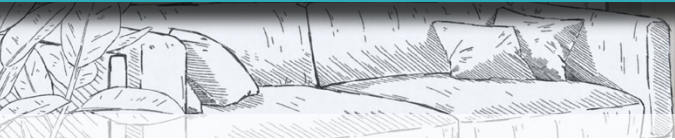
Many of us under-estimate the amount of preparation and planning that is required to either upgrade our home or undertake a renovation. Given the number of activities that are required to be undertaken it can be quite a stressful time compounded by a level of uncertainty.

Depending on the scope of a renovation and expected duration to complete, the renovation process can place pressure on the household together with the number of decisions that need to be made with the selection of materials. Also keep in mind that the result will be reflective of your taste and family situation.

Similarly selling your home can be equally as stressful with the amount of preparation required to present your home in the best light, the constant need to keep it looking like a display suite and having a continuous stream of strangers coming through your home.

It is important that you be realistic and keep your expectations in check.

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## 5. Outgrown your home?

Over time our family circumstances change requiring our home to change with our needs.

When you first purchased your home you may have been a young couple, however as your family has grown you could have requirements for additional space. As our children grow into young adults their requirements also need to be considered. Maybe your aging parents require more care and need to move in with you so you can provide this level of support.

These changes in our family can be a tell-tale sign that it is time to renovate or upgrade.

## 6. Home too large

On the reverse, it may be time for homeowners to sell as their children have grown up and moved out of the large family home. The regular maintenance may also start to become a burden and prohibit you from enjoying life more generally.

Downsizing also provides the opportunity to realise some of the established equity in your home that can be utilised to enjoy your retirement or pay for care during your older years.

## 7. Your location

Love the area you live in and your neighbours? Maybe renovating is a more attractive consideration, particularly if your suburb is quite tightly held and houses do not often come to market.

On the other hand perhaps you're looking for a lifestyle change that requires you to move to a new location and it's time to sell your home.

Considerations could include schooling for the kids and possible opportunities, healthcare requirements, shops, parks, public transport and you want to live in the area where you and your family spend the majority of your time.

## 8. Market pricing

There is no better indication of the value of your home than recent sales of similar homes in your area. It is also important to consider how quickly these homes are taking to sell. If they are selling quickly it indicates that there is demand and provides confidence should you choose to sell.

You also need to understand the value of homes that you want to buy to establish the additional outlay required to cater for your family's needs.

## 9. Over capitalising

If you are already living in your ideal location the desire to renovate and create your own dream home could be a strong preference. However, you need to consider the cost of the renovation and the resulting value of your property after the renovation is complete. If the renovation does not add at least the cost of the renovation, there is the risk of overcapitalising that could result in your losing money in the short to medium term. Remember it is not uncommon to experience budget over-runs.

Is it the time to consider renovating or upgrading? It is always good to start with determining your borrowing capacity as it will ascertain if you are in a financial position to achieve your dreams. Call the office today to organise an appointment and start the journey.