What adds value to your home?

- Adding a bedroom and a bathroom through an extension or loft conversion can add over 20% to a property’s value.
- Extending to accommodate an extra bedroom can add over 10% to house value.
- An extra bathroom adds 5% to the value of the average home.

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Commenting on the figures, Robert Gardner, Nationwide’s Chief Economist, said:

“Following our popular research feature in 2011, we have re-examined the factors that affect the value of homes, and the potential to add value.

Value of space

“Having more useable space is generally thought to be consistent with better quality accommodation and people are prepared to pay for it. A 10% increase in floor space, other things equal, adds 5% to the price of a typical house, whilst adding space equivalent to the size of a typical double bedroom to a two bedroom house can add around 11% to its value.

“A second bathroom also remains a favourite amongst homeowners and our research shows that creating an additional bathroom can add 5% to the value of the average house.

“Homeowners that add a loft conversion or extension incorporating a double bedroom and a bathroom can add about 20% to the value of a three bedroom, one bathroom house.

“Households appear happy to pay for more space and our analysis suggests that, providing the room is useable1, adding an extra bedroom can be a good way to increase the value of a property. The table below shows the value added for different property types by increasing floor area to accommodate an extra bedroom.

<table>
<thead>
<tr>
<th>Value added</th>
<th>2 bed to 3 bed</th>
<th>3 bed to 4 bed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terraced</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Semi-Detached</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>Detached</td>
<td></td>
<td>9%</td>
</tr>
</tbody>
</table>

“While larger properties cost more to buy, smaller ones tend to have a higher price per square metre (see chart on the next page). A small one bedroom flat would cost around £4,200 per m² compared to £2,000 per m² for a four bedroom house. The marginal cost per square metre falls in part because it is relatively cheaper to build larger properties.

Spare bedrooms

“85% of owner-occupied properties in England have at least one spare bedroom2. Remarkably, 49% are actually classified ‘under-occupied’, that is to say they have two or more spare bedrooms. In contrast, in the private rental sector, only 15% of properties are ‘under-occupied’.

1 Each additional bedroom is assumed to have a floor area of 13m².
2 Source: Communities & Local Government, English Housing Survey – Headline Report Tables (2012-13)
Energy efficiency

“With fuel costs continuing to rise and an increased emphasis on environmental sustainability, we expect households to become increasingly conscious about their energy use. Recent data from the Department for Communities and Local Government (CLG) shows that energy efficiency within the housing stock has continued to improve.

“Energy efficiency ratings for homes are gauged in terms of the A-G ratings, comparable to those used for domestic appliances, with A being the most efficient. Since 1996, the proportion of owner occupied property rated A-D has increased from 20% to 65%.

Increased use of insulation measures such as cavity wall insulation and double glazing, have helped to improve energy efficiency (see chart below). For example, since 1996, the proportion of dwellings with double glazing has increased from 30% to 79%.

Summary

“Location remains key to house values, but other factors such as the size of the property and the number of bedrooms it offers, are also important to homebuyers. Home improvements that increase floor area, such as an extension or loft conversion, remain a good way to add value. As energy costs continue to rise, measures to improve efficiency also make good economic sense. Ultimately of course, the decision to invest in the home is an individual one, taking into the account the costs and hassle involved, as well as potential benefits.”

Notes

Our analysis does not take into account gardens, nor can it adjust for other aspects which are often, by their nature, subjective. Features such as interior design, garden landscaping and fitted kitchens may add value and enhance a property’s saleability, but while one designer’s makeover will add value for some buyers, the same design may detract from the price for others. Improvements finished to a higher standard will be more attractive than ‘bogged’ jobs, but there is a trade off between the cost spent on refurbishment and the price someone else is prepared to pay for it.

The Nationwide House Price Index is prepared from information which we believe is collated with care, but no representation is made as to its accuracy or completeness. We reserve the right to vary our methodology and to edit or discontinue the whole or any part of the Index at any time, for regulatory or other reasons. Persons seeking to place reliance on the Index for their own or third party commercial purposes do so entirely at their own risk. All changes are nominal and do not allow for inflation.

More information on the house price index methodology along with time series data and archives of housing research can be found at www.nationwide.co.uk/hpi

Photographs of our economist are available at: http://www.nationwide.co.uk/about/media-centre-and-specialist-areas/media-centre/photo-library

3 Source: Communities & Local Government, English Housing Survey – Headline Report Tables (2012-13)