My wife and I are approaching retirement and debating whether to downsize our home or rent out our property and move. Which option might make the most financial sense in the current housing market?

Downsizing can unlock significant equity, offering a lump sum to support your retirement, says Daniel Austin, chief executive of ASK Partners

Daniel Austin, chief executive and co-founder at ASK Partners, says choosing between downsizing or renting out your current home at this stage in your lives is both a financial and lifestyle decision. Each route has its pros and cons, and the right choice depends on your circumstances, retirement goals, and long-term preferences.

Downsizing can unlock significant equity, offering a lump sum to support your retirement. According to Savills, homeowners in England and Wales could release an average of £305,090 by moving from a four-bedroom to a two-bedroom property. Spread over a 20-year retirement, that equates to roughly £1,218 a month. Beyond the upfront capital, smaller homes typically mean lower utility bills, maintenance costs and council tax. However, it's important to factor in transaction costs such as estate agent fees, conveyancing, surveys, moving expenses and notably, stamp duty. For homes valued above £250,000, stamp duty is 5 per cent on the portion between £250,001 and £925,000, which can be a substantial outlay.

Renting out your current home, on the other hand, can generate income while preserving your asset's long-term value. Rental income can help bridge retirement expenses, and by retaining ownership, you could benefit from any future rise in property value. That said, becoming a landlord brings obligations — managing tenants, maintaining the property, and staying compliant with legal regulations. Rental income is also taxable, and there may be occasional void periods without tenants, affecting cash flow.

If you choose to rent out your property and rent elsewhere, you gain flexibility and reduce maintenance responsibilities, but you forgo the equity-building benefits of home ownership. You'll also need to account for potential rent hikes and a lack of long-term security, depending on your tenancy.

If you’re looking to invest in property without owning bricks and mortar, there are several alternatives worth considering. For example, these could include real estate investment trusts (REITs), which are listed companies that own and manage income-generating properties such as commercial buildings or student housing; and property funds that pool investor capital to invest in a diversified portfolio of real estate assets.

You can also invest in real estate debt, lending capital to property projects. Once the preserve of institutions, these options are now increasingly accessible to individual investors seeking greater flexibility, tax efficiency, and control. This option also provides a regular income stream in the form of interest payments.