

The price of an extra bedroom is hitting home

Elizabeth Redman
Property editor

Hopeful home buyers would need to find hundreds of extra dollars a month to pay a mortgage on a property with one extra bedroom.

The price of extra space has become prohibitive for some buyers amid the cost-of-living crisis, forcing them to move further out to accommodate a growing family.

In Melbourne, a family which bought the typical four-bedroom house would pay \$658 extra a month on their mortgage compared with the cost of the typical three-bedroom house.

The figures assume the buyer has a 20 per cent deposit, takes out a 30-year loan and keeps expenses modest.

Canstar money expert Effie Zahos said that during the lockdown years, home buyers were willing to move from an apartment, for example, to a house to have more space, but circumstances had changed and the days of cheap money were over.

"Each bedroom that you do add on is adding on to your interest bill," she said. "It is a luxury to be able to have a four-bedroom house."

"Families will be looking at bridesmaid suburbs - so not as close to the city, maybe not having a designated area for a study but [converting] a nook under the staircase."

She said the economic data was heading in the right direction for the next change to interest rates to be a cut, especially considering the lacklustre economic growth figures published earlier this month,

but it was unlikely to happen for a while yet.

The Reserve Bank kept the cash rate on hold yesterday and said it would not rule anything in or out in terms of its future decisions.

Ray White chief economist Nerida Conisbee said the extra costs for more space came as property prices overall increased last year and mortgage rates also rose.

A shortage of supply of homes is not being resolved quickly, construction costs are high and prices are likely to rise further this year, especially if interest rates fall over the coming months.

Some home buyers would compromise by choosing a smaller property, while others would move further away to find the size of home they required at a price they could afford, Conisbee said.

"They do compromise a lot more on location, because location makes such a huge impact on pricing," she said.

"Because Australian property is getting so much more expensive now, there is the shift to apartment living and people are seeing apartment living as a viable option."

Buyer's agent Michelle May of the eponymous agency said it had become almost impossible for many buyers to upgrade from an apartment to a family house because they faced a large price gap.

"There is a willingness to move out further, because you can't have two or three children in a 65-square-metre apartment," she said. "A lot of them are losing the hope of ever moving out of strata."

"People are getting stressed, so then you've got to consider, is it worth staying here if you're living all on top of each other and you're paying \$1 million for a two-bedroom apartment?"

She recommended buyers face the facts early in terms of how much properties in their desired area cost, by looking online at sold prices rather than price guides.

"[Buyers could ask] 'My budget is \$1 million, where can I actually buy? What is it that I need? If it is a three-bedroom property, where does that actually exist?'" she said.

'There is a willingness to move out further'

Michelle May, buyer's agent