

Just one home in your lifetime?

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Domain looks at the pros and cons of sticking with one house for life.

When a couple gets together, they often intend it's until "death do us part". For some, that lifelong commitment applies equally to their house.

While such devotion was common 50 years ago, today the high costs of buying and selling property make settling for a once-only "forever house" look increasingly attractive, rather than planning a series of step-ups from small homes to larger ones.

"I definitely think it's a good idea to buy a home you can stay in for a while," says the president of the Real Estate Buyers Agents Association of Australia (REBAA), Warwick Brookes. He says the average house move is once every seven years.

"People don't understand the changeover costs when they buy and sell real estate. You have stamp duty at 5 per cent, moving costs of about \$1000, agents' commission at maybe 3 per cent, legal fees of around \$2000 ... it really does add up. If you move around and pay those all three times, then any small increases you may have got on the original prices you paid could well be a false economy."

So, to buy big early - or to stagger your growth? There are arguments on both sides, in terms of making good financial sense and pursuing the best lifestyle.

Stay put

On the plus side of a forever home, a recent study by buyer's agency Curtis Associates found that the longer people hold a property, the proportionately much better are their capital gains. Those selling homes 10 years after buying enjoyed an average annual capital gain of 8.25 per cent as against those holding homes for nine years, who had an annual average of

5.2 per cent.

"On top of that, you have to bear in mind that, against the increasingly oppressive regulatory environment with buying and selling, you don't pay stamp duty on renovations," agency principal Chris Curtis says.

Also, today's flat market offers the best opportunity in the past five years to buy big early, Brookes says.

"Then if it goes up in value, you'll be accruing equity that you can use for other things like shares or buying an investment property."

Obviously, there are other advantages, such as kids not having to change schools - or friends - the family always having the same place they consider home and not having to go through the emotional stress of selling, buying and moving.

Because even when you grow old, particularly in the light of reports this week that anti-ageing drugs could have us living to 150, if you've bought wisely you might not have to move, Curtis says. "You might be on land that's subdividable or you could convert your house to a duplex and sell or rent out the other part," he says. "Also, the legislation, in some cases, now lends itself to building a granny flat out the back that you could move into."

Move often

On the other hand, there are definite advantages to starting small and progressing to a bigger home. Affordability, for one, and not having to live under crushing mortgage debt.

"You have to make absolutely certain you don't overcommit yourself and, under the tighter restrictions, mortgage lenders now won't allow you to," says the chief executive of Mortgage Choice, Michael Russell. "The size of your mortgage shouldn't preclude you from doing other things in life you might like to do."

Indeed, you might not be in a position to service a big debt.

"Many like to start small and build up, so they have a savings

record, or they might earn different salaries at different times," says a financial expert from Wealth Advice, Marisa Broome. "They might also like a certain lifestyle, or one partner might not be able to work for a while, which could be disastrous if they were relying on two salaries for mortgage repayments."

Also, if you buy and sell wisely, realising more capital appreciation each time and upgrading as you go, that can be a way to build wealth over time.

The director of Property Planning Australia, James McFall, says that, as long as the gain exceeds the transfer costs, it can be a good strategy.

"It also minimises your risk since most people won't be able to buy their dream home as a first-time buyer," he says.

Another difficulty is that a person's image of their dream home, their expectations and aspirations change and that can be hard to predict, Russell says. "Of course, having just one house makes a lot of commercial sense but you tend to grow and evolve over time."

People's needs may change in ways they'd never imagined. They might become bored with their location, tire of the commute to work or new housing might be developed in an area they'd like to live.

"When people have a family, they might want to move up to the central coast, for instance," says a financial adviser with Henderson Maxwell, Andrew Zbik.

Also, if you keep waiting until you find your perfect forever property, prices might well rise and you'll miss out, says Justin Doobov of Intelligent Finance. "You might always be better buying something that suits you for the next five years rather than buying and maintaining a property that's too big for you for a number of years."