

The cost of building a house

How has the thing we need most become unaffordable?





The Housing Forum

The Housing Forum is the cross-sector membership network for housing and construction committed to a 'Quality Home for All'.

The Housing Forum has 150 member organisations from across the housing sector. Local authorities and housing associations represent around half our membership.

Our members share a determination to drive quality in design, construction and maintenance of UK homes and a commitment to partnership working to deliver affordable housing.

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Our approach

How has the thing we need most become unaffordable?

The Housing Forum is aware of concern across the sector about the rising costs of building new homes. The high inflation seen over the last few years has had a particularly severe effect on construction and is having a long-term impact on costs, with delays and uncertainty in the planning system exacerbating the issue.

We therefore pulled together data from across our membership base – who between them span the whole process of building a house – from manufacturing the component parts, designing it, obtaining planning permission, building it and ultimately selling or managing it. This was sense-checked by a cross-sector working group and refined. It reflects costs in 2024.

The intention is to provide something that helps non-experts and policymakers understand the costs of building a house, and those working in one part of our sector understand more about what affects costs in other parts.

Our approach

A challenge for the analysis is that houses aren't something churned off a production line and placed uniformly onto land. The costs can vary hugely depending on factors such as:

- The work needed on the site to make it ready for new housing.
- The type of housing being built.
- Local availability and costs of materials and labour.
- The costs of planning obligations (including affordable housing) and providing infrastructure to the new housing.

We have therefore split the analysis into three parts:

Part 1:

The 'straightforward house' in the easiest possible setting.

Part 2:

Abnormal costs. Why most houses cost more than this to build and how much they add to the cost of each new home.

Part 3:

Future increases in costs, which we know are coming in the near future.

Land values - One thing we have not looked at is **land values** – this is because the price paid for land will reflect the anticipated build costs and the anticipated price that the housing will sell for. In theory if construction costs increase, then land prices will fall – all else being equal - as developers factor their anticipated costs into what they are willing to bid for land.

However, there are limits to this for two key reasons:

- Building on land that is already owned by housebuilders, councils or housing associations can become unviable if costs rise unexpectedly after it has been purchased.
- Land values cannot fall below zero, and in practice landowners are unlikely to sell land for less than its value for its current use, such as farming. Some land may also have a higher value for another use (such as retail), which will again affect a landowner's inclination to sell. Or they may refuse to sell in the hope of higher prices in the future, especially if policy changes are expected.

This means that **rising costs of housebuilding can stifle supply**; they don't just reduce land prices in all areas.

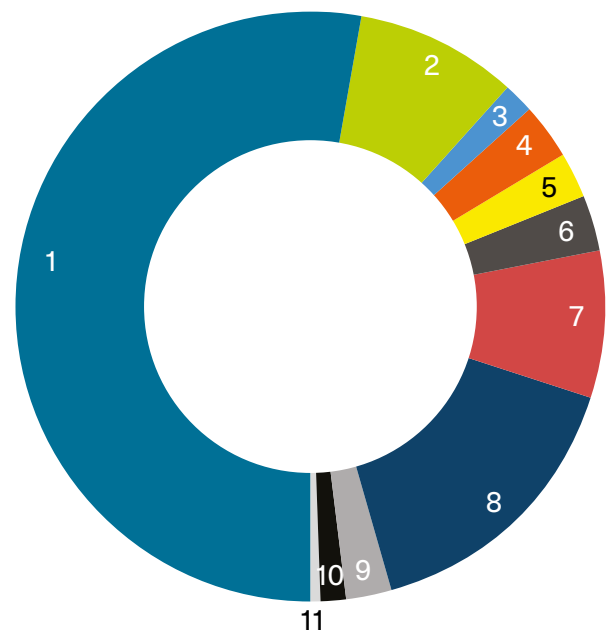
Key findings



- **Construction costs** for an average-sized three-bedroom semi-detached house in the easiest possible setting are estimated at **£133,000**.
- After adding on the costs of external works, planning, professional fees, services and finance costs, the **total cost** of building this house comes to **£202,000**.
- There are a large number of additional 'abnormal' costs to building a house, meaning that a **more typical cost** would be around **£242,000**.
- New environmental and building safety requirements will mean that this **cost will rise to £251,700 in the near future**. These costs are shown in Chart 1 below.
- **In some areas, even with land for free, the costs of building are higher than the housing can be sold for given local market prices.**

