

# Hiscox Renovations and Extensions Report 2018



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Hiscox Renovations and Extensions Report 2018 draws on insight from 1,200 homeowners, 100 UK-wide estate agents and over 400 local council planning permission records. The study charts changes in renovation trends over the past decade and benchmarks the future intention of homeowners with projects both underway and in planning stages.

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# Foreword

## Home move or home improve?

While for most of us it's our biggest financial asset, our home represents much more than equity tucked away for retirement or a future bequest to loved ones. A home at its very basic level provides shelter and protection but it also speaks volumes about ourselves; our family circumstances; the interests we have; whether we're into ice cool minimalism or the warmth of cosy clutter; even the colours and fabrics we like. A home is our personalities expressed in bricks and mortar, glass and wood, slate and thatch.

Given a home's anchoring role in our lives then, it's no surprise that debates around Britain's housing rarely stray from the headlines as demands for house building to keep pace with a growing population become ever louder. And where homeowners once climbed a well-defined housing ladder to reflect their changing personal circumstances, the shortage of supply and spiralling cost of housing means that journey is no longer as predictable, or for many, as achievable.

### **Stay or start afresh?**

As one of the UK's leading home insurers, we have commissioned this report to take a peek behind more than 1,200 front doors of Britain's homes and find out why we increasingly opt to stay and improve our homes, rather than move and start afresh. And, for those who chose to stay, answer questions such as which home improvements are most popular? How much are we prepared to spend on a renovation or extension project? What can go wrong when we add a new bedroom or revamp a kitchen?

We also spoke to more than 100 estate agents to ask them where they think homeowners should be spending money to maximise returns. While our analysis of fresh planning data from 400 councils further lifted the lid on the nature of the renovation projects homeowners are choosing.

### **Renovate – the preferred option?**

For a growing number of us, staying put and renovating is a more straightforward and economical alternative to moving. But, as our report reveals, there are many pitfalls along the way – budget overspends, project delays, quarrels with the neighbours, insurance issues – that sound a precautionary warning to all those considering renovating their home.

If you're thinking about moving or improving, I hope our report provides you with some useful insight.



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**Steve Langan**  
Hiscox UK CEO  
Hiscox

# Executive summary

## Home improvers on the rise

The number of homeowners choosing to improve their homes rather than move has risen fivefold since 2013, according to our study. In the last five years the numbers are up from 3% of households to 15% – representing more than four million households in the UK today.

Supporting the conclusion that we're becoming a nation of improvers, UK local councils have also seen a near one third (29%) rise in the number of planning permission requests made by homeowners over the last ten years. In many of the UK's renovation hotspots, one in every 30 or so households made a planning application last year.

## Why improve rather than move?

What are the drivers for all this activity? For more than a third (36%) it's about changing personal circumstances but there are also some key external economic factors, not least high property prices mentioned by a quarter (25%) as a reason to stay put. The recent changes in stamp duty are not enough for some with 13% believing the tax is still too much of a barrier to moving house, while the uncertainty of Brexit (8%) and rising interest rates (8%) looms large for some.

## Renovation priorities

The bathroom is revealed as a renovation priority with 54% of homeowners either currently undertaking an update or planning one. The kitchen is not far behind at 51%. When it comes to growth in planning applications, loft extensions lead the way – increasing 114% from 2008 to 2017.

## How much is it all costing?

Today's renovators (those with work underway or in the pipeline) are working to a budget of around £16,100 for each project, although one in five (18%) expect to invest upwards of £25,000. But this may well be more than many intend to spend: two in five (40%) past renovators (those who have completed projects) say they overshot their original budget by an average of 20%; equal to a cost of over £3,200. Overambitious schedules bedevil many a project too, with over a third of past home improvers (35%) experiencing delays in project completion averaging three months.

Adding to overspend and delays, two fifths (40%) of previous renovators said living in the property during the dust and disruption was the biggest test, while the problems of finding the right tradesmen and experts (34%) also featured high on the list of challenges.

## Does staying to improve your home make financial sense?

Our survey of estate agents told us that when it comes to renovating, a new kitchen will typically add 5.5% (or £12,400 based on an average UK house price of £226,071) to a home's value. Over a quarter (28%) believe a new kitchen can lift a home's value by as much as 10%.

The biggest potential hikes in valuation come from extensions, where estate agents say the addition of a new bedroom could boost the average home's value by 11.2% or £25,383.

## Taking an insurance gamble

A word of warning to any would-be home improver – over two thirds (65%) failed to tell their home insurer that they were undertaking a major renovation or extension meaning they could risk being uninsured in the event a project leads to a claim.

The recent changes in stamp duty are not enough for some with 13% believing the tax is still too much of a barrier to moving house.



The bathroom is revealed as a renovation priority with 54% of homeowners either currently undertaking an update or planning one for the future.

# Move or improve

## More of us stay put

### To move or not to move?

If that is the question, the answer for a sizeable minority of homeowners over the last year is not to move, but to spend money improving their existing home. Of course, home renovating is not a new trend but, over the last five years, there has been a fivefold increase in the numbers choosing to invest in their existing property instead of finding a new one. In 2013, this decision was taken by a modest 3% of homeowners and by the end of 2017, this figure had risen to 15%, representing more than four million households in the UK today.

