

WHY BUY NEW:
AVOID THE
MONEY PIT



THE COST OF UPGRADING
OLD TO NEW



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ABOUT HBF

The Home Builders Federation (HBF) is the representative body of the home building industry in England and Wales. HBF's members' accounts for 80% of all new homes built in England and Wales in any one year, and include companies of all sizes, ranging from multi-national, household names through regionally based businesses to small local companies.



This report was published to launch New Homes Week 2017, an industry-backed initiative that looks to promote the benefits of new build homes to consumers across the country.

CONTACT

Home Builders Federation Ltd
HBF House, 27 Broadwall, London SE1 9PL
Tel: 020 7960 1600
Email: info@hbf.co.uk
Website: www.hbf.co.uk







THE COST OF UPGRADING OLD TO NEW

With vast improvements in specifications, fit out options and technologies available to the building industry in order to make a property the ideal home for its owners there is potentially a significant amount of upgrades new owners of a secondhand home could make to modernise the environmental, safety and security standards of their home as well as the design.

A new build home will include modern wiring, insulation, roofing, guttering and heating as well as specifications usually tailored to the needs and wants of the new owner. In the case of a secondhand home, the cost of making design changes and upgrading specifications can pose significant costs at a time that is already marked by major financial decisions and commitments.

Renovating work on a secondhand home can also be so significant that work has to be staged over a long period of time causing potential stress, inconvenience and rising costs for owners by delaying moving dates or forcing them to live amidst ongoing renovations and, therefore, making it difficult to settle in to their new home.



MODERNISING AND UPGRADING

There is always some variability to what work a house will need to be modernised, personalised and upgraded depending on the age and standard to which it was built in the first place. Decorative upgrades and personalisation is very common with the majority of people buying a second-hand home having to make improvements to both their **kitchen (51%)** and **bathrooms (52%)**, with **70%** saying that they also have to redecorate.¹

However, even a small number of initial tasks such as personalising paint and decorations to make the home more suitable for a new owner can already add a substantial cost on top of the wider costs associated with purchasing a property.

Costs can, in turn, increase exponentially, for example, if wiring, roofing or central

heating upgrades or replacements are required or if previous work was not done to a professional standard. With older homes this is not an uncommon requirement, for example, according to 2015 HBF research, on top of redecorating costs, **40%** of people surveyed reported that they upgraded the **heating system** or **plumbing** and **39%** have had to install **double-glazed windows**, both costly endeavours that help to make homes highly energy efficient. Further, with a number of such essential components requiring updating at regular intervals to address general wear and tear, for example, **wiring** needs to be updated after every **25 to 40 years** of normal use, it is likely that a home buyer of a secondhand property will need to rectify some issues either immediately or fairly soon after moving into a property.

1. HBF, Why Buy New, 2015: available at: http://www.hbf.co.uk/fileadmin/documents/members/FactSheets/HBF_Fact_sheets_web.pdf



POTENTIAL COSTS OF MODERNISING A SECONDHAND HOME

In 2015, over a third of homeowners surveyed who made home improvements spend **£10,000 - £40,000** upgrading their recently purchased home, with **13%** reporting that they spend over **£40,000**. New HBF research suggests that for an average 3 bedroom, semi-detached home the cost of upgrading a secondhand property to the basic level of specifications an owner would be able to expect from a new build can be over **£50,000** with essential work to update

and replace components requiring expert installation such as wiring and central heating making up a particularly large proportion of the expense. Unlike decorative changes, some of this work is also not always immediately visible prior to purchase and can become an unpleasant surprise and unexpected cost after a new owner has moved into a property and discovers faults or inefficiencies.

OF THE PEOPLE SURVEYED:

- 51% MADE IMPROVEMENTS TO THE KITCHEN
- 52% MADE IMPROVEMENTS TO THE BATHROOM
- 40% UPGRADED THE HEATING/PLUMBING
- 39% INSTALLED DOUBLE GLAZING
- 70% PEOPLE SAID THEY HAD TO REDECORATE
- 1/3 SAID THEY HAD SPENT BETWEEN £10K-£40K
- 13% REPORTED SPENDING OVER £40K

