

# Rebuild Costs: What landlords need to know

When you take out landlord insurance, your provider will want to know the rebuild costs of the property to be insured. Here we explain what rebuild costs are, why they're needed and how they're calculated.

## What are rebuild costs?

The rebuild cost of your rental property is the amount it would cost to rebuild if it were destroyed. In addition to the costs of materials and labour, professionals' fees - such as architects and surveyors - should also be included.

Rebuild costs are NOT the same as a property's market value or your council tax band's valuation. The market value is usually higher than the rebuild cost because it includes the land on which the property sits. Land accounts for roughly one-third of a property's market value. Rebuild costs do not include the value of the land because when a building is destroyed, the land is usually unaffected.

## Why do you need to know the rebuild costs?

Insurers need to know how much a building should be insured for, in case it is destroyed and they need to pay out for it to be rebuilt. The rebuild cost directly affects how much your property should be insured for and the amount of insurance premium you need to pay.

As the property owner, the onus is on you to get the rebuild cost figure right. If it's calculated too low then you may be underinsured. This means that if your rental property needs to be rebuilt, you'll have to make up any shortfall between the amount the insurance company pays out and the total rebuild cost. If it's calculated too high, then you could be paying too much for your landlord insurance.



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## How are rebuild costs calculated?

There are two ways you can calculate the figure:

1. Use an online calculator; such as at [www.calculator:bcis.co.uk](http://www.calculator:bcis.co.uk)
2. Hire a professional chartered surveyor [www.rics.org](http://www.rics.org)

Although an online calculator can provide you with an estimate based on the information you provide, a professional chartered surveyor will be able to give you a far more reliable figure. If you make it clear you need a rebuild cost estimate when you instruct your pre-purchase survey, it will be included in the surveyor's report.

## Review regularly

Review the rebuild costs on a regular basis to make sure you always have the right level of insurance cover. This is particularly important if you make any changes to the property - such as building an extension – as it could increase the rebuild costs.

Some insurers use index linking\* (see below) to review the rebuild costs and alter your insurance premium in line with this. Check with your insurer whether this is the case with your policy.

## Online resources

To find a professional chartered surveyor, visit: [www.ricsfirms.com](http://www.ricsfirms.com)

To calculate your estimated rebuild costs online, visit: <http://calculator:bcis.co.uk>

By taking the time now to check the true rebuild costs of your rental property; it'll make it quicker and easier to get a quote for landlord insurance. And by reviewing the costs on a regular basis, you can make sure you've always got the right level of cover.

\*Index linking protects you against underinsurance. At each annual renewal, your insurer will review and increase the building sum insured in accordance with an index linked to inflation. This ensures that you have sufficient insurance to cover the increasing rebuild costs. N.B. Although index linking will keep the insured sums up to date, the initial rebuild costs must be correct from the outset if you want to be certain that you have enough insurance cover.



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