



The Slat House, Black Heath, Turner Castle, Photographer: Keith Collier

### How can this book help you?

When you buy a home, it is probably the biggest investment that you ever make. Quite apart from the money paid, there is usually an emotional investment as well. Many of your hopes and dreams are woven into its fabric. Quality of life, family development, personal comfort, lifestyle and image and status are all intimately wrapped up within its walls. After moving two or three times, most families prefer to stay put, so altering and improving houses is a favourite pastime in the UK. If you consider the effects of school catchment areas, the increases in stamp duty as you move up the property ladder, and high moving costs, it is easy to understand why. The cost of building a new bedroom to an existing house, for example, can be significantly less than buying a new property with the extra bedroom already included. On top of all this, we are bombarded by TV programmes and magazine articles telling wonderful stories of how once dull houses are changed into beautiful homes, implying a similar transformation for the occupants. If you are thinking of taking the plunge and starting your own home improvement project, but want the real story of how to be successful, this book is for you. It distils all the practical information needed to get a project up and running, with some warnings about the pitfalls along the way, and will also provide some creative ideas.

### Feasibility study

Somehow, you have to kick start your project and move from vague discussions about wanting to improve your home to making a realistic assessment of your best options. This step is often referred to by architects as a 'feasibility study' and it involves looking at why, when and how the improvements could be made. Too many families initiate and complete work on their house, only to find at the end of this generally stressful and costly process they have not achieved a wholly satisfactory result. Such failures are sometimes due to the lack of thought right at the very start, before ideas become fixed and above question. If it is possible that the building has some structural defects, or problems with the basic construction, these must also be identified – there is no point in spending money on new work if the existing fabric is not brought up to a similar standard. The

end result of a feasibility study may be that you should not proceed at all, because it would be inappropriate for the building or you cannot afford it. So it is vital to be as objective as possible and confront difficult questions early.

### Should you move house instead?

The very first question to ask is 'should we move instead?' In order to provide an answer you will need to do an investigation into why you are thinking of making the changes, their cost and the benefits that are likely to result from them. If your intention is to make a nice profit, prepare yourself for some bad news that is not often passed on by property professionals. Often home renovation projects will not add more than their cost to the value of the building. In other words, the final sale price could easily be less than the money you will pay for the

alteration added to the value of the house before the work is carried out. If you also allow for house price inflation, a factor often missed out in the seductive articles and TV programmes, it may actually be a lot less risky to put the money towards saving for a new house on the next step up the ladder. There are ways of making a profit, of course. These depend a lot on the design, location and condition of the house – all factors out of your control if you are considering improving the house in which you already live. If your earnings are below those of builders, and you have the skills, you can save money by doing a lot of the work yourself. Apart from reducing the cost of the work in this way, you can increase the cost effectiveness of the project, by thinking of things that improve the desirability (and therefore sale price) of the building for a relatively modest outlay.



**Watchpoint:** A typical extension may add no more than about half its cost to the value of the house.

A good example of how these factors all combine is to look at loft conversions, a firm favourite of many home improvers. At average 2007 prices, a loft conversion could cost £20,000 to £35,000 plus VAT. This is usually more expensive than most people anticipate (to find out why, refer to the later section of this book on loft conversions). The new room-in-the-roof may only add £10,000 to £15,000 onto the value of a £100,000 house, which would mean a potential loss of £15,000 if the house is to be sold straight after the work is finished. An exception to this general rule is for desirable built-up urban areas, where space comes at a very high premium, such as London. It is a

similar story for conservatories and extensions that usually result in a loss or just break even. Property speculators can pick and choose the few properties with the right potential, but your options are limited to the house that you already have. Should you plan to move in a few years' time, find out what the likely cost of the work will be and what the house will sell for afterwards. Having done this, you can decide whether the true financial implications justify the pleasure that you expect to get from the improved living conditions that will result. Many people happily complete their projects without worrying too much how it has affected their assets and this is fine as long as they intend to live there for many years or return on an investment is not an overriding concern.

If you work out that it is worth your while to go ahead, think carefully about what you hope the building work will do for you, ideally the way that it will improve your lifestyle rather than the exact nature of the alteration. For example, 'more space for the kids to play and to give the parents a bit of peace' might best be solved by larger bedrooms, or a family room, or a playroom separated from the main house, or even a room for the parents at the bottom of the garden. The right answer will depend on your family set-up, budget and the limitations of the house itself, so if possible these should all be looked at before fixing on one way of solving the problem.



**Hot tip:** Make a survey of the local estate agents to get a feel for the values of different properties in your area if you want to work out how much a house alteration will add to the value of your home.

**Table 1 The Most Cost Effective Home Improvements**

Maintenance and redecoration, where they have been neglected.
A garage, where there isn't already one.
Splitting a large room into two decent sized ones.
Combining two very small rooms into one.
Improving access between rooms e.g. Accessing a main bathroom off the landing rather than through a bedroom.
Replacing a poor quality Bathroom or Kitchen with a modest new one
Adding central heating.

**Table 2 Home improvements less likely to cover their costs**

Adding an extension.
Adding a conservatory.
Replacing a bathroom or kitchen where the existing are in reasonable condition.
New double glazing where the existing single glazing is in reasonable condition.
Adding a swimming pool.
Stone cladding.