Regionally there is some disparity. Over a quarter (27%) of London homeowners choosing to stay put and renovate in the last year rather than move, compared to only 9% of homeowners in the East of England.

Is staying put to renovate a younger person's game? Perhaps – over a quarter (26%) of millennial homeowners (18-34 year-olds) opted to renovate rather than move in the last 12 months, compared to only 8% of their older (over 55) counterparts.

### Why stay put?

Of those surveyed, more than a third (36%) changing personal circumstances play the biggest part in the decision to stay and improve their home – particularly amongst older homeowners (29% of millennial homeowners versus 43% of over 55s).

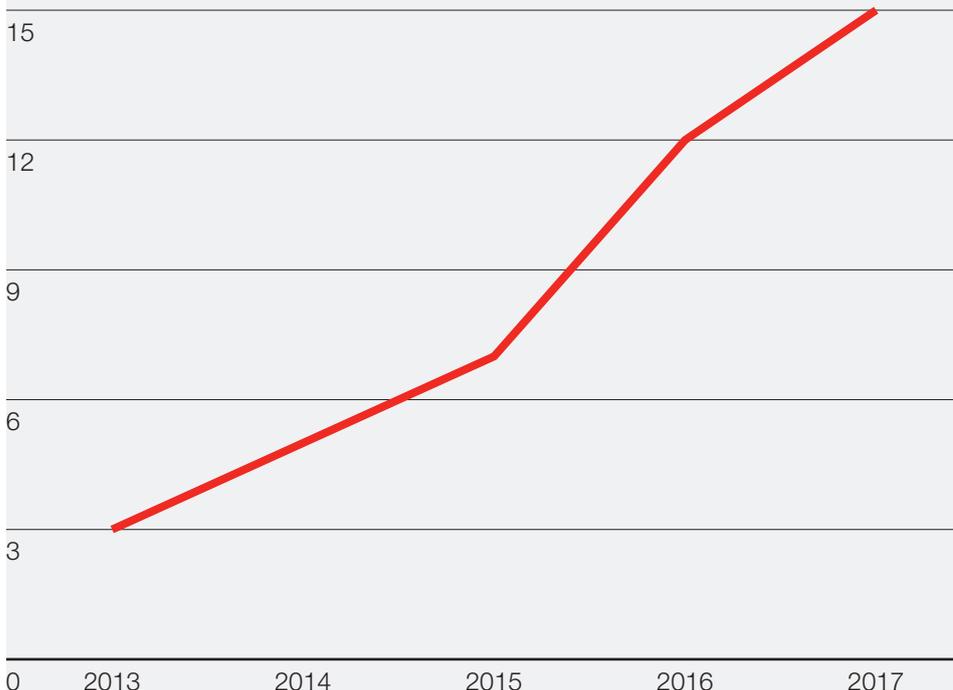
The vagaries of the property market represent the most influential external factor with high property prices mentioned by a quarter (25%) as a reason to stay in their existing home. More than one in ten (13%) also cite stamp duty as making a move too expensive – despite recent government changes intended to stimulate house buying – while the economic uncertainty of Brexit looms large for 8% (and a much higher 18% of millennial homeowners).

Much of the national debate around home moving and the biggest barriers to it has focused on borrowing, but for existing homeowners this appears less of a concern. Just 7% of the homeowners we surveyed said that difficulties in getting a new mortgage drove their decision to stay

put. The mood music from the Bank of England is not so much of a barrier either, with only 8% seeing potential interest rate rises as a disincentive for moving home.

### The 'improve, don't move' five-year trend (%)

Homeowners taking the decision to stay put and renovate, instead of moving



Over a quarter (27%) of London homeowners chose to stay put and renovate last year, rather than move.



## The 'improve don't move' regional breakdown

Homeowners taking the decision to stay put and renovate, instead of moving in 2017 (%)



# Renovation targets

## Bathroom and kitchen lead the way

### We are a nation of renovators – past and present

When it comes to improving our homes, 53% of owners have carried out some sort of renovation project over the last ten years. And this enthusiasm shows no signs of abating with 11% planning renovations over the coming year and 9% currently in the midst of some form of home improvements.

Younger owners are the most active improvers with 17% currently undertaking renovations compared to only 5% of the over 55s.

Regionally, Londoners are the most likely homeowners in the UK to have carried out a renovation project in the past decade at 66%, with 14% currently having more work done – again the highest in the country. For those homeowners planning work in the next 12 months however, the North East leads the way at 17% compared to only 3% of homeowners in Northern Ireland who appear less keen to face the expense and disruption.

### Needs versus wants

Having decided to renovate, there appears, for many, to be a triumph of style over substance with a third (34%) admitting to renovating, not for functional or practical reasons, but primarily to keep up with home fashions and design trends. These style-driven home improvements are most prominent amongst older generations, at 41% of over 55s compared to just 22% of 18-34s.