Chart 1: Total costs of building a house, including future costs (excluding land values)

1. Total construction costs	133,000
2. External works	£22,000
3. Professional fees	£4,000
4. Contingency	£8,000
5. Sales and marketing	£6,000
6. Finance costs	£8,000
7. Services and utilities	£20,000
8. Typical abnormal costs	£40,000
9. Future Homes Standard	£6,200
10. Other future costs	£3,500
11. Costs of planning application	£1,000
TOTAL	£251,700



Part 1:

The straightforward house



Here we look at the costs of building the ‘straightforward house’ – where conditions are as simple and easy as are ever likely to be found.

Assumptions:

- A three-bedroom, two storey, 90 sq.m semi-detached house.
- In the midlands.
- Traditional build.
- A greenfield site where it is one of 200+ similar new homes.
- No site remediation, abnormal costs or off-site infrastructure costs.
- Built by a large developer with existing reserves or ability to attract low-cost borrowing.
- No onerous S106 conditions.

Firstly, we gathered data on the construction costs themselves:

Table 1: Construction costs of a straightforward house

Cost	Typical cost
Substructure (foundations)	£18,000
Superstructure (the structure of the house itself)	£67,000
Finishes (plaster, paint, etc.)	£18,000
Fittings and furnishings (kitchen, bathroom)	£8,000
Preliminaries and management (tendering for subcontractors and project management undertaken by the developer. (For details see here .)	£22,000
Total	£133,000

It should be noted that the prices quoted by contractors to build houses would usually be higher than this, because they expect to make a profit.

We’ve then added on the additional costs that are needed to design the house, gain planning permission and ensure it is connected to utilities:

Table 2: Total costs of building a straightforward house

Cost	Typical cost
Construction (as shown above in Table 1)	£133,000
Planning application	£1,000
External works (site preparation, roads, drainage, etc.)	£22,000
Professional fees (architect, legal, other specialists) ¹	£4,000
Contingency (to cover unforeseen circumstances)	£8,000
Sales and marketing, including conveyancing	£6,000
Finance costs (borrowing the money, or loss of interest on the capital used to build the house, excluding land costs)	£8,000
Services and utilities (connecting electricity, water, gas & telecoms)	£20,000
Total	£202,000

This would represent a cost of £2,244 per square metre, which is in line with other the lower-end benchmark estimates such as [those from BuildPartner](#).

¹ This figure is based on a volume housebuilding model, where standard house types are used, and there are economies of scale. Professional fees could be much higher than this in many situations.



Part 2:

Abnormal costs: Why do most houses actually cost more than this to build?

What are the 'abnormal' costs?

The 'straightforward house' illustrated in Part 1 would be hard to find. In reality, there are many additional costs that most new housebuilding projects will each incur at least some of, often termed 'abnormal' costs. These include:

Additional costs in obtaining planning permission

- **Additional surveys**, for instance on ecological issues.
- **Reapplying or going to appeal**, if an application is turned down on first instance.
- **S106 negotiations**, especially if these are renegotiated, such as over viability issues.
- **Discharging conditions**, typically £145 per condition, or £293 if one is varied or removed.
- **Monitoring fees**, to ensure conditions are met.

Getting the site ready to build on

- **Remediating the site before building**. This may include demolishing and disposing of current structures, levelling, and decontamination of the land (such as removing asbestos or other hazardous materials).
- **Installation or relocation of footpaths, road junctions, bus stops, traffic lights, etc.**
- **Getting infrastructure to the site itself**. This includes electricity and water supplies, sewage and roads. For a large new site, these can be extensive, for instance if a new motorway junction or a new electricity substation is required.
- **Flood mitigation and improvements to drainage.**
- **Groundworks**, such as topsoil removal, ground gas protection and ground water monitoring or remediation.

Higher than normal costs of building components

- **More expensive superstructure, finishings or roofings**, to meet higher design requirements.
- **Additional depth foundations**, needed if ground conditions are unfavourable or there are drains, trees or other obstructions.

- **Adding retaining walls to sloping sites.**
- **Enhanced radon protection**, required when building in high radon areas.

