

Do your sums before you downscale

If you're thinking of moving to a smaller home that is easier to manage and more secure, you might need to "downscale" more than you thought to make the move worthwhile.

So says Richard Gray, CEO of Harcourts Real Estate, who notes that about one in four home sales these days is being made by empty-nesters hoping to downscale from a family home and hopefully cut costs while also improving their personal security.

"However, the latest housing review from Absa illustrates that there is really not that much benefit in moving from a medium-size house to a small house at the moment. It shows that the average price of a pre-owned, medium-sized home achieved year-on-year growth of 6,9% in August this year to R1,14m, while the average price of a small home grew 11,4% to around R824 000.

"And using these values, the costs of selling a medium-sized home and buying a small one would total around R124 000, including selling commission, bond registration, legal fees and transfer duty – which would leave just over R190 000 to cover a deposit on the new home and the costs of moving," he says.

"What is more, the margin would probably be even less if the smaller home was in a new development, as newly-built homes are now at least 20% more expensive than pre-owned homes of the same size. The projected savings on maintenance, utilities and possibly security would thus have to be really considerable to make the change worthwhile."

On the other hand, Gray notes, those who are prepared to make a major change from a large house to a small house do stand to achieve immediate financial benefits. The Absa figures show that the average price of a large home is currently R1,77m, which means that the total costs of selling and buying again would be about R168 000, and that there would be R778 000 left to put towards a deposit and/ or retirement savings.

"The message here is that owners who are thinking of downscaling must do their homework first. They need to establish the real differential between what they are selling and what they are hoping to buy – and how they could possibly increase this," he says.

Owners moving from a medium-size house, for example, could perhaps consider moving to a townhouse or an apartment rather than a small house. "Or they might choose – as an increasing number of people all over the country are doing – to move from a big city to a smaller home or retirement village in a country town, where property prices are generally lower.

"Either way, however, they should not make a hasty decision that could negatively affect their financial situation for years to come."

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