### The most popular renovation trends – the bathroom shines

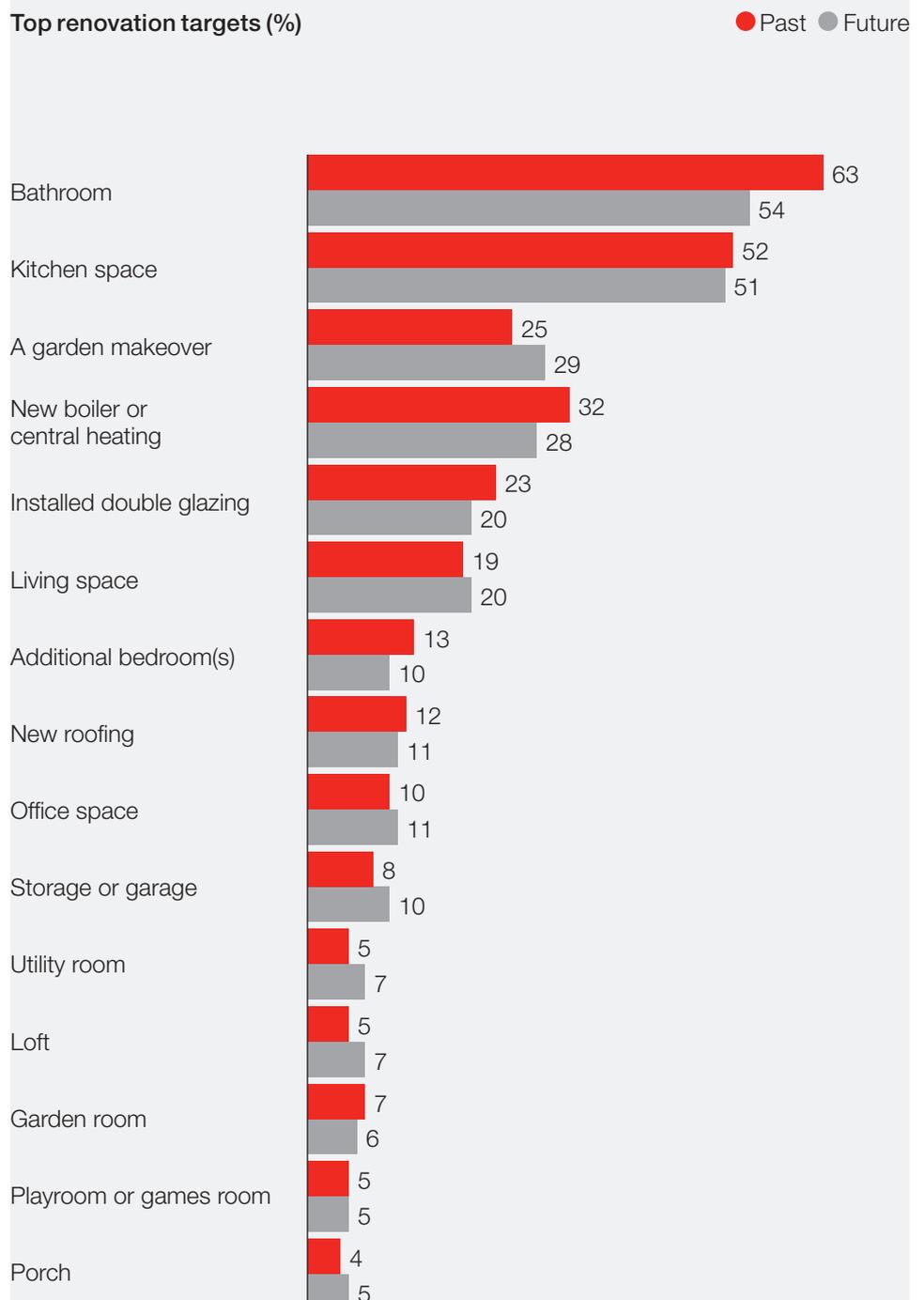
So what part of the home are we most likely to upgrade?

The bathroom is the most likely part of the house to be either added to a property or renovated – with 54% of all current and planned projects featuring some form of bathroom investment. The kitchen comes a close second at 51%, while other notable home improvements underway or at the planning stage include a new boiler or central heating system (28%), and more living space (20%).

While they might still be the most popular, the bathroom and kitchen have both seen a fall as targets for improvement over the past decade. In contrast the ‘Ground Force’ approach is increasing in popularity, with garden makeovers a feature in 25% of past improvements versus 29% of current and planned projects.

On the rise are garden makeovers which have seen the most growth at 29%.