Higher than normal costs of the construction process

- **Regional variation in labour costs, and costs of getting materials to site.** These are around 25% higher if in London with some other variation too, including higher costs in remote rural areas.
- **Site access.** There can be difficulties with getting machinery onto the site or moving around on it for the construction process. A temporary access road may need to be built.
- **Preserving existing heritage and archaeology.**
- **Reducing or mitigating the impact of construction activity.** This includes work to reduce pollution, noise or vibration. It applies particularly in urban infill sites where there are neighbours nearby.
- **Relocating existing cables or utility supplies.**

Costs of mitigating the impact of the new housing on nature

- **Relocating trees or hedges.**
- **Creating wildlife corridors**, for instance for bats or newts.
- **Nutrient neutrality payments.** These are payments made to offsetting schemes to compensate for any water pollution from the new housing or its occupants.
- **Water neutrality costs or payments.** New housing increases water demand locally. If water is scarce housebuilders may need to add measures to reduce water usage in the homes they build and/or may have to pay water companies to install water saving measures in other properties in the area.
- **Measures to reduce surface water run-off** such as permeable paving and soakaways. This reduces pressure on the local sewage system.
- **Local charges and levies** such as those imposed by councils for building near Special Areas of Conservation, which are used towards conservation.

The costs of building to higher environmental standards

Environmental regulations are driving up the standards of new housebuilding. Sometimes regulations change after a site has been purchased, adding to the costs. In other cases, a decision is taken to build to higher standards than is legally required and this too adds costs. Once mandatory, the costs of meeting these higher standards would instead become part of the basic cost, but if they come into effect after the land was purchased, or are not yet legally required, they would usually be considered as abnormal costs. At present, this would include:

- Heat pumps or other low carbon heat sources.
- Solar panels.
- Increased insulation, eg to Passivhaus standards.

How much do all these abnormal costs add to the cost per dwelling?

Abnormal costs can vary hugely between sites. Data supplied by one of our members found the largest components of these costs related to:

- Off-site water drainage (£16,810 per dwelling).
- Retaining existing walls on a sloping site (£9,990 per dwelling).
- Landscaping of a sloping site (£9,920 per dwelling).
- Upgrading an electric sub-station (£7,250 per dwelling).
- Offsite foul drainage (£6,550 per dwelling).
- Additional plumbing costs (£5,650 per dwelling).
- Air source heat pumps (£5,200 per dwelling).
- Creation of a bat corridor (£4,180 per dwelling).
- Offsite pedestrian crossing and pavement (£3,270 per dwelling).
- Diversion of fibre cables outside site entrance (£2,920 per dwelling).

Their data suggested that abnormal costs **ranged from around £13,000 to £68,000 per dwelling, with £40,000 being a typical figure.**

Other additional costs

In addition to ‘abnormal’ costs, there are also additional costs:

- Building **flats, especially high-rise.**
- Building on **small sites, and/or by SMEs.**
- Paying for **infrastructure and to subsidise affordable housing** which is required to be built.

Additional costs of high-rise flats

Flats are normally costed somewhat differently to houses, with industry estimates for the cost of building flats within a 3-5 storey building around £3,000 per square meter (including an element towards the communal areas and staircases) which would be **£225,000 for a 75m² flat** (the size of a typical two-bedroom flat). As buildings get taller the costs per square meter rise because of the increased costs and difficulties of building at height. Our members estimated that each additional storey (above five) adds around £600 to the cost of *each flat* within the building.

In addition, there are three ‘step change’ heights where an extra storey means that additional building safety requirements come into force. These are:

- **Above 6 storeys** (or 18m) the requirement for a second staircase comes into force, which adds an additional £22,500 to the cost of each flat.
- **Above 20 storeys** an additional booster system is required for services, adding a further £7,500 per flat.
- **Above 35 storeys** a further additional booster system is required for services, adding a further £5,500 per flat.

Taken together, this means a flat in a block of 40 storeys would cost an additional £56,000 (35 additional storeys times £600, plus the £22,500, £7,500 and £5,500 listed above). A more typical sized high-rise block of 18 storeys would incur an additional £30,300 per flat (13 additional storeys times £600, plus the £22,500 for being over six storeys).

