



Should you keep your first home as an investment property?

One of the questions potential first-time sellers face is whether or not they should keep their existing property as a rental when they move up to a bigger home.

In this guide, we'll talk through the pros and cons and suggest some questions to consider if you find yourself in this position.

But first, a disclaimer: The suggestions in this guide are general in nature and it is critical that you receive expert, impartial advice before making any large financial decision.

"Wait, can I keep both houses?"

Before we get into it, it's worth mentioning that the very first step in this process is to talk to your bank or mortgage broker to see if it is possible to keep your existing home when you move up. Some owners don't even realise it could be an option.

A dream come true

Most of us dream of owning an investment property at some point in our lives. It's seen by many as a milestone that provides financial security and a real sense of pride and achievement.

Other benefits (pros) of keeping your first home as a rental:

- You don't have to go hunting for another property, you've already found your investment!
- You know the property inside/out, which lowers the maintenance risk.
- It guarantees you'll get an investment property. If you sell it with the goal of buying something else as a rental, there is a chance you lose interest and give up along the way.
- You save the cost of selling your home and keep that amount as equity instead.
- Owning multiple properties is like having a forced savings plan, which can be positive if it helps you achieve financial security over the long term.



Negatives (cons) of keeping your first home as a rental:

- It may not stack up (return-wise) as a rental. You may be able to find a more investment-suitable property with better cash flow elsewhere.
- Owning two houses means two big sets of things that can break. You need to have a decent lump sum ready for any urgent, unexpected repairs.
- Maintenance expenses may divert money away from other dreams like renovating the home you live in.
- If it costs you money to keep the property (ie. rent doesn't cover mortgage interest/insurance/rates/repairs/management etc.) then it can essentially reduce your freedom.
- You may be tempted to manage it yourself to make it stack up financially, which can be risky if you end up picking the wrong tenants.
- Rental properties come with risks - tenants sometimes stop paying rent which can leave owners with limited cash resources in a vulnerable position.

Questions to consider...

How long are you prepared to keep owning the property?

One mistake you potentially want to avoid is keeping your existing home as a rental, then changing your mind after a short period, like 6-12 months. When it comes to maximising the value of a property, presentation is everything. Owner-occupier properties tend to get better prices because they are usually presented spectacularly well. It's harder to present a home to that same standard if it is rented out, or has been tenanted for some time.

Unless you are thinking of holding the property long term, you might be better selling your home while you are there to make it look amazing and maximise the sale price.

What is your long term plan?

If you are in your prime career earning period, then it's easier to ride out any fluctuations in interest rates, or maintenance blowouts.

If, on the other hand, you want to start a family soon and incomes are going to reduce, then it's worth considering whether owning multiple properties will be viable during that time.



Ask for advice...

If you have an experienced property investor amongst your family or friends then they might be a good person to talk to before making any major real estate decision. It's also important to discuss your options with your accountant and lawyer, too.

More info = better decisions

Before you can decide whether to sell your first home or not, you probably need to know what it's worth. Get in touch today to book a free consultation and we'll provide you with an up-to-date market appraisal showing what properties like yours are selling for in the current market.

Alison Cameron Real Estate
M 021 468 562
E Alison.cameron@harcourts.co.nz
15 Anzac Road Browns Bay