WHY BUY NEW:

AVOID THE MONEY PIT

THE COST OF UPGRADING OLD TO NEW
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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.
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.

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

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

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

“13% of recently purchased homeowners surveyed reported spending over £40,000 on home improvements”
10.

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.

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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.
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.
WAYS IN WHICH TO BUY NEW

HELP TO BUY  PART EXCHANGE  SHARED EQUITY