Building at height of course gives a lower land price per flat, as the amount of land required does not scale proportionally to the height of the building. However, looking just at the costs of the flats themselves, this gives an estimated build-cost for a 75sqm flat of around **£225,000** for buildings up to six storeys, and up to **£281,500** per flat, for flats in very tall buildings, as shown in Table 3 below:

Table 3: Total costs of building a flat

Costs for building a typical flat	Additional costs for building at height (per flat)	Total cost per flat
Upper estimate (40 storeys)	£56,000	£281,500
Typical estimate (18 storeys)	£30,300	£255,300
Lower estimate (5 or fewer storeys)	£0	£225,000



Paying for infrastructure and affordable housing: S106 obligations and CIL

The Community Infrastructure Levy (CIL) is an additional charge that some local authorities levy on housebuilding, to help pay for local infrastructure. It varies between authorities (and many do not charge it at all) and is typically around £100 per square meter, **or £9,000 for a 90sqm house.**

Section 106 of the Town and Country Planning Act allows councils to oblige those seeking planning permission to contribute to the infrastructure needed for the occupants of the new housing and ensure that it does not impose too much of a strain on existing infrastructure. They are paid on top of CIL and can include:

- Building things on the site itself.
- A financial contribution to improve infrastructure off-site.

Contributions may be sought for:

- Affordable housing (such as social rented housing).
- Community facilities.
- Healthcare facilities.
- Highways and transport.
- Schools.
- Libraries.
- The public realm / open space.
- Public art.
- Play areas (especially when building flats).
- Sports provision.
- Local employment, training and apprenticeships.
- Other types of infrastructure.

The amount that S106 obligations add to the cost of building a house **vary hugely** depending on the requirements for local infrastructure and the strength of the local housing market – local authorities in weaker housing markets are aware that if they impose too high a requirement via S106 then this may affect viability.



Additional costs for small scale developments and SMEs

The costs shown in Part 1 are for a house that is part of a large development. There are economies of scale associated with building a site with over 200 houses smaller developments, and those undertaken by SMEs and small organisations such as Community Land Trusts **can incur some significantly higher costs per dwelling.** For instance:

- The costs of obtaining planning permission are not much less for a smaller site than a larger one, meaning that the costs of up to £11,000 per dwelling are not uncommon on smaller sites.
- Architects' fees can be much higher on a per-dwelling basis for smaller sites or where each house is individually designed.
- The costs of finance can be much higher for smaller organisations who need to borrow money to cover land purchase and the construction costs. The costs incurred in the early stages are particularly problematic, because these can rise rapidly with interest rates if there are delays to the planning process.

For example, one small scheme of ten houses incurred pre-planning costs of £93,202 (£9,320 per house). Borrowing was at 9%, meaning that over the five years that it took to obtain planning, £54,073 in interest built up (£5,407 per house), bringing the total upfront cost to £14,727 per house. It is very hard for SMEs or small community groups to find the money for these costs, which are borne before there is any certainty that the development can go ahead.



Part 3:

Future increases in costs

The figures we have collated here were collected in and prior to 2024. Policy changes coming up are likely to add some additional costs to the cost of building a house:

Biodiversity net gain

Biodiversity net gain (BNG) rules came into force in early 2024 and require new housing developments to ensure a 10% uplift in biodiversity. In some sites, it may be possible to do this onsite through landscaping. In other cases, a housebuilder may need instead to purchase 'credits' which pay others to improve the biodiversity elsewhere to offset the loss of biodiversity on the site being built on (and create a 10% uplift). The costs of meeting BNG requirements are likely to be hugely variable depending on:

- The level of biodiversity on the site before development (or in January 2020 if higher).
- The potential for preserving that biodiversity or introducing new forms of biodiversity onsite – this is likely to be easier for large scale developments that already include landscaping and parks than it is for small sites.
- The cost of purchasing credits, where required. The metric behind BNG calculations and credits is intended to encourage credits to be purchased close to the site that is being developed, meaning costs will vary locally.

The Government expects most credits to be provided via a free market, but is also selling 'statutory' credits, as a back-up option. The rates can be found here: [Statutory biodiversity credit prices - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/statutory-biodiversity-credit-prices) and range from £42,000 per credit (for cropland, grassland, trees, etc) of medium distinctiveness to £650,000 per credit for lakes of high distinctiveness (excluding VAT).

The Government's [Impact Assessment](#) calculated that BNG requirements on greenfield sites would cost an average **£467 per dwelling in London**, and **around £1,000 in other regions**. Brownfield sites are cheaper with an estimate of less than £300 per dwelling in all regions. These figures are based

on an estimated cost per biodiversity credit of £11,000 – substantially lower than the cost of statutory credits being offered by government. This is because the government has deliberately set the price of statutory credits to be uncompetitive, in the hope that private markets will provide the vast majority of credits required. It is too early to establish whether the £11,000 estimate (per biodiversity credit) is reflected in practice, meaning there is currently much uncertainty over these figures.