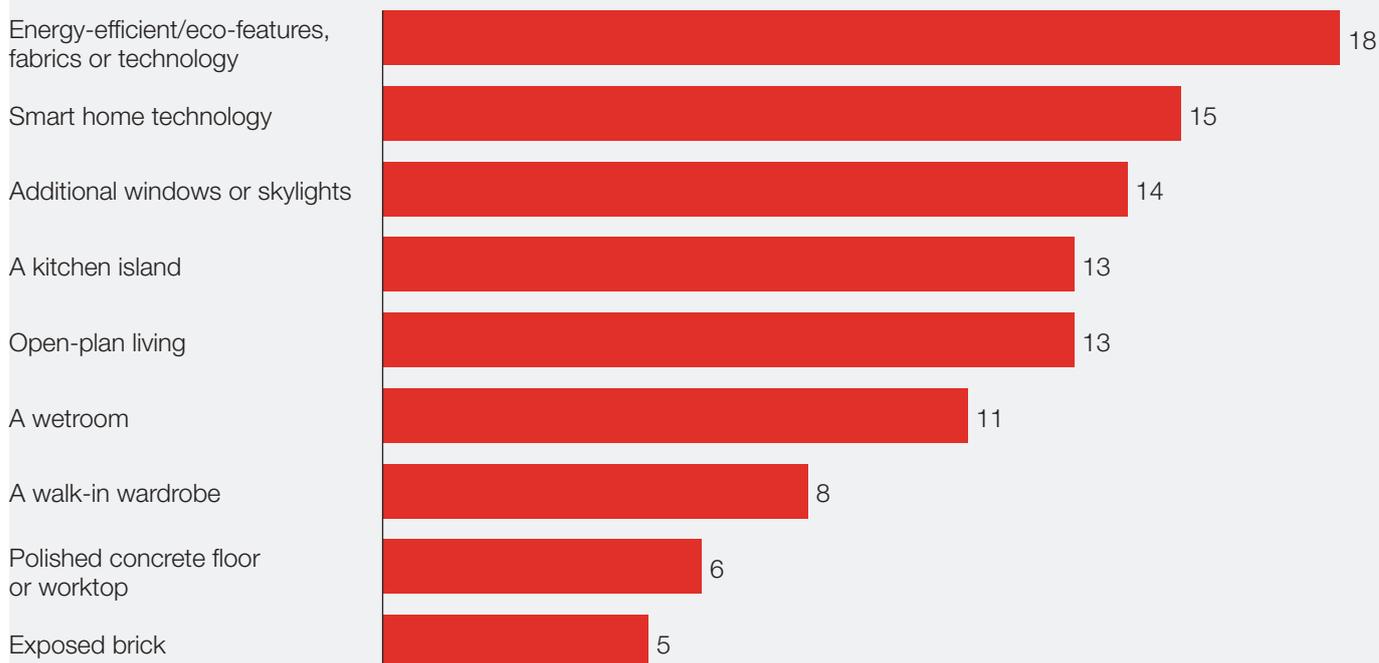
Top renovation targets (%)





## Spotlight on trends

Renovation projects featuring this specific trend (%)



### Going smarter and greener

Of course, undertaking a renovation project means there is an opportunity to bring a home into the 21st century and take advantage of the emerging eco-tech designed to make our homes more efficient and cheaper to run.

When it comes to eco-renovations, and as might be expected, millennials lead the way with 20% of those who are renovating including eco-features, fabric or technology, compared to an average of 18% across the study. One in four (27%) of the same age group is also pioneering the adoption of smart home technology such as thermostats and light bulbs compared to only 10% of 35-54 year-olds and 15% across all age groups.

### Planning for a change

Valuable insight into the most popular renovation trends can also be found from looking at councils' planning permission data. As part of this report, we analysed the data from over 400 local councils.

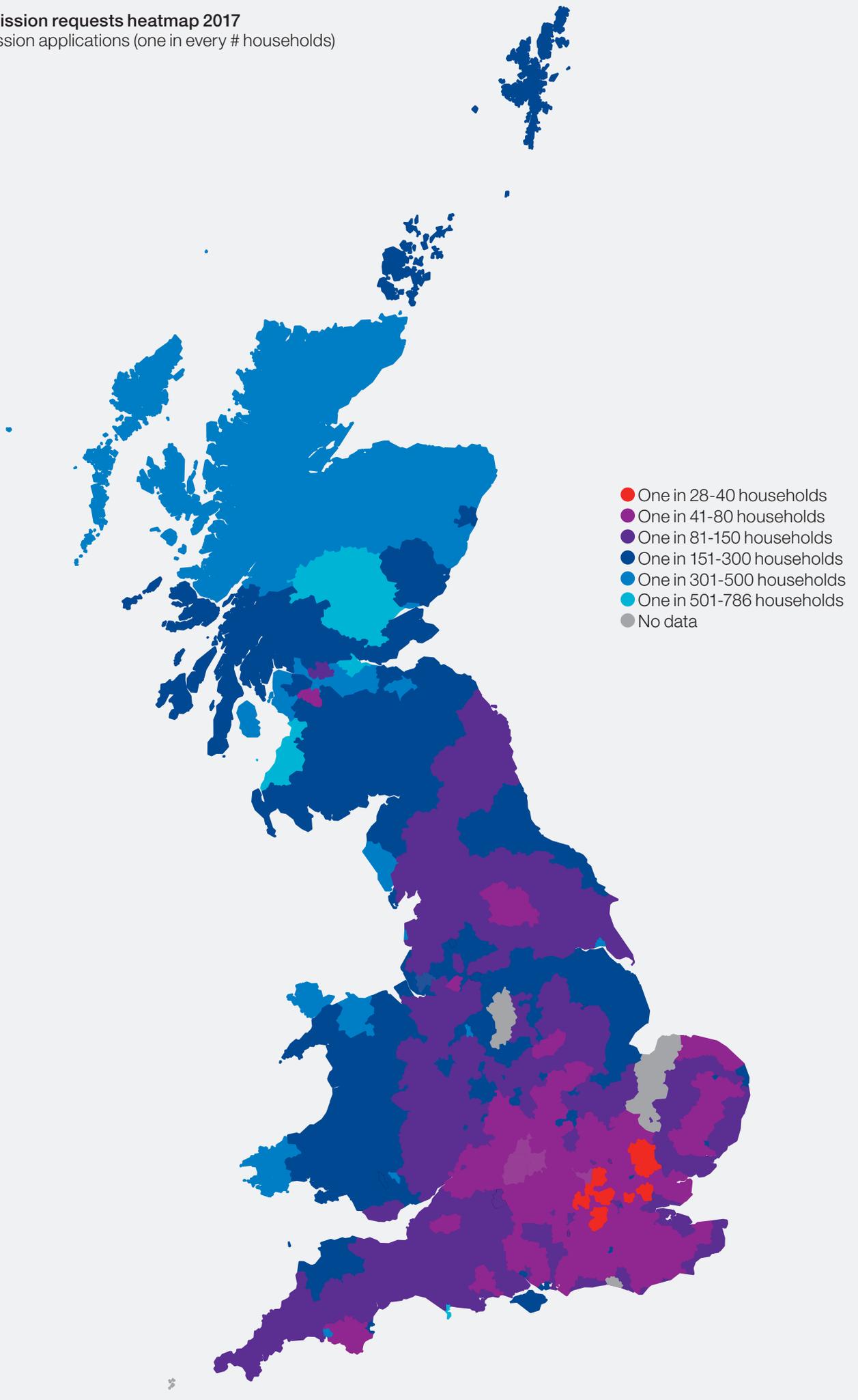
Overall, the last decade has seen a near one third (29%) rise in the number of planning permission requests made in the UK. Loft renovations lead the way with an increase of 114% from 2008 to 2017, closely followed by living room extensions (113%). There has been a steep decline in planning applications for conservatories over ten years (-74%), which may reflect a relaxation of planning laws and greater freedom under permitted development rules as well as conservatories going out of fashion.

