

Nationwide HOUSE PRICE INDEX

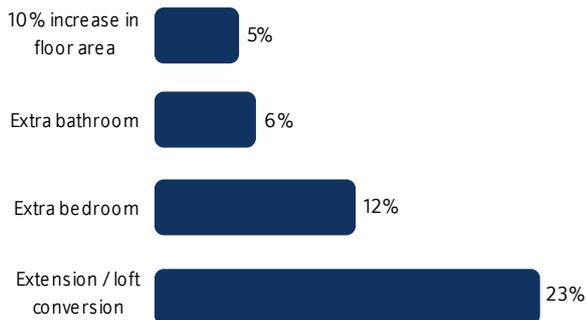


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Special Report
4th October 2011

What adds to the value of your home?

- A 10% increase in floor space adds 5% to the price of a typical home
- Adding a bedroom and a bathroom through an extension or loft conversion can add up to 23% to a property's value
- Creating an extra bathroom adds 6% to the value of the average home



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

"With housing market demand still very weak, increasing numbers of homeowners may opt to improve rather than move. Our research assesses 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 12% to its value.

"A second bathroom is also a favourite with homeowners and our research shows that creating an additional bathroom can add 6% 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 23% to the value of a three bedroom, one bathroom house.

"Households are 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.

Value added	2 bed to 3 bed	3 bed to 4 bed
Terraced	12%	10%
Semi-Detached	13%	10%
Detached		9%

"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 £3,100 per m² compared to £1,900 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

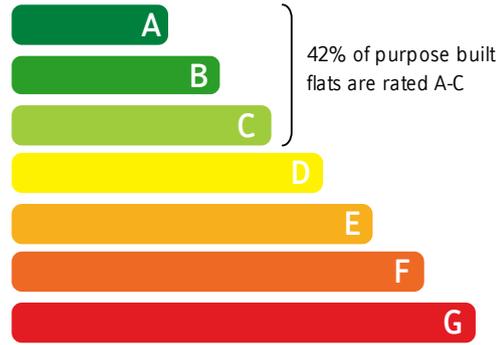
"84% of owner-occupied properties in England have at least one spare bedroom². Remarkably, 47% are actually classified 'under-occupied', that is to say they have two or more spare bedrooms. The South West has the highest level of under-occupation across the English regions at 51%, whilst London, where space is more at a premium, has the lowest proportion at 36%.

¹ Each additional bedroom is assumed to have a floor area of 13m²

² Source: Communities & Local Government, English Housing Survey – Housing Stock Summary Report (2009)

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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. Data from the Department for Communities and Local Government (CLG) reveals some important differences in energy efficiency within the current housing stock³.

“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. Purpose built flats are the most energy efficient type of property, with 42% rated A-C. Converted flats, on the other hand, are the least efficient; only 5% are rated A-C and 27% are rated F or G. Amongst the different house styles, terraces are the most efficient (15% rated A-C), whilst bungalows are the least efficient (only 4% rated A-C and 21% rated F-G).

“Detached houses unsurprisingly, have the largest carbon footprint, with mean emissions of 9.3 tonnes of CO₂ per year. The annual energy cost (2009 prices) is also well above other property types at £880. With energy costs continuing to rise, these households are likely to see significant cost increases.

“CLG estimate that over 19 million dwellings (86% of the stock), could benefit from at least one of the cost effective improvements recommended through the energy performance certificate, which is required when marketing a property. These include lower cost measures such as loft insulation or cavity wall insulation, as well as more substantive actions such as upgraded heating and boilers.

Summary

“Although location remains key to house values, 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, therefore remain a good way to add value. But with energy costs continuing 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.”

³ Source: Communities & Local Government, English Housing Survey – Housing Stock Summary Report (2009)

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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 'bodged' 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:
www.nationwide.co.uk/mediacentre/economist.asp

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