Some local authorities have already imposed a requirement for an uplift to BNG higher than 10%, which will of course increase costs.

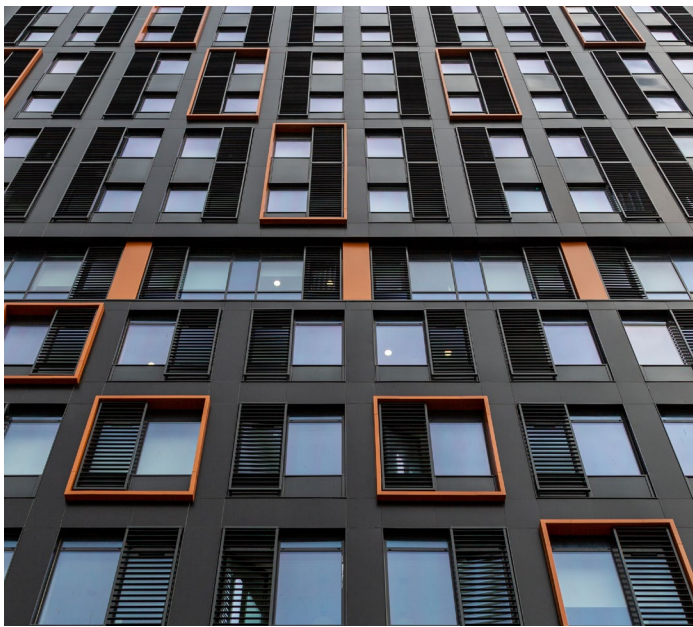
The Future Homes Standard

The government's consultation on the Future Homes Standard closed in March 2024 with the response expected later this year. There are two options being considered – both of require properties to be off-gas, most likely with a heat pump. The government has helpfully [published estimates](#) of the additional costs of the two options under consideration:

- **Option 1** (off-gas, solar panels, mechanical ventilation and greater air tightness): **£6,200**.
- **Option 2** (off-gas): **£1,000**.

It is likely to be towards the end of this year that the Government confirms which of these two options it intends to proceed with, but taking in consideration feedback from Housing Forum members and the wider housing sector, we think that Option 1 is the more likely.

[Industry estimates](#) of the costs of the Future Homes Standard have been made by the construction firm, Baily Garner, which suggest the upfront costs may well be higher than those modelled by Government, though they are cheaper than building to lower standards and then retrofitting at a later date.



Electric vehicle charging

Data from our members suggests that these add an average of around **£1,200** to the costs of a home, though it can vary depending on the type of home (houses or flats) and whether upgrades to the grid are required to provide the electricity. If grid reinforcement costs are above £3,600 per charge point, then the developer can install less charging. The requirement came into effect in 2022, but the data collected for this report relates to sites that had planning permission prior to this, so the costs were not included.

The Building Safety Levy

The government launched a [consultation](#) on a proposed Building Safety Levy in early 2024. The rate of the levy has not yet been set out, but the Government has indicated that they expect it to raise £3bn over 10 years.

If we assume this is based on the Government’s target housebuilding rate at the time of 300,000 homes a year (3m over 10 years), then this would come to around **£1,000 per new home on average.**²

Table 4: The costs of new legislation, per new house

New measure	Cost	Assumptions
Biodiversity net gain	£1,000	Greenfield site, out of London; the £11,000 per biodiversity unit estimate is reflected in practice.
Future Homes Standard	£6,200	Option 1 chosen. Government estimates are reflected in practice.
Electric vehicle charging	£1,200	No upgrade to electricity network required.
Building Safety Levy	£1,000	£3bn raised over 10 years via 3 million new homes.
Water saving incentives surcharge	£300	Paid on 90-95% of new homes, as per Ofwat modelling.
Total	£9,700	

² The Levy will actually be charged on a rate per square meter. There are some exemptions and discounts proposed, but also some non-residential buildings to be included.

³ Developers would pay less than this or receive money back if they add in water-saving measures, but it is likely that these would themselves incur comparable additional costs.