Data for 2017 highlights the regional hotspots for planning permission requests as the London boroughs of Redbridge and Harrow, where one in every 28 households made an application. Outside London, St Albans leads the way at one in every 34 of households, then Uttlesford in Essex and Elmbridge in Surrey (both at one in every 35).

Can't face the red tape? Residents of Weymouth and South Ayrshire appear to be the least likely to embark on a major home improvement project with only one in 700 households putting in planning applications in 2017.

Residents of Weymouth and South Ayrshire appear to be the least likely to embark on a major home improvement project.

**Planning permission requests heatmap 2017**  
Planning permission applications (one in every # households)



# Renovation headaches

## From overspend to delays

Accurately budgeting for home renovations is always likely to be one of the biggest challenges. Today's renovators typically set a budget of £16,100 for each renovation project, although one in five (18%) have set aside upwards of £25,000. First-time homeowners set a more modest budget of £10,100 while those who have owned multiple properties expect to invest over double, at £20,300.

### Overspend

Unfortunately, money spent on a project is often more than homeowners intend, with two in five (40%) past renovators admitting they overshot their original budget by an average of 20%; equal to a cost of over £3,200 in today's budgets. Here's where age and experience would seem to pay dividends with only 26% of over 55s going over budget compared to 59% of millennial homeowners.

### We're on another job

Many renovators have experienced the frustrations of waiting for tradesmen to start or even disappearing half way through a job to finish another project. But how do delays such as these impact home renovation and extension schedules?

While today's renovators are allowing an average of five months for their projects (from the time work starts to completion), the experience of past home improvers suggests 35% of projects are likely to overrun, with delays averaging three months. As with controlling the budget, the over 55s were better able to keep delays to a minimum with just 27% saying their project was held up compared to just over a half (53%) of millennials.

## £16,100

The average budget set aside for a renovation project.



## £3,200

The average overspend on a project.



## Three months

The average delay on a project.



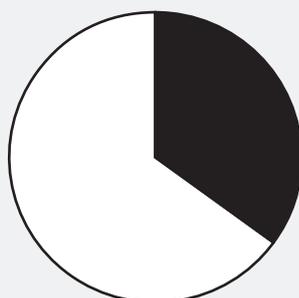
## Five months

The average time allowed by homeowners to complete a renovation project.



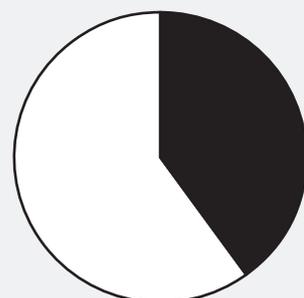
## 35%

The proportion of projects that run behind schedule.



## 40%

The proportion of projects that go over budget.



### The top three challenges

If you're planning a renovation project, it might make sense to investigate alternative accommodation, as two fifths (40%) of past renovators said living in the property during the dust and disruption was their biggest challenge. Not far behind however for the would-be home improver, lurked the problems of finding the right tradesmen and experts (34%) and staying on budget (25%).