### Budgeting

Most people have to fund their project either from savings or a mortgage lender, or both. It may be possible to cover some of the costs of the earlier stages such as local authority and architects' fees from day-to-day living expenses, but unless you spread the work out over a long period or do it yourself there will be significant payments to be made to the builders as each stage of the construction is completed. Clearly, the first step in drawing up a budget is to find out how exactly much money you can make available. Many people have equity stored up in the existing house, i.e. their mortgage is a lot less than the sale price of the building. Lenders are usually quite happy to finance extensions and alterations in these cases, provided that the end value of the property is not less than the total money eventually owed to them. At some point they may send in their own valuation surveyor to check this and approve the release of the money. This is not a bad thing because you will get an independent opinion as to how

worthwhile it is to proceed. It is not a good idea to take on a greatly increased mortgage that you will struggle to pay, in order to carry out improvements that add little value to your home. You may end up living beyond your means and very vulnerable to interest rises.

Never take up loan offers from specialist home improvement companies or builders without looking at all the other options and getting alternative advice first. Many of these loans are on far less favourable terms than the high street lenders and should be avoided. If you are in the fortunate position of funding the whole project from savings then you are in more danger than most of going along the wrong track, since you won't have to make a case for what you want to do and persuade anyone to lend you the money. Get some professional advice from someone who understands building projects and is prepared to give unbiased advice rather than just talk you into using their services.

Savings:	Keep some of your own money available in case of an emergency.
Credit Card	Not recommended unless it can be paid back quickly.
Mortgage Increase	The easiest and safest method (could change building society to get a better rate).
Bank Loan	Terms may not be as good as a mortgage, larger amounts will have to be secured i.e. they can take away your house if you don't pay it back.
Builder's scheme	Usually much higher interest rate and less favourable terms than high street lenders. Treat with great caution.
Grants	Disabled. May be eligible if the alterations make life easier for a disabled person (planning and building regulations fees may be waived by the local authority).
Renovation like extra insulation	Local authority schemes that subsidise things.
Conservation/historic buildings	If listed building of note may be funded by English Heritage, more usually by Local Authority for buildings of local interest, usually very small amounts. Will want to control specification and design of elements of the work covered by funding.

Having worked out the maximum amount that you can afford, deduct 10% from it immediately, before you start to think of ways to spend it. This figure is your contingency, or insurance to cover the things that may go wrong or be missed out. There is always pressure for the budget to go up throughout the life of a project and it rarely goes down. Whenever a problem is revealed, either at the design or construction stage, the answer usually involves spending more money. If your first budget assumes that you will spend every penny you have available, this is a plan that threatens to cause financial difficulties later on; or at least create a need to borrow more than you intended. You could face an

unexpectedly reduced quality of life, which may take the shine off your enjoyment of a newly improved home. A good discipline is to prepare a budget sheet, which at the very beginning will have some fairly tenuous guesses on it. It should be constantly monitored and updated as you progress and are able to pin down costs more accurately. This process should be followed all the way until the last day the builders are on site. A common mistake when preparing the budget is to miss off things that are related to the project and will cost money, but are not part of the building process, such as local authority fees and the costs of arranging finance.

<b>Total Budget</b>	<b>£</b>
<b>Minus Estimated Costs:</b>	<b>£</b>
Contingency	At least 10% is recommended at early stages.
Fees for Design to Planning Application Stage	Will vary according to the project size and complexity.
Planning Application Fee to Local Authority	£135.
Planning Appeal Costs (if contentious application)	No fee for making the appeal, but may affect planning consultant's fees.
Fees for Design to Building Regulations Stage	Will vary according to the project size and complexity.
Building Regulations Plans Approval Fee to Local Authority	£150 to £325 typically. Note plus VAT.
Fees for Design Work to Tender Stage	Will vary according to the project size and complexity.
Structural Engineer's Design Work	Typically £200--£300.
Expenses for Design Work, e.g. printing costs, etc.	Typically £30--£50.
Finance Costs	For extension to a mortgage.
Furniture Storage Costs	May be needed if several rooms out of commission.
Insurance Costs, e.g. contents during building work	Can be very low or nothing.
Building Control Inspection Fee	£125 to £790 depending on the size of the project.
Party Wall Surveyor	If a neighbour is affected by the work.
Building Work Cost	An educated guess until tenders are obtained.
New Fitted Kitchen	Usually by specialist rather than the builder.
Architect's Contract Management Fees	May not be needed for smaller projects.
Remedial Work to Neighbour's Property Affected by the Works	May be compelled to do this by Party Wall procedure.
Temporary Accommodation	If the house is uninhabitable during major works.
Landscape, Planting and Surfacing	Can mount up quickly if hard paving or retaining walls.
New Furniture	Most people will want to buy this for the new spaces.
If Kitchen is out of commission for a long period during work, costs of meals out, ready meals, fast food, launderette, etc.	May be the only way to compensate for the loss of this essential facility.
<b>Total Cost</b>	<b>£</b>
<b>Budget Minus Total Cost</b>	<b>£</b>