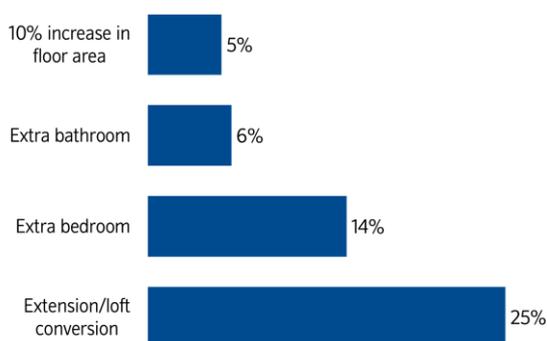




Embargoed until 00:01, Monday 28 August 2023

Bedrooms, bathrooms and extensions: what adds value to your home in 2023?

- Home improvements that add floor area, such as an extension or loft conversion, can add up to 25% to a property's value
- Extending to accommodate an extra bedroom can add nearly 15% to the value of the house
- Extra bathroom adds 6% to value of the average home



Commenting on the figures, Andrew Harvey, Senior Economist, said:

“The pandemic period was characterised by a ‘race for space’ as people re-examined their housing needs, although more recently there have been signs that some of these patterns may have unwound, at least partially. Considering this, we’ve taken the opportunity to look at the factors that affect the value of homes, and the potential to add value.

“Location remains key to house values, but other factors, such as the size of the property (including number of bedrooms), are also important to homebuyers. Home improvements that increase floor area, such as an extension or loft conversion, remain a compelling way to add value. Indeed, since we last looked at this back in 2016, the value added by such improvements appears to have increased.

“Ultimately of course, the decision to invest in the home is an individual one, taking into account the costs and hassle involved, as well as potential benefits. And, for some households, it’s a choice between move or improve. Amongst

owner-occupiers considering moving, the most cited reason was for a larger house or flat¹.

Value of space

“Having more useable space is generally thought to be consistent with better quality accommodation and people appear to be prepared to pay for it. A 10% increase in floor space, other things equal, adds 5% to the price of a typical house. Adding space to create an additional double bedroom can add around 14% to the value of an existing two bedroom house².

“A second bathroom remains a favourite amongst homeowners and our research shows that an additional bathroom can add 6% to the value of the average house.

“Homeowners that add a loft conversion or extension, incorporating a large double bedroom and bathroom, can add as much as 25% to the value of a three-bedroom, one-bathroom house³. This has increased from 22% in our 2016 research feature.

“Our analysis suggests that, providing the room is useable⁴, 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	13%	10%
Semi-Detached	17%	11%
Detached	13%	12%

Luxury or necessity?

“One of the questions homeowners may ask themselves before ringing the local builder is, ‘do we really need the space?’ English Housing Survey data suggests that 87% of owner-occupied properties have at least one spare bedroom, with more than half (53%) classified as ‘under-occupier’, which is defined as having two or more spare bedrooms.

¹ DLUHC English Housing Survey 2021/22

² Additional bedroom is assumed to have a floor area of 13m².

³ We assume an additional 28m² of floor area, which includes a large bedroom and bathroom.

⁴ Each additional bedroom is assumed to have a floor area of 13m²

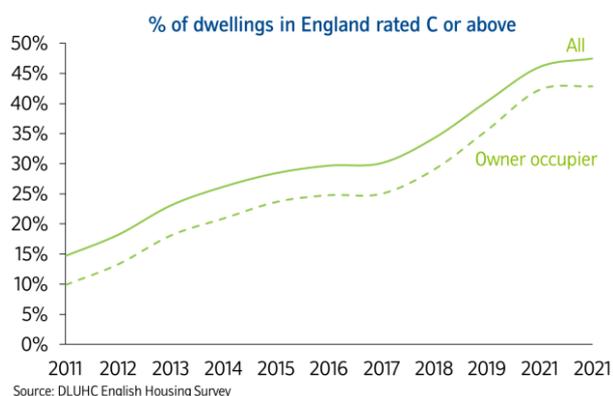
“However, the increase in home working means that some of these spare bedrooms are now more likely to be used as a home office or study. Additionally, many householders buy properties they intend to grow into over time, as their families expand and, probably more significantly given demographic trends, people remain in properties after their children fly the nest.

Energy efficiency

“Aside from extending, other ways of making your home more attractive include making it more energy efficient. Given cost of living pressures, energy costs remain a concern for households. Further, decarbonising and adapting the UK housing stock is critical if the UK is to meet its 2050 emissions targets, especially given the housing stock accounts for c20% of the UK’s total carbon emissions.

“The Government aims to update as many homes as possible to energy efficiency rating ‘C’ by 2035 ‘where practical, cost effective and affordable’. It also aims for all fuel poor households, and as many rented homes as possible, to reach the same standard by 2030.

“Over the past ten years energy efficiency has improved significantly thanks to the higher energy rating of newly-built properties and the improvements carried out on many existing homes, such as loft and cavity wall insulation. The latest data (2021) shows 47% of the housing stock is now rated ‘C’ or higher, up from 16% in 2011.”



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 which 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 methodology correlates the price paid for a property against the set of property characteristics (including the property type, age, number of bedrooms, number of bathrooms and floor area) and locality (local neighbourhood as described by ACORN). The data was drawn from Nationwide's house purchase mortgage lending at the post survey approvals stage in the 12 months to June 2023.

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

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