Summary of total costs

Drawing on all the analysis presented above and figures in Tables 1-4, Table 5 below shows the costs of building a house, excluding land values.

Total costs of building a house

Table 5: Total costs of building a house including future costs (excluding land values)

Cost of the most straightforward house	Estimate (2024 rates)
Costs of planning application	£1,000
Total construction costs	£133,000
External works	£22,000
Professional fees (architect, legal, etc)	£4,000
Contingency (to cover unforeseen circumstances)	£8,000
Sales and marketing, including conveyancing	£6,000
Finance costs	£8,000
Services and utilities	£20,000
Total	£202,000
Additional costs, incurred on most developments	Estimate (2024 rates)
Abnormal costs, lower estimate (houses)	£13,000
Abnormal costs, upper estimate (houses)	£68,000
Abnormal costs, typical estimate (houses)	£40,000
Total cost including typical abnormal costs	£242,000
Future costs	
Biodiversity net gain	£1,000
Future Homes Standard	£6,200
Electric vehicle charging	£1,200
Building Safety Levy	£1,000
Water saving incentives surcharge	£300
Total future costs	£9,700
Total current, typical abnormal and future costs	£251,700



Table 6 below shows the costs of building a flat, excluding land values.

Total costs of building a flat

Table 6: Total costs of building a flat including future costs (excluding land values)

Cost of the most straightforward flat	Estimate (2024 rates)
Costs of planning application	£1,000
Total construction costs	£225,000
External works	£18,000
Professional fees (architect, legal, etc)	£4,000
Contingency (to cover unforeseen circumstances)	£8,000
Sales and marketing, including conveyancing	£6,000
Finance costs	£8,000
Services and utilities	£17,000
Total	£287,000
Additional costs, incurred on most developments	Estimate (2024 rates)
Abnormal costs, lower estimate (low rise)	£13,000
Abnormal + height costs, upper estimate (high rise)	£124,500
Abnormal + height costs, typical estimate (flats)	£70,300
Total cost including typical abnormal costs	£357,300
Future costs	
Biodiversity net gain	£200
Future Homes Standard	£6,200
Electric vehicle charging	£1,200
Building Safety Levy	£1,000
Water saving incentives surcharge	£300
Total future costs	£8,900
Total current, typical abnormal and future costs	£366,200



Conclusions

What does this mean for affordable housing?

The figures here highlight the difficulties in building affordable housing without significant subsidy. It is sometimes suggested that councils could build social rented housing without subsidy on land that they already own, or that they could purchase cheaply via Compulsory Purchase Orders. However, the costs gathered here suggest that this will not work in the current economic environment, even if the land is free – **The costs of building a house exceed what could be borrowed against future rental income paid on that house.**

For instance, if a council borrowed £202,000 (the cost of the most straightforward house) at an interest rate of 5%, the interest payments alone would be £194 a week, considerably higher than [the latest data](#) on average social rents for a three-bedroom home of £111 a week or £152 for Affordable Rents. And this is before factoring in any of the costs of managing and maintaining the property, which also needs to be paid for from rents. It has been shown in [recent research by NHF and Shelter](#) that building social housing can still be economically beneficial in the long-term as there are savings in other areas (such as lower benefit expenditure and savings on temporary accommodation and health spending) but this underlines the clear requirement for upfront subsidy.

In strong housing markets, it may be possible to build mixed-tenure developments and sell the market housing for considerably more than the build costs. In these markets, S106 regulations can create cross-subsidy for social housing, even after factoring in land costs. However, in weaker housing markets, the value of newbuild market homes can be no higher than the costs of building those homes. [Data from the Land Registry](#) shows that in August 2023, 60 local authority areas across the UK had an average sales price of newbuild housing at less than £280,000 – around the costs of building that housing with a modest allowance for purchasing the land. This leaves very little potential to provide cross-subsidy for social housing in these areas – meaning cash subsidy is the only way to build social housing.

There is also a particular problem in rural areas, where traditionally a lot of social housing has been provided on Rural Exception Sites. These typically provide around ten new homes, 100% affordable. There tend to be high abnormal costs, few economies of scale, and little or no potential for cross-subsidy from market housing on each site. Given the rising cost of building these homes, and the other wider pressures on housing associations, one of our members told us that in the past two years the appetite to develop these schemes has reduced considerably, while public concern about affordability in these areas – often tourism hotspots – has increased.

