

SCAF – Case Study Workshop

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Introduction

- Purpose and scope of the challenge
- Investigate the most cost effective and affordable outcome



Assumptions/Exclusions

Assumptions

- The couple wish to stay in the local area
- Cottage is Grade II listed
- Can sell house within 6 months
- 100% Mortgage
- Mortgage based on both earning
- Options:
 - “Buy”: Buy a new build home
 - “Extension”: Extension to the cottage of one single storey
- Two cars



Constraints

- Cannot build underground the cottage
- Cannot top hat cottage

Exclusions

- Calculations associated with running or relinquishing a car

Estimating Approach

- Team divided into two (Extension/New Buy)
- Data Collection
 - Market Research
 - Search Engines (Data Sources)
 - Professional Advice
- Forecasting
- Comparison of Data
- Data Normalisation
- Realising benefits, dis-benefits and risks of both cases



Data Sources

- Local Estate Agents
- House Pricing Index (HPI)
- Experts:
 - Architect
 - Builders
 - Solicitors
 - Atkins Quantity Surveyors
- Council Planning Office
- Mortgage Experts Search Engine
- Halifax Index
- Energy Experts Website
- www.whatprice.co.uk
- Moneysupermarket.com
- Gocompare.com
- EON
- Nationwide
- Government Planning Portal
- Telegraph
- Ikea Website
- Office of National Statistics (ONS)

New Home

- Fees
 - Legal
 - Estate Agent (1.5%)
 - Stamp Duty? Dependent on price
 - Solicitors fees (Builder have preferred Solicitor)
- Removal costs
- Larger home needed so purchase price higher
- New Build has:
 - Modern windows (i.e. double glazing)
 - Cavity walls
 - Insulated floors and ceilings
 - Plastic pipes
- Softer Issues:
 - Safety
 - Modern Appliances

Extension Notes

- Architect – include planning application to council?
- Builders – what type of extension?
 - 1 storey
 - 3m x 4m (typical bedroom size)
 - Pitched roof
 - Underground / top hat?
- Boiler upgrade required to heat extension?
- Decorators
 - Professional painters
- Increased value of property
 - Average increase for extended houses
- Grade II listed building
 - Increased cost for planning permission
 - Quantity Surveyor required?
 - Increased cost of materials?

Figures – based on Most Likely values

Extension	Cost
Architect	£1,500
Builders	£16,825
Decorators	£500
Planning Permission	£175
Building Regulations	£650
Quantity Surveyor	£350
Cost of Extension	£20,000
Present Mortgage	£215,000
Need to Borrow	£20,000
Total Debt	£235,000

New House	Cost
Solicitors Fees	£900
Removal Costs	£500
Stamp Duty	£2,500
Estate Agent Fees (1.5%)	£4,000
Cost of New House:	£243,000
Minus Equity:	- £8,000
Mortgage Required:	£235,000
Present Mortgage	£215,000
Need to Borrow	£20,000
Total Debt	£235,000

Amount Saving Per Month

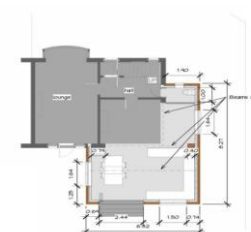
	New House	Cottage with Extension
Repayments	£979.17	£979.17
Utilities	£90	£200
Council Tax	£160	£160



Saving of
New House
over
Extension:

£110 per month

New House Vs. Extension (Over 10 years)



	New House	Extension
Mortgage Repayments (over 10 years)	£117,500	£117,500
Bills (over 10 years)	£30,000	£43,000
TOTAL	£147,500	£160,700
Equity in House after 10 years	£185,849	£198,964
Return on Investment	£38,349	£38,264



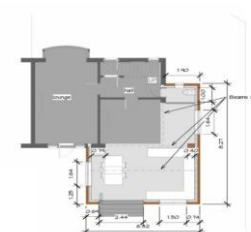
New House Vs. Extension (Over 10 years) NPV



	New House	Extension
Mortgage Repayments (over 10 years)	£101,141	£101,141
Bills (over 10 years)	£25,825	£37,185
TOTAL	£126,964	£138,326
Equity in House after 10 years	£73,790	£86,608
Return on Investment	- £53,174	- £51,718



New House Vs. Extension (Over 25 years) NPV



	New House	Extension
Mortgage Repayments (over 25 years)	£205,408	£205,408
Bills (over 25 years)	£52,445	£75,520
TOTAL	£257,853	£280,945
Equity in House after 25 years	£217,388	£230,587
Return on Investment	-£40,464	- £50,341



Comparisons



Return on Investment

	New House	Extension
Constant cost – over 10 years	£38,349	£38,264
NPV – over 10 years	- £53,174	- £51,718
NPV – over 25 years	- £40,464	- £50,341





Risks in Purchasing a New House

- Being unable to sell the house – potential for bridging loan



Risks in Extending the Cottage

- May not be complete before babies arrive, if so may have to rent/move to hotel while build is ongoing; 9 months is short timescale for a build project
- High risk associated with build work on old buildings – could be hidden costs/delays
- Future energy prices (more impact to older building)



If we had more time...

- Three-point estimating
- Risk quantification
- Affordability
- Different options including:
 - Look into builder buying the cottage
 - Get a better deal on mortgage interest rates
 - Investigate more builders (different rates)
 - Compare different sizes of extension, i.e. one storey vs. two
 - Investigate different types of extension
 - Getting rid of one car



Lessons Learnt

- Don't take data at 'face-value'
- Don't drown in data – you can do a lot with a little
- Complexity isn't necessary
- Process of cost estimating

Thank you for listening

Any questions?