

Housebuilders reveal escalating costs and the cost of implementing the revised building regulations

23-Mar-2022

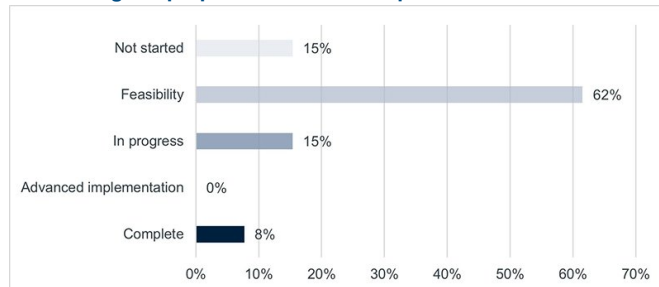
The BCIS Private Housing Construction Price Index (PHCPI) based on housebuilders costs continues to rise at an unprecedented pace, growing by an all-time highest rate of 12.7% on an annual basis and 3.2% on the previous quarter. This is against a background of modest growth in private housing construction output, which shows a 0.1% quarterly increase and 0.8% increase on the 4Q2020.

All respondents to this survey noted an increase in construction costs, with 41% noting increases in the cost of materials, 23% in costs of both materials and labour, and 36% cited an increase in subcontractors' costs.

Respondents expect their costs to continue to rise in the 1st quarter of 2022 by a further 2.7%.

Several housebuilders have highlighted the anticipated cost of meeting the new Building Regulations. BCIS asked housebuilders how advanced their preparations are to meet the requirements of the new Building Regulations and the anticipated cost per dwelling or % increase in unit cost.

Chart: Stage of preparation to meet requirements of the new Building Regulations



Source: PHCPI survey

More than three quarters of respondents to the survey provided an answer to this question, expecting the average cost increase of 5.6% for meeting the new Building Regulations.

Of the respondents, 62% said that they were at the feasibility stage of preparation and expected the impact on their construction costs to range from 2.2% to 10%, with an average uplift in building costs estimated at 6.2%.

15% are in the process of trialling revised specifications to meet new regulations and are expecting an average increase of 3.4%.

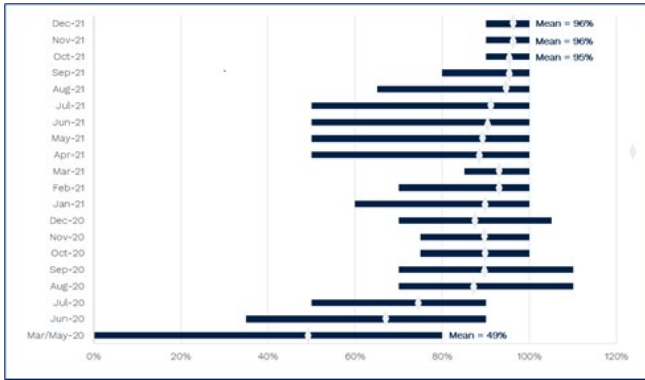
A further 15% are planning to commence a review, with a number waiting for further guidance from the government.

One respondent stated that they are already building to a standard exceeding the requirements of the revised regulations; therefore this is not expected to impact them.

BCIS will continue to monitor the readiness of the industry to meet the new Building Regulations.

Productivity levels when compared to the pre-Covid 19 period nearly reached pre-pandemic levels as presented below. Respondents to this survey expect productivity to further improve, within the 95% to 110% range. This is further supported by the BCIS's TPI panel, where panellists have agreed that the productivity is back to normal, and the industry has emerged stronger and more efficient from the pandemic.

Chart: Current productivity as a % of pre-COVID-19

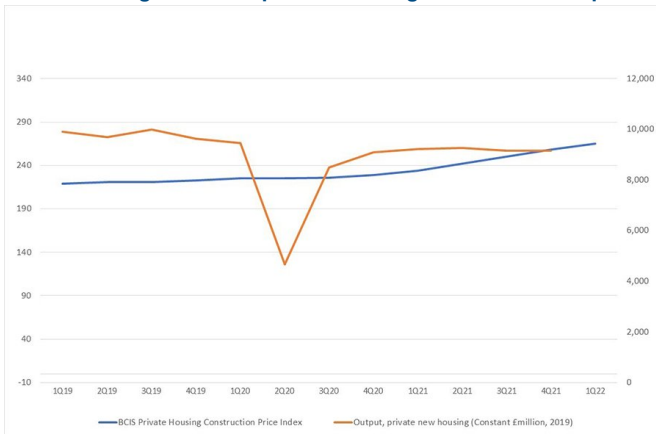


Source: PHCPI survey

With coronavirus restrictions being lifted and productivity levels reported being back to pre-pandemic levels, BCIS will stop tracking productivity as part of this survey.

We would like to thank respondents to this survey for their contribution.

Housebuilding costs and private housing construction output



Sources: Office for National Statistics (ONS), BCIS

The PHCPI is based on housebuilders' costs in constructing a standard house. The index is adjusted for changes in specification and reflects only the movement in the underlying direct costs to housebuilders.

The BCIS PHCPI is published in the BCIS Online service.

If you are a housebuilder and would like to participate in the BCIS PHCPI quarterly survey, please contact data@bcis.co.uk