Why are costs so high?

A large part of the reason why costs are higher today than they were in the past is that we are building homes to higher standards now than in the past, and new regulations will take these standards further. New homes cost less to heat and are built to more modern specifications than older homes. This is reflected in the price that newbuild homes sell for, which can be [up to 60% more](#) than second-hand homes across Britain, with the biggest difference in the regions where the second-hand prices are lower.

There are many aspects of the costs which we cannot reduce, or which we could reduce but only at a cost to the environment which we probably don't want to pay – such as the additional cost of the Future Homes Standard.

It is also helpful to understand the impact of the costs associated with building new homes on build-out rates of housing for market sale – the high costs associated with building are one factor that drives housebuilders to slow down their construction rates at times of housing market downturn, to ensure they are still selling at a price that covers their costs.

Construction costs for housing have not fallen in the way that have for many other consumer goods in recent years. Modern methods of construction do not currently bring costs down – with costs in 2021 [estimated at £3,000 per m2](#), which would be £270,000 for the 90m2 illustrative house used in this report. Constructing Excellence has estimated that once operating at a larger scale, costs could fall to more like £2,000 per m2 (£180,000 for a 90m2 house), though this is similar to the costs given here for traditional construction methods and there are significant challenges in doing so whilst meeting fast-changing regulations, varied design requirements and an uneven pipeline.

So what do we do about it?

The high costs of building new homes have implications for how we fund new affordable housing. In weaker housing markets, it can be very hard to make the economics of newbuild housing for the affordable housing sector or first-time-buyer market stack up. Allowing developers to build for the upper end of the market, and **letting social landlords use grant to purchase existing homes or focus on regeneration** may therefore be the best way forward in many areas.

There are also some ways that costs could be reduced.

1. Slowness and unpredictability in the planning system causes big upfront costs, increasing the cost of finance, and causing housebuilders to build additional buffers into their business plans to mitigate the risks. To reduce these costs:
 - a. All **local authorities should have an up-to-date Local Plan** that clearly identifies which land is considered suitable for housing, and that gives greater certainty, in particular to SMEs and forms of self-commissioned housing.
 - b. The **planning system and building control should be better resourced** in order that decisions can be made swiftly, reducing risk and the costs of borrowing over protracted periods – this is particularly important now that interest rates are higher.
 - c. Other government departments should **not impose additional burdens on planning** (such as nutrient neutrality requirements) without careful consideration of the consequences for the viability of housebuilding.
 - d. A **stable policy environment** de-risks development, and helps the sector to build according to plans, including for the affordable housing on a site.
2. The costs of borrowing finance form part of the costs of building a house (with additional costs to cover the borrowing for land purchase not included in this report). **Reducing the costs of borrowing for the public sector and SMEs** in particular would help.

3. Some of the abnormal costs could be reduced if we were prepared to accept **compromises** on design standards or landscaping. There are also some costs borne by housebuilders – such as the cost of addressing water pollution or reducing overall water usage – issues which **should instead be addressed by other agencies**. Government should regulate to ensure that they are.
4. Government should ensure that there is both planning and **funding for large-scale infrastructure** needed to support new towns and the more ambitious scale of housing developments needed to fulfil the ambition of 1.5 million homes over the next five years.
5. **Demand stimulus for newbuild homes** (for instance via Help-to-Buy) would help support housebuilding, particularly in areas with weaker markets.

Having taken these steps, there will still be viability challenges for housing in many local and regional markets, and for affordable housing in particular. The government should therefore **ensure sufficient grant funding so that affordable housing is viable** in all areas where it is needed, making use of cross-subsidy from market housing where markets are strong enough to support this.

There are also **steps that industry can take to help bring down costs** – standardising house types, better design, efficiencies in construction, a collaborative approach to partnerships and procurement and better management of supply chains can all help. The housing sector should embrace transparency in costing housebuilding. For instance, architects are better able to design cost-effective buildings if the information on building costs is shared with them.

Other countries are likely to be grappling with many of the same issues around rising construction costs, so it would be useful for government to **commission research into how other countries have dealt with these challenges**, to help identify solutions that might work in the UK.

The Housing Forum hopes that the data presented in this paper helps improve understanding of the costs of building housing, throughout the housing sector and beyond it, and enables effective policy solutions to be found to ensure a quality home for all.

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The Housing Forum Membership

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