### Love thy neighbour

Many of us might spend a great deal of time planning a renovation project – choosing fixtures and fittings, playing with colour swatches and fabrics for example – but, in the interest of neighbourhood harmony, it might pay to look beyond the architect's drawings and consider the wider implications of a project.

Looking at previous renovation projects and those currently underway together, just under one in six (17%) has sparked some form of neighbour dispute. Issues include neighbours officially (through the council) and unofficially (to the homeowner) complaining about the project. And the younger the renovators, the bigger the problem: 46% of millennial homeowners had neighbour issues with their renovations compared to only 10% of the 35s and over.

Londoners seem to have cornered the market in neighbourly disputes with 39% having experienced some sort of complaint in relation to their project. The East of England appears to have more cordial relations with only 9% of homeowners reporting complaints from their neighbours – the lowest rate in the country. Fortunately, few neighbours complain once a project is complete.

### Regrets? We've had a few...

Looking back at a renovation project, what was your biggest regret? For one in five (20%), it was overspending, while 14% regret not moving out. Think you can take on much of the work yourself? Be careful: taking on too much DIY and wielding a paintbrush or shovel proved to be a regret for 12% although employing inexperienced tradesman can be just as difficult, according to 11%.

### Top three challenges (%)



### The architect's view

There's been a generational shift resulting in more and more of us feeling empowered to change our houses rather than move. We need to renovate and improve our aging housing stock and if we can nudge people to make sustainable, as well as spatial improvements, this can only be a good thing. It also means people stay longer in their homes, which is usually beneficial for both community spirit and engagement in local issues.

There is however, a big but. Renovating and extending houses is almost never easy, and should always be tackled with careful professional advice on both design and cost issues. Relying on optimism and a 'back of envelope' cost plan can actually take longer and cost a lot more in the end, so don't rush or cut corners in the planning stages as this is likely to show in the end results.

### Charlie Luxton

Architectural designer, writer and television presenter

Two fifths (40%) of homeowners said living in the property during the dust and disruption was the biggest challenge.



# Renovating for returns

## The view from the estate agent

As well as collecting views from homeowners, we wanted to assess the impact of renovations and extensions on house values from a professional's viewpoint, so we asked more than 100 estate agents from major cities, including London, Bristol, Birmingham, Manchester and Glasgow for their views on monetising a home makeover.

### Cooking up a rising valuation

When it comes to what type of renovation adds the most value, extending a property with the addition of a new bedroom takes the top spot, boosting a typical home's value by 11.2% or £25,383 based on an average UK house price of £226,0713. A loft conversion is only marginally less value adding at 10.8%, while extensions that add a new kitchen-diner boost a home's value by to a similar extent (10.8%). Renovating an existing kitchen space typically adds 5.5% to the price of a property, which is just shy of the 6.0% estate agents expect a new conservatory to deliver.

At the lower end of the spectrum, investment in a new roof is expected to increase a home's value by 3.1%, which is also the estimated impact of all-over basic redecoration. Despite

the popularity of the garden makeover, most agents (99%) believe that homeowners will see less than 5% added to the value of their homes.

One caveat for would-be renovators solely looking to make financial returns on their project: do buyers prefer to do much of the work themselves?

According to the estate agents questioned, 79% of potential buyers would consider a property with large square footage but in need of renovation, whilst 77% would consider a home that is more expensive but does not need any structural or aesthetic work (77%).

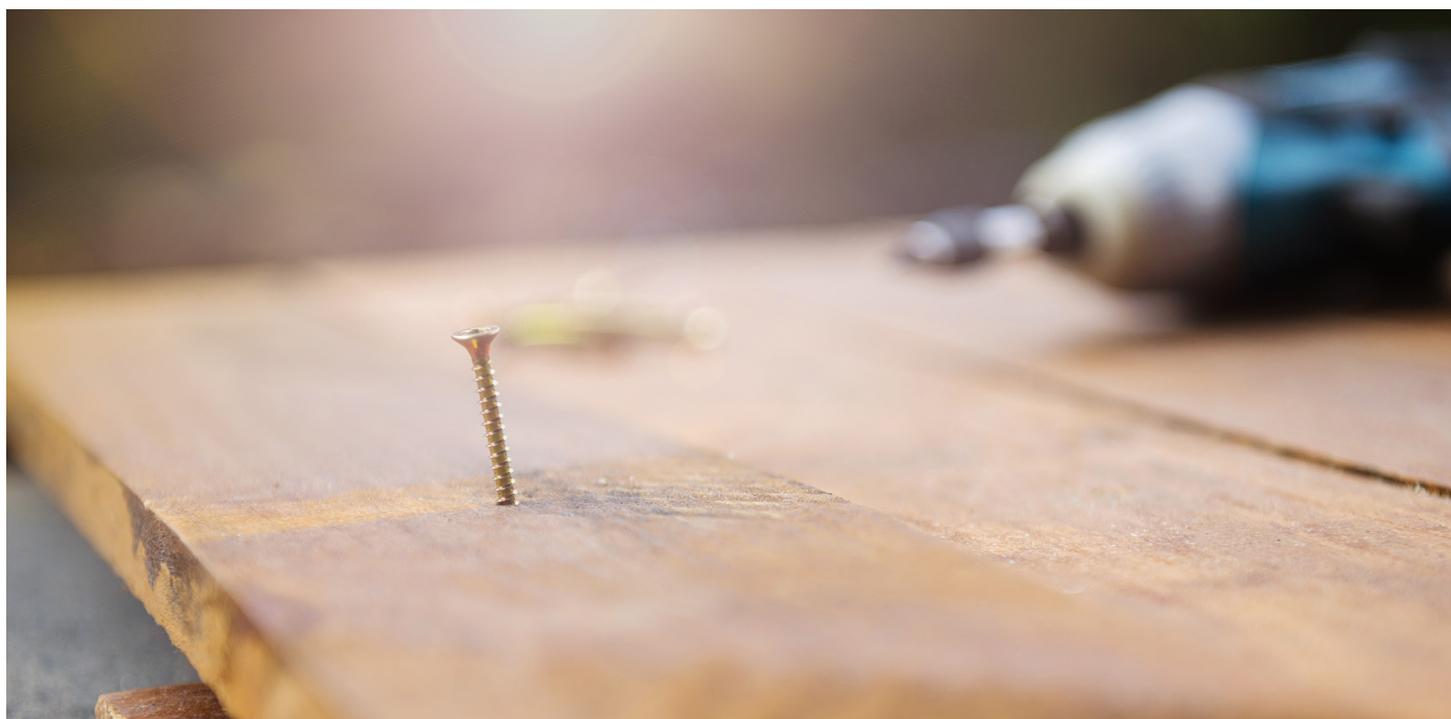
A loft conversion could increase the value of an average home by up to 10.8% (£24,510).