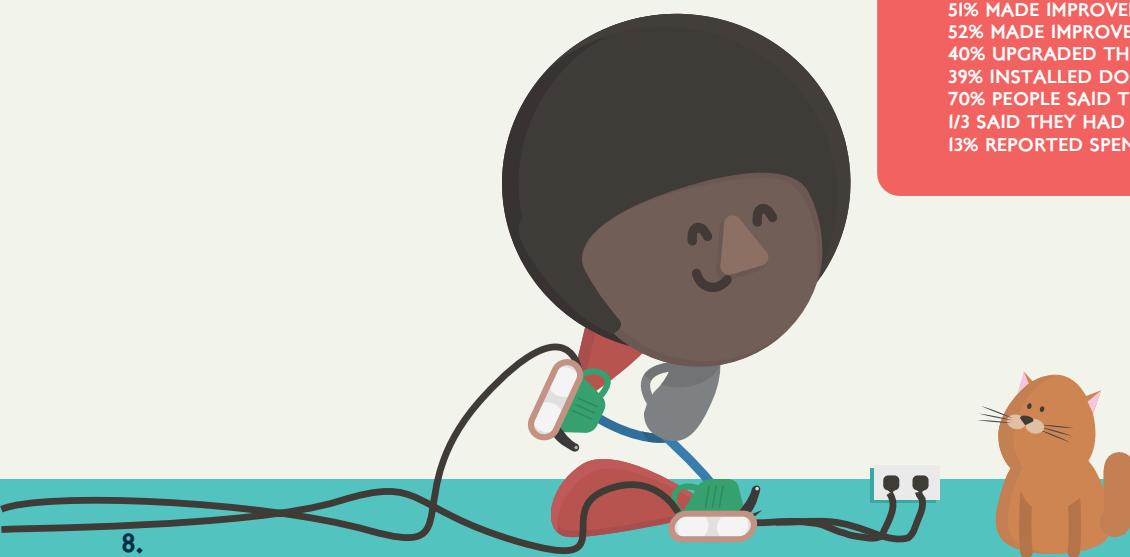


Table 1: Breakdown of estimated upgrade costs

UPGRADE AREA	INDICATIVE COST OF BASIC-LEVEL UPGRADE FOR AN AVERAGE 3 BEDROOM, SEMI-DETACHED HOUSE ²	NOTES
Kitchen	£7,900	Includes designer fee, disposal, wiring, unit and worktops, appliances and flooring
Bathroom	£3,800	Includes electrics, tiling, flooring, plumbing, bathroom suite and disposal.
Central heating	£6,185	
Wiring	£8,850	
Plastering	£5,240	Walls and ceiling.
Decorating	£2,500	
Flooring	£2,628	Based on assumption that old flooring has been removed and no further preparation is required.
Insulation	£775	
Windows and doors	£4,900	
Roofing	£4,000	
Guttering	£690	
External rendering	£4,175	
Total	£51,643	

“13% OF RECENTLY PURCHASED HOMEOWNERS SURVEYED REPORTED SPENDING OVER £40,000 ON HOME IMPROVEMENTS”

2. Based on information gained from householdquotes.co.uk, buildingsheriff.com or which.co.uk using assumptions related to example house type and size.



CONCLUSION

While a buyer of a new build home can expect the fit out and other basics specifications to be included in the purchase price, a further **£50,000** cost on top of the purchase price for a secondhand buyer may require further consideration of what finance and equity is available. Therefore, when deciding on a new build home, buyers are able to focus on fundamental aspects such location and price to inform their buying decisions, knowing that the home's specifications will be modern and meet current building standards. Buyers of secondhand homes, however, further have to consider the condition of the property and its facilities and may have to take into account unexpected costs associated with upgrading or repairing essential elements on top of personalising decorations and design elements. All the while, new build buyers can be reassured by **10-year home warranties** which ensure that, in the unlikely scenario some standards have not been met, issues will be rectified; and the industry-led **Code of Conduct for builders** which was developed to make the home buying process fairer and more transparent for buyers.

"A FURTHER £50,000 COST ON TOP OF THE PURCHASE PRICE FOR A SECONDHAND BUYER MAY REQUIRE FURTHER CONSIDERATION OF WHAT FINANCE AND EQUITY IS AVAILABLE "



#NHWI7

WAYS IN WHICH TO BUY NEW



HELP TO BUY



PART EXCHANGE



SHARED EQUITY