### The estate agent's view

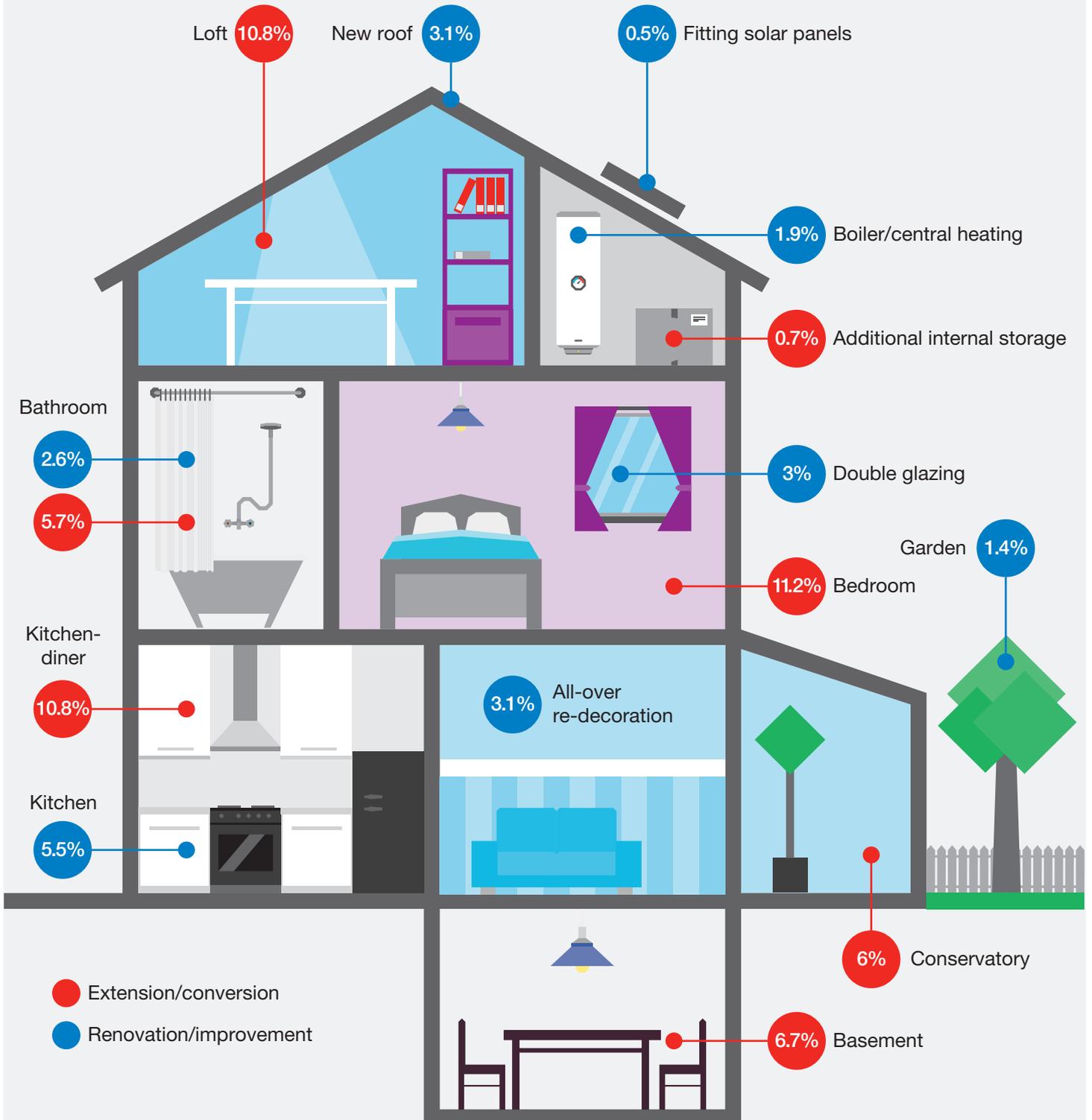
Building work, extensions and even the more cosmetic changes can be costly so it's vital to get these right first time. Maximising value while also keeping a careful eye on expenditure is important, but quality and knowing which enhancements are most likely to draw in a future buyer for the given property type, can also have a big impact on saleability. Re-working the layout of a home to add an extra bedroom for example, might make sense for a small property or a flat, particularly where potential buyers are often young couples. In contrast, family buyers of a four bedroom property might value additional living space far more than an extra bedroom.

It's important that home improvements work for you but bear in mind individual preference might not be suited to all tastes. Keeping the design neutral and opting for practical yet smart fixtures and fittings will allow a would-be buyer to appreciate the work undertaken, but also see how they could make their own personal mark on the property.

**Robin Chatwin,**  
Head of South West London  
Savills



How much will different renovations add to the value of an average home?



# Taking a big risk

## Not informing your home insurer

### Top ten insurance claims for renovation and extension projects

1. Theft of building materials and equipment (e.g. bathroom and kitchen fittings).
2. Escape of water (e.g. burst pipes and water sources connected to the home).
3. Storm damage (damage from storms excluding flooding e.g. high winds).
4. Flooding from ground water (flooding from rainfall/storms).
5. Party wall claims (damage to a neighbour's property where there's a boundary wall e.g. semi-detached homes).
6. Public liability (e.g. guests at your home injured by a tradesmen).
7. Fire (e.g. caused by an amateur electrician).
8. Ground movement (subsidence caused by building works).
9. Accidental damage (e.g. items being dropped by a tradesman).
10. Malicious damage (e.g. vandalism).

As most experienced renovators will attest, home renovations are complex projects with very few going exactly to plan. And when things go wrong, they can cause more than just frustration over delays and overspend. What if structural damage to other parts of the house is caused by a renovation project? What if a builder inadvertently damages a neighbour's property? What if there is a fire or flood on your property as a direct result of the work being done? Any one of these issues could cause major financial pain.

Insurance claims data highlights that over the past three years, theft of materials is the most claimed-for reason by those undertaking major renovations. Escape of water (from a burst pipe for example), is the second-most common reason, while the damage caused by storms completes the top three.

Despite the potential for disaster, many homeowners are unaware that they should notify their home insurer before undertaking any major renovation project, and potentially consider additional insurance cover. Nearly two thirds (65%) of those who've previously renovated or are currently doing so failed to let their home insurer know, meaning they could risk being uninsured if the project leads to a claim. In other words, they would have to pick up the entire cost from a fire, flood or anything else that has hit their property or a neighbour's property as a result of their renovation works.

And who says it's the young who are more likely to take risks? Over a third (34%) of the millennial homeowners we surveyed informed their insurer before work started on their renovation compared to only 10% of the over 55s.

Regionally, homeowners in the South West were least likely to have told their home insurer about their home project with over three quarters (77%) failing to tell their insurer at any stage of the project. In contrast, Londoners (54%) were the most likely to have told their insurers.

Many homeowners are unaware that they should notify their home insurer before undertaking any major renovation project.

### The insurer's view

It's incredibly exciting to improve your home and add value at the same time. The renovation process itself can also be very enjoyable, but that's not always the case if projects run into unexpected delays and issues.

Home improvements carry their own hazards, but many renovators open themselves up to even greater risk by not telling their home insurer before they start, as it can invalidate their cover altogether.

This can be a huge gamble during a period where a home is often insecure, more exposed and generally more at-risk than it would be normally. That could be the potential for storm damage because of an open roof, the theft of building materials or personal possessions, even damage to a neighbour's property. In some cases, such as larger more complex home renovations, insurers may reduce or withdraw cover when work is undertaken, so a separate renovation and extension policy will be needed.

A key misconception is that 'my builder' covers this. Contractors may have elements of cover in place but this can often be patchy due to exclusions – work carried out over a certain height for example, might be excluded, or renovations that involve particular activities like demolition or the application of heat such as blow torches.

Having the right level of cover in place before work begins is so important, as if things do go really wrong, homeowners can rely on their insurer to cover the cost and avoid headaches such as taking legal action against tradesman who cause damage.

Ultimately it's about peace of mind, and knowing that what's likely to be your most valuable asset, is totally taken care of.

### Phil Thorn

Head of Direct Home Insurance  
Hiscox UK & Ireland



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**Report methodology**

Homeowner research was conducted by Opinion Research and based on 2,003 online interviews with UK adults from 15 to 18 December 2017. Survey sample was weighted to reflect a nationally representative audience.

Estate agent insight was collected via telephone survey from 100 UK-based estate agents.

Local council planning permission data was provided by Barbour ABI.

Claims data provided by  
Renovation Insurance Brokers  
[www.renovationinsurancebrokers.co.uk](http://www.renovationinsurancebrokers.co.uk).